



Finanšu izlūkošanas dienests

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NATIONAL ML/TF/PF RISK ASSESSMENT 2017–2019 (Executive Summary)

2020

Contents

| | |
|---|----|
| 1. Introduction | 3 |
| 1.1. NRA Necessity | 3 |
| 1.2. Methodology Description and NRA Development Process | 3 |
| 1.3. International Assessment of the Latvian System for Prevention of ML/TF/PF | 4 |
| 2. Assessment | 7 |
| 2.1. Resilience to National ML Risks | 7 |
| 2.2. National ML Threats | 9 |
| 2.3. National ML Vulnerability | 11 |
| 2.4. Sector Assessment | 17 |
| 2.5. Risks of LPs and NGOs | 21 |
| 2.6. TF and PF Risks | 23 |
| 2.7. Future Risks | 24 |
| 2.8. Impact of the Measures Taken in 2020 on the Assessment and Development of National AML/CFT/CFP Strategy | 25 |
| Figures | 29 |
| Abbreviations and Terms | 32 |

1. Introduction

1.1. NRA Necessity

- 1.1.1. Development of the NRA is a significant process that allows recognising and identifying the ML/TF/PF risks and assessing their consequences in a timely manner. Development of the NRA among others facilitates identification, evaluation, and subsequent mitigation of ML/TF/PF risks, and the NRA can be used as a basis for making an AML/CFT/CFP policy.
- 1.1.2. The process of ML/TF/PF risk assessment provides both national and international advantages. The NRA process and subsequent activities include the following:
 - 1.1.2.1. Current effectiveness of the AML/CFT/CFP system is assessed, shortcomings and necessary improvements are defined;
 - 1.1.2.2. Previously undefined threats, vulnerability factors, risks, and their consequences are identified;
 - 1.1.2.3. A strategic analysis is performed, and ML/TF/PF typologies are elaborated;
 - 1.1.2.4. Close mutual cooperation in ML/TF/PF risk reduction among public institutions and other competent institutions is improved;
 - 1.1.2.5. Risk reducing measures and activities, incl. priority activities, as well as a long-term and short-term strategies for improvement of the AML/CFT/CFP system are defined;
 - 1.1.2.6. Understanding of public institutions, private sector, and society of ML/TF/PF risks and their consequences is improved.
- 1.1.3. The NRA development is based on FATF international standards that are binding to Latvia,¹ as well as international laws and regulations.² Necessity of developing the NRA is also determined in the Action Plan.³

1.2. Methodology Description and NRA Development Process

- 1.2.1. In 2019, the FIU in cooperation with the competent institutions developed "Guidelines for development of ML/TF/PF risk assessment",⁴ which describe in detail the NRA process and obligations and rights of the competent institutions, as well as a scenario of NRA result dissemination.
- 1.2.2. According to the Guidelines for development of the ML/TF/PF risk assessment, WB methodology was used for the NRA, and this methodology is based on the principles set in FATF recommendations and elaborated so that it can be used in the countries with different economic and geopolitical situation.⁵ During the NRA development, the WB methodology in certain sections has been adjusted to Latvian requirements by considering both recommendations of international AML/CFT/CFP system evaluators and data availability and the latest tendencies in the field of AML/CFT/CFP in Latvia.
- 1.2.3. The WB's risk assessment model defines the ML and TF risk as a combination of threats and vulnerability, i.e., ML/TF risks are determined by analysing potential threats and vulnerability posed by ML/TF (*Figure No. 1*). Thus, the threat, vulnerability, and risk level of the obliged entities has been rated on the scale of five assessments: low, medium low,

¹ International Standards on AML/CFT/CFP. FATF Recommendations. Available: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

² Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU — Articles 7–8. Available: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018L0843>

³ Cabinet Order No. 653 of 23 December 2019 "Regarding Action Plan for Prevention of Money Laundering and Terrorism and Proliferation Financing for 2020–2022". Available: https://www.mk.gov.lv/sites/default/files/editor/Deklasificetie_dokumenti/dekl_iemplans_11122019_nilltpfn_pr.pdf

⁴ Guidelines for development of money laundering and terrorism and proliferation financing risk assessment. Available: https://www.fid.gov.lv/images/Articles/2019/NRA_Vadlinijas.pdf

⁵ WB, "Risk Assessment Support for Money Laundering/Terrorist Financing", available: <https://www.worldbank.org/en/topic/financialsector/brief/antimoney-laundering-and-combating-the-financing-of-terrorism-risk-assessment-support>

medium, medium high, and high. The higher the risk assessment the higher the probability to be subjected to ML/TF/PF. A simplified explanation of assessments might be as follows:

- 1.2.3.1. Low — possibility of a threat occurrence is low. There are no data that criminals have intended to use this sector, industry, service, etc. for transactions in relation to ML/TF/PF. To use this ML/TF/PF type, complex planning, knowledge and/or higher technical competence are required, compared to other options.
 - 1.2.3.2. Medium low — possibility of a threat occurrence is medium low. Criminals may have a vision of how to use this sector, industry, service, etc. for transactions in relation to ML/TF/PF. To use this ML/TF/PF type, a strategic planning and/or technical knowledge are required, compared to other options.
 - 1.2.3.3. Medium — possibility of a threat occurrence is medium. The ML/TF/PF type may be available and/or implementation thereof is financially acceptable to a potential criminal. The ML/TF/PF type is considered to be moderately available and medium safe. Criminals have the required skills to use this ML/TF/PF type and medium planning level and knowledge are needed. Threats in relation to use of this ML/TF/PF type are notable.
 - 1.2.3.4. Medium high — a possibility of a threat occurrence is medium high. The ML/TF/PF type is available and implementation thereof is financially acceptable to criminals. The ML/TF/PF type is considered to be rather available for criminals. Criminals have the required abilities to use this ML/TF/PF type and medium planning level and knowledge are needed. Threats in relation to use of this ML/TF/PF type are significant.
 - 1.2.3.5. High — a possibility of a threat occurrence is high. The ML/TF/PF type is widely available and/or the use thereof includes comparatively low costs for criminals. The ML/TF/PF type is considered to be available for criminals and/or safe. The ML/TF/PF type can be implemented relatively easy and does not require large planning and knowledge, compared to other options. Threats in relation to use of this ML/TF/PF type are very significant.
- 1.2.4. Considering that, during development of the NRA, FATF initiated agreement of amendments to its Recommendations that were adopted at the plenary meeting in October 2020 and stipulating that PF risks should also be assessed together with the ML and TF risks,⁶ the NRA was complemented with the PF risk assessment. The PF risk assessment will increase both understanding and responsibility of the responsible public institutions regarding the urgent necessity to reduce the PF risks and understanding of the private sector of its participation in correct risk management. Also, according to recommendations of experts from international institutions, enhanced attention in the NRA module “TF and PF risk assessment” is paid to circumvention of international and Latvian national sanctions. Considering the overall principles of the WB methodology, the NRA has also been complemented with an assessment of vulnerability for LPs and NGOs.
 - 1.2.5. For development of the NRA, opinions of each industry’s institutions and experts, as well as a wide range of information and data from the FIU, SCIs, LEAs, MoF, MoJ, MoFA, MoI, and other competent institutions, as well as from obliged entities and other private sector representatives were used. The NRA development included surveys and interinstitutional meetings as well.
 - 1.2.6. The NRA focused on 2017–2019, while certain key events, measures, and results reached in 2020 were also considered.

1.3. International Assessment of the Latvian System for Prevention of ML/TF/PF

⁶ FATF R.1, consultation and interpretative document. Available: <http://www.fatf-gafi.org/publications/financingofproliferation/documents/consultation-recommendation-1.html>

- 1.3.1. During the reporting period, the field of AML/CFT/CFP in Latvia was certainly affected by Moneyval⁷ and FATF ICRG⁸ international assessment process.
- 1.3.2. According to the methodology of the Fifth Round Mutual Evaluation,⁹ the Moneyval Committee of Experts performed an assessment of technical compliance of the Latvian system for AML/CFT/CFP and an effectiveness assessment of the system for AML/CFT/CFP from 30 October to 10 November 2017. In July 2018, at the Moneyval's 56th plenary meeting, the fifth round report on Latvia was adopted.¹⁰ Considering the assessment results, enhanced supervision of Moneyval was applied to Latvia meaning that Latvia had to make significant improvements to the system for AML/CFT/CFP.
- 1.3.3. At the same time, on 16 November 2018, the Latvian government received a letter from the FATF President providing information that, based on results of the Moneyval's report, an FATF ICRG observation period is imposed to Latvia, and, under the ICRG procedure, Latvia in a year should demonstrate a significant progress regarding 10 of 11 immediate outcomes that were assessed as "low" or "moderate" in the Moneyval's report. Also, the Latvian government was informed — in case the progress reached in a year is assessed as insufficient, Latvia will be included in the FATF list of the jurisdictions under increased monitoring¹¹ the financial cooperation is not advised with or the so-called "grey list".
- 1.3.4. By responding to the critical assessment made by the international experts regarding the Latvian system for AML/CFT/CFP, Latvia demonstrated strong political, supervisory, and institutional commitment to fight financial and economic crime. The Latvian government, according to the detailed short-term action plan,¹² commissioned all institutions involved in AML/CFT/CFP,¹³ to provide, guided by the FIU, the process of eliminating the shortcomings and introducing and implementing the recommendations that have been defined in the Moneyval's report, as well as to ensure preparation of the required information and submission thereof to the Moneyval Secretariat and FATF ICRG expert committee.
- 1.3.5. According to the procedure at the end of the follow-up period, Latvia submitted two reports to international institutions:
 - 1.3.5.1. In August 2019, Moneyval Secretariat received a Technical Compliance Progress Report with detailed information of Latvia's achievements for improvement of the regulatory framework to ensure compliance with FATF 40 recommendations that form a solid ground to an effective system for AML/CFT/CFP in the regulatory framework of each country. The Technical Compliance Progress Report was reviewed in December 2019 at Moneyval's plenary meeting. After evaluating the Technical Compliance Progress Report, 7 of 40 FATF technical compliance recommendations were assessed as "compliant" and 33 — as "largely compliant". Thus, Latvia was the first Moneyval member with the system for AML/CFT/CFP assessed as compliant/largely compliant to all 40 FATF recommendations.
 - 1.3.5.2. In November 2019, FATF ICRG experts received a Progress Report on Effectiveness providing detailed information on an effective application of the regulatory framework to fight ML/TF/PF. The Progress Report on Effectiveness was reviewed and approved at a plenary meeting of FATF in February 2020, when the experts acknowledged — as for all 10 immediate outcomes that were previously assessed as "low" or "moderate", Latvia has managed to show positive and tangible results, as well as demonstrated commitment to fight economic and financial crime, thus strengthening the state's security, welfare,

⁷ Moneyval is a permanent supervisory structure of the Council of Europe, and it assesses compliance of certain countries and jurisdictions with the international standards in the field of AML/CFT/CFP, as well as provides recommendations to state institutions regarding the required improvements to their systems. The aim of Moneyval is to improve the ability of a country to combat ML/TF/PF more effectively.

⁸ International Co-operation Review Group (ICRG) — an expert group of FATF that leads the assessment process for the countries with strategic shortcomings to the system for AML/CFT/CFP.

⁹ Rules of Procedure for the 5th Round of Mutual Evaluations by Moneyval Committee of Experts. Available: <https://rm.coe.int/rules-of-procedure-for-the-5th-round-of-mutual-evaluations-/1680996ccf>

¹⁰ Moneyval's Fifth Round Mutual Evaluation Report on Latvia. Available: https://www.fid.gov.lv/images/Downloads/useful/MONEYVAL20188_5th-Round_MER-Latvia_LV.pdf

<https://rm.coe.int/moneyval-2018-8-5th-round-mer-latvia/16808ce61b>

¹¹ FATF list of the countries under enhanced supervision. Available: <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2020.html>

¹² Cabinet Order No. 512 of 11 October 2018 "Regarding Action Plan for Prevention of Money Laundering and Terrorism Financing until 31 December 2019".

¹³ Prime Minister's Order No. 65 of 15 March 2019 "On Working Group" and Cabinet Order No. 360 of 17 July 2019.

sustainability, and reputation; the experts decided not to include Latvia in the so-called "grey list".

- 1.3.6. Thus, the set objective to improve the system for prevention of financial crime and ensure its compliance with international requirements was reached. At the same time, Latvia must further provide regular reports on the progress and outcomes of introducing the AML/CFT/CFP measures. Latvia is to submit the next report at a plenary meeting of Moneyval in 2021.

2. Assessment

2.1. Resilience to National ML Risks

- 2.1.1. During the reporting period, national threats and vulnerability have considerably reduced, mainly in relation to a major decline of a cross-border financial flow from high-risk countries, as well as improved legal framework for prevention of ML/TF/PF, and strengthened capacity of SCIs, FIU, and LEAs. Thus, during the reporting period, there was a positive tendency: the national ML risk level, arising from the interaction of threats and vulnerabilities, considerably reduced, and among others it has been affected by a decline of individual sectoral risk levels (vulnerability in particular) referring also to the most important sector, i.e., the sector of credit institutions.
- 2.1.2. At the beginning of 2020, international experts approved achievements of Latvia regarding improvement of AML/CFT/CFP and implementation of Moneyval recommendations during the reporting period. This evaluation approved that the AML/CFT/CFP policy instruments, that include not only national and international laws and regulations but also sector-oriented domestic provisions correspond to 40 FATF recommendations. At the same time, although the methods included in the legal framework regarding AML/CFT/CFP have been recognised as sufficient, measures to improve the system for prevention of ML/TF/PF are still being continued to avoid current ML risks and ensuring approximation of the regulation's practical application to international standards.
- 2.1.3. The Latvian government and institutions responsible for prevention of ML/TF/PF continue considering the improvement of the financial sector to be a national priority even after receiving a positive international evaluation. The latter is demonstrated by updating the high-level action plans, incl. by assigning additional resources to the competent institutions in order to increase their ability and capacity to prevent and combat ML.
- 2.1.4. Thus, the current Latvia's resilience to¹⁴ the ML risks and ability to manage them can be assessed as high, proved by the positive tendency and indicators of various directions that are related to prevention of ML/TF/PF:
- 2.1.4.1. Mutual cooperation of AML/CFT/CFP competent institutions has been strengthened due to well-structured coordination mechanisms of the national scale by using different interinstitutional cooperation platforms, i.e., CCG that ensures effective cooperation among the FIU, LEAs, SCIs, and obliged entities, cooperation and coordination platform for SCIs, management and expert working groups for LEAs (NCIM), and FSDB. [Figure No. 2.](#)
- 2.1.4.2. Based on international nature of ML risks, the competent institutions in the field of AML/CFT/CFP use not only national cooperation channels but also ensure continuous cooperation with international organisations, e.g., the FIU is a member of Egmont Group¹⁵ and it regularly cooperates with financial intelligence units within IFIT. Also, there are measures to provide, in a fast and effective manner, the SCIs and investigation institutions with an ability of ensuring the largest international cooperation for prevention and combating of ML.
- 2.1.4.3. Additional resources have been granted to all SCIs; thus, quality and frequency of on-site inspections were improved and a full range of preventive sanctions was applied. Methodology materials for the obliged entities to strengthen their ICS were issued.
- 2.1.4.4. Transparency of LPs has been ensured, and 97% of all LLCs, registered in Latvia, have disclosed their BOs within the reporting period. The RoE excluded from the commercial register the persons who in fact did not implement any

¹⁴ Within the context of the national ML risk, flexibility and ability to adapt were assessed for the measures and activities whose aim, both directly and indirectly, is to prevent and combat ML, as well as resilience of the policy instruments (incl. laws and regulations) that justify these measures and their ability to resist the ML threats and vulnerability were assessed. The above-mentioned factors were assessed by using the following principle: the higher resilience and ability to respond, the greater risk reduction at all stages and levels of AML/CFT/CFP.

¹⁵ The Egmont Group is an international organisation of financial intelligence units whose purpose is to promote global cooperation among the relevant units in combating money laundering and terrorism financing. Available: <https://egmontgroup.org/en>

economic activity, as well as initiated a liquidation for the LLCs that have not disclosed their BOs.

- 2.1.4.5. A coordinated and effective action of the competent institutions has ensured decline of a high-risk customer base at credit institutions, i.e., they have terminated business relationship with a significant amount of shell arrangements, as well as other high-risk customers. The next step after the "de-risking", is the implementation and correct use of benefits of a risk-based approach, as well as provision of their services according to ICS that has already been elaborated and is being implemented at a high level for a majority of the credit institutions, and regularly improved.
- 2.1.4.6. The legal status of the FIU has been changed, additional resources have been granted to strengthen abilities of the FIU to perform strategic analysis and financial intelligence, the suspicious transaction reporting system has been significantly changed, and CCG has been established to ensure effective cooperation among the FIU, LEAs, SCIs, and the obliged entities. Methodology materials were developed: typologies for identification of suspicious transactions, guidelines for prevention and combating of ML, risk assessment reports and other reports, as well as various types of training sessions were provided.
- 2.1.4.7. A well-coordinated AML system was created owing to amendments to the legal framework and explanatory guidelines, targeted institutional structure, and additional labour and financial resources. In addition, a deepened permanent training system has been ensured comprising all aspects for prevention of ML. Significant job has been done to form joint understanding of the LEAs, Prosecutor's Office, and courts as for the ML, standards of proof, and the Latvian risk profile that improved commitment to cooperate for common objectives. All the above measures have resulted in a significant increase in the number of full-range ML investigations and prosecutions, as well as in the number of convictions.
- 2.1.4.8. Confiscation of PDC and tools that were planned to be used or were used for the commission of CO, was defined in the key policy documents as a priority; also, significant changes were made to laws and regulations and technical and personnel resources required thereto were determined, resulting in an increased amount of confiscated PDC. A Confiscation Fund has been established, and it is a separate budget program to introduce the required measures for prevention of financial and economic crime and provide assistance to those that have suffered from such COs. To enhance the application of confiscation measures, guidelines and a handbook have been elaborated and training has been implemented. Control over cash movement over the border has been strengthened, thus the number of initiated criminal proceedings in relation to moving falsely declared or non-declared cash over the Latvian border has considerably increased. Additional resources have been granted to the ARO to enhance its abilities of ensuring effective identification and tracking of the PDC, to improve performance of seizure and further confiscation, as well as to assist all LEAs in recovery of the PDC.
- 2.1.4.9. The CL has been complemented with the regulation of COs related to TF, and the mechanisms to fight TF have been strengthened for LEAs, prosecutors, and courts. The composition of the Counter-Terrorism Centre Expert Advisory Council has been expanded. Strategy for Combating TF 2019–2021 was elaborated. In addition, the CFT/CFP guidelines were developed for the obliged entities and SCIs, with an aim of reaching a joint understanding of CFT. A common cooperation and information exchange platform has been established. The Law on International Sanctions and National Sanctions of the Republic of Latvia has been amended providing that targeted financial sanctions are implemented directly, in full, and without delay. The Sanctions Coordination Council has been formed and is operating, and it is the key coordination mechanism which includes public sector, private sector, and NGOs.

- 2.1.5. The above facts, as well as impact of other factors, such as changes to perception of the competent institutions in the field of preventing and combating ML/TF/PF and their willingness and readiness to make improvements, demonstrate Latvia's ability to rapidly recover from challenges by using a crisis as a starting platform for improvement of the financial system, general resilience or ability to resist the identified ML threats and vulnerability, as well as ability to respond to the constantly-changing ML environment, adjust the tools for prevention and combating of ML/TF/PF according to the most current ML risks and tendencies.
- 2.1.6. 2020 was characterised by maturity processes of the Latvian system for AML/CFT/CFP since a discussion on establishment of a well-considered and well-balanced system was initiated, especially after the COVID-19 pandemic when, along with the national resistance, ability to adapt, and effectiveness in a fight against financial crime, also competitiveness of the state and certain sectors, economic activity, and general society's welfare were improved.
- 2.1.7. Although the regulatory framework of Latvia in the field of AML/CFT/CFP has been assessed as sustainable and it contains the required instruments to fight the ML/TF/PF risks, additional attention should be paid to better application of these policy instruments. It is possible to significantly restrict and prevent negative consequences and damage by ensuring well-balanced effectiveness, resilience, and flexibility against the current ML/TF/PF risks not only at the scale of regulatory framework, but also at their practical applicability, i.e., providing high capacity, quality, and professionalism in work of all institutions involved in prevention of ML/TF/PF.

2.2. National ML Threats

- 2.2.1. Latvia's ML risk profile can be divided in two parts. The first of them — a ML risk deriving from the status of the regional financial centre, that was topical during the reporting period. The second — a risk of ML generated by cross-border predicate COs committed in Latvia. Thus, the national threats were also assessed, by examining the two key directions:
 - 2.2.1.1. ML threats in Latvia from foreign predicate (asset flows from abroad) COs, incl. autonomous ML¹⁶ threats;
 - 2.2.1.2. ML threats from national or cross-border¹⁷ predicate COs.
- 2.2.2. At the beginning of 2019, the Latvian government gave up the former objective of positioning Latvia as a regional centre of financial transactions.¹⁸ The former approach attracted considerable transit flows of financial assets, as well as deposits from CIS countries and other high-risk countries and jurisdictions. However, considering the government policy implemented during the reporting period and cancellation of licenses to JSCL "ABLV Bank" and IJSC "PNB Bank", the Latvian financial sector has been transformed (incl. de-risking has been performed) foreseeing that credit institutions refuse servicing the customers of an unreasonably high risk, e.g., shell arrangements. Therefore, the servicing of high-risk customers in the Latvian financial sector and amount of cross-border payments considerably reduced, especially the amount of payments in foreign currencies and payments made by foreign customers from countries of a higher risk reduced. (Figures [No. 3](#) and [No. 4](#))
- 2.2.3. Compared to the previous national ML/TF risk assessment period, Latvia's cross-border financial flows have significantly reduced, and the total amount of the cross-border payments in 2019 slightly exceeded 110 billion EUR. There has been a considerable decline in the amount of the incoming and outgoing cross-border payments in foreign currencies. Respectively, also the potential ML threats arising from the cross-border payments are reducing. A gradual decline of the role of the financial centre is indicated also by a significant drop of Latvian rating in the Global Financial Centres Index —

¹⁶ According to the FATF methodology, stand-alone or autonomous ML refers to the situations when investigation thereof is performed autonomously (only based on Section 195 of the CL), without investigating the predicate criminal offence.

¹⁷ The COs that have been committed both in Latvia and one or several foreign jurisdictions (e.g., smuggling).

¹⁸ Cabinet Order No. 58 of 13 February 2019 "Amendments to Financial Sector Development Plan 2017-2019" — Clause 5. *Latvijas Vēstnesis*, 32, 14.02.2019. Available: <https://likumi.lv/ta/id/304871-grozijumi-finansu-sektora-attistibas-plana-2017-2019-qadam>

in September 2017, Latvia took the 53rd place, while in September 2019, it was in the middle position among the global financial centres taking the 85th place.¹⁹

- 2.2.4. At the same time, it must be considered that the increased risk of ML, corruption, and crime level in the relevant region is posed by servicing permitted foreign shell arrangements,²⁰ whose transactions include an explicit financial asset transit flow²¹ among CIS countries or other high-risk countries. Therefore, the credit institutions must ensure corresponding management of such risks. Also, when such transit flows are ensured by transactions of PI/EMI customers, incl. foreign PI/EMI customers, there is an increased risk, and thus more attention should be paid to due diligence of customers of such PIs/EMIs or credit institutions that service foreign PIs/EMIs.
- 2.2.5. ML risk from a potential foreign predicate CO is posed also by cash smuggling. Although the flow of declared cross-border cash flow, compared to the cross-border flow of non-cash money, does not even reach 1%, the ML threats are increased by potential latency of cash smuggling. (*Figure No. 5*)
- 2.2.6. Most often fraud is identified as a foreign predicate CO, and the identified ML typologies indicate also foreign corruption and misappropriation. Considering that during the reporting period, Latvian laws and regulations have been improved by explicitly stating — to prove ML, it is not required to prove the CO from which the relevant assets are being laundered —, ML is more often identified without a particular predicate CO, especially in ML cases of cross-border financial flow. Therefore, during the reporting period, the number of autonomous ML criminal proceedings that were initiated and transferred for commencement of criminal proceedings, as well as the amount of the confiscated PDC, have considerably increased. Also, the number and complexity of the autonomous ML criminal proceedings that have been transferred for a trial are increasing. Taking into account that the absolute majority of the criminal proceedings initiated during the reporting period has not yet been tried, opinion of a court regarding the proceedings, that include the principle that the particular predicate CO as a source of the proceeds derived from crime is not required to be proved, is to be defined only within the next reporting period.
- 2.2.7. When assessing threats of national predicate CO, it should be noted that the number of the registered COs in Latvia gradually declines starting from 2008, and it continues decreasing also in the reporting period — from 44,250 COs registered in 2017 to 39,906 COs registered in 2019, i.e., ~10% decrease in the reporting period.²² (*Figure No. 6*)
- 2.2.8. At the same time, ML threats can be significantly affected also by the possible level of latent crime. The latency level can fluctuate from several per cents with a particular victim who wants to protect his/her material interests to almost complete latency as for the CO when common interests of the public sector or society are the victim.
- 2.2.9. It should be noted that there was a relatively high proportion of shadow economy during the reporting period (according to various studies, the proportion of the shadow economy of GDP in Latvia was 20% to 25% being one of the potential sources of the PDC). Significant ML threats of the national predicate CO are caused also by tax evasion and corruption, illegal circulation of excise goods and narcotic substances, incl. smuggling, as well as by COs against property, especially fraud, if committed on a large scale.
- 2.2.10. Overall, considering the still reducing level of crime and increasing response of LEAs, Prosecutor's Office, and courts to ML, the ML threats of national predicate COs are slightly diminishing; however, they are still considered as significant since the number of the ML cases transferred for criminal prosecution and tried does not correspond to the number, profile, and possible ML amount of the predicate COs.

¹⁹ Global Financial Centres Index 22, available: <https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/gfci-publications/the-global-financial-centres-index-22/>
Global Financial Centres Index 26, available:

<https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/gfci-publications/global-financial-centres-index-26/>
²⁰ Law On the Prevention of Money Laundering and Terrorism and Proliferation Financing — Section 1, Clause 15.1., Section 21.1. *Latvijas Vēstnesis*, 116, 30.07.2008. Available: <https://likumi.lv/ta/id/178987-noziedzigi-iequtu-lidzeklu-legalizacijas-un-terorisma-un-proliferacijas-finansesanas-noversanas-likums>

²¹ Transit flow — financial assets that are received on accounts of Latvian credit institutions from foreign countries and soon transferred to other foreign countries, especially when such transactions are circular and lack an economic justification of using the account of Latvian credit institutions.

²² MoI IC data.

- 2.2.11. It must be concluded that foreign predicate COs in countries of a high corruption risk and the cross-border asset flow from such countries to Latvia caused higher ML threats than the national predicate COs. It can be predicted that, within the next reporting period for 2020–2022, the cross-border financial flow threats can even out with the threats of national predicate COs.

2.3. National ML Vulnerability

- 2.3.1. Within the context of national vulnerability, the following aspects were assessed: effectiveness of laws and regulations for AML and application thereof, ability of various authorities to identify, investigate, and trial ML, ability to identify cross-border cash flows, sufficiency of information for identification of customers, etc. An evaluation of each national vulnerability criterion is indicated in *Table No. 1.*, assessed from 0.0 to 1.0, where 0.0 is high vulnerability, while 1.0 is low vulnerability.

Table No. 1.

Evaluation of national vulnerability criteria

| National Vulnerability Criterion | NRA 2013–2016 | NRA 2017–2019 | Difference |
|---|------------------|------------------|--------------|
| Quality of AML Policy and Strategy | 0.5 | 1.0 | +0.5 |
| Effectiveness of ML Crime Definition | 0.6 | 0.8 | +0.2 |
| Comprehensiveness of Asset Forfeiture Laws | 0.7 | 0.8 | +0.1 |
| Quality of FIU Intelligence Gathering and Processing | 0.5 | 0.7 | +0.2 |
| Capacity and Resources for Financial Crime Investigations | 0.6 | 0.7 | +0.1 |
| Integrity and Independence of Financial Crime Investigators | 0.6 | 0.6 | 0.0 |
| Capacity and Resources for Financial Crime Prosecutions | 0.5 | 0.6 | +0.1 |
| Integrity and Independence of Financial Crime Prosecutors | 0.6 | 0.7 | +0.1 |
| Capacity and Resources for Judicial Processes | 0.4 | 0.6 | +0.2 |
| Integrity and Independence of Judges | 0.6 | 0.7 | +0.1 |
| Quality of Border Controls | 0.7 | 0.7 | 0.0 |
| Comprehensiveness of Customs Regime on Cash and Similar Instruments | 0.6 | 0.7 | +0.1 |
| Effectiveness of Customs Controls on Cash and Similar Instruments | 0.5 | 0.6 | +0.1 |
| Effectiveness of Domestic Cooperation | 0.4 | 0.7 | +0.3 |
| Effectiveness of International Cooperation | 0.6 | 0.7 | +0.1 |
| Availability of Independent Audit | 0.5 | 0.5 | 0.0 |
| Level of Financial Integrity and Transparency | 0.4 | 0.6 | +0.2 |
| Level of Shadow Economy | 0.6 | 0.6 | 0.0 |
| Effectiveness of Tax Enforcement | 0.5 | 0.6 | +0.1 |
| Availability of Reliable Identification Infrastructure | 0.5 | 0.8 | +0.3 |
| Availability of Independent Information Sources | 0.6 | 0.8 | +0.2 |
| Availability of and Access to BO Information | 0.5 | 0.9 | +0.4 |
| National ML Combating Ability | 0.50 | 0.67 | +0.17 |

- 2.3.2. During the reporting period, almost each national vulnerability criterion (or a criterion for ability to fight ML) has been improved, and the overall ML prevention and combating ability has grown by 0.17 points, i.e. from 0.5 points (medium) in 2013–2016 to 0.67 points (medium high) in this period.
- 2.3.3. Quality of AML/CFT/CFP policy and strategy during the reporting period received the highest evaluation, which can be related to the fact that ML prevention and combating were defined as a priority for the government, LEAs, and as for supervision and control,

and this priority was supported both by changes to laws and regulations and stronger institutional capacity and cooperation. Thus, the initial negative assessment of Latvia by experts of international organisations (Moneyval, FATF ICRG) let Latvia to be the first Moneyval member state whose AML/CFT/CFP system was assessed as compliant or largely compliant with all 40 FATF recommendations both regarding technical compliance and application effectiveness, and thus Latvia avoided inclusion in the “grey list”.

2.3.4. During the reporting period, laws regulating ML and PDC confiscation were continued to be improved, and they were assessed as compliant with the FATF recommendations. The key changes:

2.3.4.1. On 1 August 2017, amendments to the ML definition in the Law on AML/CFT/CFP entered into force, foreseeing that the actions, included in the ML definition, are recognised to be ML also if the person intentionally allowed unlawful acquisition of assets (prior the amendments, such actions were to be recognised as ML if the person knew that the assets were derived from crime).²³ Such amendments ensure a wider subjective scope of ML and include also the person who has some knowledge of the asset origin, and it is sufficient that the person suspects that the assets might be derived from crime, while the person has no specific information that the proceeds are derived from crime.

2.3.4.2. On 9 November 2017, amendments to the Law on AML/CFT/CFP entered into force foreseeing that ML is to be recognised as ML regardless of whether a particular CO from which the proceeds are derived has been established.²⁴ A necessity of incorporating in the law a legal norm that *expressis verbis* stipulates that a predicate CO is not to be proved to prove ML, was explained by an opinion, prevailing still at that time among those applying the norm, to clearly know the predicate CO so that it could be decided whether the person is recognised to be guilty of ML. That significantly narrowed opportunities of Latvia to effectively fight ML. Along with the above-mentioned amendments to the AML/CFT/CFP Law, the principle of the law that the exact CO from which the proceeds are derived is not to be proved to prove the ML was incorporated also in the CPL.²⁵

2.3.4.3. On 1 August 2017 changes to the CL that expanded the options of confiscating a presumably criminally acquired property, incl. against the third persons, entered into force. Also, amendments to the CPL that entered into force on 1 August 2017 and 24 December 2019²⁶ should be noted since they introduced a lower standard of proving the illegal origin of the property and legal presumption of the fact when a property can be recognised to be illegally acquired. According to the above-mentioned amendments, it was determined that the conditions of proving the illegal origin of the property are considered proved if the proving process provides a reason to recognise that the property is most likely obtained illegally rather than lawfully. On the other hand, if the person does not agree with the statement of the person directing the proceedings and states that the property is not considered illegally acquired, this person is obliged to prove lawfulness of origin of the relevant property. Thus, along with the known proving standard “beyond reasonable doubt”, which refers to the persons, there is an additional recognised standard, i.e., “Probability dominance” that refers to unlawful origin of the property.

2.3.5. As for a joint understanding of the ML definition, there are still cases when investigators, prosecutors, and judges do not share common understanding of proving the ML. To prevent such situations, institutions have taken steps to establish a common practice and understanding, including implementation of investigator, prosecutor, and judge training on AML; issue of LEA, FIU, and PGO guidelines for ML investigation; adoption of decision “Regarding Legal Norms on Interpretation of AML” by general assembly of Senators of

²³ Amendments to the Law on the Prevention of Money Laundering and Terrorism Financing. *Latvijas Vēstnesis*, 132, 05.07.2017. Available at: <https://likumi.lv/ta/id/292017-grozijumi-noziedzigi-iegutu-lidzeklu-legalizācijas-un-terorisma-finansēšanas-novēršanas-likuma>

²⁴ Amendments to the Law on the Prevention of Money Laundering and Terrorism Financing. *Latvijas Vēstnesis*, 222, 08.11.2017. Available at: <https://likumi.lv/ta/id/294868-grozijumi-noziedzigi-iegutu-lidzeklu-legalizācijas-un-terorisma-finansēšanas-novēršanas-likuma>

²⁵ Amendments to the Criminal Procedure Law. *Latvijas Vēstnesis*, 132, 04.07.2018. Available at: <https://likumi.lv/ta/id/300107-grozijumi-kriminalprocesa-likuma>

²⁶ Amendments to the Criminal Procedure Law. *Latvijas Vēstnesis*, 132, 05.07.2017. Available at: <https://likumi.lv/ta/id/292018-grozijumi-kriminalprocesa-likuma>

Amendments to the Criminal Procedure Law. *Latvijas Vēstnesis*, 28A, 10.12.2019. Available at: <https://likumi.lv/ta/id/311271-grozijumi-kriminalprocesa-likuma>

Department of Criminal Cases of the Senate of the Supreme Court, etc. At the same time, a part of these preconditions for the common practice and understanding was established only in the middle of 2019, and institutions must continue the measures for improvement of the common legal application practice in the next reporting period.

- 2.3.6. Within the reporting period, also understanding of LEAs, Prosecutor's Office, and court on a necessity to identify and confiscate unlawfully acquired property was considerably improved. This is proved also by the amount of the frozen, seized, and confiscated PDC, mainly within the proceedings regarding criminally acquired property.²⁷ Raising of awareness was also facilitated by training of investigators, prosecutors, and judges and by the issued methodology documents, incl. guidelines of the SP and PGO for recovery of presumably criminally acquired property and a handbook of the MoJ for an action with the property in criminal proceedings.²⁸ Recovery of the PDC was defined also as an operation priority for the LEAs.
- 2.3.7. The range of punishments and coercive measures set forth in the CL for ML is assessed as diverse and extensive, the maximum amount thereof is high to apply a reasonable and preventive punishment in every case or a coercive measure according to the nature and damage of the offence. Sanctions provided for in Section 195 of the CL are reasonable and consistent with the sanctions that are set forth in other sections of the CL. The practice of applying the punishments for ML is often assessed as too mild and disproportional to severity of the CO and amount of the money laundered.
- 2.3.8. During the reporting period, FIU's capacity as for the number and qualification of the staff, as well as regarding the change to investigation practice have considerably been strengthened, which, compared to the previous period, brought a significant amount of the identified, incl. frozen potential PDC. In addition, it should be indicated that during the reporting period, the procedure of reporting suspicious and unusual transactions by the obliged entities was significantly reviewed resulting in changes to two stages. The new procedure considerably changed the former reporting system by keeping the reports on suspicious transactions while the reports on unusual transactions were fully replaced by an obligation to submit threshold declarations. Submission of the threshold declarations does not require the subject of the AML/CFT/CFP Law to make an additional transaction analysis. Obligated entities must submit the threshold declaration only for the transactions that reach a certain sum or threshold. The threshold declarations are used for strategic analyses, while they can also be a key source of information to perform financial intelligence. The new approach also reduced uncertainty of the obliged entities about the differences of these two types of reports and practical action in cases when the transaction complies with the criteria of both suspicious and unusual transaction.
- 2.3.9. The following institutions are authorised to perform investigation in Latvia: SP, SSS, SBG, ISB, CPCB, SRS TCPD, SRS ISO, MP, LPA.²⁹ In exceptional cases, also a prosecutor may be the person directing the proceedings within the investigation stage.³⁰ Investigation of ML is performed according to the competence of predicate CO investigation, incl. when the predicate CO has been committed abroad. During the reporting period, a total of 542 criminal proceedings for ML were initiated and 119 were transferred for the commencement of criminal prosecution. The largest number of criminal proceedings was initiated and transferred for criminal prosecution by the SP (respectively 384/96) and SRS TCPD (respectively 101/21), as well as by the Prosecutor's Office that has commenced 44 criminal proceedings for ML. During the reporting period, other investigation institutions have initiated 13 criminal proceedings; furthermore, the majority of them was initiated in 2019, while 2 criminal proceedings were transferred for criminal prosecution.³¹
- 2.3.10. LEAs generally lack specialised ML investigators. Investigators of predicate COs are authorised and obliged to investigate ML as well. Permanent positions in Unit 1 of

²⁷ Criminal Procedure Law — Chapter 59. *Latvijas Vēstnesis*, 74, 11.05.2005; *Latvijas Republikas Saeimas un MK Ziņotājs*, 11, 09.06.2005 Available: <https://likumi.lv/doc.php?id=107820>

²⁸ Handbook for an Action with the Property in Criminal Proceedings, MoJ, 2019. Available: <https://www.tm.gov.lv/lv/jaunums/izstradata-rokasgramata-ricibai-ar-mantu-kriminalprocesa-0>

²⁹ Criminal Procedure Law — Section 386. *Latvijas Vēstnesis*, 74, 11.05.2005; *Latvijas Republikas Saeimas un MK Ziņotājs*, 11, 09.06.2005 Available: <https://likumi.lv/doc.php?id=107820>

³⁰ Criminal Procedure Law — Section 36, Paragraph three. *Latvijas Vēstnesis*, 74, 11.05.2005; *Latvijas Republikas Saeimas un MK Ziņotājs*, 11, 09.06.2005 Available: <https://likumi.lv/doc.php?id=107820>

³¹ Data of MoI IC DWH, The total number of the ML criminal proceedings that have been transferred to the SP for criminal prosecution also includes the criminal proceedings that have been transferred through the Prosecutor's Office to foreign competent institutions for further investigation and criminal prosecution: 5 in 2017, 7 in 2018 in relation to making statistics of IC DWH for the relevant periods. Four criminal proceedings, sent to the foreign competent institutions in 2019, are not included in the total statistics since IC DWH record-keeping has changed.

MCPD ECD of the SP that investigates ML in the financial sector have been increased during the reporting period, similarly to the positions of ARO that ensures international cooperation in asset identification abroad and provides analytical support in asset recovery. Capacity of LEAs during the reporting period has also been strengthened by implementing a significant amount of trainings.

- 2.3.11. During the reporting period, the institutions have strengthened and continue strengthening their capacity in prevention and combating of ML, as well as in provision of PDC confiscation that is mainly linked with training of the LEAs' staff on ML identification, investigation, analysis, and formation of a common understanding and practice. Participation of investigators and prosecutors in different joint training regarding ML and special confiscation of a property, as well as setting the ML criminal proceedings as a priority have improved and leveraged understanding of the investigators and prosecutors of ML and use of indirect evidence. As a result, the investigators and prosecutors have improved their skills to identify and investigate ML related to different predicate COs and conduct a parallel financial investigation.³² At the same time, the survey of the prosecutors and investigators performed by the FIU still includes negative opinions about sufficiency of investigators' qualification.
- 2.3.12. During the reporting period, investigation capacity and results have considerably improved as for the investigation of foreign predicate COs or autonomous ML criminal proceedings. During the reporting period, awareness of ML cases from national predicate COs was raised by creating a common approach of how to investigate not only predicate COs, but also the related ML and how to implement measures for asset recovery (parallel financial investigation). ML investigations are commenced not only in the traditional fraud and misappropriation cases, but also in relation to illegal movement of narcotic substances and excise goods, living on the avails of prostitution, large-scale theft, etc. At the same time, capacity of LEAs is still considered to be insufficient as for investigation of national predicate COs. In many cases of the national predicate CO, LEAs are still focusing on investigation of the predicate CO and recovery of the PDC, while investigation of ML is initiated in comparatively rare cases.
- 2.3.13. Monitoring of ML investigation and criminal prosecution thereof are implemented by structural units of the Prosecutor's Office within the scope of all court regions (both, structural units of offices at the regional and district level). At the same time, SPPOCOC and PPOIFEC monitor investigation of more complicated ML cases within the jurisdiction of Riga court region and implement the relevant criminal prosecution. During the reporting period, the Prosecutor's Office has taken the measures for SPPOCOC and PPOIFEC to attract well-experienced prosecutors. Also, capacity of Prosecutor's Office has been increased by implementing prosecutor training and issuing methodology materials, and organisational measures have been taken to strengthen the role of prosecutors in rising the quality of ML investigation, i.e., on 28 November 2018, the Prosecutor General issued an order "On Summarising Statistics of Results of ML Investigation Supervision and Pre-Trial Criminal Proceedings" delegating active, priority, and well-timed supervision of ML investigation already from the moment of commencing criminal proceedings or qualifying the offence to be investigated on the basis of Section 195 of the CL. Improved capacity of Prosecutor's Office is proven by an increasing number of ML criminal proceedings that have been transferred for commencement of criminal prosecution: 10 criminal proceedings in 2017, 22 in 2018, and 65 in 2019.³³
- 2.3.14. As for trial of ML cases, it should be indicated that a district (city) court hears all criminal cases as a court of the first instance.³⁴ A case of ML can be assigned to any judge of a district (city) court. Judges as well have improved their knowledge in the field of AML during the reporting period, and there has been an increase in the number of ML cases and the judges hearing them. During the reporting period, convictions have been adopted in 3 cases in 2017, 8 cases in 2018, and 18 cases in 2019. At the same time, it should be noted that the ML cases investigated during the reporting period were relatively simple (those still within the judicial procedure are not assessed). Mainly the "money mules"³⁵ or their recruiters have been prosecuted, as well as the persons that have implemented

³² "Parallel financial investigation" is a financial investigation conducted in parallel with or related to [traditional] criminal investigation of ML/TF, and/or predicate CO. FATF International Standards.

³³ Data of Prosecutor's Office.

³⁴ Criminal Procedure Law — Section 442. *Latvijas Vēstnesis*, 74, 11.05.2005; *Latvijas Republikas Saeimas un MK Zīņotājs*, 11, 09.06.2005 Available: <https://likumi.lv/doc.php?id=107820>

³⁵ Money mule is the person who receives at their bank account and forwards or withdraws PDC as the cash subject to a commission of other persons.

self-laundering.³⁶ The court opinion of the most complicated and large number of ML cases that have been transferred for investigation at the end of this reporting period will be known only in the next reporting period. Also, decision on a necessity of establishing and start of operation of the Court of Economic Cases in 2021 should be considered.

- 2.3.15. When assessing independence and integrity of financial investigators, prosecutors, and judges, it should be noted that the independence of these officials is protected by law and guaranteed by the state.³⁷ However, the assessment of practical aspects of independence and integrity shows that also overall indicators that describe society's attitude towards corruption must be considered. Thus, in the Corruption Perceptions Index by Transparency International, in 2019, Latvia with 56 points hold the 44th position among 180 assessed countries (shared 19th/20th position among EU28).³⁸ The EC's survey "Special Eurobarometer 470 — Corruption Report" (published in December 2017) indicates that only 34% of the interviewed Latvian population, believe corruption is unacceptable. Compared to other EU countries, Latvia takes the last position with the smallest share of the approving answers (11%) when asked of whether efforts of the public administration in a fight against corruption are effective.³⁹ Thus, it can be concluded that the society in Latvia is rather tolerant to corruption and, compared to other EU states, corruption is a rather important part of political and public processes.
- 2.3.16. The situation, from a point of view of political exposure, is characterised also by the OECD report on Latvia dated 10 October 2019 that concludes that the government's open and unreserved comments about the Prosecutor General pose a risk of actual intervention or can be considered a political intervention in work of an independent institution, i.e., Prosecutor's Office, and non-compliance with Article 5 of Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.⁴⁰
- 2.3.17. Qualification of the person directing the proceedings and ability to work according to laws and regulations are important to ensure independence, thus not allowing possible pressure due to lack of knowledge. It should be indicated that a candidate to a prosecutor's and judge's position must have a lawyer's qualification and master's degree in law, as well as certain experience as a lawyer. To become an investigator for the largest LEA, the SP, the candidate must graduate from the State Police College that provides only the 1st level higher education. Therefore, the question of the broad authorities and competence of an investigator within a criminal proceeding becomes more topical when compared to the low qualification requirements set for the investigator.
- 2.3.18. The assessment of domestic and international cooperation allows concluding that, during the reporting period, institutional cooperation in prevention and combating of ML has been considerably improved. In Latvia, there is a leading political coordinating institution, FSDB. The CCG has been established as a private-public partnership model and has reached significant results. NCIM has been created, and it implements a common strategic analysis and definition of priorities of all LEAs as for overall crime combating. Prevention and combating of ML is included in the overall crime combating scope as one of the priorities. Also, laws and regulations for cooperation among LEAs, Prosecutor's Office, and FIU have been improved.⁴¹
- 2.3.19. As for certain cases, the LEAs and Prosecutor's Office are cooperating mainly by exchanging information as it is transferred according to the relevant jurisdiction, as well as performing a joint investigation action. At the same time, united investigation groups of various LEAs and Prosecutor's Office are not being formed, although they would be an effective instrument in combating the organised crime aimed at discovering any scopes

³⁶ Self-laundering — the person, who has committed a predicate CO, launders the property/assets obtained from the relevant CO.

³⁷ Law On Judicial Power. *Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1/2, 14.01.1993.; *Diena*, 9, 15.01.1993. Available at: <https://likumi.lv/ta/id/62847-par-tiesu-varu>

Office of the Prosecutor Law. *Latvijas Vēstnesis*, 65, 02.06.1994. Available: <https://likumi.lv/ta/id/57276-prokuraturas-likums>
Constitutional Court judgment in case No. 2006-12-01 of 20 December 2006. Available: http://www.satv.tiesa.gov.lv/wp-content/uploads/2016/02/2006-12-01_Spriedums.pdf

Law On Police — Sections 22 and 23. *Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 31/32, 15.08.1991.; *Diena*, 126, 05.07.1991. Available: <https://likumi.lv/ta/id/67957-par-policiju/redakcijas-datums/1994/12/24>

Law On the State Revenue Service — Section 20. *Latvijas Vēstnesis*, 105, 11.11.1993; *Latvijas Republikas Saeimas un MK Ziņotājs*, 34, 09.12.1993; *Diena*, 249, 17.11.1993 Available: <https://likumi.lv/doc.php?id=59902>

Criminal Procedure Law — Sections 375 and 396. *Latvijas Vēstnesis*, 74, 11.05.2005; *Latvijas Republikas Saeimas un MK Ziņotājs*, 11, 09.06.2005 Available: <https://likumi.lv/ta/id/107820-kriminalprocesa-likums> etc.

³⁸ "Transparency International" 2019 Corruption Perceptions Index. Available: <https://www.transparency.org/en/cpi/2019/results/table>

³⁹ Special Eurobarometer 470: Corruption. Available at: http://data.europa.eu/euodp/en/data/datASET/S2176_88_2_470_ENG

⁴⁰ OECD Latvia's Phase 3 Report, p. 39–41. Available: <https://www.oecd.org/corruption/anti-bribery/OECD-Latvia-Phase-3-Report-ENG.pdf>

⁴¹ Amendments to the Law on the Prevention of Money Laundering and Terrorism Financing — Section 55. *Latvijas Vēstnesis*, 89, 08.05.2018. Available at: <https://likumi.lv/ta/id/298820-grozijumi-noziedzīgi-iegutu-lidzekļu-legalizācijas-un-terorisma-finansēšanas-novēršanas-likuma>

of activity of an organised group, incl. ML. In certain cases, the LEAs are mainly continuing to work separately by conducting investigation of COs under their competence.

- 2.3.20. There are corresponding laws and regulations in Latvia to exchange information with foreign LEAs, Prosecutor's Office, and courts both within cooperation framework of criminal proceedings and police. Also, upon a foreign request, it is possible to freeze and seize assets, monitor accounts of credit institutions, perform other required investigation and operation activities, incl. in disguise. During the reporting period, Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU was introduced in Latvia.⁴²
- 2.3.21. The FIU, LEAs, and Prosecutor's Office in investigation use possible international cooperation channels that are related to asset recovery and ML identification — Egmont⁴³, FIU.net,⁴⁴ information exchange tools offered by Europol and Interpol, ARO cooperation, CARIN,⁴⁵ AMON,⁴⁶ Eurojust⁴⁷, and EJN.⁴⁸ Also, the SP and SRS TCPD have appointed liaison officers at Europol. There is also a liaison officer of the SP in Great Britain. The liaison officer enhances information exchange and implements organisational activities to ensure practical cooperation. At the SP, the ARO has been significantly strengthened resulting in considerable activity growth. With an increasing number of ML investigations, also the total amount of international cooperation in prevention and combating of ML has risen. At the same time, there are still practical issues to receive information from several foreign countries that encumber and extend investigation. Also, in certain cases, knowledge of LEAs' officials and prosecutors on international cooperation is not sufficient, which prevents correct selection of the international cooperation channels to be used and to use the obtained information at the proving stage.
- 2.3.22. As for the control of cross-border cash flows, it must be noted that during the reporting period, laws and regulations have been improved, incl. the CL and law "On Declaration of Cash at the State Border", as well the measures have been implemented for the SBG to be able to seize the cash in case of smuggling so that it could be handed over to competent authorities. Capacity of SRS TCPD has also been strengthened. Therefore, the SRS TCPD in 2019 was able to identify considerably more cases when cash was not declared or was falsely declared and to initiate criminal proceedings both for ML and evasion of cash declaring. At the same time, it should be noted that the cases of seizing undeclared or falsely declared cash have mainly been related to air transport, rather than road and sea traffic, that points to the current latency of such offences in air transportation and potential latency in road and sea traffic being one of the main channels for smuggling narcotic substances and excise goods. Stronger monitoring should be continued after the changes to laws and regulations that allow requesting submission of a cash declaration on internal borders of the EU. The significant number of cash declarations and amount on external EU borders demonstrate that cash movement routes inside the EU must be assessed and regulated; at customs control points on external EU borders, a total of 51 billion EUR have been declared in 2018.⁴⁹ Also, in 2015 already, Europol in its research indicated that, despite increasing non-cash money payments and decreasing cash payments, amount of euro banknotes and coins every year grows faster than inflation, assuming that criminal activities are the cause thereof.⁵⁰ Also, during the reporting period, the euro amount in circulation has increased by an average of 5% per year or 164 billion EUR in three years.
- 2.3.23. Availability of independent financial report audit, effective tax administration, and financial integrity in the context of ML prevention provide an access of the FIU and LEAs to reliable financial information. During the reporting period, measures for provision on

⁴² Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (Text with EEA relevance). Available: <https://eur-lex.europa.eu/eli/dir/2018/843/oj?locale=EN>

⁴³ Egmont Group, information exchange network of Financial Intelligence Units. Available: <https://egmontgroup.org/en/content/about>

⁴⁴ EU information exchange network of Financial Intelligence Units. Available: <https://www.europol.europa.eu/about-europol/financial-intelligence-units-fiu-net>

⁴⁵ Camden Asset Recovery Inter-Agency Network (CARIN). Available: <https://www.europol.europa.eu/publications-documents/camden-asset-recovery-inter-agency-network-carin-manual>

⁴⁶ International Anti-Money Laundering Operational Network (AMON). Available: <https://www.europol.europa.eu/newsroom/news/international-anti-money-laundering-operational-network-amon-launched>

⁴⁷ European Union Agency for Criminal Justice Cooperation (Eurojust). Available: https://europa.eu/european-union/about-eu/agencies/eurojust_en

⁴⁸ European Judicial Network (EJN), https://www.ejn-crimjust.europa.eu/ejn/EJN_Home.aspx

⁴⁹ EU Customs Union, "Facts and Figures". Available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/facts_figures_en.pdf

⁵⁰ Europol, "Why is Cash still a King?", p. 6. Available: <https://www.europol.europa.eu/publications-documents/why-cash-still-king-strategic-report-use-of-cash-criminal-groups-facilitator-for-money-laundering>

such information availability were taken, incl. all LEAs have access to SRS information online; however, at the same time, the access number is insufficient and other restrictions are in place. The assessment of reliability of such available information is significantly affected by the relatively high shadow economy. The Latvian society is still very tolerant towards non-payment of taxes. The survey conducted in December of 2017 demonstrates that 43% of the society would suggest receiving an "envelope salary" to a friend or family member to increase their income.⁵¹ According to the SRS data,⁵² the society's opinion to agree that partial non-payment of taxes is justifiable in 2019 remained at the level which is similar to the previous years when 37% agreed thereto.⁵³

- 2.3.24. A qualitative and independent financial report audit promotes financial transparency and ensures access of the FIU and LEAs to trustful accounting and financial documents, as well as reduces vulnerability of companies and institutions against financial crimes. Compliance of the auditor service with the Law on Audit Services, international audit standards recognised in Latvia, as well as internal quality control systems, including an obligation of sworn auditors to disclose in writing any (potential or existing) conflict of interest and acknowledge their independence, should be indicated as the factors that increase the assessment. Also, the audit service quality control that is performed by MoF and LACA is assessed positively, and the requirements for an audit of annual reports and consolidated annual reports of public-interest entities are assessed positively. At the same time, there is a factor which diminishes the evaluation — there is no obligation to indicate the payment for receipt of annual reports and consolidated annual report audit services, except for the companies that, according to the Law on the Annual Financial Statements and Consolidated Financial Statements, are defined as large companies.
- 2.3.25. During the reporting period, accessibility of information has been improved to both LEAs and obliged entities so that they can enforce their functions in the field of AML/CFT/CFP. Among others, it is important to emphasise establishment of an account register in 2017, as well as disclosure of public registers kept by the RoE and provision of accessibility of information on a BO. The surveys allow concluding that obliged entities and LEAs overall assess the Latvian identification infrastructure as reliable and secure, at the same time indicating that a part of the information to verify customer information is available for a charge or the information systems containing the necessary information are mutually incompatible, which is a burden to the obliged entities in fulfilment of their obligations set by the state, as well as there could be improvements to ensure better publicly available data bases. It is important to note that the measures as for creation of a common state information system or improvement of such system connector must be continued so that the required information would be available in a single place by using common solutions. Also, obliged entities in the surveys, developed for a purpose of the NRA, have several times indicated that there are no official public registers in the EU/EEA and outside them to establish BOs and to verify conformity of the information provided by a customer who is an LP registered abroad.

2.4. Sector Assessment

- 2.4.1. An integral part of the ML risk assessment is formed by a sector assessment of obliged entities. During the reporting period, the sector risks overall reduced, while the total assessment of sectoral vulnerability has remained medium high compared to the previous ML/TF/PF risk assessment. Preservation of the medium high sectoral vulnerability evaluation can be related to assignment of more informed and data-based values compared to the previous assessment, taking into account both the evaluation of the sectors given within the EC's Supranational Risk Assessment (considerably high during the reporting period) and the established factors which increase the vulnerability of certain sectors. The evaluation of each sector's risk, vulnerability, and threats is indicated in *Table No. 2*.

Table No. 2.

Sectoral risk assessment values

| Sector | ML threats 2017–2019 | ML vulnerability 2017–2019 | ML risk 2017–2019 |
|--------|-------------------------|-------------------------------|----------------------|
|--------|-------------------------|-------------------------------|----------------------|

⁵¹ Marketing and public opinion research centre "SKDS", "Public Opinion Research of Financial and Tax Policy", p. 24. Available: http://petijumi.mk.gov.lv/sites/default/files/title_file/FM_12.2017_Sabiedriskas_domas_petijums_par_finansu_un_nodoklu_politiku.pdf

⁵² SRS, "Public Report 2019", p. 8. Available: https://www.vid.gov.lv/sites/default/files/publiskais_parskats_2019_02_06_2020.pdf

⁵³ Marketing and public opinion research centre "SKDS", "Public Opinion Research of Financial and Tax Policy", p. 22.

| | | | |
|---|-------------|-------------|-------------|
| Credit institutions | Medium high | Medium | Medium high |
| External accountants | Medium | Medium high | Medium high |
| IFs/IMCs | Medium | Medium high | Medium high |
| Organisers of lottery and gambling | Medium | Medium high | Medium high |
| TCSPs | Medium | Medium high | Medium high |
| Independent providers of legal services | Medium | Medium high | Medium high |
| Persons who act as agents or intermediaries in transactions with immovable property | Medium | Medium high | Medium high |
| Tax advisers | Medium | Medium high | Medium high |
| PIs/EMIs | Medium | Medium high | Medium high |
| Currency exchange capital companies | Medium | Medium high | Medium high |
| Financial consultants | Medium | Medium | Medium |
| Cash-in-transit service providers | Medium | Medium | Medium |
| Sworn advocates | Medium | Medium | Medium |
| Sworn auditors | Medium | Medium | Medium |
| Virtual currency service providers | Medium | Medium | Medium |
| Traders of precious metals, precious stones, their products | Medium | Medium low | Medium |
| Sellers of vehicle, other goods and services | Medium | Medium low | Medium |
| Crediting, incl. leasing service providers | Medium low | Medium | Medium |
| Licensed consumer creditors | Medium low | Medium | Medium |
| Traders of cultural monuments | Medium low | Medium low | Medium low |
| Movement of art and antiquities | Medium low | Medium low | Medium low |
| Debt collection service providers | Medium low | Medium low | Medium low |
| Sworn notaries | Medium low | Medium low | Medium low |
| Managers of alternative investment funds | Low | Medium low | Medium low |
| Corporate loan and saving companies | Low | Medium low | Medium low |
| Life insurance service providers | Low | Low | Low |
| Private pension funds | Low | Low | Low |

- 2.4.2. The main ML threats for the sectors are related to COs that generate or use non-cash money, e.g. tax evasion, corruption, and threats of foreign predicate COs in the form of cross-border payments. At the same time, also the COs generating cash, incl. illegal movement of narcotic substances and excise goods and both, declared and undeclared cash that has been brought over the border, cause threats to the sectors since offenders are forced to hide the origin of the PDC and inject them into the financial system.
- 2.4.3. During the reporting period, the overall capacity of SCIs was significantly strengthened. However, it must be recognised that sectoral vulnerability is related to a different approach of supervision and certain SCIs still lack the capacity in the sectors where supervision has been launched recently. Also, the slow transfer of supervision best practice to the sectors with a lower level of experience is to be considered. The ICSs, implemented by obliged entities for prevention of ML/TF/PF, in certain sectors are not effective enough for identification and reporting of suspicious transactions that would allow preventing the potential ML.
- 2.4.4. In the context of the sector assessment, it is important to emphasise the financial sectors, which have higher ML risks than the non-financial sectors. Special attention should be paid to the credit institutions sector that has faced the greatest changes, significantly affecting other sectors as well.
- 2.4.5. During the reporting period, the total number of credit institutions in Latvian market continued decreasing. This is characterised both by decisions of the credit institutions regarding a change to the business operations and by decisions of SCIs regarding termination of activity and cancellation of a licence of credit institutions (JSCL "ABLV Bank", IJSC "PNB banka"). It should be noted that many possible ML cases are being established in credit institutions in liquidation.
- 2.4.6. During the reporting period, the financial sector, especially the sector of credit institutions, is transformed (incl. de-risking) by refusing to service high-risk customers. Respectively, the flows of the PDC will be transferred to other sectors, incl. the sectors

of PIs/EMIs, VCs, or the sectors where transactions are mainly performed in cash. At the same time, regardless of the overall improvement of the situation in the sector of credit institutions, stronger ability as for identification and reporting of suspicious transactions, termination of cooperation with disproportionately high-risk customers and shell arrangements, and major decrease in servicing foreign customers (especially from the CIS), greater attention should still be paid to transit transactions of the shell arrangements among the CIS countries and other high-risk countries. It is especially important to ensure enhanced supervision over the transit transactions going round in circles and lacking economic justification, as well as having other features of a suspicious transaction.

- 2.4.7. During the reporting period, the number of the registered PIs/EMIs has dropped, which is related to the changes to the Law on Payment Services and Electronic Money in 2018,⁵⁴ that stipulates that the PI/EMI customers must be related to the Republic of Latvia. Thus, a part of the PIs/EMIs refused servicing foreign customers, respectively reducing the risk to Latvian PIs/EMIs. At the same time, other PIs/EMIs started their operation as agents of foreign PIs/EMIs. And the foreign PIs/EMIs, that provide their services based on a freedom of service provision, pose high risk within the sector since they, among others, are registered in the countries with a weaker supervision system. It is important to improve cooperation among SCIs of different countries and ensure comprehensive implementation of measures for supervision and control of these obliged entities in case they have freedom of the service provision. Furthermore, during the reporting period, it was established that Latvian residents open their accounts in foreign PIs/EMIs, thus making their payments invisible to Latvian SCIs and LEAs. The credit institutions that ensure an asset flow to foreign PIs/EMIs, should consider the risk that the payment flows, which were refused to be provided by the credit institutions during the reporting period as a result of risk reducing measures, may be directed to the above-mentioned foreign PIs/EMIs.
- 2.4.8. As for IFs and IMCs, it must be noted that a great part of the transactions is constituted by the services provided to foreign customers. Considering the overall changes to the financial sector as for termination of servicing the shell arrangements, the related risks might be increased in the segment of IFs and IMCs. Therefore, it is important to ensure that the measures for establishment of asset origin are taken according to the relevant risk level. Attention should also be paid to the situations when fixed-term deposits, amount of which rapidly dropped during the reporting period, of the non-residents are converted to financial instruments, thus deposit amount of foreign customers is formally reduced, while servicing such assets as an investment to the financial instruments is still continued.
- 2.4.9. At the end of the reporting period, there was a tendency that several capital companies applied for an IF licence, and their commercial activity is related to online trade platforms of credit claims as for the credits issued by borrowers. Such investment platforms have a range of identifiable specific risks that were not a characteristic of the IFs working in this segment until now, i.e., they have a more complicated business model since it also includes cooperation with other financial service providers — credit companies. Furthermore, to implement their activities, they are using third LPs or companies that are established for a specific purpose and perform securitisation of the credit claims, and they may be registered abroad.
- 2.4.10. Contrary to other participants of the financial sector, an activity and risks of CECs are mainly related to circulation of cash. Overall, the number and turnover of CECs in the reporting period continued reducing. The largest CECs have introduced risk-corresponding ICSs and are able to identify the potential suspicious transactions. Therefore, decrease in the risk level as for the ML opportunities in the CEC sector can be observed. At the same time, certain CECs have not managed implementing the measures for prevention of ML. Their work organisation and registered amount of current assets show presumably intentional non-identification of asset origin, implementation of unregistered transactions, or failure to comply with the AML/CFT/CFP requirements. This is approved also by the initiated criminal proceeding and the unregistered cash herein withdrawn from the CECs. Examinations performed by the BoL also indicate that some CECs apply the requirements of AML/CFT/CFP laws and regulations formally.

⁵⁴ Amendments to the Law on Payment Services and Electronic Money. *Latvijas Vēstnesis*, 132, 04.07.2018. Available at: <https://likumi.lv/ta/id/300118-grozijumi-maksajumu-pakalpojumu-un-elektroniskas-naudas-likuma>

- 2.4.11. In non-financial sector, higher risks are observed for the sectors of TCSPs, independent providers of legal services, tax consultants, outsourced accountants, as well as the sectors of lotteries and gambling and RE agents.
- 2.4.12. As for the outsourced accountants, there is a risk that the sector representatives can not only be involved in ML without their knowledge, but they may also intentionally carry out the actions that help their customers to implement ML by providing consultations on tax evasion and asset structuring, preparing documentation for fictitious transactions, and performing recording services, and creating complex LPs and offshore company structures. Furthermore, LEAs indicate that the outsourced accountants used to offer such activities as a professional ML service. There is a risk that the outsourced accountants might intentionally avoid submitting suspicious transaction reports in interests of their customers.
- 2.4.13. The higher risk of TCSPs, tax consultants, and independent providers of legal services is constituted by inability or unwillingness of the sector to identify suspicious transactions (they are not reported to the FIU and, to minimum extent, they are reported to the SRS), as well as significant shortcomings to or lack of the ICS established by the SRS. At the same time, the sector, also by taking into account the comparatively significant number of non-residents and distant service provision, may easily be subject to involvement in ML, e.g., in elaboration of the documents for transactions, establishment of legal structures that allow hiding the origin of the PDC and/or BO. Sectors can also be involved or used to evade payment of taxes, to create a picture of legitimate civil transactions as a cover for criminal activity, and to assist criminals in avoiding identifying and confiscating their property.
- 2.4.14. As for agents and brokers in RE transactions, it should be indicated that the RE agents do not report suspicious transactions. At the same time, other obliged entities relatively often report suspicious transactions regarding RE, especially when the transaction price is inappropriate. It should also be noted that a part of the RE agents avoids registration with the SRS as the obliged entities, and this significantly affects full-fledged and comprehensive implementation of supervision and control, as well as considerable shortcomings to the ICS are established for the registered RE agents. Within the sector, there is a risk that, regardless of the prohibition of cash transactions, they may be partial payments, thus both a tax crime is committed and ML is implemented since a seemingly legitimate property is acquired for a low price. Also, the report on the EC's Supranational ML/TF/PF Risk Assessment indicates that ML threats to the RE agents are considerable. The above statement is reasoned by evidence, collected by the LEAs, that RE is often being used in ML schemes. Furthermore, the services provided by the RE agents may be merged (combined) with the services provided by representatives of another non-financial sector such as the services provided by TCSPs or independent providers of legal services.
- 2.4.15. The EC's Supranational ML/TF/PF Risk Assessment highlights casinos as a high ML risk sector, which has also been assigned with the highest possible ML threat level. Casinos, that are not public JSCs, are considered to be of a particularly high risk as for the threats of criminal infiltration. Taking into account the above, as well as the analysis performed by the FIU on the ML risks of the gambling sector, casinos are considered to be a service of an increased ML risk. Also, anonymity of the services provided by gambling houses (by structuring the transactions below 2000 EUR), as well as the high proportion of cash make this sector attractive for ML. Similarly to other sectors, the risk is significantly higher when the service provider is owned or infiltrated by potential criminals.
- 2.4.16. In the conclusion, it should be indicated that ML risk for vendors of several non-financial sectors such as traders of precious metals, vehicles, and other goods that become the obliged entities in transactions with cash exceeding 10,000 EUR is considerably reduced by the additional cash transaction restrictions adopted during the reporting period.⁵⁵ At the same time, just like as for the RE agents, also in this sector, there is a risk that a part or even the whole transaction is being carried out without its registration. Such case has been registered in the sector of vehicle sales, with termination of operation of a company that sold vehicles to physical persons using cash, hiding the true transaction amount, and falsifying accounting documents.

⁵⁵ Section 30 of the Law On Taxes and Duties. *Latvijas Vēstnesis*, 26, 18.02.1995. Available at: <https://likumi.lv/ta/id/33946-par-nodokliem-un-nodevam>

2.5. Risks of LPs and NGOs

Legal Persons

- 2.5.1. LPs in Latvia, according to the FATF methodology, include capital companies (LLCs, JSCs, European commercial companies), limited partnerships, foundations, and other LPs (general partnerships, cooperative companies, societies, foundations, religious organisations and their institutions, political parties). Although the forms of the LPs such as individual companies, farms, fisheries obtain an LP's right upon their registration with the RoE, according to the definition stated in FATF Guidelines, they are not considered to be the LP and are not analysed within the context of ML/TF risks since they are the obliged entities that have been established for organising a single physical person's property and they have no property separated from the natural person.
- 2.5.2. Considering the total number of LP forms, their activity, as well as the number of suspicious transaction reports on LPs, it is important to assess ML/TF/PF vulnerability and risks just of capital companies (LLCs and JSCs). Within the NRA, information on LPs (both Latvian residents and non-residents) — capital companies (LLCs and JSCs) — has been analysed since their number in Latvia comprises the largest range of the LPs, i.e., 138 625,⁵⁶ their asset circulation in the economy is the largest, as well as the greatest number of reports have been received on suspicious transactions. Also, the due diligence has been imposed to non-resident LPs who are operating in Latvia.
- 2.5.3. It has been identified that the LPs are widely used for implementation of various ML schemes demonstrating the high vulnerability regarding ML/TF/PF, indicating to possible use of LPs for hiding true origin of the assets and disguising the BO, as well as for not attracting attention of supervisory and control institutions and the competent authorities in the field of AML/CFT/CFP thereof.
- 2.5.4. One of the most common ML methods is an imitation of economic transactions that makes institutions to believe that the economic operation generates profit which is later recorded as "legal" income. The seemingly legitimate income is integrated in the financial system providing for an opportunity of using them as legally acquired income.
- 2.5.5. Increased ML risks are identified for the LPs regarding use of nominal directors⁵⁷ and fictitious owners so that LP's ownership and BO would be hidden based on a secret agreement. However, amendments to legal framework during the reporting period stipulated an obligation for the LPs to disclose their BO. Such requirement ensures information availability on the BO of LPs thus increasing credibility of their transactions and limiting ML/TF/PF.
- 2.5.6. During the reporting period, by providing the required changes to the Latvian financial sector, an obligation to terminate cooperation with the LPs, that simultaneously correspond to two indications of shell arrangements⁵⁸ was imposed to participants of the financial and capital market. The risk that a part of the shell arrangements could be re-registered in other jurisdictions and continue using the Latvian financial system, as well as a part of the shell arrangements might have transferred their operation to Latvian LPs, has also been identified.
- 2.5.7. At the same time, although the proportion of the number of non-resident LPs of the shell arrangements in credit institutions considerably decreased, the reporting period allowed identifying an ML typology in which financial assets are transferred through accounts of different LPs in various financial institutions and jurisdictions pointing at shell arrangements that are involved in the schemes. More attention must be paid to such transactions.

⁵⁶ Data of the RoE: Number of LLCs and JSCs on 31.12.2019.

⁵⁷ A natural person who performs the functions of a director (members of the Board, Council) formally, i.e., the person is registered as an official of the company with the company register of the relevant state, while in fact the company is managed according to instructions of another person. Nominal directors are mainly used for provision of full anonymity, hiding of a beneficial owner. Usually, nominal directors do not own shares or stocks of the company. In certain jurisdictions, an institute of nominal directors is allowed and regulated.

⁵⁸ Law On the Prevention of Money Laundering and Terrorism and Proliferation Financing — Section 1, Clause 15.1., Section 21.1. *Latvijas Vēstnesis*, 116, 30.07.2008. Available: <https://likumi.lv/ta/id/178987-noziedzīgi-iegutu-līdzekļu-legalizācijas-un-terorisma-un-prolifēracijas-finansēšanas-novēršanas-likums>

Non-governmental Organisations

- 2.5.8. When describing the Latvian NGO sector, it must be noted that there are approximately 25 thousand NGOs with their total incoming payments constituting about 500 million EUR per year. The greatest part of this funding is being used in Latvia. The services provided by the NGOs are of great importance in society, however, the amount of the NGO sector clearly shows that ML/TF/PF risks must be recognised and accordingly managed.
- 2.5.9. According to the legal framework, there are several NGO forms in Latvia, with associations and foundations being the most often registered NGO forms. Considering that the NGOs (except for the European economic interest groupings) in Latvia have an LP status, they have the ML risks that are a characteristic of LPs regardless of the fact that the FATF standards indicate that NGOs are mainly subject to TF risks.
- 2.5.10. Based on the scope of the practice and features of the NGOs, FATF has identified the NGOs that are subject to a high TF risk — religious organisations, charity organisations, and organisations dealing with social aid, accommodation issues, health care, education, representation, or other good works. However, in each country, the set of the high-risk NGOs can include organisations of other scopes of the practice and features.
- 2.5.11. The process of defining the high-risk NGOs is encumbered by the fact that laws and regulations do not foresee a mandatory obligation to register their scope of the practice. During the reporting period, 91% NGOs have not indicated a particular scope of the practice.
- 2.5.12. It was identified that in Latvia NGOs with risk-increasing factors are the ones that are registered in Latvia and (1) their scope of the practice corresponds to a high-risk NGO definition provided by FATF, (2) they have been established with an aim to implement activities at international level, (3) they have not indicated a particular scope of the practice or have indicated “Society or foundation not classified elsewhere”, and they refuse clarifying the scope of the practice and provide more detailed transaction justification when initiating or maintaining a business relationship. In addition to the above criteria for the NGOs, there is one more mandatory qualifying criterion — whether the relevant NGO performs transactions with high-risk countries.⁵⁹
- 2.5.13. It should be noted that a part of all NGOs, registered in Latvia with TF risk-increasing factors, may have a low or zero TF risk. It is important to define the NGOs of the increased TF risk for both state institutions and financial institutions to simplify their operation and cooperation with all NGOs, as well as for the obliged entities to reasonably apply the risk-based approach in cooperation with the NGOs.
- 2.5.14. Less than 1% of all transactions of the NGOs registered in Latvia have TF risk-increasing factors. During the reporting period, the transactions on accounts of the NGOs have mainly been implemented within the territory of Latvia. The transactions, that include persons from the countries where military conflicts occurred, have not been established. However, it should be noted that TF schemes are implemented at a global scale, thus the financial system of any country may be used for transfer of assets to finance terrorism.
- 2.5.15. Although the NGOs, due to specific features of their operation, can be involved in TF activities, their involvement in ML and tax evasion schemes cannot be excluded as well. Based on reports on suspicious transactions received by the FIU, there have been cases initiated on a basis of Section 218, Paragraph two of the CL, “Evasion of Tax Payments and Payments Equivalent Thereto”, as well as on Section 195, Paragraph three of the CL, “Laundering of the Proceeds from Crime”.
- 2.5.16. It is established, that enhanced and regular monitoring is being implemented only over the NGOs that have obtained the status of a PBO (10% of the total number of NGOs). As for other NGOs without the PBO status, the SRS implements preventive and control

⁵⁹ The lists of high-risk countries are varying and the countries might be deleted as soon as they implement the set conditions, and such lists of high-risk countries may be complemented with new countries as well. Upon publishing the report, the following lists of high-risk countries are considered: (1) FATF list of high-risk countries: <http://www.fatf-gafi.org/countries/#high-risk> and <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2020.html>; (2) European Commission' list of high-risk countries: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counter-terrorist-financing/eu-policy-high-risk-third-countries_en; (3) List of countries according to the Annex to the Cabinet Regulation No. 554 of 21.06.2010 “Regulation Regarding States for the Citizens of which in Issuing a Visa or a Residence Permit an Additional Assessment shall be Performed”.

measures including the assessment of information provided in annual reports in connection with other information possessed by the SRS. At the same time, SSS, within their competence, assesses terrorism risks for the NGOs registered in Latvia, as well as pays attention to potential activities performed in Latvia by foreign NGOs.

- 2.5.17. Information on financial and non-financial results of NGO operation, as well as the respective information held by other state governance institutions that might be used to establish and assess the actual NGO operation, is not available altogether, and the possible ML/TF/PF risks are assessed according to the set of information available to each competent institution.
- 2.5.18. The shortcomings identified in the NRA should result in activities and measures of the responsible institutions creating favourable conditions for the NGOs to do the good work without fearing to be used for ML and TF purposes. However, this is possible only when the NGO sector is transparent. SCIs, financial institutions, contributors, and society must be sure that the NGO services reach the right audience.

2.6. TF and PF Risks

- 2.6.1. Significant measures for implementation and provision of a sustainable legal and institutional framework corresponding to the international obligations and standards have been made in Latvia. To diminish evasion of sanctions and TF and PF risks, the following interinstitutional cooperation platforms have been formed in Latvia:
 - 2.6.1.1. Committee for Control of GSS;
 - 2.6.1.2. Working Group for Coordination of Investigation of Terrorism Financing under SSS;
 - 2.6.1.3. Sanction Coordination Council;
 - 2.6.1.4. Sanction Operational Response Group.
- 2.6.2. TF threats in Latvia are low. The level of terrorism threats in Latvia during the recent years has not changed and remains relatively low. TF threats at national level are low since the level of terrorism threats is low. Although there are several internationally known terrorist groups posing TF threats also in Latvia, abuse of the Latvian financial system in financing thereof has not been established in investigations abroad. The main TF threats in Latvia are posed by local persons who can become more radical. The SSS and other state institutions implement an extensive set of preventive activities to reduce such threats.
- 2.6.3. TF vulnerability in Latvia is low. Latvia's financial sector is well-developed, and it provides the services that can be used for TF. It is established that, during the reporting period, understanding of the obliged entities regarding TF and circumvention of sanctions and their ability to identify suspicions of TF and evasion of sanctions (also on evasion of the sanctions that are not related to terrorism) and to report such suspicions to the FIU according to the AML/CFT/CFP Law and Law on International Sanctions and National Sanctions of the Republic of Latvia improved. State institutions have increased their capacity and understanding of TF and evasion and violation of the sanctions.
- 2.6.4. It has been established that TF risks in Latvia are low. However, there is a risk that Latvia can be used for TF in the following ways (the list is not exhaustive):
 - 2.6.4.1. In case of possible radicalisation of Latvian population, TF may take place as self-financing (incl. by use of financial services);
 - 2.6.4.2. In case of possible radicalisation of Latvian population, TF may take place by acquiring assets from family members or relatives (incl. by use of financial services);
 - 2.6.4.3. Criminals and terrorist groups can use the Latvian financial system for conducting transfers as a part of a complex TF transaction chain.
- 2.6.5. PF threats in Latvia are medium low. PF threats are caused by the persons and subjects of international law with potential of causing harm by attracting, moving, storing, or using

proceeds and other assets (regardless of whether or not they have been obtained lawfully) for proliferation. The main identified international PF risks are posed by North Korea and Iran, while theoretically there are also other PF threats. North Korea has performed several ballistic missile and nuclear tests, thus threatening global safety. North Korea and Iran are subjected to sanctions and thus their persons, that are related to proliferation, are forced to transfer transactions through complex payment schemes by using services of very vulnerable financial institutions.

- 2.6.6. PF vulnerability in Latvia is medium low. The Latvian financial sector is well-developed, and it provides the services that can be used for PF. Besides, there have been the cases when Latvian financial sector was used to avoid the sanctions against North Korea, albeit before the reporting period. Latvia is a suitable place for organisation of transit and logistics among the countries of the EU, CIS, and Asian markets. There is a risk that Latvian transport infrastructure and favourable geographical location may be used for transportation of GSS through Latvia to the countries against which sanctions have been imposed in relation to proliferation and to the countries of a high terrorism risk with an aim of transferring the GSS to terrorist groups. At the same time, there are effective control mechanisms for GSS circulation in Latvia.
- 2.6.7. It has been established that PF risks in Latvia are medium low. There is a risk that Latvia can be used for PF in the following ways (the list is not exhaustive):
- 2.6.7.1. Criminals may use the Latvian financial system for transfers as a part of a complex PF transaction chain or to violate the sanctions in relation to proliferation;
 - 2.6.7.2. Criminals may use the Latvian financial system for transfers as a part of a complex transaction chain when transporting GSS through other countries while transferring financial assets through financial service providers registered in Latvia;
 - 2.6.7.3. Criminals may use the Latvian transport infrastructure and favourable geographical location when transporting the GSS through Latvia to the countries against which sanctions have been imposed and to the countries of a high terrorism risk with an aim of transferring the GSS to terrorist groups.

2.7. Future Risks

- 2.7.1. National economy, both compared to the time before 2017 and during the reporting period, has gradually grown, and GDP in 2019 exceeded 30 billion EUR. At the same time, a relatively high level of shadow economy has remained along with a necessity to launder PDC in Latvian economy. Also, the general crime such as trade of narcotic substances forms considerable PDC and a necessity of laundering them. At the same time, both SCIs and LEAs mainly focused on prevention and combating of possible foreign predicate COs and autonomous ML, without paying special attention to ML risks from national predicate COs. Thus, at the end of the next reporting period, a higher share ML risk will be posed just by national predicate COs provided that there is a decrease in cross-border financial flow, especially with the CIS countries and low-tax countries, and in the number of non-residents.
- 2.7.2. The EC's Supranational Risk Assessment indicates — although cash circulation among consumers is reducing, it is still the ML instrument chosen by criminals when transferring the cash assets from one place to another, incl. by using air transit or air transportation.⁶⁰ At the end of the reporting period, the number of cases of seizing undeclared or falsely declared cash on Latvian border considerably increased, which is related to a stronger control over the cross-border movement of cash implemented by the competent institutions. At the same time, almost all cash seizing cases have been related to air transportation rather than the road or sea traffic which are the main paths for smuggling narcotic substances and excise goods. Thus, significant money smuggling latency is

⁶⁰ REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities (24.7.2019. COM(2019) 370 final). Available: https://ec.europa.eu/info/sites/info/files/supranational_risk_assessment_of_the_money_laundering_and_terrorist_financing_risks_affecting_the_union.pdf

possible for the relevant paths. Furthermore, stronger control over the cross-border transfers of non-cash money, as well as the location of Latvia between the CIS and Scandinavian countries and CIS and Western Europe allow predicting an increasing smuggling of cash. This prediction is approved also by the cases of moving undeclared cash in 2020 involving truck drivers.

- 2.7.3. Within reviewing (de-risking) the customer basis of credit institutions, both predicate COs (such as tax offences) and ML might be implemented in PIs/EMIs, especially in foreign PIs/EMIs that provide their services in Latvia based on a freedom of service provision. During the reporting period, rapid increase in the number of Latvian customers (both NPs and LPs) has been observed for certain foreign PIs/EMIs that have been licensed in Latvia's neighbouring countries, and the growing risk of them being used for ML can be predicted.
- 2.7.4. By now, a considerable number of ML cases in Latvia used shell arrangements of the Great Britain. Taking into account the facts indicated by the Great Britain's National Crime Agency, the ML amount is still growing and is affected by the simple process of enterprise establishment and the wide range of the professional services offered.⁶¹ There is a risk that Brexit will result in even weaker supervision by competent authorities of the Great Britain over the institutions (incl. PIs/EMIs) that provide financial services, and Latvian NPs and LPs will have more opportunities of using the services of such foreign authorities for predicate COs and ML. At the same time, uncertainty over the Brexit has caused concerns to the companies, registered in the Great Britain, regarding a possibility of applying freedom of service provision. They have begun opening affiliate companies or moving their operation to another EU country that offers relatively simple opening and licensing of PIs/EMIs, e.g. Lithuania.⁶²
- 2.7.5. During the reporting period, more and more predicate COs involving VC were identified. Also, sale of narcotic substances is increasing even more, just like fraud, extortion, and other COs on internet; besides, such COs have a significant degree of latency. LEAs still have minimum experience in tracking, seizing, and confiscating VCs. It is difficult to supervise the VC circulation due to the small number of VC service providers registered and supervised in Latvia. A VC owner in Latvia can keep the VC, exchange it to other VC, and turn it into money or other values outside the territory of Latvia, e.g. in Estonia where over a thousand of such service providers have been registered in recent years. Furthermore, the VC service providers, that are registered abroad, are not supervised by Latvian SCIs, and SCIs do not report them to the FIU, thus encumbering the tracking of the PDC. Taking into account the significant anonymity of VCs, increasing number of VC types and diversity, as well as gradual transfer of predicate COs to internet environment, it could be predicted that the ML risks posed by VCs will grow.
- 2.7.6. Activities of managers of web platforms for trading credit claims have not yet been regulated as for complying with the requirements for AML/CFT/CFP. Only at the end of the reporting period, several managers of the web platforms for trading credit claims and operating in Latvia submitted their application with the FCMC to receive an IF licence, albeit the licence has not yet been received. The ML/TF/PF risks (anonymity until the licensing process is completed, potential cooperation with a high-risk jurisdiction, a possibility of asset merging, etc.) for the service of trading credit claims and their increasing popularity allow concluding that these risks will continue growing.
- 2.7.7. Due to circumstances caused by COVID-19, crime is adjusting to digital environment even more rapidly, and further on, more predicate COs and ML will be implemented by using different virtual solutions, such as VCs, electronic payments, etc. Latency of both the predicate COs committed in digital environment and ML will grow.

2.8. Impact of the Measures Taken in 2020 on the Assessment and Development of National AML/CFT/CFP Strategy

⁶¹ National Strategic Assessment of Serious and Organised Crime (2020). Available: <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/437-national-strategic-assessment-of-serious-and-organised-crime-2020/file>

⁶² Bank of Lithuania – Lithuania's FinTech results in 2018: rising potential and world-known market players. Available at: <https://www.lb.lt/en/news/lithuania-s-fintech-results-in-2018-rising-potential-and-world-known-market-players>

- 2.8.1. The conclusions included in the NRA have been significantly affected by both the Moneyval Technical Compliance Report (published on 22 January 2020) and the conclusions of FAFT plenary meeting on 21 February 2020 stating that Latvia, starting from the end of 2017, has established a strong and resilient system for prevention of financial crime and that regulatory framework of Latvia in the AML/CFT/CFP field complies with the FATF international standards. At the same time, decision of FATF experts to not include Latvia in the so-called "grey list" approves that Latvia has demonstrated its commitment to improve the AML/CFT/CFP system, continues working on further improvement and implementation of the initiated tasks, and has fixed the most crucial shortcomings.
- 2.8.2. Also, after international institutions positively assessed the AML/CFT/CFP system in 2020, a higher priority to further develop this field was assigned by both policy makers and executers. Based on international follow-up results regarding the AML/CFT/CFP system in Latvia, i.e., Moneyval follow-up report and FATF decisions taken at the plenary meeting in February 2020, it was decided to amend the plan of measures regarding AML/CFT/CFP for 2020–2022 in order for the competent authorities to have complex and strong ability of discovering, investigating, and hearing a potentially increasing number of criminal proceedings in the field of ML. Cabinet Order No. 576 of 29 September 2020 "On Action Plan for Prevention of ML/TF/PF for 2020–2022" approved a total of 61 additional positions, thus there are 72 positions for strengthening prevention and combating of ML in 2020 in the following institutions:
- 2.8.2.1. 23 positions in Economic Crime Department of the SP Main Criminal Police Department and Criminal Intelligence Management Department (specially at ARO) to strengthen the SP's ability to process and investigate the potentially growing number of criminal proceedings related to ML;
 - 2.8.2.2. 19 positions at CPCB to strengthen investigation, operative, and analytical abilities in prevention and combating of corruptive COs (incl. the bribing cases of foreign officials) and the related ML;
 - 2.8.2.3. 18 positions for effective performance of FIU functions, incl. to strengthen strategic analysis and financial intelligence, as well as to provide payments to creditor claims regarding JSCL "ABLV Bank", incl. to ensure analysing of suspicious transactions and summarising and sending data to LEAs;
 - 2.8.2.4. 4 positions at the Prosecutor's Office to strengthen its ability to process and investigate the considerably increasing amount of information and criminal proceedings on ML;
 - 2.8.2.5. 1 position at Court Administration to ensure an effective operation and common understanding of the system for prevention of financial crime, as well as to provide support to judges regarding the issues in relation to financial crime;
 - 2.8.2.6. 3 positions at the SIHP to provide its ability to adequately manage the identified risks and supervise behaviour of the obliged entities as for the risks;
 - 2.8.2.7. 2 positions at Insolvency Control Service;
 - 2.8.2.8. 2 positions at Data State Inspectorate for licensing and monitoring the users of a shared KYC utility.
- 2.8.3. Thus, when assessing the NRA conclusions and elaborating the national strategy, strengthening of capacity of the competent authorities in the field of AML/CFT/CFP implemented during the reporting period (135 positions), as well as in 2020 (72 positions approved) should be considered. There has also been regular training of prosecutors, judges, and the staff of FIU and LEAs. As for the staff capacity, it should be noted that new managers for AML have been appointed in 2020 at the following key authorities: Chief Justice of Supreme Court, Prosecutor General, Chief of the SP.
- 2.8.4. Also, as for strengthening the capacity, the Prosecutor General, starting from August 2020, has paid priority attention to the criminal proceedings that have been initiated after a report of the FIU on potential ML. There is a coordination group for prevention of ML, established in at the PGO with 6 prosecutors. These prosecutors

coordinate investigation, criminal prosecution, and trial of ML cases, as well as ensure development of methodology materials and arrangement of training in this field. At the same time, it should be noted that, starting from September 2020, the Prosecutor's Office has changed the former methodology for application of Chapter 59 of the CPL, also by encouraging the person directing the criminal proceedings to solve the financial matters as soon as possible. As a result of introducing such approach, the regulation of Chapter 59 of the CPL can be implemented in a couple of months.

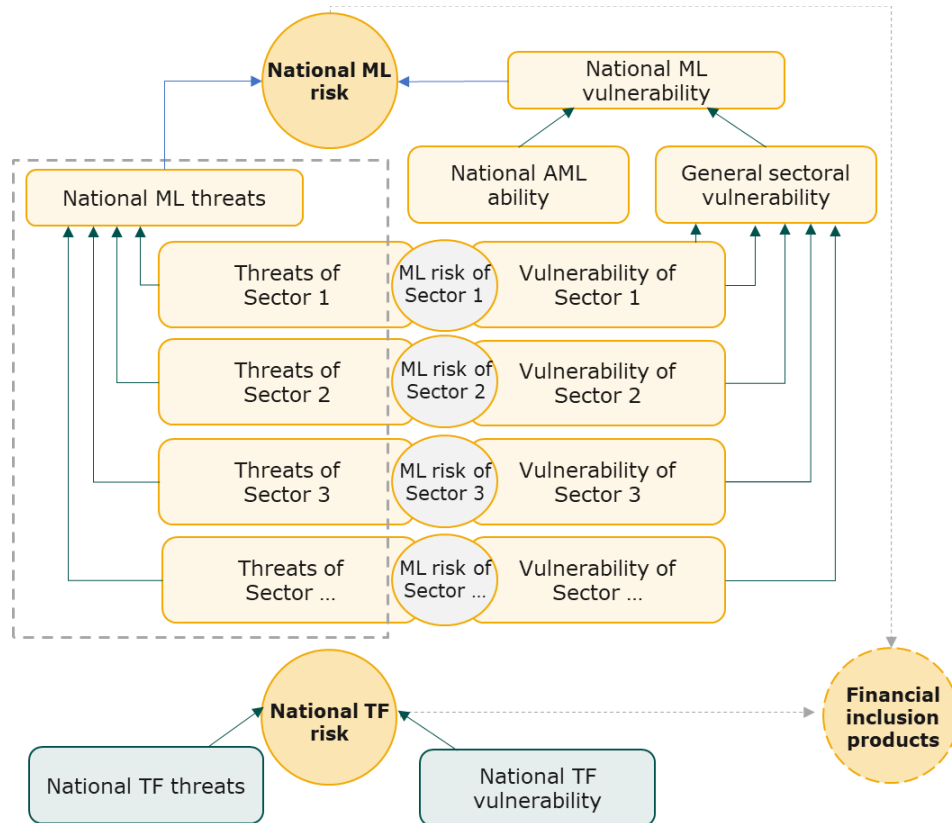
- 2.8.5. In 2020, additional preconditions to strengthen the capacity of judges were established by introducing amendments to the law On Judicial Power foreseeing a new approach to the professional standard of the judges.⁶³ According to the above amendments, the aim of selecting a candidate for the office of the judge is to ensure that well-qualified lawyers with impeccable reputation, corresponding professional skills, and personal features become the judges.
- 2.8.6. When making the national strategy, also impact of COVID-19 on development of crime and ability of authorities to prevent and combat ML must be considered. 2020 is mainly characterised by the challenges of COVID-19 and both worldwide and national changes. The pandemic has revealed new ML tendencies and typologies. See examples:
- 2.8.6.1. More often abuse of online financial services and virtual assets to move and hide illegal proceeds;
 - 2.8.6.2. Abuse of financial aid and insolvency schemes for NPs and LPs to hide and launder illegal income;
 - 2.8.6.3. Wider use of the unregulated financial sector considering that, due to financial instability, money may be moved from the banking system that could create additional ML opportunities for criminals;
 - 2.8.6.4. Abuse and misappropriation of national and international financial aid and emergency financing avoiding standard procurement procedures and resulting in ML;
 - 2.8.6.5. Performance of various predicate COs with their probability being driven by fear for personal health, as well as by distant job; this is cybercrime, distribution of counterfeit medicinal products, and the resulting ML;
 - 2.8.6.6. At the same time, the pandemic in certain cases allowed identifying possible ML when the companies, that due to the pandemic suspended their activity, kept or even increased their financial flow;
 - 2.8.6.7. Also, the closed borders or the border under the increased control and other travel restrictions related to COVID-19 reduced opportunities of criminals to smuggle cash both within the EU and to the third countries. Travel restrictions also encumbered the opportunity of Latvian residents to establish front companies in other EU countries, as well as to involve foreign persons in establishment of front companies in Latvia.
- 2.8.7. When assessing impact of COVID-19 on functioning of the system for prevention and combating of ML, it must be noted that the involved institutions of this field have been differently affected. The key precondition — an ability of implementing their duties remotely. For instance, all information required by the FIU is available remotely, thus, despite the organisational changes for safety reasons and a partially remote working mode, COVID-19 has not affected the performance outcomes of the FIU. At the same time, a part of investigation authorities indicates that COVID-19 affects the overall investigation terms since both investigators comply with safety precautions and persons are unwilling to take part in on-site investigation activities. In relation to COVID-19 restrictions, it is difficult to ensure cooperation among LEAs, incl. to effectively ensure international investigations. Also, court hearings in the cases of seizing criminally acquired property are postponed since the invited persons do not visit the court hearings pleading to the COVID-19 pandemic.

⁶³ Amendments to the law On Judicial Power, *Latvijas Vēstnesis*, 178, 15.09.2020. Available: [https://likumi.lv/ta/id/317310-grozijumi-likuma-par-tiesu-varu-](https://likumi.lv/ta/id/317310-grozijumi-likuma-par-tiesu-varu)

- 2.8.8. The operation of SCIs in 2020 has also been affected by COVID-19, and they have been forced to reduce the number of on-site inspections of the obliged entities, at the same time partly optimising this process and requiring the information from the obliged entities electronically. The SCIs have spent more time to develop various methodology materials and remote training modules, as well as to provide distant consultations and to organise remote training. E.g. FCMC has issued Recommendations for Establishment of an Internal Control System for Prevention of Money Laundering and Terrorism and Proliferation Financing and Managing of Sanction Risk and for Due Diligence of Customers.
- 2.8.9. When making the national strategy, also digitalisation of the functions of preventing and combating ML and the required improvements must be evaluated, similarly to options of improving remote investigation operations and court proceedings.

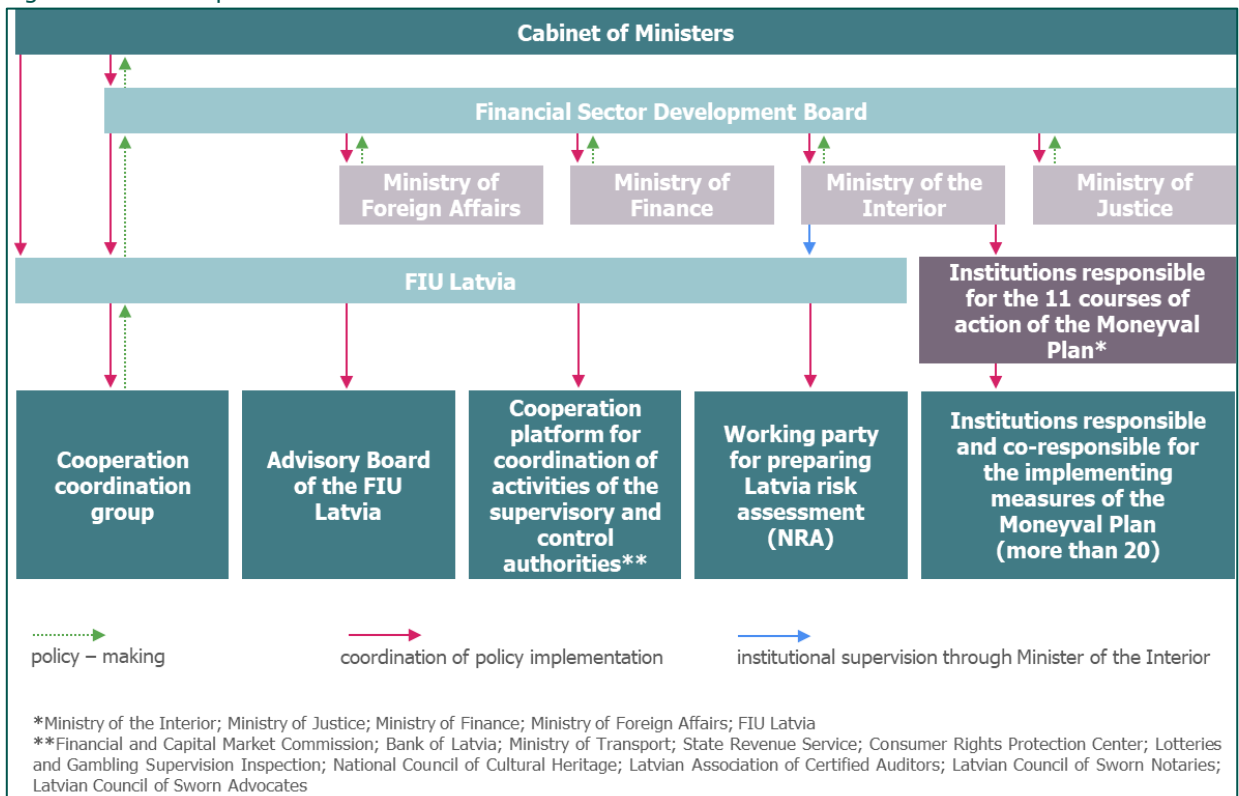
Figures

Figure No. 1 WB risk assessment methodology



Back to the text: [1.2.3.](#)

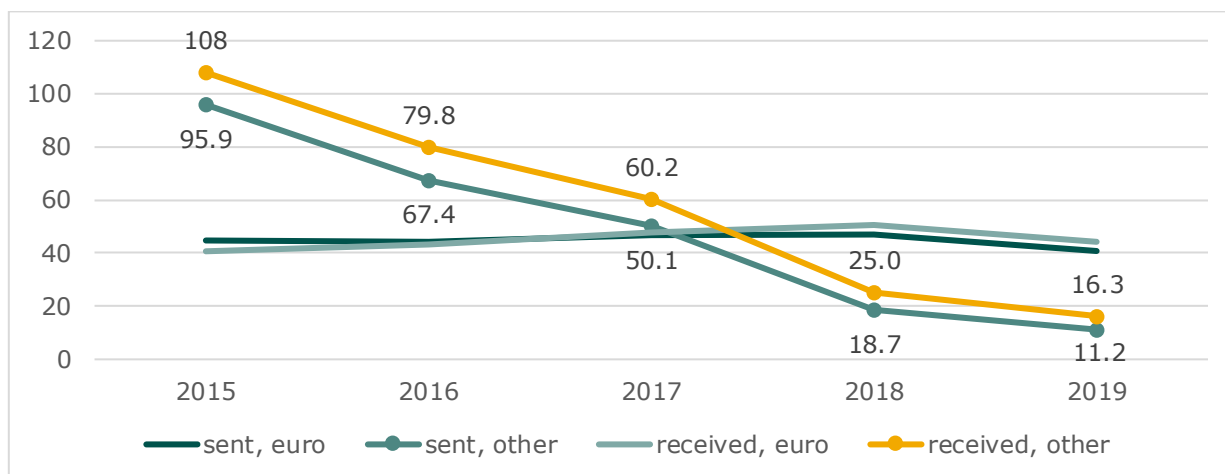
Figure No. 2. Cooperation and coordination model of the financial sector



Source: FIU

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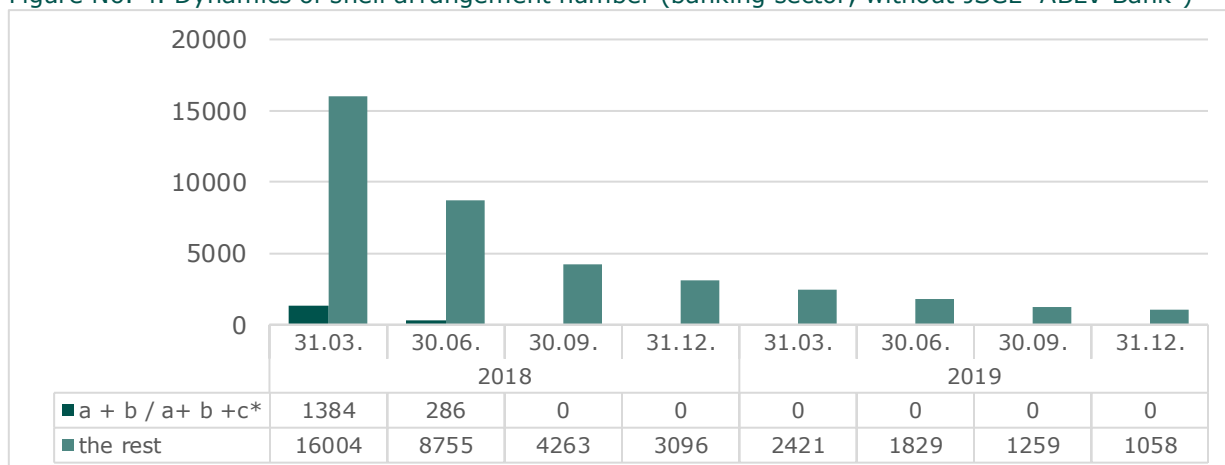
Figure No. 3. Sent and received cross-border payments in euro and other currencies, billion, EUR



Source: BoL

Back to the text: [2.2.2.](#)

Figure No. 4. Dynamics of shell arrangement number (banking sector, without JSCL "ABLV Bank")



* Shell arrangements that at the same time correspond to the features stipulated in Section 1, Clause 15.1, Sub-Clauses "a" and "b" or "a" and "b" and "c" of the AML/CFT/CFP Law:

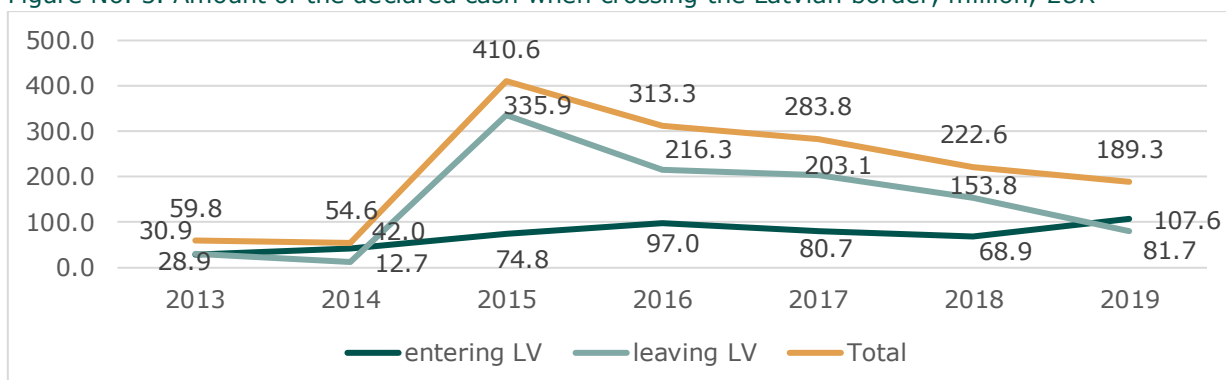
- a) there is no legal connection of the legal person with an actual economic activity, and activity of the legal person creates little or creates no economic value, and at the disposal of the subject of the law there is no documentary information to prove the opposite;
- b) the laws and regulations of the country in which the legal person is registered does not provide an obligation to prepare and submit financial statements to the supervisory authorities of the respective country, including annual financial statements, for its activity;
- c) the legal person does not have the economic activity performance location in the state in which the legal person has been registered.

**On 7 July 2018, the remaining (a+b/a+b+c) shell arrangement have been blocked, seized, or otherwise closed with a balance in all banks.

Source: FCMC

Back to the text: [2.2.2.](#)

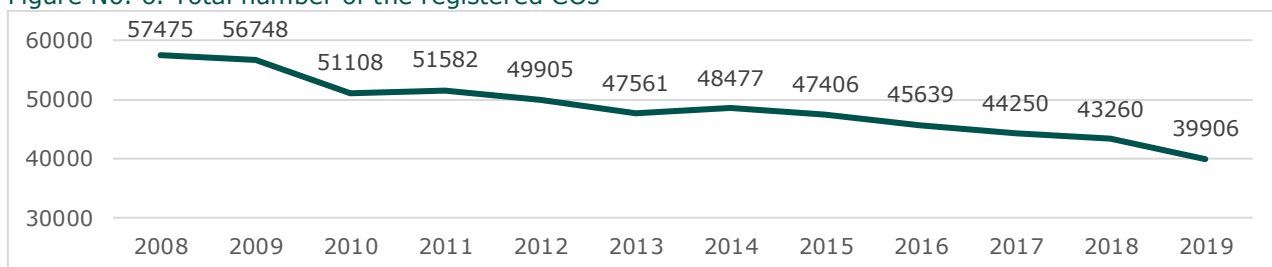
Figure No. 5. Amount of the declared cash when crossing the Latvian border, million, EUR



Source: SRS data

Back to the text: [2.2.5.](#)

Figure No. 6. Total number of the registered COs



Source: MoI IC DWH, Criminal Statistics.

Back to the text: [2.2.7.](#)

Abbreviations and Terms

| | |
|---|---|
| Action plan | Action Plan for Prevention of Money Laundering and Terrorism and Proliferation Financing for 2020–2022 |
| AML/CFT/CFP | Prevention of money laundering and terrorism and proliferation financing |
| AMON | International Anti-Money Laundering Operational Network |
| ARO | Asset Recovery Office of the SP |
| BO | Beneficial owner |
| BoL | Bank of Latvia |
| Brexit | Exit of the United Kingdom from the European Union |
| Cabinet | Cabinet of Ministers |
| CARIN | Camden Asset Recovery Inter-Agency Network |
| CCG | Cooperation Coordination Group according to Section 55 of the Law on AML/CFT/CFP |
| CEC | Currency exchange companies (capital companies) |
| CIS | States of the Commonwealth of Independent States |
| CL | Criminal Law |
| CO | Criminal Offence |
| CPCB | Corruption Prevention and Combating Bureau |
| CPL | Criminal Procedure Law |
| EC | European Commission |
| EEA | European Economic Area |
| EMI | Electronic money institutions |
| EU | European Union |
| FATF | Financial Action Task Force |
| FCMC | Financial and Capital Market Commission |
| FIU | Financial Intelligence Unit |
| FSDB | Financial Sector Development Board |
| GDP | Gross Domestic Product |
| GSS | Goods of strategic significance |
| ICS | Internal Control System |
| IF | Investment firm |
| IFIT | International Financial Intelligence Task Force |
| IJSC | Insolvent joint stock company |
| IMC | Investment Management Company |
| ISB | Internal Security Bureau |
| JSC | Joint Stock Company |
| JSCL | Joint stock company in liquidation |
| KYC | Know Your Customer |
| LACA | Latvian Association of Certified Auditors |
| LEA | Law enforcement authorities |
| LLC | Limited liability company |
| LP | Legal person |
| LPA | Latvian Prison Administration |
| MCPD ECD | Economic Crime Department of the Main Criminal Police Department |
| ML | Money laundering |
| ML/TF | Money laundering and terrorism financing |
| ML/TF/PF | Money laundering and terrorism financing and proliferation financing |
| MoF | Ministry of Finance |
| MoFA | Ministry of Foreign Affairs |
| MoI | Ministry of the Interior |
| MoJ | Ministry of Justice |
| Moneyval | Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism |
| Moneyval report /5th Round Report | The Fifth Round Mutual Assessment Report published on 23 August 2018 by the Expert Committee of the Council of Europe on effectiveness of the system for prevention of money laundering and terrorism financing for the reporting period by November 2017 |
| MP | Military Police |
| NCIM | National Criminal Intelligence Model |
| NGO | Non-governmental organisation |

| | |
|-------------------------|--|
| North Korea | Democratic People's Republic of Korea |
| NP | Natural person |
| NRA | National Risk Assessment |
| OECD | Organisation for Economic Co-operation and Development |
| PBO | Public benefit organisation |
| PDC | Proceeds derived from crime |
| PF | Proliferation financing |
| PGO | Prosecutor General's Office |
| PI | Payment institutions |
| PPOIFEC | Public Prosecutor's Office for the Investigation of Financial and Economic Crimes |
| RE | Real estate |
| Reporting period | 2017 to 2019 |
| RoE | Register of Enterprises |
| SBG | State Border Guard |
| SCI | Supervision and control institutions according to Section 45 of the Law on AML/CFT/CFP |
| SIHP | State Inspection for Heritage Protection |
| SP | State Police |
| SPPOCOS | Specialised Public Prosecutor's Office for Organised Crime and Other Sectors |
| SRS | State Revenue Service |
| SRS ISO | Internal Security Office of the State Revenue Service |
| SRS TCPD | Tax and Customs Police Department of the State Revenue Service |
| SSS | State Security Service |
| TCSP | Trust and Company Service Providers |
| TF | Financing of terrorism |
| VC | Virtual Currency |
| WB | World Bank |