



Finanšu izlūkošanas
dienests

Guidelines on the Prevention of Terrorism and Proliferation Financing

GUIDANCE MATERIAL

Updated version

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Introduction

1. The development of terrorism threats in conflict regions affects the security situation in Europe and, consequently, in Latvia. Especially after Russia commenced its military invasion of Ukraine on 24 February 2022, and after the terrorist group Hamas attacked Israel on 7 October 2023. To attract new supporters in Europe, terrorist groups spread divisive messages in their propaganda material. The changing nature of terrorism, including TF, PF, and other aspects of terrorist organisations (e.g. ways and channels of information dissemination, recruitment methods, etc.), imposes an obligation on the international community to regularly review the existing counter-terrorism measures and adapt these measures to the situation of terrorism threats.¹
2. Latvia is committed to effectively implement all international and national sanctions, including all relevant UNSC resolutions, EU and national sanctions in the areas of PF and TF. The Latvian authorities cooperate closely with each other and with EU and international partners to ensure that these sanctions are fully and accurately implemented. Latvia is taking comprehensive and targeted measures to prevent PF and TF activities to ensure international and national security and stability. In view of the changes in international sanctions regimes imposed in response to Russia's illegal war of aggression against Ukraine, and the changes in the sanctions risks to which Latvia is exposed, as of 1 April 2024, the FIU has become the competent authority for the implementation of international and national sanctions in Latvia². [The FIU sanctions website](#) provides information on national sanctions imposed by the Republic of Latvia, UN and EU sanctions, and the aspects of their implementation.
3. These Guidelines are intended as a practical tool for the subjects of the AML/CTPF Law and their supervisory and control bodies in planning and implementing TF and PF prevention measures. Considering the different competences of the subjects of the AML/CTPF Law and their supervisory and control bodies, these Guidelines are prepared in a general manner to enable the institutions involved to apply them according to their specific nature.
4. This document is an updated version of the Guidelines for the Subjects of the AML/CTPF Law and Supervisory Authorities to Raise Awareness on TF and PF Prevention, developed by the SSS in cooperation with the Office for the Prevention of Laundering of the Proceeds Derived from Criminal Activity (now the 'FIU') in 2019. The updates were made by the FIU in cooperation with the SSS.
5. The Guidelines have been supplemented with the current situation of TF and PF in Latvia, as well as with the latest global trends in TF and PF. The updated information comes from documents such as "Counter-Terrorism Strategy of Latvia for 2021 - 2026"³, NRA 2023⁴, and other national and international information sources.

General Characteristics of Terrorism

6. There is still no single understanding on the definition of terrorism among countries across the globe. Therefore, every country and international organisation defines this concept according to its historical experience, individual understanding and needs. Most definitions of terrorism include the use or threat of violence to achieve certain goals (e.g., religious, political or social), and also include targeting civilians,

¹ Counter-Terrorism Strategy of Latvia for 2021 -2026. Page 5. Available at: <https://vdd.gov.lv/uploads/materials/25/lv/latvijas-pretterorisma-strategija.pdf>

² Law on International Sanctions and National Sanctions of the Republic of Latvia. *Latvijas Vēstnesis*, 31, 15.02.2016. Available at: <https://likumi.lv/ta/id/280278-starptautisko-un-latvijas-republikas-nacionalo-sankciju-likums>

³ Ibid.

⁴ NRA 2023. Available at: <https://www.fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

society or parts of the society. In many cases, definitions of terrorism are based on the definitions of offences criminalised by the UN conventions listed in Annex 1 to the UN International Convention for the Suppression of the Financing of Terrorism⁵.

7. In Latvia, terrorism is defined based on types of activity. The Section 79¹ of The Criminal Law⁶ describes the activities (use of explosives, use of fire, use of nuclear-chemical, chemical, biological, bacteriological, toxic or other weapons of mass destruction, mass poisoning, spreading of epidemic or epizootic diseases, kidnapping of persons, taking of hostages, hijacking means of transport of air, land or sea, or other activities), which, if they have been committed for the purpose to intimidate inhabitants, inciting the State, its institutions, or international organisations to take any action or refrain therefrom, or harming the interests of the State or its inhabitants, or international organisations, shall be considered as terrorism.
8. Several factors contribute to the involvement of individuals in terrorist activities. One such factor is the dissatisfaction among certain groups in society, which is often related to the ethnicity, race, legal status, political views, religion and socio-economic situation of individuals. Terrorists exploit this dissatisfaction to engage individuals in violent activities, convincing them that this is the only way to improve their situation. Terrorist organisations use various topics in their propaganda material to incite certain groups of society to involvement in terrorist activities. In addition to the dissatisfaction with one's position in the society, another important factor is a particular critical event (catalyst) that triggers an imagined necessity to act. These catalysts may be internal (changes in private life, trauma, accidents) or external (adoption of laws and regulations, changes in government policy, regime change, natural disasters). After being exposed to critical events in their lives, individuals may rapidly radicalise and engage in terrorist activities.
9. Terrorist groups use the dissatisfaction of society to formulate their ideology and define goals. Considering the current terrorism threat landscape worldwide, four types of terrorism can be distinguished:
 - a. religiously motivated;
 - b. left-wing;
 - c. right-wing;
 - d. separatist terrorism.
10. At the moment, the majority of terrorist organisations base their ideology on the radical interpretation of religion, mainly Islam, which justifies the use of violence to achieve religious goals. The main goal postulated by Islamic terrorists is to create an Islam-based government (Caliphate), and, for this purpose, the use of violence is deemed permissible against anyone who obstructs this achievement.
11. Left-wing terrorism is based on ideologies such as Marxism, communism, anarchism, anti-capitalism and anti-imperialism. It pursues the idea of struggling against everything that oppresses freedom and equality in society, including capitalism, the existing order, and the ruling class. Left-wing terrorists target a relatively small group within society – the elites and their symbols (political officials, police officers, soldiers, heads of financial institutions and large companies, representatives of international organisations).⁷
12. Right-wing extremism is based on a belief in the superiority of a particular group, often distinguishing between race, ethnicity, religion and nationality. Right-wing terrorism is based on ideologies such as Nazism, racism, xenophobia and anti-Semitism. Right-wing terrorists' ideology defines an external enemy, such as immigrants, ethnic, religious and sexual minorities, whom they judge to be responsible for the failures of the group they are defending. Right-wing terrorists

⁵ International Convention for the Suppression of the Financing of Terrorism, UN, 1999. Available here: <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>

⁶ Law of the Republic of Latvia, The Criminal Law, *Latvijas Vēstnesis*, 199/200, 08.07.1998, in force from 01.04.1999, in the wording of 22.05.2024. Available at: <https://likumi.lv/ta/id/88966-kriminallikums>

⁷ Preventing the Risks of Left-Wing Extremism. Available at: <https://vdd.gov.lv/uploads/materials/35/lv/vdd-kreisa-ekstremisma-risku-noversana-buklets.pdf>

also target individuals and groups who defend these external enemies as defined by their ideology.⁸

13. Separatist terrorists fight for the establishment of a state in a specific territory based on the right to self-determination of a particular ethnic group. These terrorist groups primarily target the authorities of the country or countries where the particular territory is located.
14. Terrorists or subjects of the terrorism risk are classified into several categories based on the level of coordination of their activities, location, origin and other factors. Generally, terrorists are classified into three categories:
 - a. Terrorist organisations — usually based outside Europe; may have territories under control. The main threats posed by terrorist organisations are the planning and organisation of coordinated attacks in Europe and the development and dissemination of propaganda material. They usually require regular and relatively large funding. According to the information provided by the SSS, several terrorist organisations still operate on an international scale and are capable of carrying out terrorist attacks in other countries. Such terrorist organisations use supporters living abroad as a means of financing their activities, obtaining both money and goods in various ways. Significant international terrorist groups are active in Syria, Iraq, Egypt, Algeria, Libya, Mauritania, Morocco, Tunisia, Western Sahara, Nigeria, Somalia, Cameroon, Yemen, Afghanistan, Pakistan and the North Caucasus⁹;
 - b. Local 'solo' terrorists — radicalised individuals born, raised, and socialised in Europe. These individuals act alone, influenced by propaganda spread by terrorist groups or attacks carried out by other terrorists. Their plans are usually difficult to predict, as all activities are planned independently. Additional funding is usually not raised;
 - c. Local terrorist groups — individuals born, raised, and socialised in Europe, who join together in groups to carry out attacks. Local terrorist groups do not usually work on behalf of terrorist organisations. People are most often radicalised by the materials disseminated on the internet by terrorist organisations. The need for funding depends on the scale of the attacks planned.
15. Local 'solo' terrorists and their groups carry out the majority of terrorist attacks in European countries. Local terrorists have extensive knowledge of the country, its traditions, symbols, festive dates, and mass gathering places, which helps them to better plan and prepare attacks.
16. Experience from foreign partner services shows that terrorists based in Syria and Iraq use their supporters residing in Europe to obtain their aid for financing their activities. No such activities have been detected in Latvia so far.¹⁰
17. However, there is a theoretical risk that the radicalisation of individuals could result in them or their relatives/ supporters using services provided by the Latvian financial sector. So far, no cases of Latvian citizens financing foreign terrorist groups have been detected in Latvia.¹¹

⁸ Preventing the Risks of Right-Wing Extremism. Available at: <https://vdd.gov.lv/uploads/materials/36/lv/vdd-labeja-ekstremisma-risku-noversana-buklets.pdf>

⁹ For more information, see NRA 2023. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

¹⁰ Ibid.

¹¹ Ibid.

General Characteristics of TF

18. In accordance with Section 5 of the AML/CTPF Law¹², TF is the direct or indirect collection or transfer of financial funds, or other assets acquired by any form to the disposal of a terrorist group or an individual terrorist, with a view to use them or by knowing that they will be fully or partly used to carry out one or more terrorist activities.¹³ The definition of TF is based on the definition of TF set out in Article 2 of the UN International Convention for the Suppression of the Financing of Terrorism.¹⁴
19. TF is not direct involvement in terrorist activities, but is one of the activities that support terrorism. It is important to stress that terrorism and TF are interlinked, that there would be no TF without terrorism, and that terrorists need funding, obtaining it in different ways, including legally obtained funds.
20. The following parties are most commonly identified as engaging in TF:
 - a. radicalised individuals who want to support terrorism;
 - b. representatives of terrorist organisations tasked with obtaining funding;
 - c. intermediaries involved in transferring illegal funding who profit from TF transactions;
 - d. friends and family members of individuals involved in terrorism who support the activities of these individuals or want to provide financial support to a specific individual. Relatives of terrorists are often defrauded of money;
 - e. persons and organisations that agree to pay a ransom, e.g. for a kidnapped person or group of people.
21. TF involves a number of activities whose main purpose is to provide terrorists and/or terrorist organisations with money, financial instruments or property. Terrorism financing does not always involve only obtaining funds. It often includes moving funds (e.g. bank transfers) and physically delivering them to terrorist organisations and parties directly committing acts of terrorism.¹⁵
22. There is no significant difference between the way terrorists or other individuals use the financial system for TF purposes and how criminals use the financial system for ML purposes. Like criminal organisations, terrorist groups seek opportunities to establish and maintain a financial infrastructure to support their activities. Various sources of funding, as well as possibilities and ways to conceal the link between the funds and the terrorist activities, are sought for this reason. Two principal differences between TF and ML should be taken into account:
 - a. the amount of funding necessary to finance an act of terrorism is not always significant (and may often involve just a few euros), and the transactions may not necessitate complex schemes, whereas ML usually involves larger sums;
 - b. terrorists and terrorist groups can be financed using legally obtained funding, and determining when such funding is transferred to terrorists is difficult, whereas ML funds are always obtained illegally.
23. Funds for TF can be obtained both legally and illegally. The legitimate income channelled for TF includes:
 - a. wages;
 - b. social benefits;
 - c. business (e.g. trade in used cars);
 - d. sale of property;
 - e. loans;

¹² Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing. *Latvijas Vēstnesis*, 116, 30.07.2008, in force from 13.08.2008, in the wording of 01.02.2024. Available at: <https://likumi.lv/ta/id/178987>

¹³ Ibid.

¹⁴ International Convention for the Suppression of the Financing of Terrorism, UN, 1999. Available here: <https://treaties.un.org/doc/db/Terrorism/english-18-11.pdf>

¹⁵ For more details, see Article 2 of the International Convention for the Suppression of the Financing of Terrorism. Available at: <https://likumi.lv/ta/lv/starptautiskie-ligumi/id/1419>

- f. gifts received;
 - g. credit loans;
 - h. donations.
24. Illegal activities that generate funds for TF include:
- a. value added tax fraud schemes;
 - b. misuse of funds from non-profit/charitable organisations;
 - c. fraud in obtaining a loan;
 - d. fraud in the area of loans and rental contracts;
 - e. extortion (from individuals and companies);
 - f. robbery;
 - g. kidnapping to extort ransom;
 - h. smuggling (especially drugs, cigarettes, tobacco and natural resources);
 - i. illegal sale of cultural heritage/antiquities;
 - j. tax collection in terrorist-controlled areas;
 - k. charges for crossing terrorist-controlled areas;
 - l. trafficking in false identification documents.
25. The most common types and techniques of TF are:
- a. cash deliveries (*cash couriers*);
 - b. trade-based terrorism financing;
 - c. jewel deliveries;
 - d. cash withdrawal from a bank account using ATMs abroad;
 - e. *Hawala* money transfer systems (an alternative money transfer system based on the trust of the parties involved);
 - f. money transfers via payment institutions (e.g. providers of money transfer services (*money remitters*));
 - g. donations, including online;
 - h. misuse of funds from non-government/non-profit/charitable organisations;
 - i. using social networks and communication apps to spread information;
 - j. crypto-/virtual currencies;
 - k. digital assets;
 - l. *crowdfunding* via dedicated platforms or websites;
 - m. pre-paid cards;
 - n. bank transfers, including via *mobile banking* apps;
 - o. self-financing (individuals or small terrorist groups);
 - p. sale of artefacts and antiquities from conflict zones.
26. A combination of techniques and methods is often used, e.g., A *crowdfunding* platform launches a fundraising campaign asking for payments to be made with virtual currency and spreads the information via social networks.¹⁶

General Characteristics of PF

27. According to the definition given by FATF, proliferation is the transfer and export of nuclear, chemical, bacteriological, biological, toxic, or other weapons of mass destruction (hereinafter referred to as 'WMD'), means of their delivery and related materials. Means of delivery are ballistic missiles and other unmanned systems capable of delivering WMD and especially designed for this purpose. Related materials include all materials, units and technologies that are subject to international multilateral agreements and included on national control lists due to their possible use for the development, manufacture, and use of WMD.¹⁷
28. According to the definition developed by the FATF, PF is the provision of funds or financial services that is used, in whole or in part, to manufacture, acquire, store, develop, export, transfer, broker, transport, move, stockpile, or use nuclear,

¹⁶ FATF Report – Crowdfunding for Terrorism Financing. Available at: <https://www.fatf-gafi.org/en/publications/Methodsand Trends/crowdfunding-for-terrorism-financing.html>

¹⁷ FATF Guidance on Counter Proliferation Financing – The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction. Available at: <https://www.fatf-gafi.org/en/publications/Financingofproliferation/Guidance-counter-proliferation-financing.html>

chemical, or biological weapons and their means of delivery, as well as related materials (including both technology and dual-use items used for illicit purposes), in violation of national laws or, where applicable, international obligations.¹⁸

29. The Section 73¹ of The Criminal Law defines PF as the direct or indirect collection or transfer of funds or other property obtained in any form, with the aim to use them, or knowing that they will be used, in whole or in part, to finance the manufacture, storage, movement, use, or distribution of WMD.¹⁹
30. The main difference between PF and TF is that the former mainly uses formal sources of the financial system (banks and payment institutions, cryptocurrencies). This makes it very difficult to detect, as most transactions are structured in a similar way to legitimate transactions, so as not to stand out from the legitimate payments. Proliferators use complex financial schemes and multiple shell arrangements, seeking to operate in jurisdictions where financial institutions have little understanding of customer due diligence and risks.

Sanctions in Connection with Countering TF and PF

31. Sanctions are restrictions or prohibitions imposed under international public law, EU or national law. Sanctions are set by international organisations or individual countries. The EU uses sanctions as part of an integrated and comprehensive policy approach, which also includes political dialogue, complementary efforts, and other instruments at the EU's disposal. Although the restrictive measures imposed are called 'sanctions', they are not punitive. Their aim is to restore the legal situation, prevent the possible deterioration of the situation, and put an end to the unlawful actions of the sanctioned persons.²⁰
32. Sanctions can be divided into two basic types: targeted financial sanctions and sectoral sanctions. Targeted financial sanctions include the obligation to freeze all funds and economic resources that belong to, are owned, held, or controlled by any natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies associated with them. Targeted financial sanctions also prohibit making funds or economic resources available, either directly or indirectly, to, or for the benefit of, natural or legal persons, entities, or bodies listed in the relevant sanctioning legislation, or natural or legal persons, entities or bodies associated with them. Sectoral sanctions are generally sanctions imposed against specific goods or services, such as bans on the provision of services or on the import or export of goods, or other types of prohibitions. Further information on sanctions and types of sanctions is available on the FIU website: <https://sankcijas.fid.gov.lv/>.²¹
33. In accordance with the Section 11, Paragraph 1 of the Sanctions Law, financial and civil sanctions imposed by UNSC resolutions and sanctions imposed by EU regulations are binding and directly applicable in the Republic of Latvia. In accordance with the Section 2, Paragraph 2 of the Sanctions Law, all persons are obliged to comply with international and national sanctions.²²
34. Sanctions imposed by the UN, the EU, and individual countries most frequently take the form of restrictions on trade and related services, as well as targeted financial sanctions, thus creating a system that enables an effective fight against terrorism, proliferation, and their financing.

¹⁸ Ibid.

¹⁹ Law of the Republic of Latvia, The Criminal Law, *Latvijas Vēstnesis*, 199/200, 08.07.1998, in force from 01.04.1999, in the wording of 22.05.2024. Available at: <https://likumi.lv/ta/id/88966-kriminallikums>

²⁰ For details, see: https://finance.ec.europa.eu/eu-and-world/sanctions-restrictive-measures_en

²¹ For more information see: <https://sankcijas.fid.gov.lv/uploads/biezak-uzdotie-jautajumi.pdf>

²² Law on International Sanctions and National Sanctions of the Republic of Latvia. *Latvijas Vēstnesis*, 31, 15.02.2016. Available at: <https://likumi.lv/ta/id/280278-starptautisko-un-latvijas-republikas-nacionalo-sankciju-likums>

35. In connection with proliferation and its financing, North Korea is subject to sanctions imposed by the EU²³ and the UN²⁴. The UN and EU sanctions regimes against North Korea range from targeted financial sanctions against certain individuals and entities to sectoral sanctions prohibiting the import and export of certain goods (e.g., arms, dual-use items, luxury goods, etc.), bans on certain services (computer software and related services, etc.), and other restrictions (e.g., on shipping and aviation, investments, etc.).
36. On 1 August 2017, Cabinet Regulation No. 419 of 25 July 2017, "Regulations Regarding the Imposition of National Sanctions in Relation to Subjects Connected with the Nuclear Programme and Political Regime Implemented by the Democratic People's Republic of Korea"²⁵ entered into force, thus determining national sanctions of the Republic of Latvia against persons assisting North Korea in the development of its nuclear programme.
37. In connection with proliferation and its financing, Iran is subject only to sanctions imposed by the EU²⁶. The UN sanctions against Iran were lifted under the Joint Comprehensive Plan of Action (JCPOA).²⁷ EU restrictive measures against Iran include, for example, an arms embargo, restrictive measures related to missile technology, restrictions on certain transfers and activities of nuclear technology, restrictions on certain metals and software subject to authorisation, etc.
38. In addition, the EU has set thematic targeted financial sanctions on restrictive measures related to the use of chemical weapons, which are not country-specific. In accordance with the Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons, these sanctions are imposed against persons providing financial, technical, or material support for, or otherwise engaged in, the manufacture, acquisition, possession, development, transport, stockpiling, transfer, use, or preparation for use of chemical weapons.
39. Sanctions individually imposed by the UN, the EU, and separate countries in the fight against terrorism and its financing most often take the form of targeted financial sanctions, thus requiring freezing the funds and economic resources of terrorist organisations and persons associated with terrorism and prohibiting such persons from making funds and economic resources available to them. The UNSC has adopted several resolutions imposing freezing of funds, travel bans, and arms embargoes on individuals and organisations linked to terrorism, such as Al-Qaeda and Daesh (ISIS)²⁸. The EU, in turn, has imposed similar restrictions to those imposed by the UN, in addition to thematic sanctions against individuals and entities involved in terrorist financing and activities. EU sanctions include freezing of funds,

²³ See Council Regulation (EU) 2017/1509 of 30 August 2017 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No 329/2007. For more information on the EU sanctions against North Korea, see here: <https://www.sanctionsmap.eu/#/main/details/20/?search=%7B%22value%22:%22%22,%22searchType%22:%7B%7D%7D>

²⁴ UN Security Council ('UNSC') Resolution 1718 (2006), UNSC Resolution 1874 (2009), UNSC Resolution 2094 (2013), UNSC Resolution 2270 (2016), UNSC Resolution 2321 (2016), UNSC Resolution 2371 (2017), UNSC Resolution 2375 (2017), UNSC Resolution 2397 (2017). For more information on the UN sanctions against North Korea, see here: <https://www.un.org/securitycouncil/sanctions/1718>

²⁵ Cabinet Regulation No 419 of 25 July 2017 "Regulations Regarding the Imposition of National Sanctions in Relation to Subjects Connected with the Nuclear Programme and Political Regime Implemented by the Democratic People's Republic of Korea". Available at: <https://likumi.lv/ta/id/292535>

²⁶ Council Regulation (EU) No 267/2012 of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation (EU) No 961/2010

²⁷ The sanctions imposed against Iran were lifted in accordance with the terms set out in Resolution 2231 (2015) and expired on 18.10.2023. Available at: <https://documents.un.org/doc/undoc/gen/n15/225/27/pdf/n1522527.pdf?token=JW5uhTn34ZJ3IzrzBE&fe=true>

²⁸ For more information on UN sanctions, see here: <https://www.un.org/securitycouncil/sanctions/information>

travel bans, and trade restrictions on certain goods and technology that could be used for terrorist activities²⁹.

40. In order to prevent PF and TF, it is important to carry out sanctions' list checks to manage the risks of targeted financial sanctions. In addition, other appropriate TF and PF risk management measures need to be implemented, including, but not limited to, conducting a PF, TF, and sanctions risk assessment³⁰, developing an internal control system for PF, TF, and sanctions risk management, conducting customer due diligence, monitoring customers and their transactions, including assessing and verifying whether the customer's business activities are linked to sectors subject to a high risk of PF or TF, e.g., the manufacture, transportation, or distribution of dual-use items, military activities, collection of donations, in connection with other risk factors, including geographical risks; what risks are typical of the customer's country of registration, business activities, and the countries of its business partners, etc.

Situation in Europe

41. Terrorism remains a serious threat to Europe. Between 2019 and 2023, 53 terrorist attacks were carried out in Europe, while 109 planned attacks were prevented.³¹ According to the EU Terrorism Situation and Trend Report 2023, some European countries, such as France, the UK, and Germany, remained at high risk of terrorism in 2023.³²
42. Terrorist attacks in Europe continue to be carried out by local terrorists and their groups radicalised by the propaganda of Islamic terrorist groups. In 2023, asylum seekers from terrorism risk countries were involved in the planning and execution of terrorist attacks. A number of people detained last year were also diagnosed with mental health problems.³³
43. The radicalisation of individuals and their willingness to engage in terrorist acts continues to be fuelled by the dissemination of material by terrorist groups on the Internet, which provides ideological justification for violence and practical advice on how to carry out terrorist acts.³⁴ In addition to social media platforms, online forums, video and gaming platforms, open communication apps, terrorists and extremists also use decentralised platforms to disseminate materials, posing a significant threat to law enforcement authorities' monitoring and investigations.³⁵
44. In 2022, the most visible reaction to Russia's war in Ukraine took place during the first months of the war, mainly in the form of online posts by right-wing extremists, although a limited number of right-wing extremists were also seen joining the

²⁹ For more information on EU terrorism-related sanctions, see here: <https://www.sanctionsmap.eu/#/main/details/6,5,60/?search=%7B%22value%22:%22%22,%22searchType%22:%7B%7D%7D>

³⁰ The Bank of Latvia has conducted a horizontal inspection and published a report with examples of good and bad practices for risk assessment. The Report on the Results of the Off-site Horizontal Inspection "Horizontal Inspection of Money Laundering, Terrorism and Proliferation Financing and Sanctions Risk Assessment Process Including Methodology" is available here: <https://www.bank.lv/darbibas-jomas/uzraudziba/finansu-noziegumu-noversana/parbauzu-rezultati-laba-prakse-aml-joma/par-nilltpf-un-sankciju-riska-novertesanas-procesu-tai-skaita-metodologiju>

³¹ Public Report on the Activities of the State Security Service in 2023. Available at: <https://vdd.gov.lv/uploads/materials/34/lv/vdd-publiskaispaskats-2023-web.pdf>

³² European Union Terrorism Situation and Trend Report 2023 (TE-SAT). Available at: <https://www.europol.europa.eu/publication-events/main-reports/european-union-terrorism-situation-and-trend-report-2023-te-sat#downloads>

³³ Public Report on the Activities of the State Security Service in 2023. Available at: <https://vdd.gov.lv/uploads/materials/34/lv/vdd-publiskaispaskats-2023-web.pdf>

³⁴ National ML/TF/PF Risk Assessment Report for 2020 -2022. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

³⁵ European Union Terrorism Situation and Trend Report 2023 (TE-SAT). Available at: <https://www.europol.europa.eu/publication-events/main-reports/european-union-terrorism-situation-and-trend-report-2023-te-sat#downloads>

battlefield. While disinformation and distorted messages related to the war in Ukraine have decreased, they can still contribute to terrorist and violent extremist messages.³⁶

45. In 2023, terrorist threats in European countries increased following the invasion of Israel by militants of the terrorist group ' Hamas ' on 7 October 2023. The number of anti-Semitic incidents rose sharply in France, Germany, and the UK.³⁷
46. *Europol's Report 2023* concludes that the lines between different types of terrorism will become increasingly blurred in the future. Right-wing, left-wing, and *environmentally-inspired* terrorism and extremism are expected to gain increasingly great significance. Geopolitical events outside the EU will continue to affect terrorism and violent extremism in the EU.³⁸

Situation in Latvia

47. The risk assessment of TF and PF carried out in the NRA 2023, covering the reporting period of 2020-2022, shows that compared to the previous reporting period (2017-2019), Latvia's potential use of TF and PF has remained unchanged. The respective risks remain relatively low.³⁹
48. The TF threats in Latvia remains low because the overall level of terrorism threats in the country is also low. Although several internationally known terrorist groups pose TF threats in Latvia, investigations conducted abroad have consistently failed to establish the abuse of the Latvian financial system for their financing. The main TF threats in Latvia are still caused by local individuals who could become more radical.⁴⁰ Given the escalated situation since the outbreak of the Israel-Hamas war in 2023, increased attention needs to be paid to the TF threats arising from the possible radicalisation of individuals, including in foreign communities in Latvia. Similarly, TF threats linked to travel to conflict zones, donations to Hamas and the abuse of NGOs cannot be ruled out.
49. The FIU regularly assesses the risks of TF associated with NGOs. Given Latvia's low level of TF risks, the assessment is carried out every three years. NRA 2023 concluded that the set of Latvian NGOs with elevated TF risks remained unchanged compared to NRA 2020. Less than 1% of all transactions of the NGOs registered in Latvia have TF risk-increasing factors.⁴¹
50. In order to ensure a continuous and effective assessment of TF risks, identify measures to mitigate these risks, detect possible TF suspicions promptly, and coordinate the monitoring of NGOs falling under the FATF definition⁴², an inter-

³⁶ Ibid.

³⁷ Public Report on the Activities of the State Security Service in 2023. Available at: <https://vdd.gov.lv/uploads/materials/34/lv/vdd-publiskaispaskats-2023-web.pdf>

³⁸ European Union Terrorism Situation and Trend Report 2023 (TE-SAT). Available at: <https://www.europol.europa.eu/publication-events/main-reports/european-union-terrorism-situation-and-trend-report-2023-te-sat#downloads>

³⁹ National ML/TF/PF Risk Assessment Report for 2020 -2022. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

⁴⁰ Ibid.

⁴¹ National ML/TF/PF Risk Assessment Report for 2020 -2022. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

⁴² In accordance with FATF Recommendation 8: "NPO refers to a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works"

agency work group was established in 2024, with representatives from the FIU, *Latvijas Banka*, SSS, and the SRS Tax and Customs Department.

51. The TF vulnerability in Latvia is also assessed as low in the NRA 2023. Latvia's financial sector is well-developed and offers services that can be exploited for TF purposes. However, it is crucial that NRA 2023 concluded that during the reporting period, obliged entities' understanding of TF, circumvention of sanctions, and their capability to identify suspicions of TF and sanctions evasion (including those unrelated to terrorism) and report such suspicions to the FIU under the AML/CTPF Law and the Sanctions Law have improved. State institutions have enhanced their capacity and understanding of TF and sanctions evasion and violations..⁴³
52. In addition to the conclusions of NRA 2023, the Counter-Terrorism Strategy of Latvia 2021-2026 should be mentioned with regard to the activities of the Muslim community living in Latvia. It has not contributed to an overall increase in radicalisation trends, but individuals who express an interest in terrorist organisations and radical interpretations of Islam regularly come to the attention of the SSS. It is also mentioned that the possible involvement of Muslims, flagged by the SSS, in violent activities in Latvia or abroad is currently assessed as low. Moreover, new Muslims or converts remain one of the main at - risk groups for radicalisation..⁴⁴
53. NRA 2023 has concluded 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):
 - a. in case of possible radicalisation of Latvian population, TF may occur through self-financing (incl. the use of financial services);
 - b. in case of possible radicalisation of the Latvian population, TF may occur through the acquiring assets from family members or relatives (incl. the use of financial services);
 - c. criminals and terrorist groups can use the Latvian financial system to conduct transfers as a part of a complex TF transaction chain..⁴⁵
54. In 2022, Latvia received a positive evaluation from the Executive Directorate of the UNSC Counter-Terrorism Committee, which assessed Latvia's progress in implementing UNSC resolutions⁴⁶ related to the prevention of terrorism and TF. The report includes a positive evaluation of the work Latvia has done to improve its AML/CFT framework since the 2018 Moneyval Evaluation.
55. The UN evaluation notes that, although terrorism threats in Latvia are low, the country has taken these threats seriously. Latvia's legal, institutional, and operational counter-terrorism measures have been positively appraised. The evaluation notes that Latvia has made significant investments in supervisory and financial intelligence capacity, including new financial technology and analytical software, as well as in human resources. Latvia's internal coordination efforts have been assessed as effective, and it has demonstrated a high level of regional cooperation, in line with its role as an EU Member State.
56. Latvia has carried out a significant reform of its financial system supervision in recent years, and the UNSC Counter-Terrorism Committee notes that Latvia could share good practices with other similar UN Member States. The partnership between Latvia's public and private sectors in improving the AML/CFT system is also highly valued.
57. According to NRA 2023, PF threats in Latvia are medium-low. PF threats arise from individuals and entities under international law with the potential to cause harm by attracting, moving, storing, or using proceeds and other assets (whether obtained

⁴³ Ibid.

⁴⁴ Individuals who convert to a particular religion during their lifetime, either from another faith or from a non-faith.

⁴⁵ Ibid.

⁴⁶ UN Security Council ('UNSC') Resolution 1373 (2001), UNSC Resolution 1624 (2005), UNSC Resolution 2178 (2014), UNSC Resolution 2396 (2017), UNSC Resolution 2462 (2019).

lawfully or not) for proliferation purposes. The primary international PF risks identified are posed by North Korea and Iran⁴⁷, with other theoretical PF threats also considered. North Korea has performed several ballistic missile and nuclear tests, thus threatening global safety. North Korea⁴⁸ and Iran⁴⁹ are subjected to sanctions and thus persons, that are related to proliferation, are forced to transfer transactions through complex payment schemes by using services of very vulnerable financial institutions.⁵⁰

58. NRA 2023 concludes that the PF vulnerability in Latvia is medium-low. The Latvian financial sector is well-developed, providing services that can be used for PF. 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 could be exploited for transportation of GSS through Latvia to countries under sanctions related to proliferation or countries with high terrorism risk, potentially transferring the GSS to terrorist groups. However, vulnerability is reduced by effective control mechanisms for GSS circulation in Latvia.⁵¹
59. NRA 2023 concludes that the PF risks in Latvia are unchanged compared to the previous reporting period, i.e. the PF risk in Latvia remains medium-low. However, there is a risk that Latvia could be used for PF in the following ways (the list is not exhaustive):
- a. criminals may employ the Latvian financial system for transfers as a part of a complex PF transaction chain or to circumvent sanctions related to proliferation;
 - b. criminals may employ the Latvian financial system for transfers as part of a complex transaction chain when transporting GSS through other countries utilizing financial service providers registered in Latvia to transfer financial assets;
 - c. 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.⁵²

Current Trends in TF and its Prevention

60. As mentioned above, the main TF threats in Latvia are caused by local persons who could become more radical. In this context, it is crucial to be aware of terrorism based on ethnicity or race.
61. The FATF's *Ethnically or Racially Motivated Terrorism Financing Report*, published in June 2021, concludes that while extreme right-wing terrorist attacks are mainly

⁴⁷ In connection with proliferation and its financing, Iran is subject only to sanctions imposed by the EU. UN sanctions against Iran were lifted under the Joint Comprehensive Plan of Action (JCPOA). For more information, see paragraph 35.

⁴⁸ Council Regulation (EU) 2017/1509 of 30 August 2017 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No 329/2007, UN Security Council ('UNSC') Resolution 1718 (2006), UNSC Resolution 1874 (2009), UNSC Resolution 2094 (2013), UNSC Resolution 2270 (2016), UNSC Resolution 2321 (2016), UNSC Resolution 2371 (2017), UNSC Resolution 2375 (2017), UNSC Resolution 2397 (2017).

⁴⁹ Council Regulation (EU) No 267/2012 of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation (EU) No 961/2010

⁵⁰ NRA 2023. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

⁵¹ Ibid.

⁵² Ibid.

perpetrated by self-funded lone actors, extreme right-wing groups employ an array of fund-raising techniques.⁵³

62. These include donations (through both crowdfunding and private contributions), membership fees, commercial activities (such as organizing concerts, selling merchandise, and real estate ventures), and criminal activities. Notably, most of the funding for extreme right-wing groups appears to come from legitimate sources. It has also been concluded that extreme right-wing groups appear to be less concerned with concealing their transactions than other forms of TF.⁵⁴
63. At the same time, the FATF Report 2021 also reports that many jurisdictions have noted extreme right-wing actors becoming increasingly operationally sophisticated in how they move their funds. These funds appear to be used for various activities, ranging from financing of attacks to purchasing equipment, training, creating and disseminating propaganda, recruitment, networking, legal fees, and even purchasing and maintaining real estate assets.⁵⁵
64. The main challenges identified in the aforementioned FATF report related to tackling the financing of groups and attacks motivated by extreme right-wing ideology include:
 - a. different legal regimes across jurisdictions for combating extreme right-wing terrorism (not all countries classify violent acts by individuals or groups motivated by right-wing ideology as terrorism);
 - b. few national and international sanctions against extreme right-wing groups;
 - c. growing transnational links between these groups (and, in some instances, individuals who have perpetrated terrorist attacks);
 - d. the fact that most extreme right-wing terrorist attacks are carried out by self-funded lone actors;
 - e. limited public-private partnerships in place for exchanging financial information.⁵⁶
65. With regard to extreme right-wing terrorism, the Counter-Terrorism Strategy of Latvia 2021 -2026 concludes that in the context of the overall trends of terrorism in Europe and Latvia, the rise of conspiracy theories and hate speech, some right-wing and left-wing extremists will continue to pose a risk for radicalisation.
66. According to the information provided by the SSS, significant international terrorist groups operate in Syria, Iraq, Egypt, Algeria, Libya, Mauritania, Morocco, Tunisia, Western Sahara, Nigeria, Somalia, Yemen, Afghanistan, Pakistan, the North Caucasus and Palestine (Hamas and Hezbollah).
67. According to information provided by the SSS, the most significant terrorist threats in Afghanistan and Pakistan come from the Islamist terrorist group *Taliban*. After the *Taliban* took control of Afghanistan in 2021, the level of terrorism threats remains high. There are *Al-Qaeda* and *Islamic State* affiliates in the region, such as the *Islamic State – Khorasan Province*, which is actively involved in attacks against the *Taliban* and previously against Western targets of interest in Afghanistan. The security situation in the region remains low, and there is a risk that terrorists could continue to use the region in the near future to train their fighters and send them to Europe to carry out terrorist attacks.
68. Since October 2023, Hamas and Palestinian Islamic Jihadist terrorist groups have been active in Israel. In the EU, these terrorist groups are sanctioned.⁵⁷ Fund-raising


⁵³ FATF. Ethnically or Racially Motivated Terrorism Financing. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-racially-motivated-terrorism-financing.pdf>

⁵⁴ FATF. Ethnically or Racially Motivated Terrorism Financing. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-racially-motivated-terrorism-financing.pdf>

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Council Regulation (EU) 2024/386 of 19 January 2024 establishing restrictive measures against those who support, facilitate or enable violent actions by Hamas and the Palestinian Islamic Jihad



campaigns are organised by charitable organisations or private associations, mainly in the NGO sector, with the stated aim of raising funds for humanitarian aid. In recent years, fund-raising publications have been increasingly publicised on social networks such as X (Twitter), Telegram, Tik Tok, Facebook channels, and other social media sites. Content posted on social media contains instructions on how to donate and participate in fund-raising campaigns. There have also been identified cases of European citizens joining Hamas and travelling to conflict zone.⁵⁸

69. TF uses a variety of money transfer channels, including electronic payment institutions and virtual currencies (e.g., BTC, ETH, USDT, USDC).⁵⁹ To increase anonymity, criminals use private coins as well as virtual currency mixers⁶⁰, which increase the risk of TF by combining virtual currencies from multiple users to obscure the origin of funds and their true owners. This makes it even more difficult to trace funds.
70. There are several known cases of ransomware attacks worldwide for TF purposes, where victims are forced to move funds to specific virtual currency wallet addresses to regain access to stolen data.
71. TF funds can be raised through *crowdfunding* platforms.⁶¹ The wide range of social networking sites and services allows connection with a broader audience and dissemination of information. Therefore, social networking sites play a key role in the functioning of crowdfunding platforms and can be strategically used by terrorists for TF needs. Donation-based crowdfunding platforms, on the other hand, can serve as an effective cover for financial crime, including TF.
72. One of the most commonly identified types of TF internationally is the *hawala*⁶². Taking into account the findings of NRA 2023, the use of the *hawala* method in Latvia has not been detected by the competent authorities so far.⁶³
73. In the light of current trends, it can be concluded that TF is increasingly exploiting the anonymity and accessibility offered by virtual currencies and crowdfunding platforms.

Indicators of TF

74. Effective TF prevention measures require understanding of the financial flows organised by terrorist organisations and individual terrorists or small groups. This understanding should be as uniform as possible among all subjects of the AML/CTPF Law. It should be stressed that the ways in which terrorist organisations or small groups, and individuals finance terrorist activities vary considerably.

Council Regulation (EC) No 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism

⁵⁸ European Financial Intelligence Public-Private Partnership Platform. Typologies and indicators of financing of terrorist organisations.

⁵⁹ FIU-ISRAEL (IMPA). Swords of Iron. Israel Money Laundering and Terror Financing Prohibition Authority. Page 2. Available at: https://www.gov.il/BlobFolder/dynamiccollectorresultitem/impaswords_of_iron/he/periodic-docs_IMPA%20WORDS%20OF%20IRON%2012.10.23.pdf

⁶⁰ Latvian version of the term '*cryptocurrency mixer*'. A cryptocurrency mixer is a service that pools cryptocurrencies from multiple users to hide the origin and owners of the funds.


⁶¹ FATF. Crowdfunding for Terrorism Financing. Page 24. Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Crowdfunding-Terrorism-Financing.pdf.coredownload.inline.pdf>

⁶² *Hawala* — non-formal money transfer system by using intermediaries, without movement of physical cash across the border or via banks.

⁶³ NRA 2023. Page 120. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

75. Operational costs for individuals or small terrorist groups are usually low; therefore, they often act with existing funds or raise small amounts of funding using methods that do not raise TF suspicions (e.g., 'fast' or consumer loans, hiding the real purpose of their use, etc.). For terrorist organisations (e.g., IS, AQ), which are mainly based outside the EU, the regular costs are significantly higher. They consist of:
- a. wages of militants;
 - b. social benefits for the families of the militants killed in action;
 - c. attraction of new militants;
 - d. weapons, explosives, ammunition;
 - e. propaganda dissemination activities;
 - f. etc.
76. TF prevention measures must be comprehensive and simultaneously aimed at:
- a. acquisition of funds/ assets (e.g., restriction of the sources of income of the terrorist organisations);
 - b. movement of funds/ assets (e.g., restriction of terrorists' access to and possibilities of using international financial systems);
 - c. storage of funds/ assets;
 - d. use of funds/ assets.
77. Furthermore, TF prevention activities must aim against individuals who coordinate TF and other terrorism support measures (e.g., provide logistics support). Effective inter-institutional and international cooperation plays a significant role in performance of the aforementioned measures.
78. Internationally the following characteristics have been identified, which, in a given context of transactions and behaviour, may indicate the presence of TF, either alone or in combination⁶⁴:
1. payments for trade transactions involving high-risk jurisdictions;
 2. transfers to jurisdictions with a high risk of TF;
 3. transactions with companies whose beneficial owner is a resident of a jurisdiction with a high risk of TF;
 4. cash withdrawals (in ATMs) in conflict zones or neighbouring countries;
 5. payment card transactions in conflict zones or neighbouring countries;
 6. obtaining of several credit loans/ loans simultaneously;
 7. acquiring consumer loans to travel to countries of armed conflict or neighbouring countries thereof;
 8. applications for the increase of the credit limit/ credit amount without a clear reason or with limited repayment capabilities;
 9. incommensurable purchase of portable computer equipment;
 10. incommensurable purchase of communication equipment (walkie-talkies, satellite phones, prepayment cards);
 11. unusual and incommensurable large-scale purchase of military equipment (clothing, boots, vests, body armour, etc.);
 12. unusual purchase of high-power binoculars and night vision equipment;
 13. collection of donations for humanitarian purposes with suspicious indicators (general, unclear purposes, unclear organisation represented by the gatherer (non-existent or unregistered), unclear end recipient of collected donations, collection of funds to be spent in or near conflict zones, transfer of donations to the accounts held by individuals);
 14. unusual activities carried out by family members of terrorist organisations or organisations linked thereto;
 15. getting involved in a wide range of financial activities for humanitarian purposes immediately after opening an account;
 16. large-scale purchases of prepayment SIM cards and/or prepaid data plans;

⁶⁴ The indicators summarised cannot be viewed in isolation from other available information. It is to be observed that the indications summarised are informative and may differ in each individual case, or only a part of them can be identified, as well as that the list of indicators in this material cannot be considered comprehensive or exhaustive. Identifying an individual indicator not always can cause justified suspicions regarding criminal activities, and indications cannot be viewed separately from the facts and circumstances characterising particular transactions or activities.

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17. a crowdfunding campaign lacking clear information about the purpose of the funding, the main beneficiaries, or the defined purpose is very general;
 18. use of phrases and numbers in funds transfers indicating a link to terrorism in general or to current world events. For example, money transfers to organisations whose names or the purpose of the money transfer suggest links to terrorism;
 19. importing goods from abroad and selling them in conflict zones, including where payment for the goods is made by a third party;
 20. payments made using a seemingly legitimate website, but upon further investigation, indications of a terrorist connection emerge;
 21. virtual currency addresses, bank accounts, digital means of payment, etc., published on the social media platforms of terrorist organisations or on websites linking to these platforms.
79. Signs of the use of NGOs for TF:
1. NGOs start receiving donations from donors who have previously donated to terrorist organisations, organisations with links thereto, or organisations whose activities have been frozen;
 2. a registered office of an NGO or a related company owned or used by organizations suspected of terrorist activities or organizations using such entities;
 3. legal entities associated with NGOs that have been or are currently associated with certain organisations or terrorist activities or TF;
 4. NGOs make transfers to other NGOs known to be involved in terrorist activities or TF;
 5. NGOs make transfers to other NGOs located close to or in conflict zones;
 6. NGO humanitarian aid focuses on supporting individuals directly linked to terrorist organisations;
 7. NGO officials are or have been officials of other organisations that are perceived to support terrorist activities.
80. As mentioned above, there is often no significant difference between how terrorists and criminals use the financial system for ML and TF purposes; hence, the identified typologies of ML in relation to the use of virtual currency should also be used to identify TF in virtual currency transactions.⁶⁵
81. Given that the legal form of the sanctions imposed against the TF is the same to the EU sanctions imposed against Russia, the risk indicators identified in relation to the violation and/ or circumvention of Russian sanctions can also be used to identify the violation and/ or circumvention of TF sanctions.⁶⁶
82. Terrorism and TF prevention measures, including but not limited to:
- a. taking into account the current situation of terrorist threats in Latvia and Europe, as well as the identified TF risks and types of activities, the subjects of the AML/CTPF Law and the Sanctions Law are required to conduct an assessment of TF, PF, and international and national sanctions risks and to have an appropriate internal control system for managing TF, PF, and international and national sanctions risks. In addition, the subjects of the AML/CTPF Law must report to the FIU any suspicious transaction involving TF. Likewise, if the subject of the AML/CTPF Law finds out that a transaction is being carried out by an individual whose identification details are included on the sanctions list of NATO or EU member states, including OFAC, with TF or PF indications, it is necessary to refrain from the transaction and report it to the FIU⁶⁷;

⁶⁵ For more information, see "Money Laundering and Terrorist Financing Red Flag Indicators Associated with Virtual Assets" Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Virtual-Assets-Red-Flag-Indicators.pdf.coredownload.pdf>

⁶⁶ For more information, see "Indicators of Evasion of Sanctions Against Russia", Available at: https://fid.gov.lv/uploads/files/2022/Pret_Krieviju_noteikto_sankciju_apiesanas_indikatori.pdf

⁶⁷ Reporting Suspicious Transactions and Refraining from Transactions. 2nd Updated Version Available at: https://fid.gov.lv/uploads/files/2023/vadlinijas/lv-final/FID_Zi%C5%86o%C5%A1anas%20vadl%C4%ABnijas_2.%20redakcija.pdf

- b. effective border security and customs measures should be in place to prevent the movement of cash, precious stones, or other goods for TF purposes;
- c. payment card issuers must report suspicious transactions performed with payment cards that are linked to countries where terrorist organisations are based (e.g. Afghanistan, Pakistan (AQ), or Syria, Iraq (IS)) or to their neighbouring countries;
- d. the analysis of transactions should take into account both the FIU and law enforcement information on terrorist support networks in Europe and other persons involved in the coordination of TF activities.

Case analysis No 1: The criminal case that was initiated in 2018 concerning TF

Person X was accused of defrauding money from person Y. Both persons became acquainted during their attendance at a mosque. Using his status as an experienced adherent of Islam, person X trained person Y and gained his trust. Under various false pretexts, person X obtained several thousand *euros* from person Y, which were presented as donations. Taking into account person X's radical interpretation of Islam and his contacts with individuals considering traveling to Syria, the possibility of TF was investigated within the framework of the criminal proceedings. During the investigation, it was found that person X had used the obtained funds for personal purposes, and TF or characteristics of its planning were not detected.

Case analysis No 2: Suspicious transaction

In 2018, the FIU received information on the possible link of person X to TF. In 2013, person X used an international financial institution to receive approximately EUR 90 from person Y. When the FIU performed additional inspections, it was found that person Y has made transfers to approximately 22 other persons in three European countries, including Latvia, and to one person in an Asian country A. One of the recipients is person Z who is possibly linked to an attack to a religious church in an Asian country A.

Case analysis No 3: Suspicious transaction

In 2023, the FIU received information on the possible link of person X to an armed conflict or TF. Between July 2021 and April 2022, person X made several transfers to a military-patriotic organisation in a country at high risk of terrorism. During this period, person X made 4 transfers with the purpose of payment indicated as charity.

Indicators of PF

83. The proliferation of WMD continues to pose serious risks to global security. A number of countries at high risk of PF have been identified. North Korea, which has been pursuing illicit activities, including ML, counterfeiting, fraud and smuggling, to build its nuclear arsenal, now poses a major proliferation threat. Although UN sanctions against Iran have been lifted⁶⁸, the EU has three sanctions regimes in place against Iran. One is related to proliferation, one – to the infringement of human rights, and one – to the transfer of drones and missiles to Russia. Given the geopolitical situation and the close links between Russian industry and economy and the military, Russia is subject to extensive economic and sectoral sanctions, which means that Russia must also be given increased attention. In addition, proliferation risks arise from Russia's cooperation with other sanctioned countries, i.e., North Korea and Iran.

⁶⁸ The sanctions imposed against Iran were lifted in accordance with the terms set out in Resolution 2231 (2015) and expired on 18.10.2023. Available at: <https://documents.un.org/doc/undoc/gen/n15/225/27/pdf/n1522527.pdf?token=JW5uhTn34ZJ3lZrzbE&fe=true>

84. As access to the official financial system has become restricted for certain individuals and entities due to the imposition of various financial sanctions, they are increasingly often using virtual assets to evade sanctions. The UN Panel of Experts' Reports include information on the theft of virtual assets (attacks on both stock exchanges and users) and the mining of cryptocurrency through hacking (e.g., infecting computers with malware).⁶⁹ Cryptocurrency hackers linked to North Korea have been among the most active in recent years, with cryptocurrency scams worth around USD 1.7 billion in 2022 and around USD 1 billion in 2023. With North Korea's total exports of goods in 2020 at around USD 142 million, cryptocurrency fraud accounts for a significant share of the country's economy.⁷⁰ UNSC Resolution 2270 (2016) highlights North Korea's use of illicit funds to finance its nuclear programme.⁷¹
85. Since Russia's invasion of Ukraine in 2022, Russia's and North Korea's relations have strengthened. In 2022, Russia used its veto power as a permanent member of the UNSC to block stricter UN sanctions against North Korea, whereas in March 2024, Russia blocked a decision to extend the UN Panel of Experts on North Korea. The regular Panel of Experts' reports⁷² have been a valuable source of information on current trends and typologies used by North Korea to circumvent and violate sanctions.
86. Cases of PF are hard to identify, as subjects can be both individual natural persons and countries. Successful mitigation and prevention of potential proliferation events require a combination of rules-based and risk-based approaches. It is important to screen international lists, lists drawn up by EU Member States, NATO Member States and the Latvian national list of persons suspected of involvement in terrorist activities or in the manufacture, storage, movement, use, or distribution of WMD.⁷³
87. Signs that may indicate proliferation or proliferation financing (none of the signs can be the sole reference to a person's alleged association with proliferation):
- 1) a customer provides unclear or incomplete information about its planned trading activities. The customer does not wish to provide additional information on transactions when asked additional questions;
 - 2) use of forged documents (contracts, export permits);
 - 3) use of shell arrangements (in accordance with the AML/CTPF Law) or fictitious companies;
 - 4) paying inappropriately high amounts for goods, buying goods just below the quantity control limit;
 - 5) using payment agents, paying cash for goods or transportation services, depositing initial funds in cash;
 - 6) use of personal accounts or credit cards for business payments or for the purchase of goods subject to export controls;
 - 7) concealing information on the end-user or end-use, providing it only on request, information on the end-use is unclear or inaccurate;
 - 8) contracts (names, addresses) do not match the purpose of payments;
 - 9) documents obtained during the transaction indicate that the declared value of the consignment is too low compared to the cost of delivery;
 - 10) the end recipient has no connection with the buyer, no knowledge of the product;
 - 11) an order has no business relevance, no transaction history, the customer's or end user's activity does not fit the business profile;
 - 12) an order was placed in a country other than that of the end recipient;

⁶⁹ Guidance on Proliferation Financing Risk Assessment and Mitigation, p. 28. Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Proliferation-Financing-Risk-Assessment-Mitigation.pdf.coredownload.inline.pdf>

⁷⁰ The 2023 Crypto Crime Report. Available at: <https://go.chainalysis.com/crypto-crime-2024.html>

⁷¹ UN Security Council Resolution 2270 (2016). Available at: [https://www.un.org/securitycouncil/s/res/2270-\(2016\)](https://www.un.org/securitycouncil/s/res/2270-(2016))

⁷² DPRK Reports Database. Available at: <https://dprk-reports.org/>

⁷³ NRA 2023. Page 125. Available at: <https://fid.gov.lv/uploads/files/2023/NACION%C4%80LAIS%20NILLTPF%20RISKU%20NOV%C4%92RT%C4%92%C5%A0ANAS%20ZI%C5%85OJUMS%20PAR%202020.%E2%80%932022.%20GADU.pdf>

- 13) a shipment path is illogical (e.g., 'circular'), using multiple modes/locations for one shipment;
- 14) a freight company is indicated as the consignee;
- 15) transport identification data (vessel name) is concealed or suppressed, container numbers are distorted;
- 16) observed misalignment of vessel routes, disabling of Global Positioning System (GPS) signal devices in the vicinity of countries at risk (according to the FATF list);
- 17) a contract does not include servicing, training or installation;
- 18) a trade finance transaction involves a shipping route that passes through a country with weak export control regulations and enforcement (FATF-defined high-risk jurisdictions⁷⁴ and jurisdictions subject to enhanced surveillance regimes⁷⁵);
- 19) a transaction involves persons or companies located in countries at risk⁷⁶;
- 20) a transaction involves universities or military institutions located in risk countries;
- 21) a transaction involves companies whose products are subject to exemptions regarding sanctioned countries (humanitarian aid — food, medicine);
- 22) a transaction relates to the dispatch of goods that do not correspond to the usual patterns of trade (the country concerned normally does not export/import the goods in question);
- 23) a customer is a person engaged in the trade/manufacture of dual-use items or items subject to export controls.
- 24) customer due diligence reveals facts on long-term cooperation with a person or region subject to sanctions.
- 25) the customer or its BO is from a country sanctioned for proliferation (North Korea, Iran);
- 26) a customer, its BO, owner or senior managers are included on sanctions lists or have negative public information about their involvement in illicit trading schemes, fraud, or other criminal activities, or are included on the list of prohibited persons under any export control regime;
- 27) a addresses of companies coincide with the addresses of embassies or other public authorities of certain countries;
- 28) a small company transfers large sums of money that do not correspond to the size of its business;
- 29) companies are inactive for long periods and are used to make several transfers within a short period of time;
- 30) in the short period since the account was opened, the company's officials and owners change;
- 31) a transaction involves financial institutions known to have AML/CFTP control deficiencies or are registered in sanctioned and risk countries;
- 32) purchase of equipment by components without justification.

88. Given that the legal form of the sanctions imposed against the PF is the same to the EU sanctions imposed against Russia, the risk indicators identified in relation to the violation and/or circumvention of Russian sanctions can also be used to identify the violation and/or circumvention of PF sanctions.⁷⁷

89. It should be noted that the main proliferation risk is posed by countries that have developed or are developing illicit biological, chemical, or nuclear weapons systems.

⁷⁴ See here: <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-june-2024.html>

⁷⁵ See here: <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2024.html>

⁷⁶ The concept of countries at risk in the context of PF is explained in paragraph 35 of this document. Special attention should also be paid to underdeveloped regions, as inadequate border controls and developed smuggling networks create favourable conditions for proliferation, especially in countries bordering countries at risk. Trade relations between high-risk countries and other countries should be taken into account, as they can be used to build proliferation deals.

⁷⁷ For more information, see "Indicators of Evasion of Sanctions Against Russia", Available at: https://fid.gov.lv/uploads/files/2022/Pret_Krieviju_noteikto_sankciju_apiesanas_indikatoru.pdf

North Korea and Iran are countries that plan to maintain or upgrade their existing WMD arsenals. Crucially, the alleged transportation of goods most often takes place through neighbouring countries to hide the true final destination.

Case analysis No 4: Criminal proceedings on violations of movement of GSS

Latvian company X performed illegal movement of GSS by acquiring goods of military nature from Russia and transporting these goods to Vietnam. To circumvent the sanctions imposed by the EU against Russia (prohibition on import of military goods), company X made a payment for goods to a company Y, registered in Great Britain, which was an intermediary for the Russian manufacturer of the goods. Company X deliberately avoided obtaining a GSS transit licence to avoid the inspections of the conducted activity and goods.

Case analysis No 5: Movement of GSS in transit through Latvia

Companies A and B, registered in Latvia, were involved in the supply of oils intended for military needs from Belarus and Russia to Syria. Delivery took place via Latvia using the infrastructure of Riga port companies. In other instances, the goods were sent through ports in neighbouring countries of Syria instead of directly from Riga to Syria, aiming to avoid sanctions violations. Payment for the goods and their shipment in Latvia was organised by these registered companies through offshore entities. No criminal proceedings were initiated in this case. An agreement was reached with the SRS National Customs Board to enhance controls over similar shipments. Simultaneously, agreements were made with the port terminals to cease providing services for handling this type of cargo intended for similar consignees..

Other Useful Resources on TF and PF


90. The FATF PF Guidelines 2008⁷⁸ serve as a starting point to help the public and private sectors understand the risks and situations where customers, payments, and other account activities might be involved in PF. Since the Guidelines were issued, even more sophisticated schemes have been developed to hide PF. The FATF Guidelines have been updated several times and are available on the FATF website.⁷⁹
91. *UN Documents for DPRK (North Korea)*⁸⁰ primarily focus on sanctions imposed by the UNSC to address the country's nuclear weapons programme and human rights violations. The published documents include resolutions, reports, and statements, which are valuable sources of information on current PF trends in North Korea. As mentioned above, Russia has blocked the UN Panel of Experts on North Korea as of March 2024, resulting in no new reports being published at this time.
92. While the UN Expert Group's reports provide a wealth of information, they are often in an inaccessible and unstructured format. *The Royal United Services Institute's (RUSI) project DPRK Reports*⁸¹ is an initiative that provides open access to high-quality, structured data from the UN North Korea Panel Reports in an accessible format. The project has collected a total of more than 5,000 items and their datasets described in the UN Expert Group's reports for the period 2010-2023.

⁷⁸ Proliferation Financing Report. Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>

⁷⁹ Proliferation Financing. Available at: <https://www.fatf-gafi.org/en/topics/proliferation-financing.html>

⁸⁰ UN Documents for DPRK (North Korea): Sanctions Committee Documents. Available at: https://www.securitycouncilreport.org/un_documents_type/sanctions-committee-documents/?ctype=DPRK%20%28North%20Korea%29&cbtype=dprk-north-korea

⁸¹ DPRK Reports Database. Available at: <https://dprk-reports.org/>

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93. Since 2015, RUSI experts have carried out several studies on PF. In 2020, a study on North Korea's implementation of PF in South and East Africa was published.⁸² In 2022, RUSI published a study on non-financial companies and professions used in PF.⁸³ Other materials published by RUSI, including on the use of VA in PF, can be found on the RUSI website.⁸⁴
 94. Comprehensive PF training materials for the public and private sectors are also available on the *King's College The Centre for Science and Security Studies*⁸⁵ website.
 95. The FATF plays an important role in global efforts to combat TF. The FATF sets standards for combating TF and promotes the implementation of effective legal, regulatory, and operational measures. The FATF's recommendations and materials⁸⁶ provide a basis for understanding the TF situation and risks.
 96. Each year, *Europol* publishes *The Terrorism Situation and Trend Report (TE-SAT)*⁸⁷, which summarises the findings of EU Member States and *Europol's* conclusions on trends in terrorism over the past 12 months. The report aims to inform policy makers, law enforcement officials, and the wider public about the latest developments in terrorism and extremist ideologies that may impact changes in the terrorism situation in the EU.

⁸² The Southern Stratagem: North Korean Proliferation Financing in Southern and Eastern Africa. Available at: https://static.rusi.org/north_korean_pf_in_southern_and_eastern_africa_web_copy_final.pdf

⁸³ North Korean Proliferation Financing and Designated Non-Financial Businesses and Professions. Available at: file:///C:/Users/anna.dimante/AppData/Local/Temp/191cd85d-2c5f-4938-8d73-209dadda9dce_PF_materials_1.zip.dce/RUSI%20vadi%20C4%ABnijas/RUSI%20-%20North%20Korean%20Proliferation%20Financing%20and%20DNFBPs.pdf

⁸⁴ Proliferation Financing. Available at: <https://www.rusi.org/explore-our-research/topics/proliferation-finance#related-projects>

⁸⁵ Proliferation Finance. Available at: <https://www.kcl.ac.uk/csss/research/strategic-trade/proliferation-finance>

⁸⁶ Terrorist Financing. Available at: <https://www.fatf-gafi.org/en/topics/Terrorist-Financing.html>

⁸⁷ European Union Terrorism Situation and Trend Report 2023 (TE-SAT). Available at: <https://www.europol.europa.eu/publication-events/main-reports/european-union-terrorism-situation-and-trend-report-2023-te-sat>

Abbreviations and Terms

UN	United Nations
UNSC	United Nations Security Council
AQ	Al Qaeda terrorist organisation
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit Latvia
IS	The Islamic State terrorist organisation
ML	Money laundering
ML/TF/PF	Money laundering, terrorism financing and proliferation financing
AML/CTPF Law	Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing
NRA 2023	National Money Laundering and Terrorism and Proliferation Financing Risk Assessment Report for 2020 -2022
CIS	Commonwealth of Independent States
NGO	Non-governmental organisation
MONEYVAL	The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OFAC	US Office of Foreign Assets Control
PF	Proliferation financing
Proliferation	Production, storage, movement, use or distribution of weapons of mass destruction.
BO	Beneficial owner
VAT	Value-added tax
Sanctions Law	Law on International Sanctions and National Sanctions of the Republic of Latvia
GSS	Goods of strategic significance
TF	Terrorism financing
SSS	State Security Service
SRS	State Revenue Service
WMD	Weapons of Mass Destruction