



Financial Intelligence  
Unit of Latvia

# Financial Integrity Newsletter

Issue No.5  
March, 2024

## **JUST IN: LATVIA'S NATIONAL STRATEGY TO PREVENT AND COMBAT FINANCIAL CRIME**

What's in it?

Interview with Armands Ruks,  
Chief of State Police:

“ THE SYSTEM FOR  
COMBATTING ML/FT HAS  
GROWN SIGNIFICANTLY MORE  
EFFICIENT ”

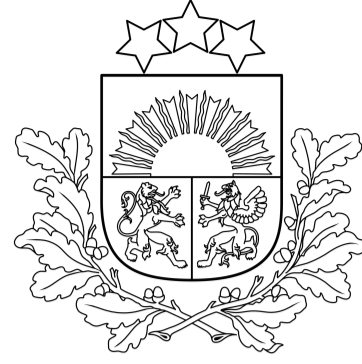
## **MORE IN THIS ISSUE:**

KNAB opinion poll: Attitudes of Latvian citizens and entrepreneurs towards bribery

Latvian financial sector to become more customer-friendly

FIU Latvia takes the lead on sanctions enforcement

A new approach by the SRS in the fight against the shadow economy



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# Foreword

**The National Strategy for the Prevention and Combatting of Financial Crimes** was published early this year. The objectives set out in this strategy are based on the National Risk Assessment 2023, developed by FIU Latvia, which identified the country's main AML/CFT threats and vulnerabilities.

The shadow economy and related criminal offences, digital fraud, corruption, and cross-border flow of criminal proceeds – these risks have a negative impact on a country's economic development, the ability to attract investment, and overall prosperity. Breaches of EU sanctions against Russia and Belarus also pose a serious threat, so enforcing sanctions and detecting breaches is essential for preventing AML/CFT and for strengthening national security.

We can only address vulnerabilities if we identify them first. Then we can define specific and achievable objectives on which to focus and implement coordinated risk prevention measures. So, **the objectives defined in the strategy** are to:

- Identify and recover the proceeds of crime.
- Effectively enforce international and national sanctions.
- Incorporate the potential of new technologies in the prevention of AML/CFT.
- Strengthen Latvia's international reputation as a country that prevents using its financial system for ML/TF/PF.

It is important to note that the requirements for addressing the risks of AML/CFT must not only be effective but also proportionate. They must **strengthen public-private partnerships** in addressing these risks, ensuring sustainable development and the ability to finance the economy. This is also one of the objectives of the new strategy.

In addition to cooperation with the private sector, **institutional cooperation within the public sector is also essential.** The full functioning of the AML/CFT system depends on the capacity of law enforcement resources and personnel to detect and investigate AML/CFT violations. These are currently among the most complex and pressing criminal proceedings. And now – one of our strategic objectives, too.



Prosecutor General

**Juris Stukāns**

# Terms, abbreviations and definitions

AML – Anti-Money-Laundering

AML/CFT/CPF – Prevention of money laundering and terrorism and proliferation financing

AMLIH – Anti-Money-Laundering Innovation Hub

CDD – Customer Due Diligence

DNFBP – Designated Non-Financial Businesses and Professions

EFIPPP – Europol Financial Intelligence Public Private Partnership

EMPACT – European Multidisciplinary Platform Against Criminal Threats

EU – European Union

FATF – Financial Action Task Force

FIU – Financial Intelligence Unit

FSDB – Financial Sector Development Board

GDP – Gross Domestic Product

KNAB – *Korupcijas novēršanas un apkarošanas birojs* Corruption Prevention and Combatting Bureau of Latvia

ML/TPF – Money Laundering and Terrorism and Proliferation Financing

Moneyval – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

NGO – Non-governmental Organization

NRA – National Risk Assessment

RUSI – Royal United Services Institute

SIFMANet – Sanctions and Illicit Finance Monitoring and Analysis Network

SP – State Police

SRS – State Revenue Service

TF – Terrorism financing

UN – United Nations



## IN SHORT

# Latvia's National Strategy for the Prevention and Combatting of Financial Crimes

In 2023, the National ML/TF Risk Assessment (NRA 2023) was developed. It identifies the main ML/TF-related threats, vulnerabilities, and risks in Latvia.

## ML/TF RISKS, AS IDENTIFIED IN THE NRA 2023:

Shadow economy & the criminal offences related thereto	Criminal offences against property, incl. digital fraud	Criminal offences committed in state authority service (corruption)	Cross-border flow of proceeds from fraud committed abroad	Violations and evasion of EU sanctions against Russia and Belarus
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Based on the NRA 2023 conclusions, the **National Strategy for the Prevention and Combatting of Financial Crime** has been developed. It defines the strategic objective, vision, and priority areas of action for the future development of the AML/CFT/CPF system in Latvia.

## OBJECTIVE

To coordinate cooperation between the public administration and the private sector in the field of AML/CFT/CPF in order to effectively prevent and combat ML/TFP and promote the rule of law, economic growth, and investment environment in Latvia, thereby strengthening Latvia's internal and external security.

## VISION

An effective AML/CFT/CPF system that provides a safe and favourable environment for Latvia's economic growth and attracts foreign investments.

## STRATEGIC DIRECTIONS:

- Strengthening national and EU security,
- Identifying and recovering the proceeds of crime,
- Strengthening the AML/CFT/CPF framework through digital transformation,
- Strengthening Latvia's international reputation,
- Ensuring proportionality of AML requirements to promote competitiveness.

## THE PROCEEDS OF CRIME IN CIVIL CIRCULATION:

Distort the market and legitimate businesses	Threaten national and international security	Undermine the state's international reputation
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[Read more](#) 



# Planned activities under Latvia's National Strategy for the Prevention and Combatting of Financial Crimes

There are 12 focus areas planned under the AML/CTF 2024-2026 Action plan. It also includes a section on tasks related to international and national sanctions. The intended actions and their objectives are listed below.

## ACTIVITY DIRECTION

## GOAL

### #1

RISKS, POLICY AND COORDINATION

Understand the risks of ML/TF and ensure coordinated action to prevent ML/TF at a national level.

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### #2

INTERNATIONAL COLLABORATION

Promote financial intelligence and evidence through international cooperation; facilitate the targeting of criminals and their assets.

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### #3 #4

FINANCIAL SECTOR AND NON-FINANCIAL SECTOR

Ensure that competent authorities supervise, control and regulate financial institutions, DNFBPs and crypto-asset service providers.  
Ensure that financial institutions, DNFBPs and crypto-asset service providers apply ML/TF prevention measures and report suspicious transactions.

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### #5

LEGAL PERSONS AND ARRANGEMENTS

Prevent ML/TF by legal persons and arrangements. Ensure that competent authorities have prompt access to information on beneficial owners.

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### #6

FINANCIAL INTELLIGENCE

Ensure appropriate use of financial intelligence information in the investigation of ML/TF.

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### #7

MONEY LAUNDERING INVESTIGATIONS AND PROSECUTIONS

Investigate money laundering offences/activities and prosecute perpetrators. Apply effective sanctions.

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## #8

### CONFISCATION

Confiscate illicit proceeds and the tools of the crime.

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## #9

### TERRORISM FINANCING INVESTIGATIONS AND PROSECUTIONS

Investigate terrorism financing offences/activities and prosecute perpetrators. Apply effective sanctions.

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## #10

### TERRORIST FINANCING PREVENTION AND FINANCIAL SANCTIONS

Prevent terrorist-related persons from raising, moving and using funds and abusing the non-profit sector.

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## #11

### FINANCIAL SANCTIONS ON PROLIFERATION FINANCING

Prevent persons and entities involved in the proliferation of weapons of mass destruction from raising, transferring and using funds.

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## #12

### INTERNATIONAL AND NATIONAL SANCTIONS

Ensure effective and uniform implementation of international and national sanctions.

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## Key new actions

The AML/CTF 2024-2026 Action plan includes over 90 different actions to achieve the objectives of the Strategy. The key new actions include:

- Introduce common practices in the collection and compilation of statistical data, ensuring traceability and interoperability between the institutions involved.
- Establishment of a framework for the AML/CFT monitoring of crypto-asset service providers.
- Improving the reporting process in cases of beneficial owner non-compliance.
- Enhancing the technological capacity of the State Police for effective money laundering investigations.
- Strengthening the material and technical capacity of the State Revenue Service's Tax and Customs Police Department to facilitate effective investigation and combatting of money laundering.
- Improving public awareness of digital fraud by organised crime groups.
- Assessing the need to monitor the NGO sector's compliance with FATF recommendation #8.
- Educating NGOs at high risk of terrorism financing on terrorism financing prevention.
- Establishing a national, centralised authority for sanctions enforcement.
- Developing proposals to amend the Sanctions Law to clarify reporting requirements for sanctions evasion and violations.

# Chief of State Police: The system for combatting ML has grown significantly more efficient

Interview

**With Latvia's newly approved National Strategy for the Prevention and Combatting of Financial Crimes, we invited the Chief of the State Police (SP), Armands Ruks, to discuss their achievements in the field of AML in 2023 and their plans for this year.**

*This interview has been edited for readability.*

## **Please tell us about the SP's results in the fight against ML in 2023.**

In 2023, we continued intensive work on combatting ML. This work was carried out by investigators specialising in this field, as well as by any investigator who investigated crimes from which criminal proceeds are generated.

Together with the Public Prosecutor's Office, **we have worked to improve the efficiency of our investigators in terms of tracing and identifying proceeds of crime** so that they can be returned to victims or, if this is not possible, confiscated. In this way, we are achieving the goal of preventing criminals from profiting financially from their criminal activities.

Besides that, a lot of time was still devoted to investigating possible money laundering cases that came to light during the financial sector's 'overhaul' by examining bank customers' deposits. The results of these investigations are also most visible in our statistical indicators.



Chief of the State Police  
**Armands Ruks**



# State Police statistics for 2023

**249**

FIU disseminations processed

**200**

criminal proceedings for ML initiated

**67**

criminal cases referred for prosecution

**€199,39M**

total value of seized property

**€96,19M**

recognised as proceeds of crime;  
of those:

**€96.04M** will go to the state budget

**€0.15M** will be returned to the victims

## Speaking of last year's priorities, what were they in terms of tackling ML?

Over the past years, the SP has initiated more than 600 criminal proceedings for alleged ML. And each of these criminal proceedings has been complex and time-consuming.

For this reason, our focus is now divided into two parts. On the one hand, we focus on concluding – as quickly as possible – those investigations that have been started about possible ML by non-residents. These investigations are likely to result in the confiscation of the proceeds of crime, as the perpetrators will not be prosecuted because they are in other jurisdictions.

On the other hand, we focus on professional money launderers – those who provide their services to various organised crime groups, helping them to launder their proceeds of crime.

**There have already been a number of successful operations at national and international levels,** both last year and in the first few months of this year. These have shown that we are able to identify these professional money launderers effectively.

## In terms of AML, what are you most proud of in 2023?

We are certainly proud of each of our investigators' achievements in identifying, seizing, and confiscating criminal assets.

Streamlining investigations has played an important role in the context of limited resources for the SP's staff. We achieved this both through workload equalisation and through the development of skills and knowledge. In this respect, the State Police College and the State Police Economic Crimes Enforcement Department have made targeted efforts.

The dedication and professionalism of our investigators are also demonstrated by the fact that **we are able to investigate ML crimes at the same level as our foreign counterparts with greater technical and personnel resources.**

We are therefore very positive about the future. Of course, we hope that the increase in resources will also occur on our side. Although we have successfully disrupted professionally organised criminal groups on several occasions, we are aware that the number of such groups and ML crimes will increase in the future, and we must be prepared for this.

## **Moneyval has started its new round of assessments, and Latvia is the first country to be assessed. Does the SP feel confident looking back at the last 4 years' achievements?**

In the previous evaluation, Latvia scored well in terms of technical compliance but still had to prove itself in terms of efficiency. I think now the figures speak for themselves – **in recent years, we have identified, seized, and confiscated a significant amount of criminal proceeds.** This undeniably demonstrates an increase in the overall efficiency of the system.

However, many of these cases are stand-alone. Convictions cannot follow in these cases, even with the best intentions, because the perpetrators are beyond our reach. Yes, evaluators might have questions about this proportionality. However, I have no doubt that we will be able to explain and justify Latvia's unique position as a historically regional financial centre and demonstrate that our track record in this respect is strong.

## **Have Moneyval's recommendations on AML been valuable, and have they increased the effectiveness of Latvia's AML/CFT/CPF system?**

Yes, certainly.

We can see the number of investigations launched and the dynamics that have been taking place in this respect. **Encouraged by Moneyval's recommendations, we have introduced significant changes both in the work organisation and in the legal framework.** This has enabled us to perform AML activities more effectively.

At the same time, we see that there is still a "balancing act" between the sufficiency of evidence in confiscation cases without conviction

and the use of circumstantial evidence to prove the objective and subjective aspects of ML. However, overall, I am quite confident that our effectiveness in this regard will be appreciated.

Whenever we discuss our national framework in the context of AML with foreign colleagues, our legal framework is highly regarded. Many countries that want to fight organised crime effectively would like to have such a framework for themselves.

## **How has the understanding of ML and its harmfulness changed in recent years?**

I think that the understanding of ML and its harmfulness has changed throughout the country. It is receiving a lot of attention in every sector, both private and public.

There has been a lot of work to make the public aware that ML affects all of us – pensioners, entrepreneurs, vulnerable groups. While someone is thinking about how to "make ends meet", another is driving our bumpy streets with a big jeep he bought with the proceeds of crime.

This inequality is the result of tolerance of crime, including ML. Everyone in society needs to be aware of this.

## **With the changing understanding of ML, are there any visible changes in the SP's daily work?**

As we see increasingly more organised groups, we see the complexity of the schemes used in ML. We are learning from this experience and adapting our training and coaching accordingly, which includes cooperation with foreign experts.

At the same time, the SP has changed its approach in other investigations where the initiating mechanism is not directly linked to the suspicious transactions identified by FIU Latvia. In particular, when investigating criminal proceedings for other types of criminal offences – property offences, drug trafficking offences, etc. – we are paying more attention to the origin of the proceeds of crime.

All illicit activities bring funds to the criminal underworld. **Law enforcers need to identify the real beneficiaries, the illicit proceeds, and the ways they are laundered.** This is another area that the police are paying extra attention to.

## **What initiatives have the SP taken to increase the capacity and inter-institutional cooperation in the fight against ML?**

In recent years, we have significantly increased our human resources. Five years ago, approximately 20 people were working on AML. By 2023, there were close to 80, highlighting the rapidly increasing volume of work.

We are now continuing our work on streamlining investigations, **making sure that the procedural and technical tools at our disposal are used efficiently.** This involves both national and international training and increased technical support.

At the end of 2023, the SP joined the Europol-led EFIPPP project on public-private partnerships in the fight against financial crime. We are confident that we will be able to gain from – as well as to give value to – this project.

We also lead and participate in EMPACT activities, such as the use of NGOs in ML, stand-alone ML investigations and professional ML facilitators. In all these activities, we contribute to more European countries learning about the key issues and Latvia's experience in addressing them.

## **Finally, what are your priorities for this year, and what results can we expect?**

**This year will undoubtedly be a Moneyval year.** We will do our best to showcase the achievements we have made in ensuring efficient AML in recent years.

Apart from that, more than €0.5 billion is still seized and awaiting criminal assessment. These cases are also sometimes delayed by proceedings before the Constitutional Court. **We hope that this year, we will be able to reduce the number of pending cases.** We also hope to put an end to the "search for balance" by ensuring that the parties involved agree on the threshold of proof in cases of non-conviction-based confiscation.



# FIU Latvia takes the lead on sanctions implementation

**On April 1, 2024, the Financial Intelligence Unit (FIU Latvia) is set to become the competent institution in matters of international and national sanctions implementation in Latvia.**

These changes are made to ensure a single point of contact and a central authority for sanctions implementation, facilitating communication between the private and public sectors.

The FIU will:

- Publish information on sanctioned entities, frozen assets, and economic resources.
- Maintain a publicly available sanctions list on FIU Latvia's website.
- Issue binding decisions on sanctions, including asset freezing, release, and implementation activities.
- Granting authorisations for derogations from sanctions (licensing) by authorising a transaction or activity.
- And more.

In certain cases, exceptions are decided by other authorities.

- Ministry of Foreign Affairs – decisions on handling goods regulated by the Law on Movement of Goods of Strategic Importance and humanitarian exceptions;
- Civil Aviation Agency – decisions regarding derogations from sanctions in the field of aviation emergency;
- Port master – decisions on maritime emergencies;
- Cabinet of Ministers: Decisions on derogations in specific matters related to national security based on an FIU Latvia proposal.

From April 1, 2024, all the latest information, alongside updates, explanations, the sanctions list, application procedures for permits, reporting mechanisms, and FAQs, will be accessible at [sankcijas.fid.gov.lv](https://sankcijas.fid.gov.lv) (in Latvian).

## Key takeaways from the "Making Sanctions Work" conference

**The "Making Sanctions Work: The Way Forward in 2024" conference held in Riga on 19 March 2024 brought together over 1000 participants – 100 in-person and 900 remote – to discuss enhancing sanctions implementation and enforcement across the EU.**

The event was opened by the head of FIU Latvia, Toms Platacis, announcing FIU Latvia's new role in leading sanctions enforcement, and Rihards Kozlovskis, who highlighted sanctions' crucial role in national security, particularly in countering Russia's actions in Ukraine. In his keynote, EU Sanctions Envoy David O'Sullivan emphasised the impact of sanctions on Russia's energy profits and military capabilities.



## Discussions covered various aspects:

- **Effectiveness on the battlefield:** Vladyslav Vlasiuk, advisor to the Office of the President of Ukraine, stressed the need to escalate sanctions to hinder Russian military capabilities, focusing on asset confiscation, oil price controls, and engagement with financial institutions.
- **Domestic sanctions implementation models:** National authorities from Latvia, Estonia, Finland, and the United Kingdom discussed their approaches, highlighting the need for effectiveness over a one-size-fits-all model and advocating for EU-level sanctions implementation.
- **Research's role:** The Centre for Financial Crime and Security Studies at RUSI highlighted its efforts through SIFMANet to enhance sanctions understanding, emphasising the need for a more robust strategic vision.
- **Current impacts and future actions:** Experts discussed the slow but impactful effects of sanctions on Russia's economy and military complex, stressing the need for stronger enforcement and export controls.
- **Enforcement challenges:** Authorities shared experiences on asset tracing and circumvention risks, showcasing increased efforts but acknowledging the need for continuous vigilance and coordination.
- **Public-private cooperation:** The private sector called for more detailed sanctions lists to ease compliance burdens and improve reporting quality.

The conference concluded with a call for continued collaboration among stakeholders, highlighting FIU Latvia's model as a potential guide for other EU states in centralising sanctions competencies. These efforts aim to ensure robust and effective sanctions regimes crucial for addressing current and future security threats.



Photos: Juris Ross

[Full conference recordings](#) 



An opinion poll by the Corruption Prevention and Combatting Bureau of Latvia:

# Attitudes of Latvian citizens and entrepreneurs towards bribery

A poll conducted at the end of 2023 reveals that Latvian citizens and entrepreneurs have persistently negative attitudes towards the use of informal solutions and bribery when dealing with public officials. Here's a quick overview of the survey results and comparisons with the results from 2022.

Survey sample size: 1047 inhabitants, 401 companies/entrepreneurs

## TOP 3 MOST-USED INFORMAL SOLUTIONS:



Use of personal contacts



Gifts



Informal payments

## General public

19% ↘ 1.6%



used an informal solution to achieve a certain result

20% ↗ 5%



might consider offering a bribe to a public official

59% ↘ 2%



would report corruption cases; 43% would only do it anonymously

## Entrepreneurs

20% ↘ 11%



have used an informal solution when dealing with state or local authorities

68% ↗ 6%



would not consider offering a bribe to a public official

39% ↗ 2%



believes that any gift, despite its value, is a bribe

! Citizens and businesses alike can report corruption cases anonymously on the online platform and mobile app "Report KNAB!"

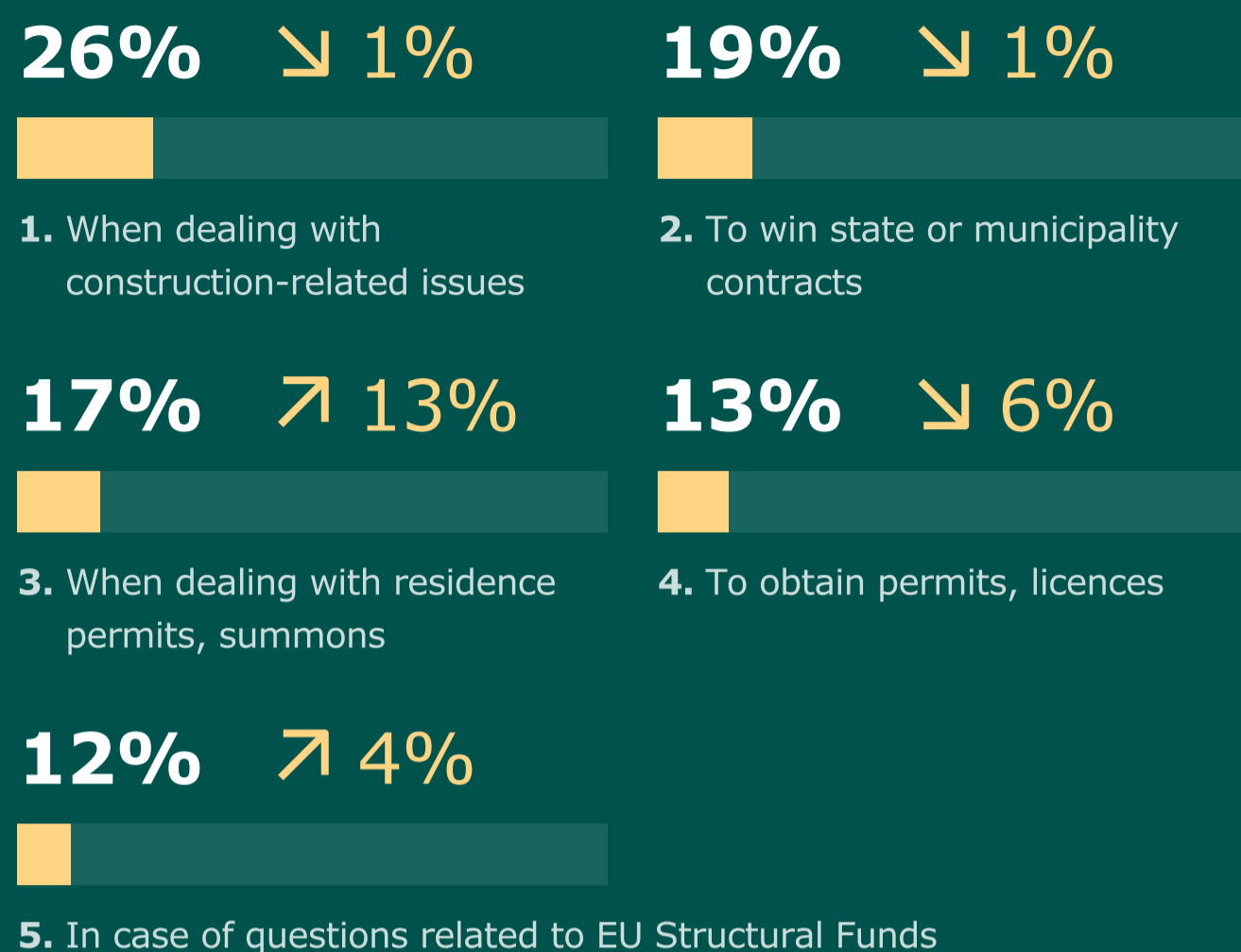


## SITUATIONS IN WHICH INFORMAL SOLUTIONS ARE MOST OFTEN USED

General public



Entrepreneurs

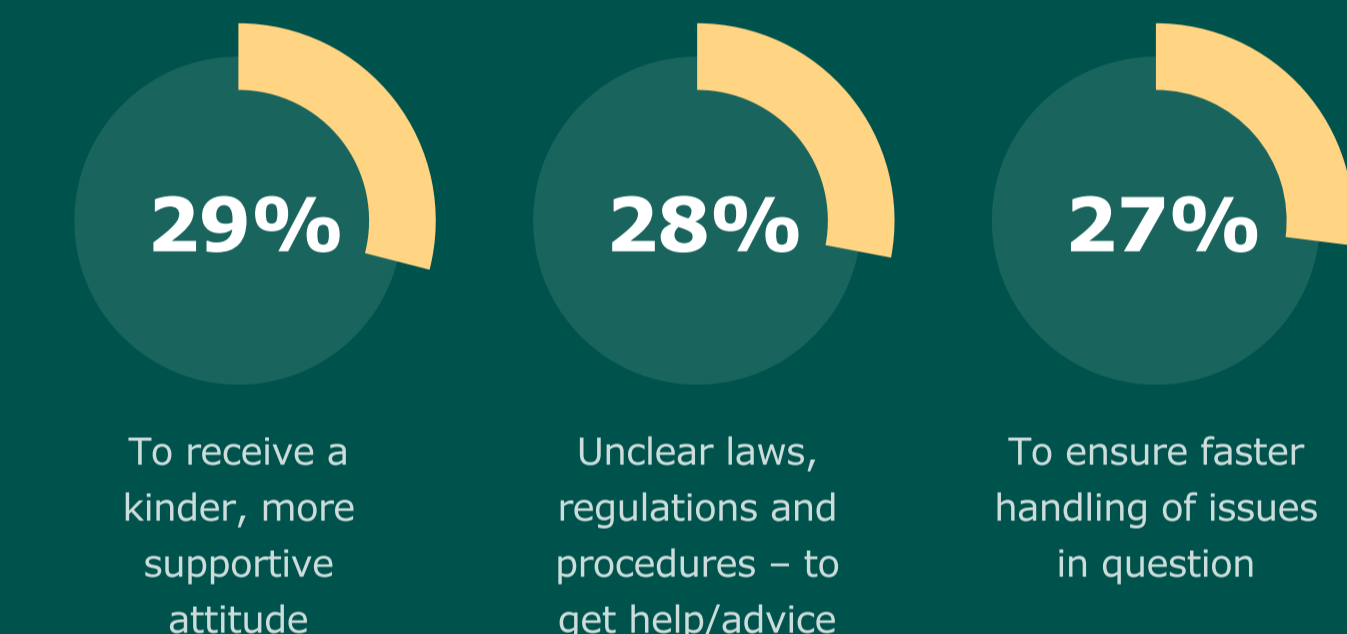


## MOST COMMON REASONS FOR USING INFORMAL SOLUTIONS OR BRIBERY

General public



Entrepreneurs



## MOST TRUSTWORTHY PUBLIC INSTITUTIONS

General public



Entrepreneurs



## LEAST TRUSTWORTHY PUBLIC INSTITUTIONS

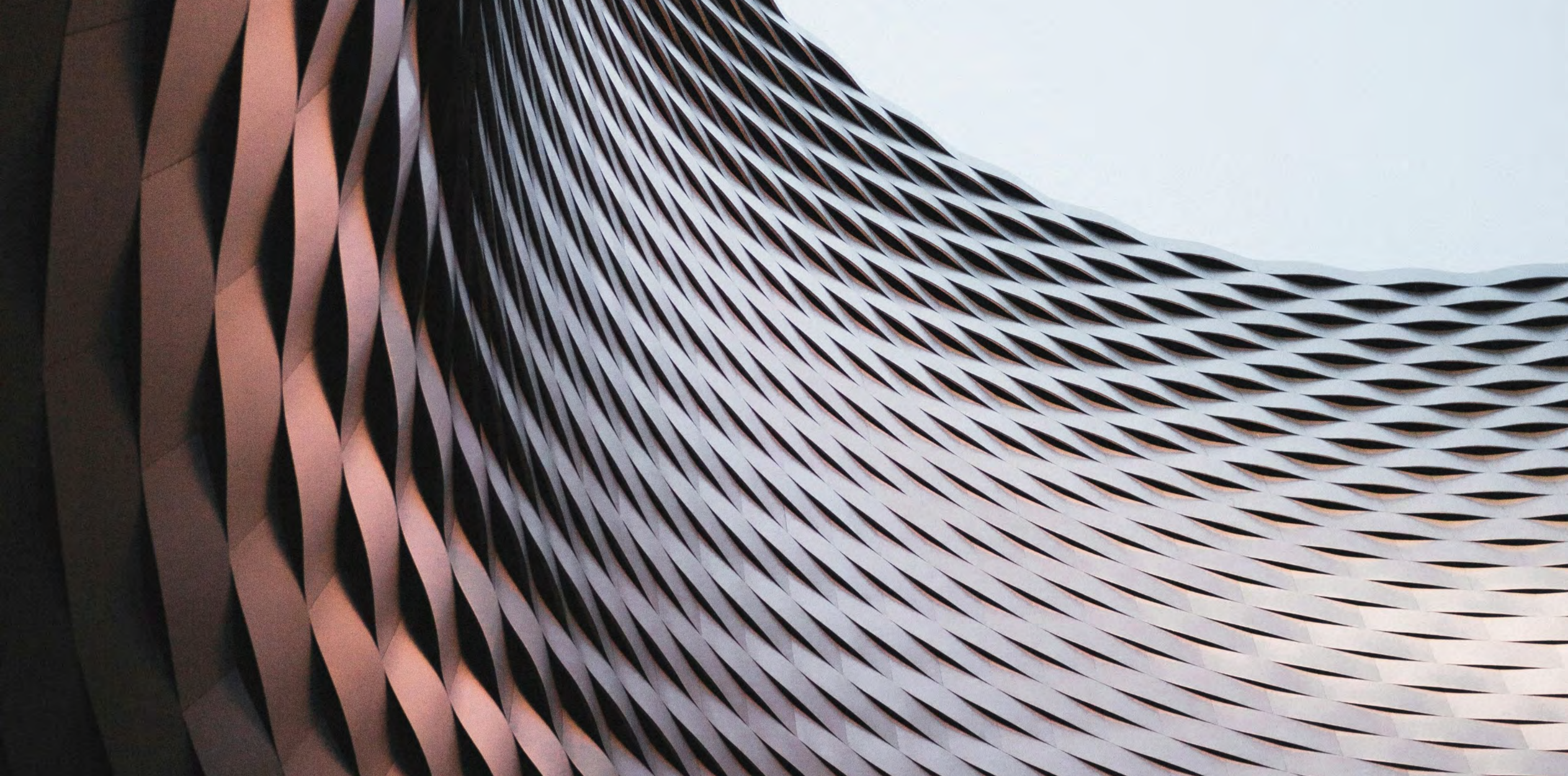
General public



Entrepreneurs







# A new approach by the SRS in the fight against the shadow economy

By Baiba Šmite-Rože, Director General of the State Revenue Service

**"Simplify, explain, and assist"** – this is the State Revenue Service's (SRS) new approach to work and to its campaign against the shadow economy. Although tax violations do not stem solely from ignorance, simplifying various processes, including explaining regulatory acts, is one of SRS's priorities in the near future. What else is included in the organisation's plans, and what can we expect?

## The "consult first" approach and clearer communication

SRS has long focused on tax administration. Despite its inherent value, this approach has not yielded the expected results. Several hundred

thousand citizens continue not to declare their income, creating a favourable environment for the shadow economy. **To encourage cooperation with SRS, we are committing to a client-centric approach**, tailoring our efforts to the unique perspectives of each client.

Clients will primarily feel the changes in SRS's service delivery. We will communicate in a more approachable style, closely following the "consult first" principle, aiming to prevent violations in a friendly manner rather than sending threatening letters, as done previously.

**Clients can also expect quicker responses to their inquiries.** A procurement initiative is slated for leveraging artificial intelligence in delivering standardised responses. Additionally, residents can expect a new mobile application that will allow easy submission of payment documents, provide an overview of their debt amount and tax



overpayments, facilitate updating their income records, use customs services, and more.

We are also **committed to simplifying the information provided by SRS**. The language must be legally correct. However, if a client without a legal background cannot understand it, such information is worthless. Therefore, SRS must take on the role of a translator – explaining in simple language, step by step.

## Levelling up the fight against off-the-books salaries

The Ministry of Finance, along with SRS, are steadfast in our path towards implementing universal income declarations. This is a necessary development in curbing the shadow economy and bringing clarity regarding the incomes of those who have not previously submitted their annual income declarations.

Statistics raise justified concerns – 126,000 Latvian residents earn less than 1000 euros annually. Among them, approximately 40,000 are working-age men who receive unofficial salaries to avoid paying social contributions. This is a critical situation that needs to be addressed from the perspective of combatting off-the-books salaries.

We also see a significant amount withdrawn and deposited in ATMs by residents every year – amounting to several billion euros. While not aiming to trace every euro deposited in ATMs to determine its origin, SRS possesses potent analytical tools for identifying individuals officially earning below 1000 euros annually yet depositing significant sums monthly into ATMs.

Consequently, such individuals should be prepared to answer questions posed by SRS.

## Reducing the shadow economy by one percentage point

The aim to reduce the shadow economy by one percentage point from 2024 to 2027 may seem marginal. However, I want to emphasise that one percentage point of GDP value in 2023 was 407 million euros. Therefore, each percentage point reclaimed from the shadow economy provides additional tax revenue.

The largest part of the shadow economy consists of labour taxes – pointing again to the issue of off-the-books salaries. Admittedly, the tax system in Latvia is very complex, especially labour taxes. The Ministry of Finance's tax reform working group is actively discussing possibilities to simplify tax administration and calculations, which is a key goal from the business perspective as well.

Moving forward, SRS is determined to assist clients, simplify information, so that people are not deterred from tax payment, income declaration, etc., due to lack of knowledge and understanding.



# Latvian financial sector to become more customer-friendly

**The Financial Sector Development Board (FSDB) has endorsed a strategy to ensure compliance with AML/CFT requirements in a way that the local banking sector is both low-risk and customer-friendly.**

There have been certain situations in which financial sector institutions (e.g., banks) have suspended or refused to provide financial services to specific clients or groups of clients. This has been done to avoid the risk of possible ML/TPF or sanctions. However, these situations have raised public concerns and dissatisfaction.

Preventing effective access to the financial system for certain client groups creates a number of risks. To name a few:

- Clients who are denied financial services seek to receive these services elsewhere – in less controlled institutions, abroad, or even outside regulated financial channels – creating national-level vulnerabilities;
- The most vulnerable members of society (refugees, third-country students, migrant workers) may be exposed to increased financial exclusion;
- Increased concentration of financial service providers, decreased competition among financial institutions, hindering their innovative growth, as well as increased cost of services;
- Etc.

Latvian Minister for Finance Arvils Ašeradens states:

**"[...] The right balance must be struck between meaningful requirements for financial crime to be detected, but not in a way that hinders or undermines normal access to financial services for honest customers."**

In other words, instead of suspending or refusing to engage with specific customers or customer groups, financial institutions should apply a risk-based approach. The newly approved strategy aims to do just that – to promote effective, meaningful, and customer-friendly identification and management of ML/TPF risks in the banking sector.

**"In recent years, Latvian financial institutions have significantly reduced the level of ML/TPF risks and strengthened their internal control systems. Now, we need to focus on implementing a risk-based approach. Excessive caution by credit institutions encumber access to financial services. Therefore, the Bank of Latvia will assess the ML/TPF risk management practices of financial institutions and, in the examination process, pay attention to the servicing of low-risk customers."**

– Kristīne Černaja-Mežmale, Board Member of the Bank of Latvia

# First Customer Due Diligence tool license issued by Data State Inspectorate

**On January 17, the Data State Inspectorate issued the first licence for the operation of a Customer Due Diligence (CDD) tool in Latvia. The licence was issued to the Estonian company Salv Technologies OÜ for five years.**

This license pertains to a closed joint CDD tool, allowing legal entities or a group of companies to create and utilise private CDD tools within the defined group. As part of the service, respective entities such as banks can exchange information for faster and more efficient detection of suspicious financial transactions.

Cabinet of Ministers regulations govern the updating of information in such tools, as well as the licensing and supervision of service providers. In practice, this licensing and supervision is carried out by the State Data Inspectorate.

For the private sector, this provides greater assurance that the information exchange process is secure and complies with the requirements of the legislation. In turn, greater mutual trust is created between the parties exchanging information, allowing users of the service, such as banks, to stay one step ahead of financial criminals.

## 2 years of the FIU Latvia's AML Innovation Hub: A retrospective

**In March 2022, FIU Latvia launched its AML Innovation Hub (AMLIH) – the first of its kind in the Baltics – with the aim to promote cooperation among law enforcement institutions and explore the application of innovative solutions and technologies in detecting financial and economic crimes.**

During 2023, AMLIH worked on enhancing FIU Latvia's capabilities, significantly increasing data processing capacity by laying the groundwork for more effective work with big data and machine learning. Additionally, progress was made in strengthening inter-agency information exchange, with the launch of the Black Box initiative being a prime example.

The Black Box is a tool that enables authorized users of law enforcement agencies to partially access the FIU Latvia database in a pseudonymized manner, ensuring data privacy and security.

The end of 2023 saw the addition of three new fully-equipped physical spaces for research, communication, and cooperation. These are already being put to use for various inter-agency meetings, virtual meetings, and joint training sessions with other law enforcement agencies, who are also welcome to make use of these spaces for enhancing their own competencies.

The AML Innovation Hub's activities are funded under the EU's Recovery and Resilience Facility.



Agreement No.: 8.2-27/78. Investment project action No.: 6.2.1.1.i.0/1/22/I/IEM/001.  
"Establishment of an AML Innovation Hub to improve the identification of money laundering"