



Financial Intelligence  
Unit of Latvia

# Financial Integrity Newsletter

## Latvia – first in line for the 6th round of Moneyval evaluation

What does it mean?

Dina Spūle, FIU Latvia:

“**2024 will be a year of intensive preparation for the Moneyval visit to Latvia.**”

### More in this issue:

Taxpayer Rating System goes public

Public opinion poll on financial crime and money laundering

How FIU Latvia improves reporting of suspicious transactions

Financial Sector Development Board sets AML priorities



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# Foreword

A new year has begun. It is always an exciting time – with new opportunities and challenges ahead.

And new responsibilities.

Starting from April 1st of this year, **FIU Latvia will become the main competent authority for the enforcement of sanctions** in Latvia.

I believe it is crucial to establish a centralized system for the enforcement of sanctions in Latvia. Here's why:

Firstly, to ensure the effective implementation of international sanctions against Russia, **it is necessary to guarantee their uniform practical enforcement and prevent circumvention.** This can only be achieved through an effective institutional and legal framework, which is why the centralization of sanction enforcement is also commonly practiced in other countries.

Latvia's institutional and legal framework for the enforcement of financial sanctions has been one of the strongest in the EU since February 2022. However, improvements are needed. **We are currently facing an unprecedented volume and breadth of sanctions.** Moreover, they are directed against Latvia's neighboring countries, which significantly affects the complexity of sanction enforcement.

Secondly, **the scope of sanctions is constantly expanding.** This creates problems in their practical enforcement, further complicated by the absence of a single competent authority to address issues. By taking on new functions, the goal of FIU Latvia is to be dynamic and responsive in assisting the private sector in correctly implementing sanctions rather than creating a new bureaucratic apparatus.

**FIU Latvia has long-standing experience in the field of sanctions.** This will be crucial as we begin to fulfill new functions and take over existing ones.

Until now, we have been responsible for combating sanctions evasion in Latvia's financial sector. Since the full-scale invasion of Ukraine by Russia, FIU Latvia has had a separate team of analysts dedicated to sanctions evasion. We have established a public-private sector collaboration group to analyze trends and typologies of evading sanctions. We have also actively participated in developing the internationally recognized study "Indicators of Russia-related Sanctions Evasion".

This experience is invaluable. However, the significant expansion of our functions in the enforcement of sanctions will undoubtedly be challenging. **It is a significant responsibility that we are ready to take on,** and we appreciate that this role has been entrusted to us.

Wishing all a successful 2024!



**Paulis Ijjenkovs**

Deputy Head of FIU Latvia

# Terms, abbreviations and definitions

AML – Anti-money laundering

AML/CFT – Prevention of money laundering and terrorism financing

CIS – Commonwealth of Independent States

CoE – Council of Europe

EC – European Commission

EEA – European Economic Area

EP – European Parliament

EU – European Union

FATF – Financial Action Task Force

FIU – Financial Intelligence Unit

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

ML/TF – Money laundering and terrorism financing

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

NRA – National Risk Assessment

OECD – Organisation for Economic Co-operation and Development

SKDS – *Tirgus un sabiedriskās domas pētījumu centrs* /  
A market and public opinion research center in Latvia

SRS – State Revenue Service



# Latvia – first in line for Moneyval evaluation in 2024

For the past five years, Latvia has diligently implemented the recommendations received in the previous Moneyval evaluation round. Now the results are in: Latvia is announced to be the first to start the new evaluation round in 2024. Here's a quick intro to the organization and how it operates.

## What is Moneyval\*?

An independent monitoring mechanism within the Council of Europe.

## Year established:

1997

## Objective:

To ensure that member states have effective systems in place to counter money laundering and terrorist financing.

## The committee:

Representatives with particular knowledge in regulation and supervision of financial institutions, law enforcement, and legal expertise.

## What do they do?

- Mutual evaluations
- Peer reviews
- Regular follow-up of reports
- Thematic typologies research of ML/TF methods

Member states & territories:

**35**

Previous evaluation round:

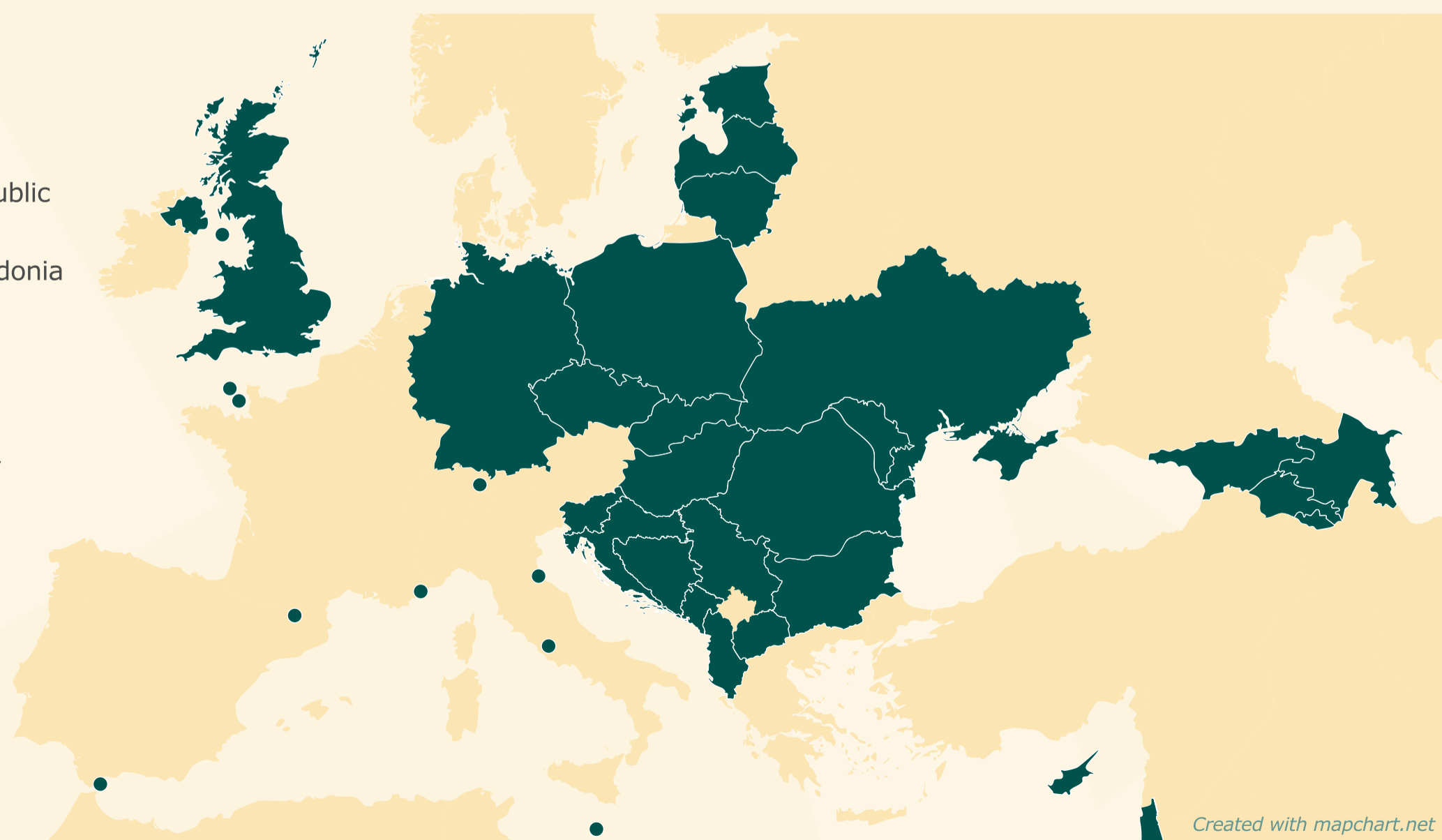
**2015**

Next evaluation round:

**2024**

## Moneyval members & observers

- Albania
- Andorra
- Armenia
- Azerbaijan
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Estonia
- Georgia
- Hungary
- Latvia
- Liechtenstein
- Lithuania
- Malta
- Republic of Moldova
- Monaco
- Montenegro
- Poland
- Romania
- San Marino
- Serbia
- Slovak Republic
- Slovenia
- North Macedonia
- Ukraine
- Israel
- Germany
- UK
- Vatican City
- Guernsey
- Jersey
- Isle of Man
- Gibraltar



Created with mapchart.net

\* Formerly known as PC-R-EV

# Moneyval's 6th evaluation round: looking forward to a positive assessment and recognition of reforms introduced

Interview

At the Moneyval plenary meeting in Strasbourg in December 2023, Latvia received the long-expected news: in the new round of evaluation, we'll be the first to be assessed.

**Dina Spūle, Head of Strategic Development and Communications at FIU Latvia**, believes Latvia has made the right decision by volunteering to be the first. However, she points out:

**"We have two intense years of work ahead of us."**

*This interview has been edited for readability.*

**Before discussing the Moneyval evaluation, can you outline what this organization is?**

Moneyval is a Committee of AML/CTF Experts of the Council of Europe (CoE). Its central task is to assess how member states comply with international standards for preventing ML/TF. Moneyval carries out the assessment, prepares a report, and makes recommendations.

Moneyval is a FATF (Financial Action Task Force) style regional body. In its assessments and reports, it follows FATF standards and assessment methodology.



## And how is this evaluation carried out in practice?

Moneyval evaluations are done as peer-to-peer reviews – member states rate each other, following a methodology developed by FATF. First, an assessment team is set up, consisting of representatives and experts from the member states, as well as representatives of the Moneyval secretariat. It's important to note that **during the assessment process, experts don't represent their national interests.**

The entire evaluation process takes almost two years. According to the procedure, the cut-off date is the date of the on-site visit. This is when Moneyval experts and representatives of the secretariat spend two to three weeks in the country and meet with representatives of various institutions, both in the private and public sectors. Prior to this visit, the country being assessed is required to collect and submit all information about the effectiveness of its AML/CFT system.

Following the on-site visit, a draft report is prepared, which the country reviews, clarifies details, and provides additional information. It takes approximately another year before the final report is made publicly available.

## Latvia will be the first country to be evaluated in the sixth Moneyval assessment round, as announced in December. Does this mean we'll receive the new rating in 2025?

Yes, at the end of 2025.

The experts' on-site visit in Latvia is scheduled for November 4-15, 2024. So, **this year will be a very intensive preparation for this visit.** Then, in 2025, we will work on finalizing the report.

The Latvian report is expected to be reviewed at the Moneyval plenary in June 2025. However, it will not be publicly available until the end of the year. Until then, the previous 2018 assessment – which is long outdated – will officially apply to Latvia.

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The entire evaluation process **takes almost two years.**

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Moneyval experts' on-site visit in Latvia is **scheduled for November 4-15, 2024.**

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## The 2018 report was very critical. Why was that, and what has been done to make the new rating significantly better?

Overall, this evaluation said our ML/TF prevention system was ineffective and had strategic deficiencies. But for us, it was a springboard – since 2018, things have changed dramatically.

**We have carried out significant reforms in our AML/CFT system.** It's not just one particular area that's been improved, but the whole system, with the objective of preventing the potential use of Latvia's financial system for the laundering of illicit proceeds or for the financing of terrorism or proliferation.

A huge achievement is that both Latvian authorities and the private sector have a common understanding of what AML is and how important it is. This understanding was also established at the political level. As a result, adequate resources were allocated to the management and supervision of the AML/CFT system.

In 2018, we received critique in 10 out of 11 indicators. Now, we have made **significant progress in absolutely every one of these failing indicators.** And we have done it in a very short time.

## What does Latvia hope to see in this new report?

We look forward to the feedback on the overhaul of Latvia's financial system and its effectiveness. And we hope this assessment will be positive.

Signals that the Moneyval assessment results could be positive have already appeared in other evaluations. For example, **Latvia received high ratings in the OECD's report** about member states' fight against money laundering and corruption. We have also received positive feedback from the International Monetary Fund. But, of course, Moneyval's assessment is more in-depth and comprehensive. So, we hope they will also see our reforms as a success.

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Moneyval's 2018 report was our springboard – **since then, things have changed dramatically.**

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“

Latvian authorities and the private sector have a **common understanding of what AML is and how important it is.**

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“

We look forward to the feedback on the overhaul of Latvia's financial system and its effectiveness. **And we hope this assessment will be positive.**

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## What will be the main benefits of a positive Moneyval rating?

Most importantly, Latvia will receive a full assessment of the current situation, which is very important for our international reputation and the country's image. **A positive assessment will help attract investors** who, with a quick Google search, will see that it is safe to invest in Latvia and that their money is secure.

Higher investor interest and a positive international reputation will certainly have a positive impact on our economy.

## It sounds like the stakes are high, and we definitely need to be prepared to show our best. How are we preparing for the Moneyval experts' visit?

Yes, it's important to stress that it's not for the experts to investigate and prove that the Latvian system is effective. We have to prove it.

We have already started a working group with 60 representatives from relevant institutions and organizations – from the private sector to the courts. This working group is chaired by the Head of FIU Latvia, Toms Platacis, and serves as a support throughout the preparatory process. But at the end of the day, these **institutions and organizations will have to prove for themselves how effectively they are doing their job.**

## Finally, you attended the plenary meeting in Strasbourg, where Latvia was announced as the first to be assessed in the new Moneyval round. What are the most valuable lessons from this meeting?

I think Latvia showed that we are brave and understand the importance of this evaluation in the first place.

We volunteered to be the first for the new Moneyval evaluation while other countries tried to find reasons to postpone it. Yes, we are interested in a new report that reflects the effectiveness of our current system. But let's not forget that the purpose of Moneyval is to, through mutual evaluations, achieve an effective AML/CFT system that's capable of preventing money laundering, terrorism, and proliferation financing. If there is a hole somewhere in the system and it is not found, everyone suffers. It is important that weaknesses are exposed and taken care of. During the Strasbourg plenary, I got a feeling that maybe not all countries fully understood this.

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A positive Moneyval assessment will help attract investors and improve our bank ratings.

**This will certainly have a positive impact on our economy.**

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“

It's not for the Moneyval experts to investigate and prove that the Latvian system is effective.

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“

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**It is important that weaknesses are exposed and taken care of.**

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# Public opinion poll on financial crime and money laundering

In October 2023, research center SKDS surveyed the inhabitants of Latvia on financial crime and money laundering. The survey covered 1005 respondents aged between 18 and 75 years, with different demographic characteristics.

This infographic presents the main results of the survey.

## Attitudes towards financial crime and money laundering

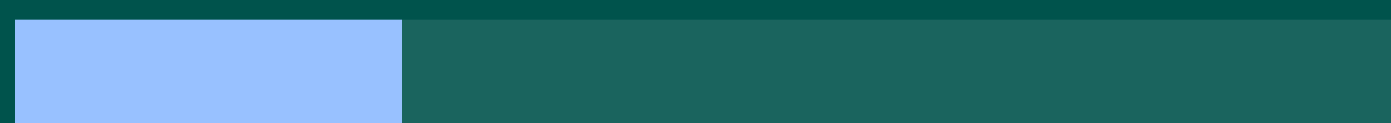
Readiness of the population to commit financial crime or to benefit from it:

40%



would purchase excise goods if necessary, knowing their illegal origin

28%



would evade taxes for their own benefit

23%



would pay bribes/ unofficial payments for their own benefit or for the benefit of relatives

9%



would not object to buying/selling narcotics in small quantities

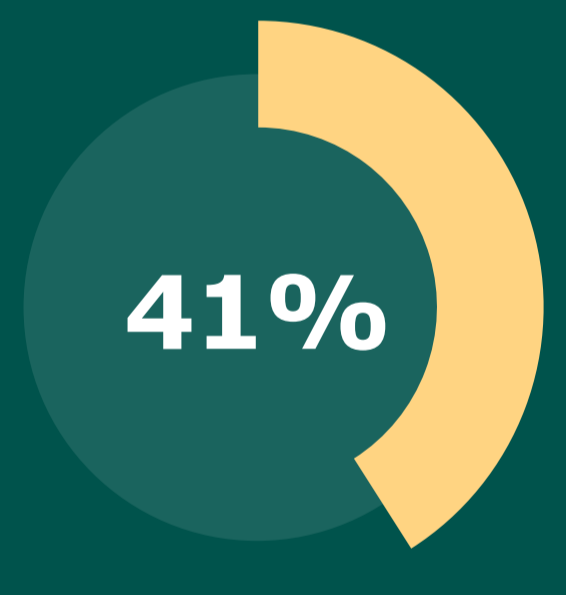
What **large-scale** illegal activities would people report to the authorities if they involved a relative or acquaintance?

56%



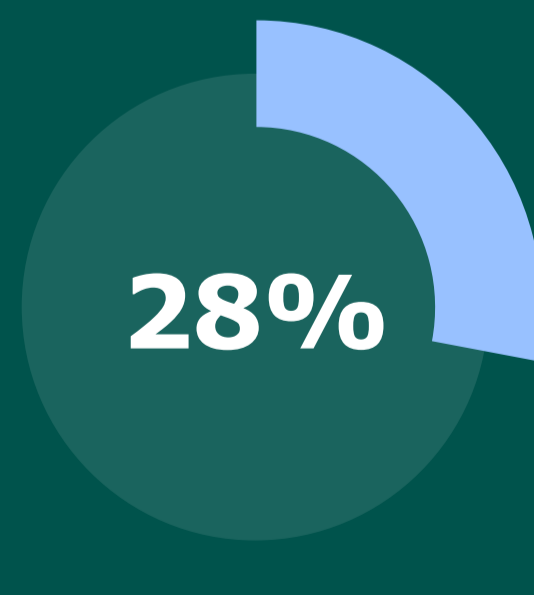
smuggling and illegal circulation of drugs

41%



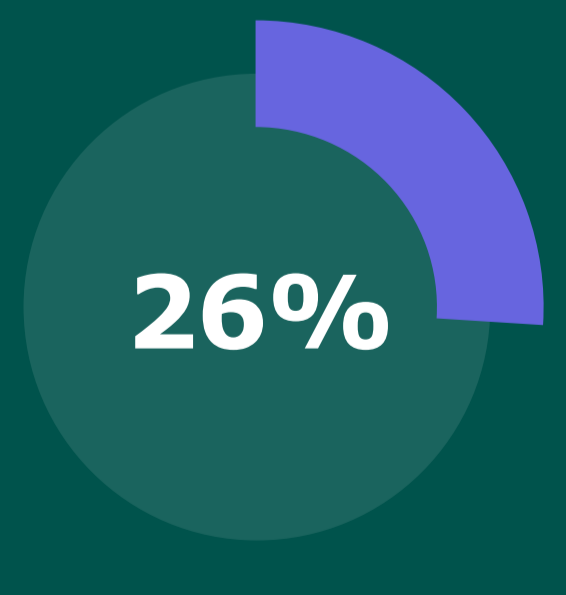
corruption

28%



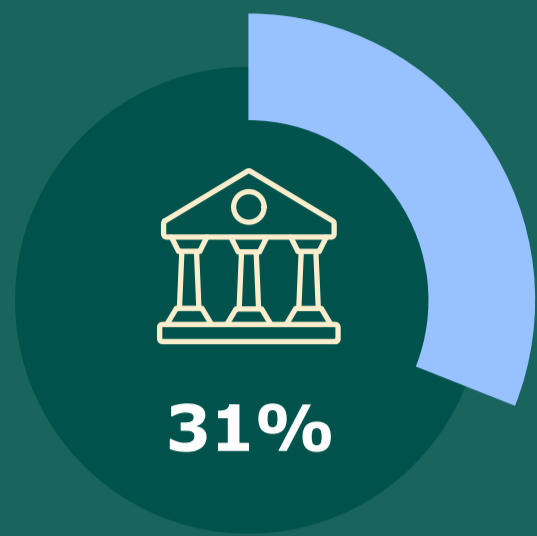
tax evasion

26%



smuggling and illegal circulation of excise goods

# Perceptions of money laundering and other financial crimes



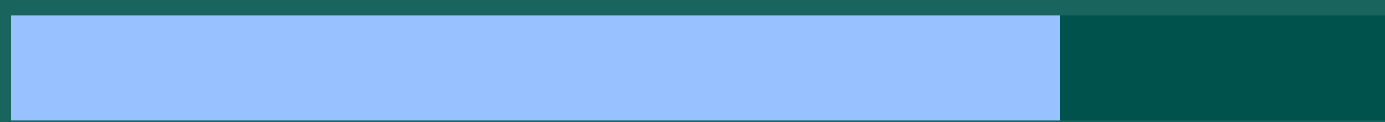
“  
money laundering is only done through banks and other financial institutions”



“  
I'm not affected by companies not paying taxes or paying part of wages unofficially”

## Money laundering must be tackled to prevent:

**76%**



Transfer of proceeds of crime into the national economy (e.g. fictitious business)

**75%**



Foreign money laundering in Latvian financial institutions

**73%**



Illegally obtained wealth of individuals

**72%**

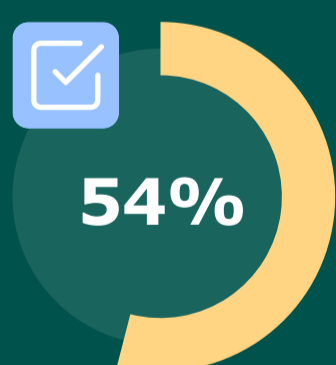


Transfer of illegally obtained cash into the Latvian economy

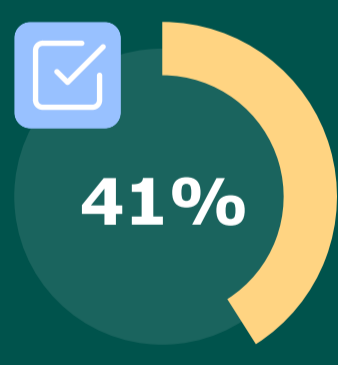
## Views on the functions performed by FIU Latvia:



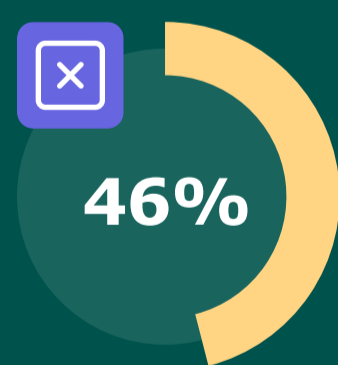
Collates and analyses suspicious transaction reports from banks



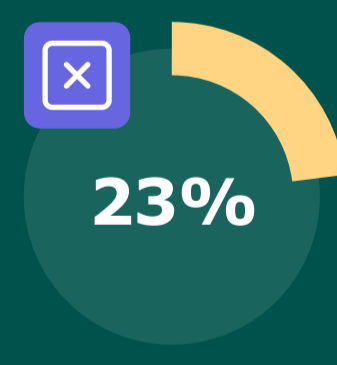
Provides information to investigative authorities, prosecutors and courts to prevent and detect money laundering



Develops studies and methodological materials on money laundering risks and trends



Monitors credit institutions for money laundering



Confiscates proceeds of crime



Determines which bank customers should have their accounts closed

Yes, it's a FIU Latvia function

No, it's not a FIU Latvia function

36-51% in each question indicated that they did not know whether these functions were the responsibility of FIU Latvia.

# Latvian companies are getting graded: Taxpayer Rating System goes public to improve transparency & discipline

**Latvia's State Revenue Service (SRS) is making company tax performance public to enhance transparency and accountability. From March 2024, the Taxpayer Ratings of taxpayers/legal persons will be freely accessible on the SRS website.**

The Taxpayer Rating System is an evaluation created by the SRS that measures the fulfillment of a company's tax obligations across six dimensions such as tax report submission discipline, wage indicators, and others.

Following the evaluation, companies receive one of the following ratings:

- **A** – Good record of tax payment discipline.
- **B** – Improvement required in fulfilling tax obligations.
- **C** – Violations in tax payment.
- **N** – An inactive taxpayer according to SRS data.
- **J** – Newly registered taxpaying entity.

Formerly, the ratings were privately available to the taxpaying entities themselves, however, by making them public, the aim is to foster public responsibility and transparency, as well as allow companies to demonstrate their trustworthiness to partners. While the letter ratings will be public, a detailed breakdown of company performance by indicators will remain private and only accessible by the company in question.

A-rated entities will benefit from priority support from SRS, have to go through fewer control measures (excluding those posed by international obligations), as well as gain further advantages in regard to customs and taxes to facilitate a simpler and smoother relationship with the state.

## How FIU Latvia improves reporting of suspicious transactions

**Preventing fraud and combating money laundering is rising up in the agenda worldwide.**

Due to the large number of reports on fraud and their often small individual monetary value, both the private sector's reporting of suspicious transactions and the Financial Intelligence Services' processing of these reports are challenging.

FIU Latvia has developed recommendations to improve the reporting of suspicious fraudulent transactions, particularly those involving amounts below the threshold set in the Criminal Law.

To comply with regulatory requirements and strengthen a risk-based approach, the reporting process has been streamlined in two main areas.

- First, information is grouped into a single report, and an in-depth analysis is conducted to identify networks of "money mules" and victims of fraud.
- Second, when information about the perpetrator is lacking, details about the transactions are accumulated and reported to FIU Latvia on a monthly basis.

This approach reduces administrative burden and prioritizes cases, while still providing necessary information for investigative purposes and combating emerging threats from fraud networks.

The full Guidelines for reporting suspicious transactions and refraining from the execution of suspicious transactions can be found [here](#).



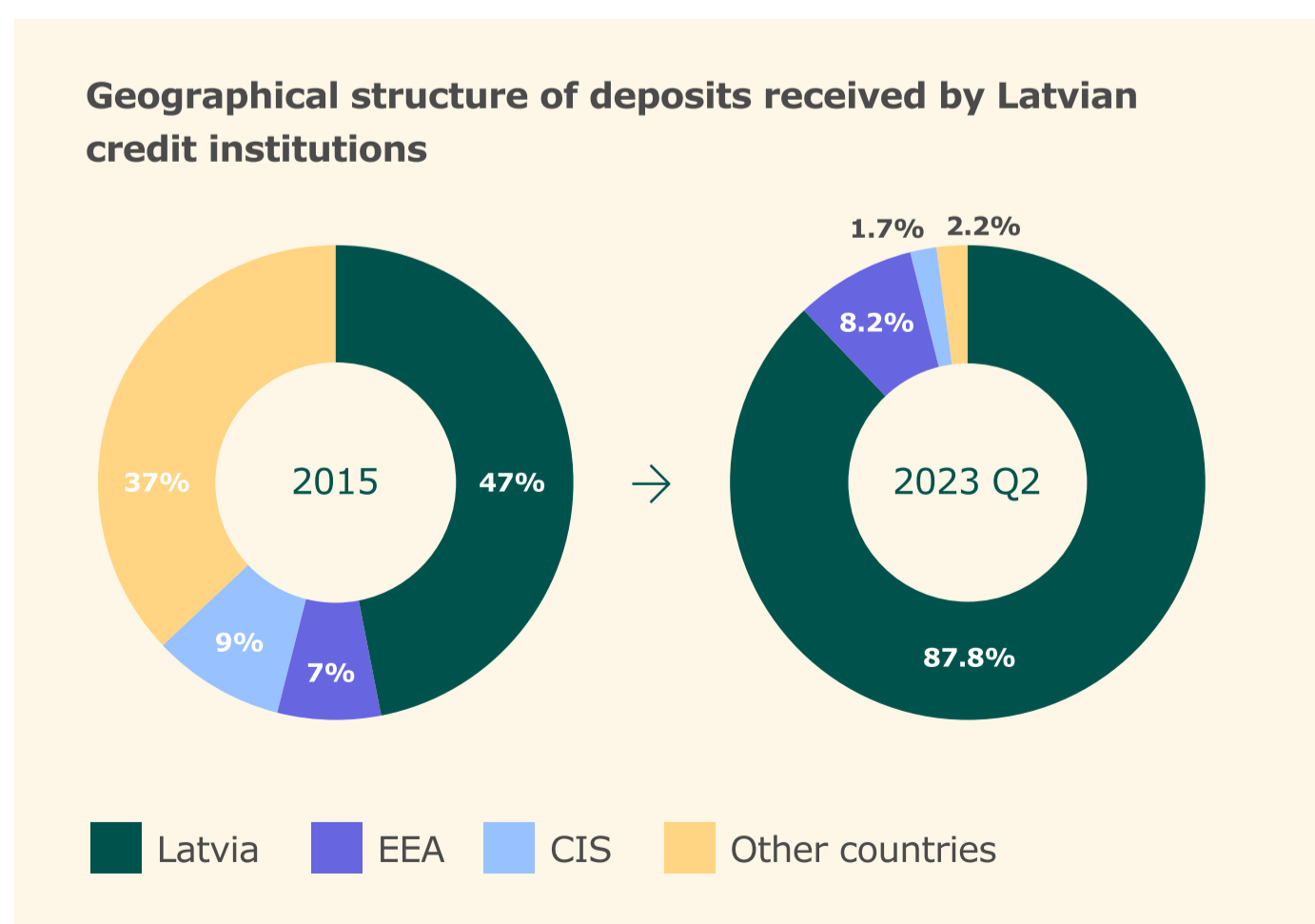
# In search for balance – Financial Sector Development Board convenes to discuss NRA 2023 and plot AML priorities

In November 2023, the Financial Sector Development Board, led by Prime Minister of Latvia Evika Siliņa, met to discuss Latvia's National Risk Assessment (NRA 2023) report, which was followed by a presentation of the new National Strategy for Combating and Preventing Financial Crimes. Latvia's key financial sector stakeholders reflected on recent successes, as well as identified key challenges going forward.

## Leading by example

Latvia has made significant strides in the supervision of financial crime prevention, as evidenced by the NRA 2023, as well as information compiled by Latvijas Banka:

- As of 2023, there are no longer any high-risk credit institutions in the financial sector of Latvia.
- Deposits made by residents of Latvia and the European Economic Area (EEA) are continuing to increase, making up 87.8% and 8.2% respectively by Q2 2023.
- While regular inspections continue, the frequency of fines has dropped significantly – none have been imposed in 2023.



The Head of the Financial Intelligence Unit, Toms Platacis, emphasizes:

**"The new risk assessment clearly shows that the reforms implemented in previous years have significantly improved the national capacity to combat the laundering of criminally obtained funds. The current risk profile can no longer be associated with Latvia as a regional financial center – that is history. [...]"**

## In search of balance

On the flipside, the successful introduction of AML/CFT standards in Latvia has caused financial institutions to be more risk-averse to the point that "excessive caution practiced by credit institutions results in problems related to the availability of financial services", highlights Kristīne Černaja-Mežmale, Member of the Council of Latvijas Banka.

In response, the focus is now being directed toward proportionate regulation. Currently, the conditions for basic account service are being eased, and a proposal for the regulation of firms' economic activity account is being developed. At the same time, reducing derisking remains one of the three top priorities in AML supervision. The other two are the application of sanctions against Russia and Belarus and the development of a supervision framework for crypto-asset service providers.

**"[...] Our current key risks are linked to the global geopolitical situation and the sanction regime. Similar to many other countries, we are facing notable challenges in terms of sectoral sanction violations and circumvention. Another critical area that requires our focus is the shadow economy and the growing threat of cybercrime-related fraud, which is rapidly evolving worldwide,"**

notes Prime Minister Evika Siliņa.

# Conference dedicated to International Anti-Corruption Day **discusses long-term challenges in the fight against corruption**

**In December, the Corruption Prevention and Combating Bureau of Latvia (KNAB) and "Transparency International LATVIA" ("Sabiedrība par atklātību – Delna") hosted a conference titled "Corruption – a Threat to National and Global Security."**

The event brought together public, private, and non-governmental representatives, emphasizing their roles in reducing corruption and discussing two main topics:

1. **Improving criminal proceedings**, urging better cooperation across institutions, reducing impunity, and engaging society, especially young people and the private sector.

2. **The private sector's role** in reducing corruption. Participants shared their experiences and strategies like regular employee training and clear anti-corruption policies.

A guest lecture by British investigative journalist and writer Oliver Bullough on anti-money laundering praised Latvia's contributions in this area in recent years.

Participants also discussed the fight against oligarchs, money laundering, and corruption in Latvia, noting Latvia's good work in applying sanctions, ensuring transparency, and making the register of beneficial owners publicly accessible.

## **Key takeaways** from the "Future of AML" conference

**In November, Riga hosted a two-day international conference, "Future of AML: Building Resilience in the Evolving Financial Crime Environment."**

The event was organized by FIU Latvia in collaboration with Moneyval and gathered 200 participants from 20 countries. Topics discussed included current affairs and the future of sanctions, virtual assets, digital transformation, and asset recovery.

### **Here are the key takeaways:**

- The three main objectives of EU sanctions on Russia have been to weaken Russia's military capabilities, deprive it of sensitive technologies, and reduce its income. The implemented sanctions have proven effective, as evidenced by data indicating that in 2023, Russia's oil revenues have decreased by at least 40%.

- Technology – including cryptocurrencies and virtual assets – develops faster than regulation. Given that some of these transactions occur outside the EU, cross-border cooperation development needs to become a priority.
- A new directive on asset recovery and confiscation is being negotiated in the EC and EP. The proposed directive is based on the identified shortcomings and good practices.
- To enhance the effectiveness of asset recovery, countries need to strengthen mutual assistance and collaboration, which remains a challenge both within the EU and beyond. Additionally, there is a need for mutual harmonization of regulatory frameworks, along with a shift in the culture of law enforcement agencies, placing emphasis on asset recovery rather than just punishment.

Read more ([here](#)) and watch the recap video ([here](#)).

