



Financial Intelligence
Unit of Latvia

Financial Integrity Newsletter

**Latvia – the first country
assessed according to
the new international
financial compliance
standards**

The 6th round mutual evaluation report on Latvia
adopted

Foreword by the Minister of Finance,
Arvils Ašeradens:

**“ We are a trusted partner
in the international fight
against money
laundering, terrorist
financing, and EU
sanction evasion. ”**

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- **Infographic:** EU strengthens fight against money laundering
- **Interview with Edgars Pastars, adviser to the Finance Latvia Association** and certified attorney at COBALT, on the new AML framework, its benefits and implementation challenges
- **Prevention of financial crime** – Overview of materials by Latvijas Banka

Foreword

Latvia is the first MONEYVAL and European Union member state, as well as the first country in the world, to have its MONEYVAL 6th round mutual evaluation report adopted under the new FATF methodology.

Being first was a deliberate political decision, as we aim to demonstrate the progress made in strengthening our financial system to restore the international reputation of Latvia's financial sector, enhancing our attractiveness to global investors.

When Latvia experienced a financial sector crisis in 2018, we had a choice: defend the status quo or make a fundamental change. We chose the latter path. We turned the crisis into an opportunity and made it one of our top political priorities to reform the system from the ground up.

In practical terms, this meant setting ambitious goals, allocating the necessary resources, and delivering real results. The government ensured greater capacity for law enforcement by strengthening FIU, guaranteeing that supervision became truly risk-based. The MONEYVAL recommendations were an essential guide for Latvia throughout this process, helping us maintain focus, set priorities, and stay on track.

A great deal has been accomplished since 2018. Among other things, we have significantly fortified our supervisory and control institutions, creating an effective, modern, and forward-looking supervisory framework for innovative financial services, which incorporates both artificial intelligence tools and modern regulatory technologies. And having developed the supervisory framework, we're well-prepared to safely provide licensed crypto-asset and blockchain services, keeping pace with global trends.

These changes have significantly reshaped Latvia's financial system. Today, we are a trusted partner in the international fight against money laundering, terrorist financing, and EU sanction evasion, rather than a regional financial centre built on non-resident money flows.

Our system now stands on the principles of transparency, accountability, and resilience. This marks an important stage that demonstrates our long-term commitment to strengthening our capabilities in preventing financial crime, promoting economic security, and building trust within the international financial community.

The adoption of this report marks the next stage in this journey – Latvia is committed to implementing the recommendations, which will secure a transparent and fair financial system and deliver lasting benefits for society.

I eagerly await the publication of the report and detailed assessment this December. I extend my gratitude to Latvia's supervisory and law enforcement institutions and experts – FIU Latvia, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Interior, Latvijas Banka, the State Revenue Service and other supervisors, as well as the Register of Enterprises, the Prosecutor General's Office, and law enforcement agencies. Their tireless efforts have strengthened the national financial system and successfully restored global expert confidence in our country.



Arvils Ašeradens

Minister of Finance of the Republic of Latvia

Terms, abbreviations, and definitions

AML – Anti-Money Laundering

AMLA – Authority for Anti-Money Laundering and Countering the Financing of Terrorism

AML/CFT – Anti-Money Laundering and Countering the Financing of Terrorism

EC – European Commission

ECB – European Central Bank

EU – European Union

FATF – Financial Action Task Force

FIU – Financial Intelligence Unit

ML/TF/PF – Money Laundering, Terrorism Financing, and Proliferation Financing

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

UK – United Kingdom

Latvia – the first country assessed according to the new international financial compliance standards



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In the picture from the left: Head of FIU Latvia T. Platacis, Minister of Finance of the Republic of Latvia A. Ašeradens, MONEYVAL Chairperson N. Muccioli, and MONEYVAL Executive Secretary L. Lalicic.

On 13 June 2025, the joint plenary meeting of MONEYVAL and FATF concluded with the adoption of the 6th round mutual evaluation report on Latvia. This marks a significant milestone as Latvia is the first country to be assessed under the new, revised FATF methodology, which is the toughest and most comprehensive yet.

Latvia applied to be the first country in MONEYVAL's 6th evaluation round, improving its anti-money laundering system, strengthening legislation, institutional capacity, and inter-institutional cooperation to ensure compliance with FATF standards. Additionally, in July 2023, an inter-institutional working group was established under the leadership of FIU Latvia, involving 18 different institutions.

“

We have eliminated high risks in the financial sector, and Latvia is a safe and reliable country for investment. This is also confirmed by Latvia's choice to be among the first countries to be assessed according to the new FATF standards. We are pleased that the government's targeted work has yielded results,

says Prime Minister Evika Siliņa.

“

The publication of the report in December will provide a detailed insight into how Latvia complies with international standards – how effective the country's anti-money laundering system is. The results of the assessment will be an important indicator of Latvia's international reputation and future cooperation in the financial sector,

explains Toms Platacis, Head of FIU Latvia.

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EU strengthens fight against money laundering

What is the new AML* framework?

In May 2024, the EU Council approved three legislative acts to combat ML/TF more effectively:

AML

The AML regulation, which establishes stricter rules to prevent the financial system from being used for ML/TF.

AMLA

The AMLA regulation, which creates an authority for the prevention of ML/TF.



A Directive for EU Member States outlining the mechanisms they must implement to prevent the financial system from being used for ML/TF.

What is the AML regulation?

→ A legislative act that, for the first time, harmonises AML/CFT regulations across the EU, significantly strengthening its ability to prevent and combat financial crime.

“

The new and stricter rules will strengthen our systems in the anti-money laundering and counter-terrorist financing fight. A new agency based in Frankfurt will supervise the work of actors involved. This will ensure that fraudsters, organised crime, and terrorists will have no space left for legitimising their proceeds through the financial system.

Vincent Van Peteghem, former Belgian Minister of Finance

Key changes to be introduced by the AML regulation



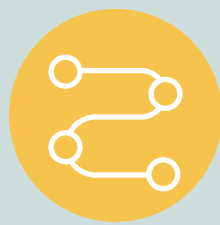
€10 000

EU-wide cash payment limit



Increased scrutiny

for luxury goods traders, crypto-asset providers, and football clubs



More stringent

due diligence requirements and beneficial ownership regulation

In 2023, an estimated €690 billion in money laundering activity and illicit funds flowed through Europe’s financial system.

([Nasdaq](#))

What is AMLA*?

A new EU agency to combat money laundering and terrorist financing. It will ensure a consistent application of the AML regulation across the EU and will directly supervise high-risk cross-border financial entities.



Location:

Frankfurt, Germany



Financing:

30% from the EU budget, 70% from financial contributions paid by obliged entities in the financial sector



Employee count:

432 (by the end of 2027)

Key responsibilities



AML/CFT supervision

Direct supervision of financial sector entities that operate across borders and pose a high ML/TF risk.



Supporting national FIUs

Promote joint cross-border case analysis, ensure information exchange, enable advanced data analysis capabilities, and manage the information system FIU.net.

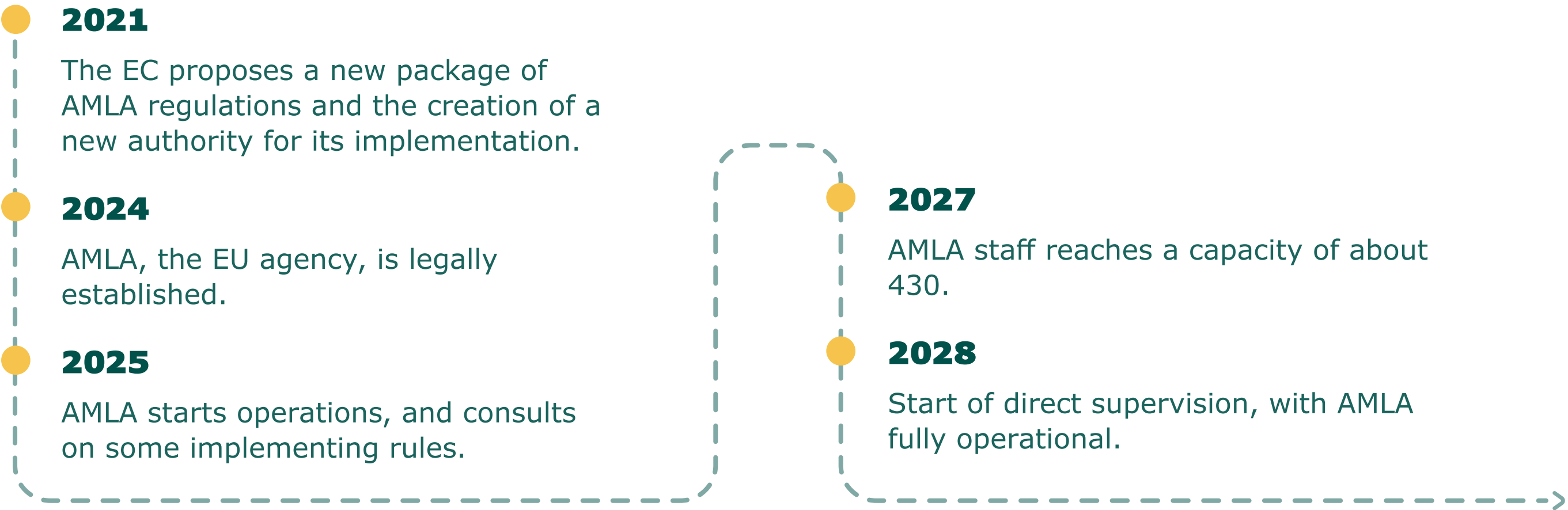


Contributing to the EU AML/CFT rulebook

For example, by developing regulatory and technical standards and by issuing guidelines.

*Authority for Anti-Money Laundering and Countering the Financing of Terrorism

AMLA: Timeline



Each Member State’s FIU will appoint a national expert to work with AMLA for three years by September 2026, to ensure effective information exchange and cross-border cooperation. Until then, a voluntary FIU working group, including representatives from Latvia, has been established.

Together with AMLA, this working group is developing guidelines in four areas:

●
Conducting joint operational analyses by FIUs

●
Comparative assessments

●
Mediation mechanisms

●
Ensuring mutual assistance

Latvia’s representation in AMLA

Latvian representatives will take part in AMLA’s General Board, which will meet in two alternative compositions: Heads of AML/CFT supervisory authorities from all EU Member States, and Heads of FIUs from EU Member States.

General Board in FIU composition



Toms Platacis (FIU Latvia)
Alternate: Paulis Iljenkovs (FIU Latvia)

General Board in Supervisory composition



Kristīne Černaja-Mežmale (Latvijas Banka)
Alternate: Kristaps Markovskis (Latvijas Banka)



Līga Kļaviņa (Ministry of Finance)

Latvijas Banka, in cooperation with FIU Latvia and the Ministry of Finance, is working on a cooperation mechanism to represent Latvia's interests in AMLA decision-making, which will affect both AML supervisory and FIU Latvia.

The unified AML regulation – hopes and challenges on the path to effectiveness

With the new AML regulation, the EU is taking a significant step in the fight against financial crime. Its implementation promises substantial benefits, and while it presents certain adaptation challenges, the financial sector is moving towards a more effective approach in combating financial crime.

To learn more about the impact of the new AML regulation, its practical application, and its effect on Latvia's financial sector operations, we invited **Edgars Pastars, an advisor at the Finance Latvia Association and a certified attorney at COBALT**, to share his expertise and insights.



This interview has been edited for length and clarity.

Briefly about the new AML regulation and expected changes

The primary goal of the new AML regulation is to harmonize customer due diligence and transaction monitoring procedures across the EU. Looking at cross-border financial services and their regulations in the EU to date, financial institutions have long faced challenges in maintaining compliance programs due to differences in legislation and requirements across each country. The new AML regulation provides for a unified approach across all member states, which would simplify the work of institutions.

For small financial institutions at the national level, the new AML regulation might seem like just another change without significant local

benefit. However, for Europe, it will bring two important advantages.

First, the unified approach envisioned by the new AML regulation will significantly reduce administrative costs and resources currently spent on identifying legal differences between various jurisdictions. Instead, financial institutions will be able to focus on preventing financial crime rather than on complying with bureaucratic requirements.

Second, the new regulation will reduce opportunities for regulatory arbitrage. This means it will be more difficult for financial institutions to apply weaker regulations in certain countries for their benefit.

Even with the existing EU directive and guiding principles to date, it's precisely the small details in compliance matters that have hindered the flow of cross-border financial services and the

free movement of capital in Europe. The new regulation seeks to address these issues by promoting a more unified and effective approach.

Challenges in implementing the new AML regulation

First, a unified regulation means losing some national differences – a large part of the layers of national acts that previously allowed countries to precisely tailor risk management will be eliminated, and countries' abilities to respond to identified specific risks with their own legislation will be limited.

Second, member states, including Latvia, face challenges in adapting to the new regulations, which involve the significant repeal of national legislative acts and the abandonment of established practices. The European Commission will likely encounter member states' desire to maintain their national specificities. And while a unified regulation ensures uniform controls, there is a risk that differing national risks will not be adequately taken into account.

Third, a unified EU-level regulation cannot be amended and revised as frequently as national laws can. Consequently, the previously existing flexibility in adapting laws when needed will be lost.

More documents and resource allocation for the future

The AML regulation itself is only a first-level act. Additionally, dozens of regulatory technical standards will be issued for customer due diligence, risk assessment, and other matters. This will result in more documents that every legal entity, including financial institutions, will have to become familiar with.

Not only will the regulation be considerably broader, but its terminology will also be new to Latvian lawyers. This is because the texts are drafted with specific formulations that differ from the current Latvian legal language.

While combating financial crime will remain constant, everything else – from terminology to data fields – will change. Financial institutions will have to familiarize themselves with a large number of new rules, and this entails planning significant resources.

Even at this early stage, the draft AML regulatory technical standards reveal distinct differences. A more standardized risk assessment methodology is anticipated. The new regulation also lists uniform customer identification methods. Active discussions are ongoing, for example, regarding the so-called selfie ID verification method – if this is removed, it will significantly impact the approach to customer acquisition for many European financial institutions, especially fintech companies.

What the private sector expects from the public sector in Latvia in light of the upcoming changes

The goal is also to achieve maximum uniformity between Latvia, Estonia, and Lithuania so that financial institutions in the Baltic region face as few regulatory differences as possible.

It's a business dream – for the Baltic states to effectively operate as a single market from a regulatory perspective. The fewer national nuances, the better.

Terminology is also a major challenge. Currently, Latvia uses national terminology, but the new AML regulation is structured using foreign terms. For example, the English "client due diligence" becomes "uzticamības pārbaude" (trustworthiness check) in the Latvian translation of the regulation. This creates absurd situations where a bank must inform a client: "Upon conducting a trustworthiness check, we concluded that you are not a trustworthy client." This is not only burdensome but can also be offensive. Similarly, the term "actual owner" is used instead of "beneficial owner." Such terminological changes mean a considerable amount of work in revising regulatory acts and forms, as well as the need to change people's habits and understanding.

It's also very important that Latvian institutions, such as FIU Latvia and Latvijas Banka, representing Latvia in AMLA, pay attention to the nuances that will be included in the subordinate legislation, regulatory technical standards, and guidelines adopted by AMLA. Latvian representatives must ensure that our innovations and nuances, which we have historically achieved in our regulation, are taken into account.

The biggest risk when changing any regulation is the transition from a risk-based approach to a "rules-based approach." In Latvia, over the years, we have carefully calibrated the balance between actual risk and formalized requirements. Now, we will have to start this exercise anew. It's important for our institutions to keep this in mind.

Regarding identifying underage, minor clients in Latvia, for instance, birth certificates can be used as an alternative to passports. However, the current draft of the regulatory technical standards only mentions a passport or ID card, which could create unnecessary bureaucratic barriers. Such nuances, where we have sought practical solutions, may now be overlooked.

While the new regulation presents numerous challenges, it is also expected to yield several benefits. For example, simplified due diligence, which has never truly been effective in its current form in Latvia, could be improved under the new

regulation, allowing for more effective service to low-risk clients, such as pensioners or students.

It's important to understand that the implementation of the new AML regulation doesn't mean that all Latvian legal regulations will be erased. Many norms will remain in force, especially those related to access to registers. For example, the Politically Exposed Persons list, maintained by the State Revenue Service – not a widespread practice in Europe – is very useful for us as it allows for easy checking of individuals' and their relatives' status. Also, norms such as institutional functions, appeal procedures, and cooperation mechanisms between FIU Latvia and law enforcement agencies will remain regulated by law.

The role of AMLA

The oversight of AMLA – the EU authority for preventing money laundering – promises to be significant, and it will be interesting to observe how it is used. It will have powers not only in classic supervisory work but also in financial intelligence.

One of the biggest benefits of the new AML regulation is its flexible mechanisms for information exchange between financial institutions in Europe. Article 75 of the regulation states that financial institutions can exchange information on high-risk clients and transaction cases, and AMLA is entitled to participate as an information recipient.

If AMLA can properly develop this capacity, it can create a robust threat monitoring system and be well-informed about current situations in Europe. For example, if Latvia needs data from banks in another country because suspicious money flows from Latvia are being observed, AMLA will be able to provide it immediately.

Concerns of the Latvian financial sector

There is currently a great deal of uncertainty and many questions within the financial industry about the new documentation that will be developed in accordance with the regulation, as well as whether all necessary documentation will be issued on time. Member states must implement the requirements of the new AML directive into national law by July 10, 2027, at the latest. It is a very short timeframe to implement such extensive changes, and delays in implementing subordinate acts to regulations have been experienced before.

There are also concerns that the new regulation could worsen Europe's existing bureaucracy problem. Banks are openly discussing how the ECB's single supervisory mechanism has resulted in a substantial bureaucratic burden on globally non-systemic banks, such as those operating in Latvia. The industry does not want to end up in a similar situation with AML regulation, where extensive bureaucracy hinders effective implementation and creates unnecessary costs.

The industry is also discussing whether the new supervision will turn into formal bureaucracy. I really like the current approach of Latvijas Banka, which first assesses an institution's "tone at the top" – the management's attitude and value system. The industry hopes that the new supervision will be based on substance, not just formal compliance.

Reporting nuances and informal thresholds

Regarding reporting, there are significant differences in Europe. Some countries believe that reporting is only necessary if there is a potential for money laundering, while others believe that other predicate offenses should also be reported. The new regulation will create a new challenge – how to interpret the differing nuances and achieve a unified understanding across the EU.

One of the main benefits of the new AML

regulation is stricter rules on cash usage. While Latvia already enforces strict cash transaction limits, the regulation stipulates that large cash transactions – which have not previously been uniformly prohibited across the EU or have been subject to lower thresholds than EUR 10,000 – will be banned going forward.

For example, goods traders will no longer be able to become subjects of the law if they accept cash above a certain amount (previously €10,000), as such transactions will be prohibited. This is important because criminals often use cash in cross-border transactions. If large cash transactions are allowed in one country, the money can end up in another country where it is harder to recognize as illicitly obtained.

The regulation will promote cross-border information exchanges between banks, which have been more limited until now compared to the ability of criminals to cooperate across borders. Latvia will have to redesign its solutions in this area, as FIU Latvia and Latvijas Banka will have a greater role in establishing these partnerships. This will help combat money laundering.

It is essential to note that the regulation will not significantly alter the cooperation between law enforcement agencies and banks. This issue remains within the competence of national laws. We have a well-functioning cooperation coordination group that brings together public and private sector partners. It is important to ensure the continuity and trustworthiness of this cooperation.

Overall, the new AML regulation will bring both challenges and benefits, but its main goal is to strengthen the fight against financial crime by promoting a unified approach and more effective cross-border cooperation.

It is important to start preparing for the implementation of the new requirements as early as possible and to stay informed about the latest developments. Each obliged entity, not just financial institutions, will need to adapt its internal control system – to a greater or lesser extent, depending on the case.

Prevention of financial crime

Latvijas Banka has developed materials on financial crime and its prevention (AML). The following information is available on its website:

- **Explanations of financial crimes and sanctions**
- **AML prevention handbook**
- **AML licensing guidelines**
- **AML inspection results and best practices**
- **Latest news in the AML field**

[See more ↗](#)

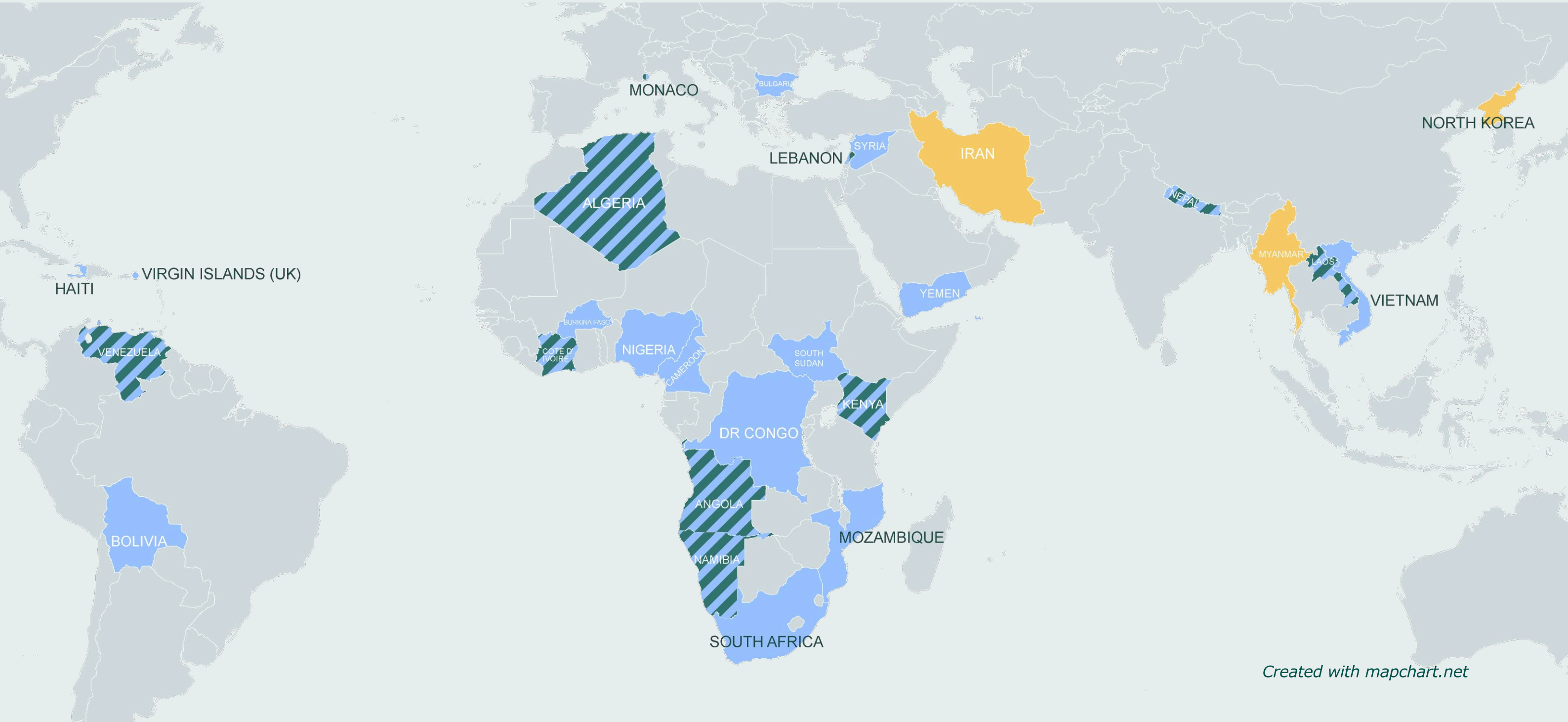
Prevention of ML/TF/PF

→ Funds are considered as the proceeds of crime if they have come into the ownership or possession of a person as a direct or indirect result of a criminal offence.

Customer due diligence is one of the basic requirements to prevent money laundering. It is a set of risk assessment-based activities in which the customer is identified and measures are taken to clarify the customer's beneficial owner and the purpose and nature of business relationships to prevent ML/TF/PF.

Countries with high financial crime risk

-  FATF high-risk countries and countries under increased monitoring
-  FATF countries under increased monitoring
-  EU-designated high-risk third countries and FATF countries under increased monitoring



Sanctions

→ Sanctions are restrictions imposed on a subject – a state, territory, legal or natural persons, or other identifiable subjects – in accordance with the laws and regulations.

What is the purpose of sanctions?

●
To restore international peace and security

●
To change the behaviour of the subject of sanctions in order to achieve the objective

●
To restore the rule of law

●
To prevent any potential deterioration of the situation

●
To put an end to the unlawful conduct of the subject of sanctions

Topical right now

Sanctions against Russia and Belarus

It's been three years since Russia launched its full-scale invasion of Ukraine. The EU reiterates its commitment to supporting Ukraine and will continue to pressure Russia until a just and lasting peace is achieved in Ukraine. In response, the EU and other countries are intensifying sanctions against Russia and Belarus.

As part of the financial sanctions imposed:

- The funds of sanctioned persons from Russia and Belarus, located in Latvian financial institutions, have been frozen;
- It is not possible for persons to receive and make payments with sanctioned persons;
- It is not possible to make payments for goods and services specified in sanctions.

Since April 2024, FIU Latvia has been the national competent authority for sanctions implementation in Latvia. To assist businesses in developing and implementing internal control systems (ICS) for mitigating and managing sanctions risks in transactions with companies from high-sanction-risk countries, FIU Latvia has published [guidelines](#) (currently available in Latvian).

More information:

[FAQ: Sanctions against Russia and Belarus](#) ↗



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