



Latvia

Sixth Round Mutual Evaluation Report – June 2025

EXECUTIVE SUMMARY

This report summarises the anti-money laundering and countering the financing of terrorism (AML/CFT) measures in place in Latvia as at the date of the on-site visit 4-15 November 2024. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Latvia's AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

- a) Latvia's approach to identifying, assessing and understanding money laundering (ML) and terrorist financing (TF) risks is characterised by a genuine curiosity, and a commitment to integrate a wide variety of data sources to generate and maintain an evolving, continuous and an in depth understanding of its past and present ML/TF risks. Activities of competent authorities and self-regulatory bodies (SRBs) are aligned with findings of national risk assessments (NRAs) and Latvia has established a well-functioning mechanism to co-ordinate both policy and operational responses to its risks.
- b) Latvia's law enforcement agencies (LEAs) regularly use financial intelligence to identify ML and associated predicate offences. Latvia has significantly reformed its Financial Intelligence Unit (FIU), enhancing its financial, human, and information technology resources to effectively address ML/TF risks. The FIU produces and disseminates a wide range of high-quality financial intelligence products, including strategic and operational analysis.
- c) Latvian authorities effectively identify and investigate ML cases, prioritising them according to their evolving risk profile. They use a range of tools and techniques, demonstrating substantial expertise and strong inter-agency co-operation. Prosecution and conviction rates have increased, though structural factors have hindered large-scale ML cases involving unknown or non-resident offenders involved in Latvia-based global laundromat schemes. Authorities pursue standalone ML and ML tied to predicate offenses, including complex international schemes, but legal persons are not prosecuted adequately given Latvia's risk and context. Custodial sentences for ML are proportionate and dissuasive, though sanctions for legal persons are not generally dissuasive. Alternative criminal justice measures are applied when ML prosecution is not possible, targeting legal persons for other offenses.

- d) Latvia prioritises asset recovery as a policy objective, which is reflected in institutional reforms and national ML action plans. The effective use of provisional measures has led to over EUR 3 billion in assets seized, primarily tied to a bank liquidation case. During the assessment period, Latvia confiscated over EUR 300 million, mainly through non-conviction-based confiscation (NCBC), although high-profile cases pending judicial decisions have created a gap between seized and confiscated assets. Latvia's freezing and seizing statistics align with evolving risks, though confiscation results still reflect the first risk profile due to the lengthy lifecycle of criminal proceedings.
- e) Effectiveness of supervision of financial institutions (FIs) has increased since the last evaluation, resulting in significant reduction of risks in the most material banking sector. Whilst most sectors outside banking received less supervisory attention, the level of compliance in these sectors has increased through the assessment period; this was achieved through guidance and remediation. Many strong features are in place to support supervision of compliance by designated non-financial business or professions (DNFBPs), however, results of institutional risk assessments conducted by the State Revenue Service (SRS) – the largest supervisor of DNFBPs - are not considered by the assessment team (AT) to be consistent with national or sectoral risks and its supervisory effort may not always be directed to where ML risk is highest.
- f) Latvia has an effective system in place to ensure transparency of basic and beneficial ownership (BO) data and timely and efficient access thereto. A dual approach is used to access BO information through the Enterprise Register (ER) and reporting entities (REs). The adequacy and accuracy of data contained in the Registry is ensured through verification checks by the authorities and a discrepancy reporting mechanism. Targeted mitigating actions taken by the authorities are largely proportionate to legal person related risks. Latvia's exposure to foreign legal arrangements is assessed to be minimal.

Roadmap and Key Recommended Actions (KRAs)

1. Latvia underwent a mutual evaluation of its anti-money laundering/countering the financing of terrorism/countering proliferation financing (AML/CFT/CPF) measures in place during the on-site visit to the country from 4 to 15 November 2024. This evaluation was based on the 2012 FATF Recommendations (as updated from time to time) and was prepared using the 2022 Methodology.
2. The Mutual Evaluation Report identifies the strengths and weaknesses of Latvia's AML/CFT/CPF system, including both the level of effectiveness and the level of technical compliance, and makes recommended actions for improvement. The highest priority measures are identified as Key Recommended Actions (KRA) and are included in this KRA Roadmap.
3. The following presents the KRA Roadmap for Latvia as adopted by the joint FATF/MONEYVAL Plenary in June 2025. Based on effectiveness and technical compliance ratings, Latvia is placed in regular follow-up. This KRA Roadmap also serves as the basis for Latvia's follow-up process.

10.1 (Assessment of risk, coordination and policy setting)

N/A

IO.2 (International co-operation)*N/A****IO.3 (Financial sector and virtual asset supervision and preventive measures)****N/A****IO.4 (Non-financial sector supervision and preventive measures)***

- a) The SRS should review and amend as necessary its current risk assessment methodology – addressing why the large majority of institutional risk assessments for the sectors under its supervision show a low ML risk, which is not aligned with national and sectoral risk assessments for those sectors. The methodology should clearly articulate how such institutional risk assessments and other factors subsequently form the basis for risk-based supervision.
- b) The LCSA should collect additional information to assess and understand the institutional ML/TF risk present amongst those advocates that are subject to the FATF Standards and develop a fully risk-based approach to supervision that is supported by sufficient resources.

IO.5 (Transparency and beneficial ownership)*N/A****IO.6 (Financial intelligence)****N/A****IO.7 (Money laundering investigations and prosecutions)****N/A****IO.8 (Asset recovery)****N/A****IO.9 (Terrorist financing investigations and prosecutions)****N/A****IO.10 (Terrorist financing preventive measures and financial sanctions)****N/A*

IO.11 (Proliferation financing financial sanctions)*N/A*

4. Latvia is expected to report back to the MONEYVAL Plenary in June 2028 on the developments made on each of the KRAs.

Risks and General Situation

1. Since 2017, Latvia's risk profile has undergone significant changes. The country is no longer a regional financial centre characterised by a banking sector heavily oriented towards servicing non-resident customers. This transformation has been driven by a strategic, high-level political commitment. In line with the considerable decrease in concentration of the foreign customer base in FIs and related cross-border movements of funds, the main ML threats now stem predominantly from predicate offences committed domestically. The main predicate offences are crimes related to the shadow economy, fraud, and corruption. Also, there are ML threats related to proceeds generated by foreign criminal offences, mainly related to laundering of the proceeds of fraud which are brought into Latvia physically or otherwise transferred to the Latvian financial system. TF risk is assessed as low.

2. Since its last evaluation, Latvia has made substantial efforts to remedy deficiencies identified during that process. In most respects, elements of an effective AML/CFT system are in place and the country has demonstrated a substantial or high level of effectiveness with all Immediate Outcomes (IO), apart from IO.4 (monitoring of, and application of preventive measures by, DNFBPs). This IO has been assessed as presenting moderate effectiveness, notwithstanding that there have also been many improvements in this sector. In terms of technical compliance, the legal framework has been enhanced in many aspects and all FATF Recommendations have been assessed as being compliant or largely compliant, apart from R.25, which is rated as partially compliant, following a recent change to the FATF Standards. However, Latvia's exposure to foreign legal arrangements is very limited, and so shortcomings in technical measures to promote transparency and availability of BO information are not considered to be material.

Assessment of risk, co-ordination and policy setting (Chapter 1; IO.1, R.1, 2, 33 & 34)

3. The risk and context in Latvia have changed considerably since its last mutual evaluation report (MER 2018), with significant and sustained political commitment to tackling Latvia's historic and legacy risks. This has resulted in a fundamental change in how Latvia approaches financial crime at all levels, as well as the nature of business served by Latvia's economy. Latvia has a well-developed understanding of its historic risks ("risk profile one"), the main current risk tied to domestic offences ("risk profile two"), as well as risks emanating from criminal offences committed abroad and imported into Latvia ("risk profile three"). Latvia has conducted two NRAs within the assessment period which further underpin the proper understanding of the key risks it faces.

4. The country has a well-functioning and clearly documented governance mechanism to co-ordinate its policy and operational activities, as well as the proper allocation of budget and resources. Competent authorities' objectives are in line with ML and TF risks identified in NRAs and consistent with national AML and CFT policies. This is ensured by each agency and department having their own action plans, which implement the national plan. Activities of competent authorities and SRBs are aligned with findings of NRAs, including a well-functioning mechanism to co-ordinate both policy and operational responses to the key risks faced by the country.

International co-operation (Chapter 2; IO.2; R.36–40)

5. Latvia maintains strong formal international co-operation with both EU and non-EU partners, ensuring thorough and timely responses to mutual legal assistance (MLA) and extradition requests. However, the manual case management system used by authorities does not systematically gather data on the execution time of MLA requests, complicating management and prioritisation. Nevertheless, Latvia increasingly uses international co-operation to pursue ML and associated predicate offenses, regularly seeking and providing assistance for joint investigation teams (JITs), European investigation orders (EIOs), and other forms of co-operation. Co-operation on corruption cases remains limited, and follow-up actions regarding provisional measures and asset confiscation for assets identified abroad can still be improved. Latvia faces challenges from limited co-operation with certain jurisdictions, beyond its control, which hinders the prosecution and conviction of major ML schemes tied to liquidated banks (see also IO.7).

6. The framework for other forms of co-operation is well-developed, with crucial partnerships through Europol, Interpol, Eurojust and Camden Asset Recovery Network (CARIN) for rapid information exchange worldwide. The State Police leads international co-operation efforts, while the FIU is a global leader, initiating projects like the International Financial Intelligence Task Force (IFIT) and developing new co-operation tools via forums such as the Egmont Group. Supervisors seek and provide international co-operation to varying extents, with the most material supervisors regularly engaging in these efforts.

Financial sector and virtual asset supervision and preventive measures (Chapter 3; IO.3, R.9-21, 26, 27, 34 & 35)

7. Licensing and registration authorities have processes in place to prevent criminals from entering the financial market, however, scrutiny and scope of checks vary. Whilst Latvian law does not cover a broad range of criminality or identify criminal association, authorities consider all crimes when assessing the reputation of an applicant. The SRS lacks legal powers to prevent criminals from entering the regulated VASP and lending market, however, it does not have a material impact on effectiveness due to the lower materiality and risk exposure of these sectors.

8. Latvijas Banka demonstrates a comprehensive understanding of ML/TF risk in supervised financial sectors which is especially advanced in the banking sector and has developed largely effective institutional risk assessment tools that are widely used for supervisory planning. Application of customer due diligence (CDD)/enhanced due diligence (EDD) measures and internal controls by FIs has improved significantly since the last assessment, however, more efforts in the area of monitoring of clients' activities would be beneficial. Latvijas Banka supervisory focus on the most material banking sector has proven effective and resulted in a significant reduction of risk, however, other FIs received less supervisory attention. A broad range of effective, proportionate and dissuasive sanctions and prescribed remedial measures have been applied to the banking sector. The lower number of sanctions for other financial sectors (except for VASPs) is correlated with fewer on-site visits. Nevertheless, financial supervisors were able to demonstrate increasing compliance trends across the whole financial sector, with comprehensive guidance and remedial measures having had an impact here.

Non-financial sector supervision and preventive measures (Chapter 4; IO.4, R.22, 23, 28, 34 & 35)

9. Despite some remaining gaps in legislative provision, controls effectively prevent criminals and their associates from holding or being the BO of a significant or controlling interest or holding a management function in DNFBPs. All DNFBP supervisors, except for the Latvian Council of Sworn Advocates (LCSA), effectively collect information to identify ML/TF risks and apply a risk-based approach. However, results of institutional risk assessments conducted by the SRS (which, inter alia, supervises independent legal professionals and accountants) are not considered by the AT to be consistent with national or sectoral risks and, whilst it is clear that supervision takes account of risk, SRS supervisory effort may not always be directed to

where ML risk is highest. Accordingly, its risk assessment methodology should be reviewed. The inspection model applied to advocates cannot be considered properly risk-based and such an approach should be developed. Effective use is made of remedial actions and sanctions by the SRS and Lotteries and Gambling Supervisory Inspection (LGSi). Generally, supervisory action has had a positive impact on levels of compliance by DNFBPs over time.

10. In most cases, DNFBPs have demonstrated a good understanding of risks, including how these have changed over time, and effective implementation of AML/CFT requirements. Proactive work by the FIU has helped to increase the total number of suspicious transactions reports (STRs) to the extent that under-reporting is now focussed in the legal sector.

Transparency and beneficial ownership (Chapter 5; IO.5; R.24 & 25)

11. Latvia has a robust system to ensure transparency of basic and BO information and timely and efficient access thereto by competent authorities. A multi-pronged approach is used for accessing BO information, comprising of information in the ER and information held by REs. Numerous verification checks by the ER (including the use of SRS information) and REs combined with a discrepancy reporting mechanism serve to ensure accuracy of BO data.

12. Latvian authorities demonstrated a good understanding of legal person-related risks and apply targeted and effective mitigating measures, albeit more efforts need to be put towards increasing technical compliance in the area of nominee arrangements. Latvia does not recognise trusts or other types of legal arrangement and the country's exposure to foreign legal arrangements is very limited thus related technical shortcomings have a low impact on effectiveness.

13. Latvia has imposed a range of proportionate and dissuasive sanctions for non-compliance with reporting and disclosure requirements, including use of liquidation and penalties for non-compliance, as well as custodial sentences in the most egregious cases.

Financial intelligence (Chapter 6; IO.6, R.29 - 32)

14. LEAs and intelligence agencies in Latvia routinely access and utilise financial intelligence and other relevant information to investigate ML and associated predicate offences. The FIU has undergone substantial institutional reforms and is well resourced with significant information technology (IT) and human resources. The FIU conducts both operational and strategic analysis, adding significant value to existing cases and identifying a wide range of suspected offenses. LEAs co-operate effectively with the FIU, forming specialised co-ordination groups when necessary to identify suspects and trace assets in complex cases. This has led to the successful identification of various ML and predicate offences, and the overall enhancement of Latvia's AML CFT regime.

Money laundering investigations and prosecutions (Chapter 7; IO.7, R. 3, 30 & 31)

15. The State Police, State Revenue Service Tax and Customs Police Department (SRS TCPD) and the Corruption Prevention and Combating Bureau (CPCB) are the main competent authorities identifying and investigating ML and associated predicate offences. These LEAs identify and investigate by drawing on a wide range of sources and using various investigative techniques to pursue ML and are well resourced for this task. ML is investigated in line with risks, but due to the absence of suspects in major ML schemes tied to Latvia's bank-based laundromat schemes, many offenders in large scale complex ML schemes could not be identified for prosecution. Authorities pursue standalone ML and ML tied to predicate offenses, including complex international schemes, but legal persons are not prosecuted adequately given Latvia's risk and context. Natural persons on the other hand are prosecuted for ML, and the sanctions that are applied are generally effective and dissuasive and are tied to the degree of severity of the offence. Latvian authorities are prosecuting and convicting standalone and third-party ML to a large extent.

Asset recovery (Chapter 8; IO.8, R. 1, 4 & 32)

16. Competent authorities responsible for asset recovery have a broad set of powers available, enabling them to pursue a policy of asset recovery that considers Latvia's unique risk and context, notably that of a major liquidated bank having facilitated ML schemes for foreign account holders. Operationally, this means that authorities pursue a significant amount of asset recovery based on NCBC, which accounts for 98% of all proceeds confiscated.

17. The effective use of provisional measures has led to over EUR 3 billion in assets seized, primarily tied to the bank liquidation case. During the assessment period, Latvia confiscated over EUR 300 million, mainly through NCBC, although high-profile cases pending judicial decisions have created a gap between seized and confiscated assets. While asset recovery networks are used effectively, there is room for improvement in confiscation and repatriation figures. Latvia also targets undeclared cross-border currency movements. Latvia's freezing and seizing statistics align with evolving risks, though confiscation results still reflect "risk profile one" due to the lengthy lifecycle of criminal proceedings.

Terrorist financing investigations and prosecutions (Chapter 9; IO.9, R. 5, 30, 31 & 39)

18. Competent authorities use different sources of information to identify and investigate potential TF activities. A number of initiatives have been undertaken in order to improve the understanding and interpretation of TF offences by LEAs, the Prosecutor's Office (PO) and judicial authorities. Several task forces and working groups (WGs) have also been created to improve and strengthen the system of TF identification and investigation. There were a few instances where possible TF activities were identified, based on intelligence from the FIU and the State Security Service. One of these cases led to an investigation, whilst for others, the authorities did not find sufficient evidence of TF to proceed with investigations. There has been no prosecution nor conviction for the TF offence in Latvia and therefore no occasion for prosecutors and the courts to develop case law on the evidence needed to secure TF conviction. This notwithstanding, the authorities demonstrated that there is well established understanding that objective factual circumstances would be used to prove the intent and knowledge of the perpetrator of a TF offence. Latvia's 2021-2026 counter-terrorism strategy is an overarching strategy which also addresses TF issues, whilst measures to disrupt TF activities, when not practicable to secure a TF conviction, have been effectively applied in practice.

Terrorist financing preventive measures and financial sanctions (Chapter 10; IO.10, R. 1, 4, 6 & 8); Proliferation financing financial sanctions (Chapter 11; IO.11, R. 7)

19. Latvia has a robust legal and institutional framework ensuring timely implementation of targeted financial sanctions (TFS) related to TF and PF. Automatic enforceability of United Nations Security Council Resolutions (UNSCRs) through European Union (EU) instruments, national laws, and co-ordinated efforts led by the Ministry of Foreign Affairs (MFA) and recently centralised under the FIU support efficient application. While the recent institutional shift to the FIU as the national competent authority for sanctions implementation has strengthened potential for consistency, its full effectiveness has yet to be fully assessed. Despite Latvia's low TF and PF risk levels and absence of domestic UNSCR-based designations to date, authorities have clearly demonstrated operational readiness and capacity through effective enforcement of other sanctions regimes, including complex asset freezes. Risk-based supervision and oversight ensure that REs, particularly FIs and virtual asset service providers (VASPs), maintain sound understanding and effective screening processes; however, certain DNFBPs, notably in the legal sector, show comparatively limited awareness of specific UNSCR obligations.

20. Latvia has assessed and identified NPO-sector vulnerabilities, implementing targeted risk-based measures broadly aligned with its low TF risk profile. The authorities have also conducted a thorough PF risk assessment, acknowledging minimal exposure related to UNSCR-based sanctions but recognising elevated risks from other contexts, confirming the operational capability to implement sanctions effectively should

circumstances require.

Effectiveness & Technical Compliance Ratings

	Effectiveness	Technical Compliance	
Risk mitigation through policy, co-ordination and co-operation			
Assessment of risk, coordination and policy setting	IO.1	HE	
		R.1	
		R.2	
International co-operation	IO.2	SE	
		R.36	
		R.37	
		R.38	
		R.39	
		R.40	
Cross-cutting requirements		R.33	
Prevention, detection & reporting of illicit funds across sectors			
Financial sector and virtual asset supervision and preventive measures	IO.3	SE	R.9
			R.10
			R.11
			R.12
			R.13
			R.14
			R.15
			R.16
			R.17
			R.18
			R.19
			R.20
			R.21
			R.26
R.27			
Non-financial sector supervision and preventive measures	IO.4	ME	
		R.22	
		R.23	
		R.28	
Transparency and beneficial ownership	IO.5	HE	
		R.24	
		R.25	
Cross-cutting requirements		R.34	
		R.35	
Detection and disruption of threats, sanctions & deprivation of illicit funds			
Financial intelligence	IO.6	HE	
Money laundering investigations and prosecutions	IO.7	SE	
Asset recovery	IO.8	HE	R.4
			R.32
Terrorist financing investigations and prosecutions	IO.9	SE	
Terrorist financing preventive measures and financial sanctions	IO.10	SE	R.5
			R.6
Proliferation financing financial sanctions	IO.11	HE	R.8
			R.7
Cross-cutting requirements			R.30
			R.31

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness. Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non-compliant. While the technical compliance findings can be relevant across the effectiveness immediate outcomes (for example, R.1 or R.40), the table above

illustrates the main technical compliance findings specific to each effectiveness immediate outcome and cross-cutting requirements for each of the intermediate outcomes. For more detail on the relevant technical compliance requirements relevant to each effectiveness immediate outcome, see the relevant paragraph at the beginning of each chapter. See also paragraphs 53 and 54 of the FATF 2022 Methodology for links between effectiveness and technical compliance ratings.

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