

**Approved by the 25 September 2018
Cabinet of Ministers Order**

**Plan of Anti-Money Laundering and Counter-Terrorism Financing Measures for the Period of Time till
31 December 2019**

Content

Abbreviations.....	3
I. Summary.....	6
II. Money Laundering and Terrorism Financing Risk Assessment	18
III. Background	21
IV. Objective and courses of action of the plan.....	30
First course of action - Risks, policy and coordination	30
Second course of action - International cooperation	35
Third course of action - Supervision	38
Fourth course of action - Preventive measures	43
Fifth course of action - Legal persons and arrangements	48
Sixth course of action - Financial intelligence	55
Seventh course of action - Money laundering investigation and prosecution	61
Eighth course of action - Confiscation	65
Ninth course of action- Investigation and prosecution of financing of terrorism	67
Tenth course of action - Preventive measures and financial sanctions of financing of terrorism	70
Eleventh course of action - Weapons of mass destruction - financial sanctions	72
V. Impact assessment on the State and local government budget	74
Summary on the State and local government budget funding necessary for implementation of the tasks included in the plan.....	74

Abbreviations

ABLV	Joint Stock Company "ABLV bank" (Joint Stock Company "ABLV Bank" Under Liquidation)
UN	United Nations
ARO	Asset Recovery Office (of the Ministry of the Interior)
UN SC	United Nations Security Council
AML	Anti-Money laundering
5AMLD	<i>5th Anti-Money Laundering Directive</i> (Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU)
USA	United States of America
MoFA	Ministry of Foreign Affairs
CNUE	The Council of the Notariats of the European Union
CRS	Common Reporting Standard (in the field of taxes)
SeP	Security Police
EU	European Union
ECJ	European Court of Justice
GPO	General Prosecutors' Office.
FATF	Financial Action Task Force
FAQs	Frequently asked questions
FinCEN	Financial Crimes Enforcement Network of the U.S. Department of the Treasury
FCMC	Financial and Capital Market Commission
MoF	Ministry of Finance
FSDB	Financial Sector Development Board
LGSI	Lotteries and Gambling Supervision Inspection
IC	Information Centre of the Ministry of the Interior

ISO	Internal Security Office of the Ministry of the Interior
MoI	Ministry of the Interior
ICS	Internal Control System
IO	Immediate Outcome
IT	Information technologies
PMB	Procurement Monitoring Bureau
CS	Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (Control Service)
ABCS	Advisory Board of the Control Service
CL	Criminal Law
CPCB (KNAB)	Corruption Prevention and Combating Bureau
CPL	Criminal Procedure Law
KRASS	Criminal Procedure Information System
KYC facility	Know your customer facility
KYC utility	Know your customer utility
FLA	Finance Latvia Association
BoL	Bank of Latvia
LCSA	Latvian Council of Sworn Advocates
LCSN	Latvian Council of Sworn Notaries
LACA	Latvian Association of Certified Auditors
Cabinet	Cabinet of Ministers
MONEYVAL	Committee of experts on the evaluation of anti-money laundering measures and the financing of terrorism
ML	Money laundering
AML	Anti-money laundering
ML/FT	Money laundering and financing of terrorism
AML/CFT	Anti-money laundering and combating financing of terrorism
Law on the PMLTF	Law on the Prevention of Money Laundering and Terrorism Financing
NIS	Notaries Information System
NCCH	National Council of Cultural Heritage

DNFBPs	Designated Non-Financial Businesses and Professions
TCPB	Tax and Customs Police Board
NRA	Second National Money Laundering and Terrorism Financing Risk Assessment
CIS countries	Countries of the Commonwealth of Independent States
NGOs	Non-governmental organisations
OFAC	The Office of Foreign Assets Control
Plan of Measures for 2017-2019	Plan of Measures for Mitigation of the Money Laundering and Terrorism Financing Risks for 2017-2019
UBO	Ultimate beneficial owner
PEP	Politically exposed person
CRPC	Consumer Rights Protection Centre
CPB	The Constitution Protection Bureau of the Republic of Latvia
LLCs	Limited Liability Companies
MoT	Ministry of Transport
CA	Court Administration
FT	Financing of terrorism
CIS	Court Information System
MoJ	Ministry of Justice
SCA	Supervisory and control authorities
RE	Register of Enterprises
LSPA	The Latvian School of Public Administration
SRS	State Revenue Service
SP	State Police
SBG	State Border Guard
MSS	Meeting of the State Secretaries

I. Summary

Anti-money laundering and counter-terrorism financing system in the European Union is established, in order to prevent the possibility of using financial and non-financial sector for money laundering and financing of terrorism, by ensuring a risk-based approach, providing for the implementation of preventive, supervisory and control measures in accordance with the risk level. Latvia, by accepting this plan, acknowledges that it will put its best efforts not to allow using of the State financial and non-financial system for money laundering and financing of terrorism, and is committed to ensuring considerable progress towards improving legal environment and the effectiveness thereof already in 2018 and 2019.

Plan of Anti-Money Laundering and Counter-Terrorism Financing Measures for the Period of Time till 31 December 2019 (hereinafter - the plan) is drafted, in order to fully introduce the horizontal priority (cross-cutting issue) of the Financial Sector Development Plan for 2017 - 2019 - to prevent money laundering and financing of terrorism risks, by raising the international reputation of the country in financial markets and institutions. The objective of the plan is to strengthen the capacities of Latvia to combat money laundering, financing of terrorism and proliferation and to mitigate the overall money laundering and financing of terrorism (ML/FT) risks, by ensuring conformity with the international commitments and standards in the field of AML/CFT and promoting the public safety, competitiveness of economic environment and confidence in jurisdiction of Latvia. The measures included in the plan are developed, in order to achieve this objective.

Anti-money laundering and countering the financing of terrorism as a considerable priority derives both from the governmental action plan for the implementation of the Declaration on the action intended by the Cabinet of Ministers led by Māris Kučinskis, and the Financial Sector Development Plan for 2017 - 2019, which clearly defines the need for unconditional and decisive introduction of the risk management and conformity principles meeting the best international practice and standards and zero-tolerance towards violations and unlawful conduct.

By the 24 May 2017 Order No. 246, the Cabinet of Ministers approved the Plan of Measures for Mitigation of the Money Laundering and Terrorism Financing Risks for 2017-2019 (hereinafter - the Plan of Measures for 2017 - 2019), based upon the second national money laundering and terrorism financing risk assessment report (hereinafter - the NRA).

Since the approval of the Plan of Measures for 2017 - 2019, several considerable events have occurred, as a result whereof it is currently necessary to repeatedly review the plan approved in 2017, in order to achieve considerable progress over the period of 2018 and 2019 in enhancing the anti-money laundering and counter-terrorism financing system.

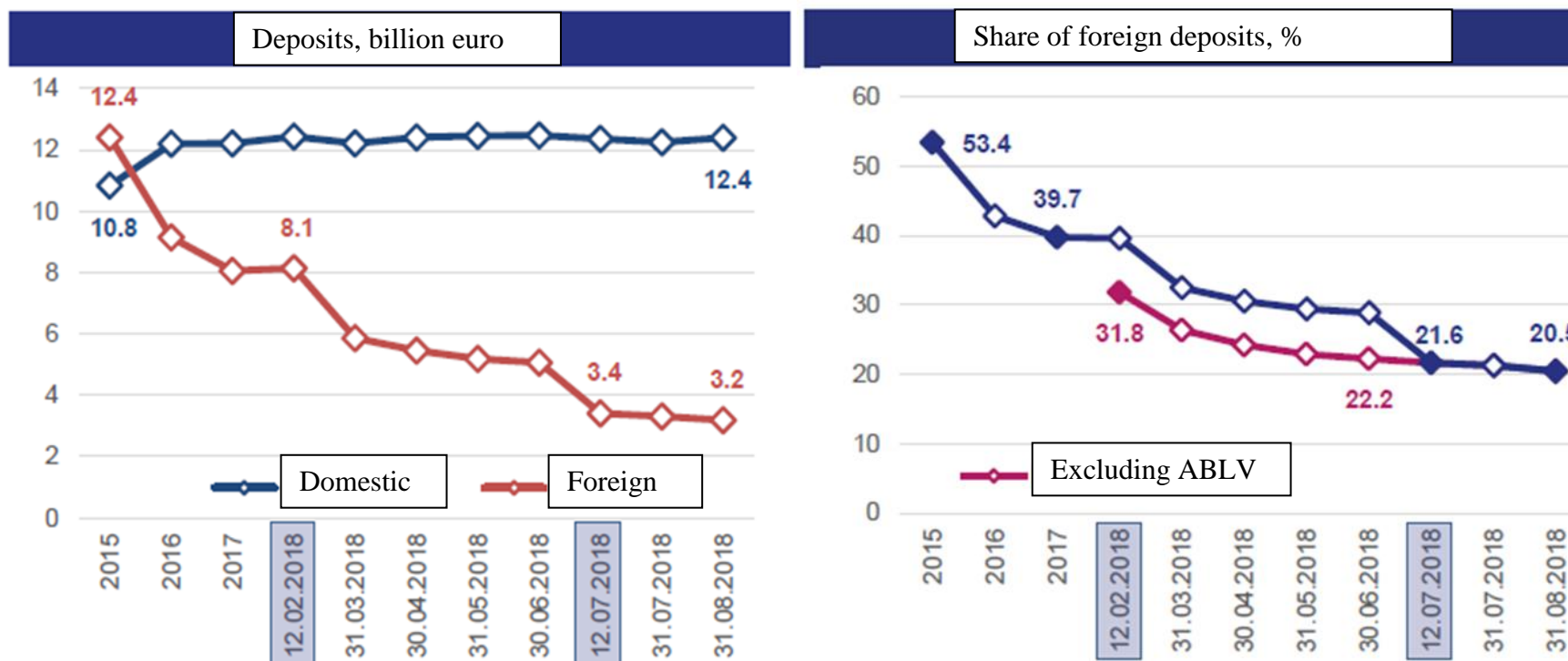
The Fifth Round Report on the Effectiveness of the Anti-Money Laundering and Counter-Terrorist Financing System of Latvia (The Fifth Round Mutual Evaluation Report) was approved at the Plenary Session of the Moneyval Committee of the Council of Europe on 4 July 2018, which was published on 23 August 2018. This evaluation in accordance with the international standards of the Financial Action Task Force (FATF) was carried out by the experts of Moneyval Committee of the Council of Europe during their visit from 30 October till 8. November 2017. Thus, the report contains the situation analysis, on the basis of the regulation and performance outcomes in place as at 8 November 2017. Within the scope of the Fifth Round, the member states of the Moneyval Committee are for the first time evaluated not only in terms of compliance of their legal framework to the FATF standards, but also by evaluating the effectiveness of the system. Thus, the report provides the evaluation on the conformity of Latvia to 40 FATF recommendations, as well as evaluates the effectiveness of the system in accordance with 11 immediate outcomes.

The Financial Sector Development Board, being the supreme policy coordination group in the field of financial sector development and anti-money laundering and combating financing of terrorism, in its 21 March 2018 meeting approved complementary measures for increasing the level of conformity of anti - money laundering and combating the financing of terrorism, *inter alia*, measures to be implemented under urgency procedure for enhancement of the risk-based supervisory measures and more rapid revision of the high risk business models, capacity building of the supervisory, controlling and investigatory authorities, as well as for improvement of information exchange mechanisms between the financial sector and the State. This plan has been drafted in close cooperation with the non-governmental sector - industry organisations, who ensured the coordinated action of both the industry and decision-makers and fast achievement of the outcome.

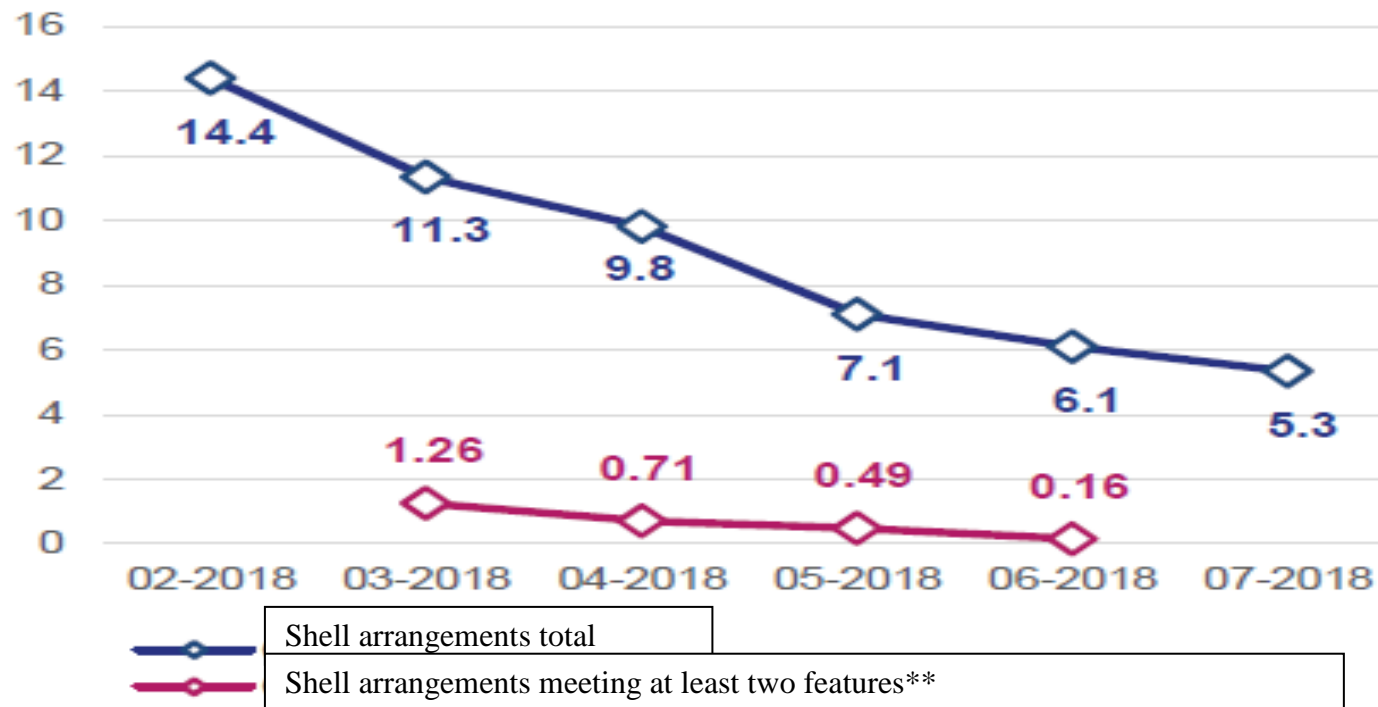
The most considerable point of this complementary measure is the suspending and limiting of the financial operations of high risk customers, for the purposes of implementation whereof on 9 May 2018 the amendments to the *Law on the Prevention of Money laundering and Terrorism Financing* took effect, by providing for the prohibition for the banks and payment institutions to cooperate with shell arrangement if they meet certain set of features - has no economic operation and is registered in the jurisdiction not imposing a duty to submit financial reports.

Coordinated and effective action of responsible institutions has ensured a considerable decrease in high risk transactions in financial sector, which has for a long time been one of the issues impeding the reputation and sustainable development of the financial system. A decrease that has started already in 2016 considerably accelerated, improving the possibilities of public authorities to ensure adequate control and supervisory measures.

Table 1 - Financial Sector Change Management in 2015 - 2018



Share of shell arrangement deposits*, %



Information source - Financial and Capital Market Commission.

In order to reach further progress, it is essential to prevent the deficiencies detected during the process of Moneyval’s evaluation of effectiveness and technical compliance and to introduce the recommendations expressed within the scope of evaluation, planning the activities to be performed by the end of 2019. The Plan also includes separate measures arising out

of the previously approved Plan of Measures for 2017 - 2019, as well as from the Plan on On Complementary Measures for Increasing the Level of Conformity of Prevention of Money Laundering and Terrorism Financing approved on 21 March 2018, the introduction whereof is still in progress. The Plan states that the supervisory and control measures must be considerably enhanced also beyond the financial (banking) sector.

Moneyval Fifth Round evaluation is based upon evaluation of the prevention of money laundering and financing of terrorism system effectiveness according to 11 outcomes. Taking into account the internationally recognised FATF methodology, this plan is structured in accordance thereto and the courses of action of the Plan correspond to 11 immediate outcomes of Moneyval evaluation system, setting the following key priorities:

- 1) strengthening a risk-based supervision and introduction of preventive measures, including, controlled, transparent and professional management of ABLV bank liquidation procedure;
- 2) effective information exchange for facilitation of investigation, harmonizing approaches and guidelines;
- 3) ensuring adequate human resources for supervisory, controlling and law enforcement authorities, increasing their analytical capacity and capability;
- 4) introduction of information technologies solutions for timely and effective data management;
- 5) enhancement of the targeted financial sanctions system, shaping uniform understanding of the cooperation partners regarding this system and the need for its functioning hereof.

At the same time, with respect to introduction of the statutory regulation, Latvia has, ahead of the deadline, taken over number of requirements for enhancing the system, as contained in 5AMLD - centralised register of the bank accounts, supervisory regulation of virtual currencies, the principle of beneficial ownership transparency introduced, the supervisory thresholds for electronic money circulation lowered, reducing them to 150 EUR. The Cabinet of Ministers, by adopting this Plan, is committed to ensuring complete introduction of 5AMLD ahead of the set mandatory introduction deadline, by reviewing the prepared documents till 1 June 2019, and passing them for further evaluation to the Saeima (Parliament).

Table 2 aggregates the main measures of the Plan and outcomes to be achieved

Table 2 - Courses of action of the plan

Moneyval immediate outcome	Main courses of action	Main outcomes to be achieved for the implementation of key priorities
IO.1 AML/CFT risk assessment, policy and coordination	By 15 August 2019, the new NRA will be drafted, taking into account Moneyval recommendations and conclusions from the previous NRA process. Communication strategy will be drafted regarding anti- money laundering, combating terrorism financing and proliferation.	ML/FT risks inherent to Latvia are identified, assessed and understood. Action for ML/FT risks prevention is coordinated at the national level. Measures taken correspond to the identified ML/FT risks.
IO.2 International cooperation	<p>The assessment will be carried out regarding the statutory regulation with respect to international cooperation of supervisors.</p> <p>On the basis of the conclusions, the public discussion will be organised with the CS and the Data State Inspectorate regarding data exchange with the third countries and, under the management of the MoJ, the key principles for international cooperation will be developed, to be further incorporated in internal legal framework of the supervisors.</p> <p>The regulation of the <i>Criminal Procedure Law</i> will be revised with respect to the possibility to prescribe the delegation to draw up the regulatory enactment on prioritising the legal assistance requests.</p>	Deficiencies prevented in the legal framework regarding international cooperation in prevention and combating money laundering

	<p>The possibilities of enhancing the existing International Criminal Legal Cooperation Requests Information System will be assessed, in order to ensure the management system of the international requests.</p>	
IO.3 Supervision	<p>The work on the change of the business models of the credit institutions will be continued.</p> <p>Introduction of a controlled ABLV bank self-liquidation process</p> <p>Introduction of a risk-based approach in all supervisory authorities, number of on-site and off-site verifications increased.</p> <p>By way of strengthening the resources available to the supervisory authorities, it is intended to establish 6 (six) new job positions in the FCMC*, 25 - in the SRS and 3 (three) - in the NCCH.</p> <p>*Following the performance of the OECD system assessment</p>	<p>A risk-based approach to supervision introduced in all supervisory and control authorities, by ensuring performance of sufficient and risk-compliant verifications and, in case of offences, carrying out proportionate measures, dissuasive of further infringements.</p>
IO.4 Preventive measures	<p>Unusual and suspicious transactions reporting system revised.</p> <p>Enhancing the availability of information necessary for the customer due diligence (information on the UBO, KYC utility, access to public registers).</p>	<p>Subjects of the law understand the ML/FT risks inherent thereto and apply the AML/CFT measures in accordance with the ML/FT risk level inherent thereto.</p>

	<p>Active informing of the subjects of the law, updated guidelines, training, provision of information.</p>	
<p>IO.5 Legal persons and arrangements</p>	<p>The modernisation of the registers kept by the RE will be carried out and the verification of information submitted for registration with the RE will be ensured.</p> <p>Especially high-risk commercial companies, who would not have disclosed the UBO, will be excluded from the Commercial Register or the applications on the exclusion thereof will be filed to court.</p> <p>The supervisory authorities will ensure the application of a single methodology with respect to the customer due diligence, with special focus on the UBO.</p> <p>Targeted checks of the supervisory authorities will be carried out, especially with respect to those types of economic activity, which are exposed to higher ML/FT risk.</p>	<p>Registration and availability of information about the ultimate beneficial owners of legal persons corresponding to the requirements of the Law on PMLTF ensured. The use of legal persons with the highest risk degree for criminal purposes prevented.</p>

<p>IO.6 Financial intelligence</p>	<p>The change of the status of the CS will be carried out (following the coordination with <i>Egmont Group</i>), ensuring the autonomy and operational independence of the CS.</p> <p>The work of the Advisory Board of the CS enhanced.</p> <p>The cooperation coordination group set up with the participation of the private sector and law enforcement authorities, ensuring regular meetings thereof.</p> <p>Outreach, training and feedback of the supervisors and obliged entities will be increased. Procedure for reporting suspicious and unusual transactions reviewed.</p> <p>For the needs of control over the ABLV bank self-liquidation, by way of strengthening the operational and strategic analysis capacity of the CS, resources are granted for outsourcing experts.</p> <p>CS capacity strengthened, by creating new job positions, increasing the existing staff remuneration, training and enhancement of IT resources ensured.</p>	<p>System for reporting suspicious and unusual transactions improved. Coordination ensured between the CS, supervisory and controlling authorities, law enforcement authorities and subjects of the law.</p>
------------------------------------	---	--

<p>IO.7 Investigation and prosecution</p>	<p>The AML set as a priority and the guidelines developed for prioritisation of the ML cases (<i>Risk Based Approach</i>), setting common principles and criteria, based on which the collection, analysis and assessment of information is to be performed at all stages of information analysis, investigation and prosecution.</p> <p>Priority fields and cases defined, where the investigation and prosecution is to be carried out, ensuring that by the third quarter of 2019 several significant, large-scale cases are passed for adjudication.</p> <p>To implement the training of judges, prosecutors and investigators regarding ensuring the necessary scope of evidence for investigating money laundering, inter alia, regarding penal policy for judges on cases involving ML/FT.</p> <p>Strengthening the control over the conduct of the prosecutors with respect to expressing the opinion (protest) on the type and scope of penalty to be determined in ML criminal cases.</p>	<p>Priority importance granted to combating and investigation of money laundering. The model practice established in investigating ML cases of separate categories.</p>
<p>IO.8 Confiscation</p>	<p>Amendments to legal framework will be drafted, in order to effectively combat ML on border, as well as to ensure dissuasive system with respect to</p>	<p>A single approach to applying the "reverse burden of proof" in the issues of property confiscation developed and introduced.</p>

	<p>arrest and confiscation of cash not declared or falsely declared on border.</p>	
<p>IO.9 Investigation and prosecution of financing of terrorism</p>	<p>Separate report will be drafted on FT/FP national risks. On the basis of the report, the FT/FP prevention strategy will be developed.</p> <p>The SeP and the CS will ensure the training and supervisory guidelines, as well as will prepare informative materials and provide information to the subjects of the law.</p> <p>The NGO sector risk assessment will be drafted and elevated FT risk groups will be defined.</p> <p>Active operation of the cooperation coordination platform and Counterterrorism Coordination Centre will be ensured.</p>	<p>Updated national level ML risk assessment and financing of terrorism risk assessment is available. The understanding raised among the involved institutions regarding the current financing of terrorism cases.</p>
<p>IO.10 Preventive measures and financial sanctions of financing of terrorism</p>	<p>Deficiencies in statutory regulation will be prevented (in the <i>Law On International Sanctions and National Sanctions of the Republic of Latvia</i>, the <i>Criminal Law</i> and the related Cabinet of Ministers regulations).</p> <p>A series of lectures organised on the sanctions and latest amendments to the <i>Law On International Sanctions and National Sanctions of the Republic</i></p>	<p>Well-arranged legal framework, clear guidelines for all subjects, increased risk awareness level, internal control systems (ICS) for the subjects of the law, development of a risk-based understanding among the subjects of the law.</p>

	<p><i>of Latvia</i>, providing for public lectures for financial sector, entrepreneurs and public at large as well as closed lectures for the representatives of other institutions.</p>	
<p>IO.11 Targeted financial sanctions for combating proliferation financing</p>	<p>Revision of the existing legal basis with respect to introduction of proliferation prevention sanctions in the <i>Law On International Sanctions and National Sanctions of the Republic of Latvia</i> and the related cabinet of Ministers regulations, in order to set in more detail the responsibility and competencies of supervisory authorities in the proliferation issues.</p> <p>To expand the scope of duties of the subjects of <i>Law On International Sanctions and National Sanctions of the Republic of Latvia</i> with respect to the development of internal control system.</p> <p>The CS, in cooperation with Moneyval secretariat, will organise the international level conference in the issues on combating financing of proliferation.</p> <p>The composition of the Committee for Control of Goods of Strategic Significance extended, including therein the representatives from the CS and the FCMC.</p>	<p>The legal framework for combating proliferation financing improved, adequate resources ensured for supervision of financial sanctions, a duty imposed on the subjects to ensure the establishment of internal control systems, the composition of the Committee for Control of Goods of Strategic Significance extended, international cooperation in combating proliferation financing developed.</p>

The Plan covers wide set of measures, the result whereof can only be achieved by cooperation between the institutions and implementing these measures according to the term set by the Plan. By adopting this Plan, developed in professional and results-oriented cooperation of all competent authorities of Latvia, the Cabinet of Ministers:

- expects quality and coordinated fulfilment of the measures from all involved institutions, involving the best industry professionals into decision making process;
- invites the heads of the institutions to ensure communicating the adoption of the Plan to their subordinates and employees, emphasising its relevance for the international reputation of the country and the possibility of each involved employee to influence it;
- emphasises that the achievement of the planned outcome shall not allow for deviations from the terms prescribed by the Plan, postponing or non-fulfilment of the tasks, and invites the involved institutions to take it into account, when planning their work;
- will invite the Saeima (Parliament) to review the issues under its competence under priority procedure.

II. Money Laundering and Terrorism Financing Risk Assessment

The NRA approved in 2017 was prepared according to the methodology, which, for the purposes of risk assessment, contains nine separate interrelated modules - national ML threats assessment, national ML vulnerability assessment, assessment of vulnerability of banking sector, securities sector, insurance sector, other financial institutions, non-financial sector, terrorism financing risk assessment and assessment of the risks of availability of financial services. The NRA provides information on the situation in the fields of combating ML/FT, by means of statistical data for the time period from 2013 till 2016, as well as information on the identified risks and the necessary action for restricting the identified risks.

In the NRA it was detected that the most significant threats in the AML field are created by the following crimes:¹

- corruption and bribery (misdemeanour in office);
- crimes in the field of taxes;

¹ Within the meaning of the methodology, "threats" are proceeds of crime that have been generated as a result of predicative crimes. In Latvia, the ML predicative crime may be any of the crimes provided for in the Special Part of the *Criminal Law*.

- fraud;
- smuggling;
- crimes committed in large scale and/or by an organised group;
- proportionately larger threat is caused by the crimes committed abroad, as a result whereof the ML takes place in Latvia or by abusing the banking system of Latvia;
- the role of the subjects of the *Law on PMLTF* of the non-financial field in the sectors of real estate, legal and accounting services, when providing support in ML;
- increased concentration of the foreign customer base of the credit institutions ²;
- implementation of violations or evasion from the sanctions set by Latvia, European Union, United Nations Organisation, by means of the Latvian financial system;
- manipulative transactions (both market manipulations and those performed with the purpose of committing unlawful manipulations with the financial information of a foreign enterprise, including bank).

Main threats of financing terrorism:

- possible joining of Latvian residents to the terrorist groups;
- possible use of the non-government organisations and entrepreneurial environment for financing terrorism and concealed or disguised channelling of the funds intended for lawful purposes to terrorist organisations or their members;
- possible use of separate subjects of the *Law on PMLTF* for acquisition of funds and channelling thereof to the terrorist organisations or their members.

According to the NRA the level of threats of the ML legalisation has been assessed as moderately high and the level of threats of financing of terrorism - as low.

National vulnerability³:

² Operation of large financially powerful groups of the CIS countries through several Latvian credit institutions, servicing foreign customers, especially - large number of non-transparent mutual transactions in internal bank or within the scope of the Latvian financial sector without appropriate economic basis.

³ Within the meaning of the module, the vulnerability refers to gaps and weaknesses in a country's defences against ML/FT that may exist at national or sector level.

When assessing the national vulnerability risks, the capacities of the institutional system of the country in the field of combating ML/FT have been aggregated, the sufficiency of the statutory regulation has been assessed, the capacity and readiness of the institutions and officers involved in combating ML/FT to adequately react to the threats have been assessed.

- In the AML/CFT field the policy is formed in a scattered way, not always ensuring sufficient coordination among the involved institutions, thus impeding the timely identification of the existing and future threats and vulnerabilities in the AML/CFT field and possibilities to timely prevent them;
- different understanding and practice in the AML/CFT and combating issues in the investigatory authority, prosecutor's office and court;
- insufficient involvement of the private sector into enhancement of the AML/CFT system.

Vulnerability of financial sector:

Assumption of the increased ML/FT risk on the part of the credit institutions operating in the increased ML/FT risk zone (servicing foreign customers), not corresponding to the ability to ensure sufficient management of the said risk, as well as:

- considerable part of the banking sector is comprised of the credit institutions, which have focussed on servicing foreign customers, characterised by number of increased risk factors⁴;
- correspondent banking relationship of the banks servicing foreign customers with the credit institutions of the CIS countries, which, as an integral part, is present in all large-scale fraudulent schemes, where Latvian credit institutions servicing foreign customers are mentioned over the period of last years;
- the wish of the credit institutions to obtain profit in large ML/FT risk exposures, without performing adequate risk hedging;
- insufficient independence of the internal control systems (hereinafter - the ICS), caused by significant flaws in organisational structure (insufficient observance of the corporate governance principles, *inter alia*, involvement of the shareholders of the bank into the ICS management);
- insufficient staff competence within the scope of the ICS and flaws in the field of ensuring individual liability;

⁴ Geography, both with respect to the customer (offshore companies) and the beneficial owner thereof - the CIS, products and services (fiduciary trusts, loans against financial collateral, etc.), as well as supply channels (e-commerce, corporate cards with unreasonably large number of cardholders, etc.);

- inappropriate IT systems in the ML/FT risk management;
- formal fulfilment of the enhanced customer due diligence requirements.

In the field of payment institutions and investment services the vulnerability is caused by the circumstances similar to the above mentioned factors.

The legal framework does not have a clearly defined supervisory and control authorities with respect to the implementation of the AML/CFT measures by separate financial service providers.

Vulnerability of non-financial sector:

- insufficient supervision capacity of the supervisory and control authorities of the subjects of non-financial sector;
- lack of understanding and weak knowledge in the AML/CFT field;
- insufficient AML/CFT regulations and weak supervision;
- insufficient AML/CFT procedures, including deficiencies in the ICS.

According to the NRA the national ML vulnerability has been assessed as moderate and the general national ML risk - as moderately high.

III. Background

Anti-money laundering and countering the financing of terrorism as a considerable priority derives both from the governmental action plan for the implementation of the Declaration on the action intended by the Cabinet of Ministers led by Māris Kučinskis, and the Financial Sector Development Plan for 2017 - 2019, which clearly defines the need for unconditional and decisive introduction of the risk management and conformity principles meeting the best international practice and standards and zero-tolerance towards violations and unlawful conduct.

According to the declaration on the action intended by the Cabinet of Ministers led by Māris Kučinskis, stating the government priorities, it has undertaken to implement in a coordinated way urgent measures for arrangement of the financial sector policy, by defining the medium and long-term sector development vision, paying special attention to mitigating money laundering and terrorism financing risks.

On 21 March 2017 the Cabinet of Ministers approved the Financial Sector Development Plan for 2017 - 2019, where the purpose of implementing the measures covered is to develop stable, safe and internationally competitive financial sector with the availability of innovative financial services that ensures a sustainable Latvian national economy growth. Increasing the conformity of anti-money laundering and countering the financing of terrorism and raising the reputation of the country was set as one of the cross-cutting issues of the Financial Sector Development Plan. To ensure the implementation of this priority, the Ministry of Finance was assigned, in collaboration with the involved institutions, to develop a comprehensive policy planning document in the field of anti-money laundering and countering the financing of terrorism.

By the 24 May 2017 Order No. 246, the Cabinet of Ministers approved the Plan of Measures for Mitigation of the Money Laundering and Terrorism Financing Risks for 2017-2019 (hereinafter - the Plan for 2017 - 2019), based upon the second national money laundering and terrorism financing risk assessment report. The NRA provides information on the situation in the fields of countering money laundering and terrorism financing, by means of statistical data for the time period from 2013 till 2016, as well as information on the identified risks and the necessary action for restricting the identified risks.

Accomplishments in the first course of action "To enhance the coordination of the development and introduction of the AML/CFT strategy and policy" - on 9 November 2017 the laws *Amendments to the Insurance and Reinsurance Law, Amendments to the Law on the Activities of Insurance and Reinsurance Intermediaries, Amendments to the Financial instruments market Law, Amendments to the Law on Investment Management Companies, Amendments to the Credit Institutions Law, Amendments to the Law on Savings and Loan Associations* have come into force, in order to ensure adequate sanctioning mechanism for the subjects of the *Law on PMLTF* in the financial sector with respect to the infringements of the requirements prescribed by the legal framework related to anti-money laundering and counter-terrorist financing.

Accomplishments in the second course of action "To enhance the statutory regulation on AML/CFT" - on 9 November 2017 the law *Amendments to the Law on Prevention of Money Laundering and Terrorism Financing* has come into force. With respect to introduction of the statutory regulation, Latvia has, ahead of the term, taken over number of requirements contained in AMLD5 Directive - centralised register of the bank accounts, regulation of virtual currencies, the principle of beneficial ownership transparency introduced, the supervisory thresholds for electronic money circulation lowered, reducing them to 150 EUR.

Accomplishments in the third course of action "To improve the effectiveness of investigation, indictment and adjudication and to ensure effective application of the preventive measures and penalties"- capacity building ensured, by

carrying out the training in the AML/CFT field corresponding to the international standards and best practice, mechanism established for the use of the seized proceeds of crime and funds obtained as a result of selling criminally acquired property.

Accomplishments in the fourth course of action "To improve the operational efficiency of the Control Service"- the strategic objectives and tasks of the CS are defined, in order to ensure the improvement of effectiveness of its operation and strengthening of the national cooperation, the effectiveness of the software of the CS is assessed and the conclusions made with respect to the necessary improvements for data processing, the quality of the reports on suspicious or unusual transactions facilitated, two additional job positions created, consumption of the CS resources reduced.

Accomplishments in the fifth course of action - "To build the capacity of the subjects in the AML/CFT field"- the training organised for the *Law on the PMLTF* subjects and their employees. The SRS, at least once per month organises and holds the seminars on the application of the *Law on PMLTF* for the taxpayers and the representatives of the supervisory authorities; 24 seminars were held from January 2017 till May 2018. The Ministry of Finance organised the training financed by the Structural Reform Support Service of the European Commission on strengthening the understanding in the AML/CFT field for a non-bank sector (attended by 126 participants). In 2018, the Lotteries and Gambling Supervision Inspection, in cooperation with the Control Service, organised practical training for gambling and lotteries operators on the reporting procedures, quality improvement and analysis of the most frequent mistakes and their mitigation or prevention. In the seminar organised by the bank of Latvia in November of 2017 the representatives of the currency exchange capital companies were informed on topicalities in the AML/CFT field, *inter alia*, explaining the application of the requirements of the *Law on the PMLTF* in the sector.

Accomplishments in the sixth course of action - "To build the capacity of the supervisory and control authorities in the AML/CFT field"- structural changes introduced in the State Revenue Service, by setting up the structural unit with 21 job positions, including 10 new job positions, the number of on-site supervisory checks increased; a new job position set up in the Lotteries and gambling Supervision Inspection with specialisation in the AML/CFT issues; new division set up in the Consumer Rights Protection Centre, the duties whereof will entail the supervision of the commercial companies licenced by the Consumer Rights protection centre in the AML/CFT field, 8 new job positions established, risk-based approach to supervision introduced and implemented, typology guidelines drafted and updated; the Financial and Capital Market Commission has carried out the verification of the effectiveness of the new IT transactions supervision system of the credit institutions after the introduction thereof, the effectiveness of the supervisory processes raised.

On February 13 this year, the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (hereinafter - FinCEN) published the draft decision on application of special measures to the Joint Stock Company "ABLV Bank", by which it intends to prohibit the U.S. financial institutions to open or maintain correspondent relations with or on behalf of the Joint Stock Company "ABLV Bank"(hereinafter - ABLV). The FinCEN report contained number of material reproofs, *inter alia*, that the management, stockholders and shareholder of ABLV have transformed money laundering into one of the business pillars of the bank and that ABLV has been used within the scope of criminal financial activities, *inter alia*, the transactions were closed with the counterparties related to the institutions included on the USA and UN sanctions lists.

Even though the legal framework of money laundering and financing of terrorism has already been considerably strengthened over the period of last years, the FinCEN report demonstrated the need to more actively turn against the possibilities of using the Latvian financial system for criminal purposes. In light of the need for fast and coordinated action, the Financial Sector Development Board, being the supreme policy coordination group in the field of financial sector development and anti-money laundering and combating financing of terrorism, in its 21 March 2018 meeting approved complementary measures for increasing the level of conformity of anti - money laundering and combating the financing of terrorism, *inter alia*, measures to be implemented under urgency procedure for enhancement of the risk-based supervisory measures and more rapid revision of the high risk business models, capacity building of the supervisory, controlling and investigatory authorities, as well as for improvement of information exchange mechanisms between the financial sector and the State. Part of the complementary measures for increasing the level of conformity of anti- money laundering and combating the financing of terrorism have already been fulfilled:

- Suspending and limiting the financial operations of high risk customers - on 9 May 2018 the amendments to the *Law on the Prevention of Money laundering and Terrorism Financing* took effect, providing for the prohibition for the banks and payment institutions to cooperate with shell arrangement if they meet certain set of features - has no economic operation and is registered in the jurisdiction not imposing a duty to submit financial reports.
- Special Task Force for detecting financial crimes – the 9 May 2018 amendments to the *Law on the Prevention of Money laundering and Terrorism Financing* provide for introducing public and private partnership in combating financial crime. Amendments to the Law state that the Control Service, by convening the cooperation coordination group, shall

coordinate the cooperation between the subjects of operational activities, investigation authorities, Prosecutor's Office, the State Revenue Service, as well as the subjects of the Law;

- Information exchange with Russia in accordance with the Global Common Reporting Standard for automatic exchange of financial account information in the field of taxes (CRS) - On 10 April 2018 the amendments to the 5 January 2016 Cabinet of Ministers Regulations No. 20 *Procedures by which a Financial Institution Implements the Due Diligence Procedures for Financial Accounts and Provides Financial Accounts Information to the State Revenue Service* were approved in the Cabinet of Ministers;
- Selection of the Head of the Control Service - starting from 1 June 2018, the office of the Head of the Control Service is held by Ilze Znotiņa;
- Enhancement of the regulation of international sanctions - the amendments to the *Law on International Sanctions and National Sanctions of the Republic of Latvia* were approved in the Saeima (Parliament) on 21 June 2018 and took effect on 12 July 2018;
- Requirements for the employees of the credit institutions Restrictions for holding the office of the Board Member, Chairperson of the Board or Chairperson of the Council of the credit institution Improvement of information exchange between the credit institutions and the State Revenue Service - the Draft Law *Amendments to the Credit Institutions Law* was approved in the Cabinet of Ministers on 19 June 2018 and it is planned that the Saeima (Parliament) would review the Draft Law in September. To verify the conformity of persons willing to work in the credit institutions and persons working therein to their job duties and to ensure the trust of the society in the financial sector, as well as to mitigate the risks that dishonest employees involve the credit institution in a criminal conduct, the referred to draft law prescribes that the persons directly involved in the provision of financial services will not be penalised for intentional commission of a criminal offence (while the criminal record is not deleted or withdrawn) or such persons, who are subject to active insolvency procedure. At the same time, the Draft Law includes the norm on the prohibition to the stockholder of the credit institution - natural person with direct or indirect holding (10% and more) to hold the office of the board Member, Chairperson of the Board of the same credit institution or be the employee of the senior management of such credit institution.

The Fifth Round Report on the Effectiveness of the Anti-Money Laundering and Counter-Terrorism Financing System of Latvia (The Fifth Round Mutual Evaluation Report) was approved at the Plenary Session of the Moneyval Committee of

the Council of Europe on 4 July 2018, which was published on 23 August 2018. The evaluation in accordance with the international Financial Action Task Force (FATF) standards was carried out by the experts of the Moneyval Committee of the Council of Europe during their visit from 30 October till 8 November 2017, therewith the report covers the situation analysis, on the basis of the regulation and activity outcomes in effect as on 8 November 2017. Within the scope of the Fifth Round, the member states of the Moneyval Committee are for the first time evaluated not only in terms of compliance of their legal framework to the FATF standards, but also by evaluating the effectiveness of the system. Thus, the report provides the evaluation on the conformity of Latvia to 40 FATF recommendations, as well as evaluates the effectiveness of the system in accordance with 11 immediate outcomes.

In the Moneyval report it is recognised that, since the Fourth Round Evaluation in 2012, Latvia has taken number of considerable measures, by strengthening the AML/CFT system, however there are still separate deficiencies in technical compliance. When evaluating the effectiveness of the system, Moneyval admits that a considerable effectiveness in the field of international cooperation has been achieved, while the effectiveness in the field of legal persons and arrangements, as well as proliferation sanctions is low. The effectiveness in the rest of the immediate outcomes has been evaluated as moderate. Taking into account that, in ten out of 11 immediate outcomes, the effectiveness of Latvia has been evaluated as moderate or low, elevated reporting regime has been determined for Latvia, namely, the progress report will have to be submitted already at the end on the next year. Please find below a brief information of Moneyval evaluation for immediate outcomes (IO):

Table 3 - Moneyval Evaluation for Immediate Outcomes (IO)

Immediate outcome	Moneyval evaluation
IO.1 AML/CFT risk assessment, policy and coordination	moderate
IO.2 International cooperation	substantial

IO.3 Supervision	moderate
IO.4 Preventive measures	moderate
IO.5 Legal persons and arrangements	low
IO.6 Financial intelligence	moderate
IO.7 Investigation and prosecution	moderate
IO.8 Confiscation	moderate
IO.9 Investigation and prosecution of financing of terrorism	moderate
IO.10 Preventive measures and financial sanctions of financing of terrorism	moderate
IO.11 Targeted financial sanctions for combating proliferation financing	low

Information source - Moneyval Fifth Round Report on the Effectiveness of the Anti-Money Laundering and Counter-Terrorist Financing System of Latvia (Fifth Round Mutual Evaluation Report)

Recommendations expressed in the Moneyval report for increasing the effectiveness, as well as the detected irregularities in compliance with FATF recommendations are included in Annex 1 and 2 to the Plan.

In light of the events since the approval of the Plan of Measures for 2017. – 2019, as well as Moneyval evaluation process, it is necessary to considerably revise the previously approved plan of measures, inter alia, jointly with the approved complementary measures for increasing the compliance of financial sector. It is also necessary to commence the work on introduction of the recommendations expressed by Moneyval. Therewith, the Ministry of Finance, in cooperation with the involved institutions, has prepared a revised Plan of Anti-Money Laundering and Counter-Terrorism Financing Measures for

the Period of Time till 31 December 2019, including therein the measures of the Plan of Measures for 2017 - 2019, the implementation whereof is still pending and is to be completed, complementary measures approved, as well as the new measures for introduction of Moneyval recommendations, in order to ensure considerable progress for strengthening the anti-money laundering and combating the financing of terrorism. The Cabinet of Ministers invites the Saeima (Parliament) under priority procedure, to resolve the issues related to the fulfilment of the measures included in the Plan, and asks for enhancing the statutory regulation at the level of laws. To strengthen the cooperation between the EU Member States in combating money laundering and financing of terrorism, Latvia supports the new initiatives at the EU level for anti-money laundering and combating the financing of terrorism in accordance with the commenced discussions at the EU level.

Linkage to other policy planning documents

The achievement of the objectives of this Plan is closely linked to the achievement of several other policy planning objectives. On 26 November 2017, the Saeima (Parliament) approved the **National Security Concept**, setting the determination of a stable and foreseeable economic environment as priorities for Latvia in preventing the threats caused to its economy. The Concept prescribes that a special attention must be paid to measures for combating shadow economy and improvement of tax collection, by implementing systematic compiling of tax evasion risks, assessment thereof and adequate control measures. It is important to build the capacity of law enforcement authorities, as well as authorities in charge of combating corruption in detecting and investigating economic and financial crimes and corrupt schemes, as well as the effectiveness of work of the court system in adjudicating such crimes. It is necessary to improve the supervision of the financial sector, in order to prevent the possibilities of laundering proceeds from crime.

By the 28 February 2018 Order No. 90 of the Cabinet of Ministers the **Organised Crime Prevention and Combating Plan for 2018 - 2020** was approved. The objective of this plan is to raise the effectiveness of prevention and combating criminal offences related to organised crime, by reducing the adverse economic effects thereof, and to create full-fledged conditions for law enforcement authorities for combating organised crime. Two courses of action have been set for implementation of the objective:

1. To shape uniform understanding and knowledge of the employees of public administration institutions about the priority activity areas and effects of organised crime (level of threats, trends, dynamics, structure) on the economic (financial) interests of the State and safety of population.

2. To raise the effectiveness of operation of law enforcement authorities in priority areas of organised crime prevention and combating, *inter alia*, by enhancing the cooperation with other institutions and society.

On 10 June 2016, the Council for Combating Illegal Economy approved the **Work Plan of State Institutions for the Limitation of Illegal Economy for 2016-2020**. The plan entails measures aimed at combating shadow (illegal) economy in Latvia, as well as sets the terms for implementation of the measures. Measures covered by the plan of measures are grouped according to six courses of action: tax payment promotion - limiting shadow economy and promotion fair competition, reducing administrative burden, complex solutions for reducing shadow economy (in construction, trade, field of services, field of transport), capacity building of controlling authorities (facilitating information exchange, effective use of IT possibilities), effective dispute resolution and penal system, explaining the need for paying taxes via communication and educating, as well as effective tax policy.

By the 16 July 2015 Cabinet of Ministers Order No. 393 **Corruption Prevention and Combating Guidelines for 2015 - 2020** were approved, stating that the overriding objective of the corruption prevention and combating policy is - observing the principle of sound governance and effective human resources management, to ensure reliable operation of any institution or organisation. The priorities of the corruption and fraud prevention and combating policy set in the Concept:

1. To reorient anti-corruption and fraud combating policy from the external control, implemented by control institutions, to the internal control of the departments and institutions;
2. To achieve openness in the human resources selection in public administration and provision of ethical, motivated, competent staff in the entire public administration and judicial power;
3. To promote reduction of public tolerance towards corruption and public participation in policy making process;
4. To start implementing measures for restricting corruption and fraud in private sector.

IV. Objective and courses of action of the plan

Objective of the plan	To strengthen the capacities of Latvia to combat money laundering, financing of terrorism and proliferation and to mitigate the overall money laundering and terrorism financing risks, by ensuring conformity with the international commitments and standards in the field of AML/CFT and promoting the public safety, competitiveness of economic environment and confidence in jurisdiction of Latvia.
Policy outcome/s and outcome indicator/s	Increased effectiveness of system of anti-money laundering, combating terrorism and proliferation in Latvia.

First course of action - Risks, policy and coordination

Authority in charge of the course of action: MoF - for the measures related to drafting the policy and coordinating the introduction thereof

CS - for the measures related to the ML/FT risk assessment

Co-responsible authorities: MoJ, MoFA, MoI, GPO, CPCB, FCMC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC

First course of action		RISKS, POLICY AND COORDINATION					
Sub-objectives to be achieved:		1. ML/FT risks inherent to Latvia are identified, assessed and understood.					
		2. Action for preventing ML/FT risks is coordinated at the national level					
		3. Measures taken correspond to the identified ML/FT risks					
No.	Measure	Justification	Activity outcome	Outcome indicator	Responsible authority	Till-responsible authorities	Term for implementation
1.1.	To carry out the ML/FT risk assessment for the period 2017 - 2018, including: - to ensure a full-fledged participation of competent authorities in all stages of the NRA process;	Moneyval recommendation 1.1., 1.2., 3.8., 5.3.	ML/FT risks inherent to Latvia are identified and understood	1. For the needs of preparation of the sectoral risk assessment, the risk evaluation methodology is explained to	CS	FCMC, SRS, BoL, LGSI, LCSA, LCSN,	30 October 2018

<p>- to enhance the analysis and understanding of the material ML threats and vulnerability ;</p> <p>- to enhance the analysis and understanding of the FT threats and vulnerability inherent to financial centres, as a whole, and, more specifically, to Latvian economy and society</p> <p>- to include in the assessment also the new trends that might cause emerging threats;</p> <p>-to identify the risk jurisdictions determined for the Latvia's risk profile.</p>				the supervisory and control authorities		LACA, NCCH, CRPC, MoT	
				2. Deficiencies of the existing NRA defined	CS	FCCM, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, SP, CPCB, SeP, GPO, MoI, MoF, MoJ, MoFA	30 November 2018
				3. Report drafted on the ML/FT risks of the legal persons, including NGO sector	CS	SRS, RE, SeP MoF, MoJ	31 December 2018
				4. Work groups organised for drafting the NRA (at least twice per month)	CS	FCCM, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, MoI, SP, CPCB, SeP	From 1 January 2019
				5. Sectoral risk assessment developed	FCCM, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH,	CS	1 February 2019

					CRPC, MoT		
				6. The assessment prepared on the foreign customer deposit base and the cross-border flows related thereto, within the context of the identified and potential ML/FT risks	FCCM	BoL, CS	1 March 2019
				7. Report drawn up on the risks of using virtual currency as the new ML/FT method	CS	MoF, SRS, BoL	31 March 2019
				8. Report drawn up on ML/FT risks of lawyers and tax advisors	CS	SRS, LCSA, LACA, LCSN	30 April 2019
				9. Study on the scope of a latent crime carried out	CS	MoJ, MoI, GPO, SP, CPCB, SeP, NCCH, State Police College UL, RSU	1 June 2018
				10. The third national ML/FT risk assessment drawn up, incorporating the results of the assessment carried out within Measure 9.1	CS	FCCM, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, SP, CPCB, SeP, GPO, MoI, MoF, MoJ	15 August 2019
1.2.	To draw up the communication strategy regarding anti - money laundering,	Moneyval recommendation 1.3.	Explanation of the risk assessment outcomes to private sector.	1. Moneyval Fifth Round Evaluation Report translated into Latvian and the society	CS		1 March 2018

combating terrorism financing and proliferation		Provision of information on accomplishments in the AML/CFT field. Increased public awareness and understanding about the issues on the AML/CFT and international sanctions. The number of criminal offences, where persons get engaged into ML/FT, without knowing it, is decreased.	information has been carried out.			
			2. Communication strategy developed.	MoF, CS	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, SP, CPCB, SeP, GPO, MoI, MoJ, MoFA	1 March 2019
			3. Informative campaign organised, informing the public about current crimes for the purposes of warning about the risks of getting involved, with a special focus on separate society groups, for example, youth.	CS, FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, SP, CPCB, SeP, GPO, MoI, MoF, MoJ, MoFA		1 April 2019
			4. Informative booklets developed in the CS for the needs of the AML/CFT subjects, supervisory and control authorities and other persons.	CS		15 September 2019

				5. The AML/CFT days organised	CS	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, SP, CPCB, SeP, GPO, MoI MoF, MoJ, MoFA	15 September 2019
1.3.	On the basis of the performed sectoral ML/FT risk assessment, to update the guidelines on identified risks and recommended risk mitigating measures, as well as on performance of company risk assessment	Moneyval recommendation 1.4., 1.5, 1.9.	Ensured informing of the subjects of the AML/CFT laws about the identified risks and recommended risk mitigating measures. The subjects of the law are using the NRA outcomes, when performing their risk assessments.	Guidelines for the subjects of the law updated.	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT		1 April 2019
1.4.	According to the 3rd national ML/FT risk assessment, to introduce the necessary changes to the policy planning documents and legal framework.	Moneyval recommendation 1.8., 1.11.	To ensure that the policy planning documents and legal framework corresponds to the identified ML/FT risks.	Proposals prepared for the necessary amendments to the policy planning documents and legal framework.	MoF, MoJ, MoI, MoFA, MoE		30 November 2019
1.5.	To update the action plans of the competent authorities in accordance with the current ML/FT risks.	Moneyval recommendation 1.10., 1.12.	Action plans of the competent authorities correspond to the risks identified in the NRA, define forward-looking and correspondingly prioritised measures, set precise terms and measurable introduction outcomes, and they are introduced reasonably reducing the tolerance towards formal approach of	Action plans of the competent authorities updated in accordance with the 3rd national ML/FT risk assessment	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT, GPO, SP, CPCB		30 November 2019

			the subjects of the law to compliance.				
1.6	To review the composition and mandate of the Financial Sector Development Board.	Moneyval recommendation 1.13., 1.14. Plan of Measures for 2017-2019 Measure 1.1.	To ensure the assessment of the ML/FT global trends and their influence at the local level.	Changes introduced to the by-laws of the Financial Sector Development Board, stating that: - the Financial Sector Development Board regularly reviews the information about the ML/FT global trends and their influence at the local level; - the relevant institutions and non-governmental organisations are represented in its composition.	MoF		15 December 2018
1.7.	To review the mandate of the Advisory Board of the Control Service	Moneyval recommendation 1.14., 1.15. Plan of Measures for 2017-2019 Measure 1.1., 1.3.	To ensure coordinated action of the competent authorities, as well as the regular analysis of the ML/FT risks, trends and strategic analysis.	Changes introduced to the mandate of the Advisory Board of the Control Service, stating that the Board: - carries out horizontal information exchange regarding the ML/FT risks, trends and affairs; - regularly informs the FSDB about the ML/FT global trends and their influence at the local level; - gathers information about the strategic analysis carried out by the competent authorities.	MoF	CS	15 December 2018

Second course of action - International cooperation

Authority in charge of the course of action: MoJ

Co-responsible authorities: CS, SP, SRS, SeP, GPO, CPCB, FCMC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC

Second course of action		International cooperation					
Sub-objectives to be achieved:		1. Deficiencies prevented in the legal framework regarding international cooperation in prevention and combating money laundering					
		2. Effective and fast international cooperation ensured in prevention and combating money laundering					
		3. The system of criteria established, allowing to prioritise international assistance requests					
		4. Effective international cooperation cases management system introduced					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
2.1.	1. To assess the statutory regulation with respect to international cooperation of supervisory authorities.	Moneyval recommendation 2.1., 2.2., 2.3.	International cooperation of supervisory authorities improved in the field of anti-money laundering and counter-terrorist financing.	Report prepared on the statutory regulation with respect to international cooperation of supervisory authorities and submitted to the Ministry of Justice.	SRS, FCMC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, SLI, CS		1 November 2018
	2. To aggregate the outcomes of the assessment and to prepare the report to the FSDB		Deficiencies prevented in the legal framework regarding international cooperation between the supervisory authorities in prevention and combating money laundering	The report submitted to the FSDB			MoJ
2.2.	To develop the key principles for international cooperation (clear and safe ways, mechanisms and channels for submission and fulfilment of the requests, clear priority cases management system for these purposes and clear processes for protection of the received information), to be further incorporated in internal legal framework of the supervisors.	Moneyval recommendation 2.1., 2.2., 2.3.	Clear and safe ways, mechanisms and channels for submission and fulfilment of the requests, clear priority cases management system for these purposes and clear processes for protection of the received information	Key principles developed for the international cooperation of the supervisors in anti-money laundering and combating the financing of terrorism and submitted to the FSDB	MoJ	SRS, FCMC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	1 July 2019

			ensured for the supervisory authorities.				
2.3.	Proposals developed for amendments to the legal framework with respect to the authorisation to place request on behalf of foreign partners.	Moneyval recommendation 2.3.	The rights of the supervisory authorities ensured to fulfil the requests of foreign partners in the field of anti-money laundering and combating the financing of terrorism	Proposals developed and submitted to the FSDB	MoJ	SRS, FCMC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	1 July 2019
2.4.	1. To prepare the budgetary request, in order to ensure the necessary human resources for international cooperation.	Moneyval recommendation 2.4.	Human resources capacity ensured for effective international cooperation in the field of criminal law	1.The budgetary request prepared, in order to ensure the necessary additional staff units starting from 1 January 2020.	MoI (SP)	MoF	1 May 2019
	2.Evaluate the need to strengthen capacity in criminal justice international cooperation.			2.Assessment of the human resources needed to ensure effective international cooperation on criminal justice matters.	GPO		28 December 2019
2.5.	To assess the regulation of the CPL with respect to the possibility to provide for the delegation to develop the regulatory enactment on prioritisation of legal assistance requests, which will correspondingly, in practice, ensure fact response with respect to the fulfilment of legal assistance request and, if necessary, to draw up amendments to the <i>Criminal Procedure Law</i>	Moneyval recommendation 2.5.	Criteria established in prioritisation of the legal assistance requests	Amendments to the <i>Criminal Procedure Law</i>	MoJ	MoI (SP)	1 March 2019

2.6.	To develop the criteria for the processing and determination of priority of Latvian ARO requests and cases (both national and foreign).	Moneyval recommendation 2.5.	Raised effectiveness of examination and fulfilment of Latvian ARO requests/cases, as well as the use of resources thereof	Improved quality of the received requests/cases and accelerated processing and fulfilment process	MoI (SP)		1 March 2019
2.7.	To assess the possibilities to improve the International Criminal Legal Cooperation Requests Information System in interrelation with the planned changes to the CIS.	Moneyval recommendation 2.5.	Ensured functioning of the International Criminal Legal Cooperation Requests Information System	Proposals developed for improvement of the International Criminal Legal Cooperation Requests Information System	MoJ	GPO, MoI (SP)	1 March 2019
2.8.	To develop the amendments to the CPL, providing for the mechanisms with respect to extradition of the citizens of the EU countries outside the borders of the EU countries	Moneyval recommendation 2.6.	Clear and fast mechanism ensured with respect to extradition of the citizens of other EU countries outside the borders of the EU countries	Amendments to the <i>Criminal Procedure Law</i> developed and submitted to the Saeima (Parliament)	MoJ	GPO	28 December 2018

Third course of action - Supervision

Authority in charge of the course of action: MoF

Co-responsible authorities: CS, FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT

Third course of action		SUPERVISION					
Sub-objectives to be achieved:		1. A risk-based approach to supervision introduced in all supervisory and control authorities, by ensuring performance of sufficient and risk-compliant verifications and, in case of offences, carrying out proportionate measures, dissuasive of further offences					
		2. All supervisory and control authorities ensure a dialogue with the sector under supervision, by providing regular training, consultations and guidelines					
		3. Prioritisation of the AML/CFT and adequate resources ensured in the supervisory and control authorities					
No.	Measure	Justification	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation

3.1.	Introduction of a controlled ABLV self-liquidation process	The 21 March 2018 FSDB decision	Controlled, in line with the relevant methodology coordinated with the strategic international cooperation partners, self-liquidation process introduced, by ensuring appropriate analysis of suspicious transactions, freezing of funds and effective cooperation with the law enforcement authorities	To inform the FSDB about the ABLV self-liquidation process, on a regular basis, at least twice per month, in order to ensure the coordination of the activities of all involved parties for ensuring effective self-liquidation process.	FCMC, CS	SP, SRS, CPCB	Constantly
3.2.	To establish a mechanism, ensuring that all supervisors, including the self-regulatory authorities, have uniform understanding about the ML/FT risks and that adequate preventive measures are applied for mitigating those risks. To ensure information exchange regarding the ML/FT risks	Moneyval recommendation 3.1.	Cooperation platform established under the management of the Control Service for the purposes of coordination of activities of the supervisory and control authorities	At least once per month, the CS organises the meetings with the supervisory and control authorities	CS	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	Starting from 15 October 2018
3.3.	To review the number of employees and resources of the supervisory authorities, in order to ensure that they are able to adequately manage the identified risks and supervise the conduct of the subjects of law with respect to the risks	Moneyval recommendation 3.5. Plan of Measures for 2017-2019 Measure 6.1, 6.2, 6.3.	Capacity of the supervisory and control authorities built	1. 6 (six) new job positions established in the FCMC Compliance Control Department* * Following the performance of the OECD system assessment	FCMC		1 January 2019
				2. In 2017, the changes were introduced to the SRS structure, establishing the structural unit with 21 position, including 10 new positions In 2019, to allocate 25 job positions of the SRS, ensuring strengthening of the risk analysis-based anti-money	SRS		1 January 2019

				laundrying supervisory function			
				3. In 2017 and 2018, 8 (eight) new job positions established in the CRPC, setting up a new division in the CRPC for supervision of the licenced commercial companies	CRPC		1 January 2018
				4. In 2018, new job position established in the LGSI, with the specialisation in the AML/CFT issues	LGSI		1 January 2018
				5. In 2019, 3 new job positions established in the NCCH	NCCH		1 January 2019
3.4.	To considerably increase the number of on-site AML/CFT verifications in credit institutions and representative offices servicing foreign customers	Moneyval recommendation 3.2. Plan of Measures for 2017-2019 Measure 6.6.	More effective supervisory process, ensuring faster processing of data of larger volumes; IT solution introduced for analytical data processing and particular risks determined in the guidance on verifications; Supervisory verifications carried out	1. Automatic data screening against sanctions (EU, OFAC, UN) and PEP lists (Accuity compliance link)	FCMC		31 December 2018
				2. Tools for identification and analysis of possible money laundering schemes and circumvention of default on international sanctions, typologies of suspicious transactions (IBMI2)	FCMC		30 June 2019
				3. The number of verifications increased by 20% as compared to 2018, ensuring that verifications are carried out in the field with higher ML/FT exposure, <i>inter alia</i> , the use of special checks enhanced	FCMC		31 December 2019

3.5.	For the SRS to allocate more resources to AML/CFT supervision programme and to ensure adequate, risk-based coverage of wide range of subjects within the scope of supervision	Moneyval recommendation 3.1., 3.5., 3.6.	Internal resources of the SRS assessed for the purposes of building the capacity in the AML/CFT field and ensuring considerable progress in the risk-based supervision of wide range of subjects	According to the performed assessment, resources allocated to build the capacity and increase the number of risk-based on-site verifications. Taking into account the planned increase in the number of employees, the number of on-site verifications will be increased four times, to achieve 1,000 ⁵ on-site verifications per year (out of ~12,000 taxpayers under supervision of the SRS, 1,000 have been identified as high risk).	SRS	MoF	1 September 2019
3.6.	To review the internal framework of application of established sanctions and corrective measures, in order to ensure the full range application of the sanctions both with respect to the institutions and the management thereof. To assess the influence of the applied sanctions on the ability to dissuade from further offences	Moneyval recommendation 3.3.	Assessment and enhancement of application of sanctions and corrective measures	1. The existing procedures, stipulating the procedure for application of sanctions and supervisory measures, reviewed and assessed. Amendments introduced to the procedures	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC		31 December 2018
				2. Report on the application of sanctions and corrective measures prepared and submitted for the review to the work group established in accordance with Measure 3.1	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	CS	30 June 2019, henceforth - on a quarterly basis
3.7	To ensure a risk-based supervisory process	Moneyval recommendation 3.1.	1. Verifications in the ML/Ft field are carried out	1. The matrix for determination and profiling of sectoral threats	FCMC, SRS, BoL,		31 December 2018

⁵ The number of performed verification in 2019 depends upon the time of recruiting of the newly established job positions

		n 3.1., 3.4., 4.1, 4.2., 4.3., 4.4., 4.5., 4.7., 4.8., 4.16., 7.3.	in accordance with the assessed risks.	and vulnerability risks set up in all supervisory and control authorities.	LGSI, LCSA, LCSN, LACA, NCCH, CRPC		
			2. On the basis of the risk assessment, to carry out on-site and off-site verifications, <i>inter alia</i> , performing the targeted verifications in the fields, where deficiencies are identified.	2. In 2018, 961 on-site and 2, 696 off-site verifications, in 2019 - 1, 759 on-site and 3, 572 off-site verifications (Annex 3).	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC		31 December 2019
3.8	To develop amendments to the <i>Law on the PMLTF</i> , setting the reputational requirements for the officials in charge of the fulfilment of the AML/CFT requirements in all subjects of the law	Moneyval recommendation 3.7.	To ensure that the reputational requirements are set for the officials in charge of the AML/CFT of all subjects of the law	1. Amendments developed to the <i>Law on the PMLTF</i>	MoF		1 March 2019
				2. Supervisory checks carried out in accordance with the amendments	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC		31 December 2019
3.9.	To supervise the change of the business models of the credit institutions, by reducing the share of high risk customers and achieving the target variables set by the FCMC for the sector as a whole.	NRA, Plan of 23 points	Considerable reduction of risks in the credit institutions sector	1. To inform the FSDB about the process and results of the change of the business models of the credit institutions, on a regular basis, at least twice per month	FCMC		31 December 2018
				2. The assessment prepared on the set of indicators to be published for regular risk level monitoring	FCMC		1 November 2018

3.10.	To improve information accessibility for the supervisory and control authorities	Plan of 23 points	Improved supervisory process	To prepare the assessment on the possibility to ensure free-of-charge access to public registers for all supervisory and control authorities	MoF	MoJ	1 March 2019
-------	--	-------------------	------------------------------	--	-----	-----	--------------

Fourth course of action - Preventive measures

Authority in charge of the course of action: MoF

Co-responsible authorities: CS, FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC, MoT

Fourth course of action		PREVENTIVE MEASURES					
Sub-objectives to be achieved:		1. Subjects of the law understand the ML/FT risks inherent thereto					
		2. Subjects of the law apply the AML/CFT measures in accordance with the ML/FT risk level inherent thereto					
		3. Subject of law provide reports on suspicious transactions, which ensure a quality input to the ML/FT investigation					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
4.1.	To ensure systemic informing of market participants regarding ML/FT risks and implementation of preventive measures. With respect to the risk of the subjects of the law and their understanding of the AML/CFT requirements, to ensure that: - the subjects of the law, when carrying out the risk assessment of the company, have established and apply permanent procedures and corresponding documentation, as well as review these procedures on a regular basis; - the risk assessments carried out by the companies specifically analyse also the financing of terrorism threats and	Moneyval recommendation 3.4., 4.1., 4.2., 4.3., 4.4., 4.5., 4.7., 4.8., 4.16., 7.3. Plan of Measures for 2017-2019 Measure 5.1.	1. The statutory regulations and guidelines for the subjects of the law updated in accordance with the sectoral risk assessment, as well as the deficiencies identified in the Moneyval recommendations 2. For the supervisory and control authorities, to carry out regular training and provide consultations to the subjects of the law	1. Guidelines updated 2. In 2018, 67 training courses or seminars were organised, 2, 642 persons were trained; In 2019, 75 training courses or seminars were organised, 5, 426 persons were trained (Annex 3)	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	CS	1. 31 January 2019 2. 31 December 2019

<p>vulnerability, and they also reflect the actual combined ML/FT risk exposure.</p> <p>To ensure that the understanding of the subjects of the law on the financing of terrorism risks is not confined to the terrorist lists;</p> <ul style="list-style-type: none"> - all subjects of the law with high intensity of transactions ensure automated IT solutions for the purposes of controlling financing of terrorism, while the subjects with low intensity of transactions constantly use manual tools for controlling financing of terrorism. <p>To ensure that all subjects of the law:</p> <ul style="list-style-type: none"> - have the main AML/CFT internal control system elements in place; - have effective internal control mechanisms and procedures in place; - the effectiveness of the application of the risk mitigating measures taken by them is increased according to the risk; - systems ensuring the risk-based approach to performance of the customer due diligence measures are in place. <p>Within the supervision process, to carry out regular compliance controls of the qualification and reputation of the officials, as well as the reputation of the shareholders of licenced subjects both from the moment of beginning of operation of the subject of the law and also regularly during the operation thereof, prescribing the previously detected AML/CFT offences the additional risk identifier.</p>						
--	--	--	--	--	--	--

4.2.	Measures must be strengthened, by which the minimum requirements are applied: - with respect to the quality of additional information and documentation during the process of customer due diligence, clarifying the ultimate beneficial owner, in determination of the politically exposed persons, determination of the origin of funds, as well as supervision of transactions	Moneyval recommendation 4.6., FATF Recommendation 10.	1. Amendments to the <i>Law on the PMLTF</i> introduced, ensuring complete compliance with FATF Recommendation 10.	1. Draft law developed and submitted to the Cabinet of Ministers	MoF		1 March 2019
			2. To enhance the guidelines for the subjects of the law, in line with the amendments to the law	2. Guidelines enhanced	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC		1 April 2019
4.3	To ensure systematic and specific communication for the subjects of the law with respect to the countries, where, on the basis of the FATF Recommendations, enhanced customer due diligence is to be applied	Moneyval recommendation 4.9.	Updating of the list and informing the subjects on the introduced changes	The list of high-risk countries regularly updated and posted on the website of the CS and the supervisory and control authorities	CS	FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC	31 December 2018
4.4.	To assess the possibilities of setting up a central register or source, which can be employed, when verifying the status of politically exposed person of the Latvian residents	Plan of Measures for 2017-2019 Measure 5.2. Moneyval recommendation 4.9., 4.10.	The evaluation is prepared on the possibility to ensure access to information on the family members of politically exposed persons and public officials, by means of existing databases	1. The SRS will assess the possibility to provide information of the PEP and/or to maintain the PEP register.	SRS		30 November 2018
				2. Proposals for the amendments to the legal framework developed, on the basis of the results of the assessment	MoF		31 January 2019
4.5.	To review system for reporting suspicious and unusual transactions: - to ensure that the concepts of unusual and suspicious transactions do not overlap; - to set up a system that clearly distinguishes the suspicious transactions reports, if the subject of the law has	Moneyval recommendation 4.11., 4.12., 4.14., 6.1.	1. To prepare the assessment on the effectiveness and feasibility of the SRS parallel reporting system 2. To assess (and, if necessary) change the	1. The assessment submitted to the MoF	SRS		31 January 2019
				2. To assess, if the new (since 1 May 2018) reporting system	CS		1 March 2019

	suspicious, from the reports on transactions meeting certain criteria; - to consider the possibilities to review the system of parallel suspicious transactions reporting to the SRS (within the scope of the review of the suspicious and unusual transactions system)		suspicious and unusual transactions reporting procedure, stipulating: a) the transition to limited reporting of the unusual transactions; b) to incorporate additional automated quality control elements of the reports in the e-reporting system (for example, logical controls)	is well-functioning / feasible for the purposes of operational and strategic analysis As a result of changes, the number of poor quality/unusable reports reduced by at least 20% The speed of processing of reports increased			
4.6.	To define the identifiers and "red flags" for suspicious transactions, - both general, to be applied to all subjects, and branch-specific	Moneyval recommendation 4.13.	On the basis of information provided by the CS on the typologies, as well as taking into account the branch-specific risks, the supervisory and control authorities define the identifiers and "red flags" for suspicious transactions The CS has aggregated the results of strategic analysis, including, from the ABLV process, and has informed the subjects of the law and the SCA, raising their awareness	1. Typologies updated. The CS website supplemented and regularly updated with information on suspicious and unusual transactions, in light of the specificity of each sector 2. Guidelines enhanced with defined indicators and "red flags"	CS FCMC, SRS, BoL, LGSI, LCSA, LCSN, LACA, NCCH, CRPC		31 October 2018 (Repeatedly - 30 June 2019) 31 December 2018
4.7.	To enhance the regulation with respect to the performance of independent audit and the scope of applicability of the verifications carried out thereby	Moneyval recommendation 4.15.	The process of performance of independent audit enhanced	The regulation developed on the requirements for the performance of independent audit and the scope of applicability of the verifications	FCMC		31 January 2019
4.8.	To consider the possibilities of introducing the licencing system in such fields as real estate intermediation; tax consulting, accounting and company establishment services	Moneyval recommendation 4.17.	To prepare proposals, draft laws for licencing real estate agents, tax consultants and accountants To assess the	Proposals, draft laws, reports submitted to the MoF	SRS		31 December 2018

		Plan of Measures for 2017-2019 Measure 5.4.	possibility of licencing the providers of the company formation services				
4.9.	To enhance the statutory regulation in the field of supervision of the transactions with cultural monuments	Plan of Measures for 2017-2019 Measure 2.8.	Strengthened supervisory mechanism	Proposals prepared for amendments to the <i>Law on PMLTF</i>	MoF	MoC, NCCH	1 July 2019
4.10.	To improve the accessibility of information for performance of the customer due diligence	Moneyval recommendation 4.6. FSDB complementary measures	1. The assessment prepared on the possibility to ensure for the subject of the law free-of-charge access to the register of ultimate beneficial owners of the Register of Enterprise	1. The assessment submitted for the review to the FSDB meeting	MoJ	MoF	31 December 2018
			2. To prepare the assessment on improvement of information exchange between the public authorities and subject of the law for effective ML/FT risk management	2. The assessment submitted for the review to the FSDB meeting	MoF	MEPRD, LDDK (Employer's Confederation of Latvia), FLA, KIB (Credit Information Bureau)	1 July 2019
			3. To prepare the assessment on the necessary amendments to the legal framework for the formation of the customer due diligence utility (KYC utility), which would allow the subjects of the law to use the customer due diligence information obtained by other subjects of the law	3. The assessment on the necessary amendments to the legal framework for the formation of the customer due diligence utility (KYC utility) prepared and submitted for the review to the FSDB meeting	MoF	MoFA, MEPRD, LDDK, FLA	1 March 2019

Fifth course of action - Legal persons and arrangements

Authority in charge of the course of action: MoJ

Co-responsible authorities: RE, MoF, FCMC, SRS, CS, LCSN, LCSA, MoL, LACA and NCCH

Fifth course of action		LEGAL PERSONS AND ARRANGEMENTS					
Sub-objectives to be achieved:		1. Registration and availability of information about the ultimate beneficial owners of legal persons corresponding to the requirements of the <i>Law on PMLTF</i> ensured					
		2. The use of legal persons with the highest risk degree for criminal purposes prevented					
		3. Corporate service providers and their ML/FT risks aggregated					
		4. Improved measures taken by the subjects of the <i>Law on the PMLTF</i> for determination and verification of the ultimate beneficial owners of the legal persons and legal arrangements					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
5.1.	To assess the necessity to introduce amendments to the legal framework, prescribing penalties for the failure to provide information or provision of false information to the Register of Enterprises regarding the beneficial owner or other duties and preventive measures. By elevating the sanctions, the accessibility and accuracy (compliance) of information regarding beneficial owner is facilitated	Moneyval recommendation 5.1. Plan of Measures for 2017-2019 Measure 3.1.	1. The assessment prepared on the necessary preventive measures and amendments to the legal framework	1. Informative report (concept note) prepared and submitted for the review to the Cabinet of Ministers meeting	MoJ	RE	30 November 2018
			2. Amendments to the legal framework developed	2. Draft amendments to the legal framework	MoJ	RE	28 December 2018

5.2.	In accordance with the assessment carried out in Clause 5.1, by ensuring the modernisation of the registers of the RE, a risk-based approach has been developed in the RE with respect to the verification of information about the ultimate beneficial owners.	Moneyval recommendation 5.1.	Modernisation of the registers maintained by the RE, by introducing possibly more automated registration process and including therein the formation of the risk-based approach to verification of information on ultimate beneficial owners submitted for registration to the RE.	1. Modernisation of the Commercial Register maintained by the RE, ensuring modern and comfortable data input both to customer and the RE employees, data verification, storage, as well as interoperability with information distribution environment and data exchange with other State and local government authorities.	MoJ	RE	1 July 2019
				2. Modernisation of all registers maintained by the RE, new information system built, ensuring in all registers of the RE modern and comfortable data input both to customer and the RE employees, data verification, storage, as well as interoperability with information distribution environment and data exchange with other State and local government authorities.	MoJ	RE	1 July 2020
				3. Risk-based approach established in the RE, when verifying the information about the ultimate beneficial owners filed for registration, which includes automated risk assessment, defined risks, upon occurrence whereof: 1. the unusual or suspicious transaction is reported; 2. the term for registration is extended; 3. the registration is postponed or refused.	MoJ	RE	1 July 2019

5.3.	In accordance with the assessment carried out in Clause 5.1 the procedure is established, under which the supervisory and control authorities inform the competent institutions on the cases, when there are suspicions on non-compliance of information about the ultimate beneficial owner specified in the RE.	Moneyval recommendation 5.1.	The RE receives information on non-compliant information about the ultimate beneficial owners	Information exchange mechanism established for verification of information about the ultimate beneficial owner	MoJ	RE, FCMC, SRS, CS, LCSN, LCSA, MoL, LACA and NCCH	1 July 2020
5.4.	To improve the understanding of the legal framework on identification and verification of ultimate beneficial owner and application thereof to the financial and capital market participants	Moneyval recommendation 5.1.	Improved understanding of the financial and capital market participants	The problems with respect to the identification and verification of ultimate beneficial owner aggregated and guidelines provided	FCMC		1 April 2019
5.5.	Lowering the threshold of the beneficial owner from 25% to 10% or introducing sector-adapted threshold, determining a separate threshold for politically exposed persons	Moneyval recommendation 5.1., FSDB complementary measures	Assessment prepared	Assessment submitted for the review to the FSDB meeting	MoF	MoJ	28 December 2018
5.6.	Introducing the mechanism for identifying nominal directors in the register of ultimate beneficial owners. The <i>Law on the PMLTF</i> allows considering that the beneficial owner of the company is a person holding the office in the supreme management body, if it is not possible to determine the ultimate beneficial owner. Such persons may be nominal directors appointed by the offshore companies without any actual control over the company. It encumbers the assessment of money laundering risks; therefore the nominal directors should be expressly stated in the Register of Enterprises. This was also agreed in the negotiations on the new European Directive in the field of anti-money laundering (5AMLD) in December of 2017.	Moneyval recommendation 5.1.	Assessment prepared	Assessment submitted for the review to the FSDB meeting	MoF	MoJ, FCMC	28 December 2018

5.7.	Online connection introduced in the Notaries Information System (NIS) with the registers of the RE, in order to improve the availability of information necessary for verifying the ultimate beneficial owners of the legal persons.	Moneyval recommendation 5.2.	Adjustments introduced in the Notaries Information System (NIS), to ensure the online receipt of information about the ultimate beneficial owners from the RE.	Online tool set up in the Notaries Information System (NIS) for clarifying the ultimate beneficial owner in the RE registers.	LCSN	RE	28 December 2019
5.8.	High-risk commercial companies which have not disclosed their beneficial owners have been excluded from the register maintained by the RE.	Moneyval recommendation 5.2.	1. Exclusion of the actually inactive (dormant) commercial companies from the Commercial Register ensured. Commercial companies not carrying out actual economic activity are deemed to be risky and they are often used for criminal purposes. On 15 August 2018, 9,156 commercial companies were registered in the Commercial Register, which in accordance with the legal framework are to be excluded from the Commercial Register under simplified liquidation procedure.	1. 9,156 dormant commercial companies identified by 15 August 2018 have been excluded from the Commercial Register.	MoJ (RE)	SRS	28 December 2018

			2. The assessment carried out, in order to identify those LLCs, who have higher ML/FT risks (priority to the LLC with the shareholders - foreign legal persons holding more than 25% of capital shares) and who have not disclosed their ultimate beneficial owners.	2. Assessment - the list of LLCs, who have higher ML/FT risks and who have not disclosed their ultimate beneficial owners.	MoJ (RE)	CS, SRS	1 February 2019
			3. To ensure that LLCs with increased risks submit information about ultimate beneficial owners or are excluded from the Commercial Register; the RE will send warnings to the LLCs identified during the assessment carried out within the scope of Clause 2 regarding the failure to submit the documents prescribed by the legal framework to the RE. Further steps will be taken in accordance with information submitted by the relevant LLCs, within	3. LLCs with increased risks in the ML/FT field have disclosed ultimate beneficial owners (particular number of LLCs) or, alternatively, they are dissolved (particular number of LLCs) or the application on the dissolution thereof has been filed to court (particular number of LLCs).	MoJ (RE)	SRS	1 August 2019

			<p>the scope of the regulation of the applicable legal framework and by the RE cooperating with the SRS.</p> <p>LLCs with increased risks in the ML/FT field have disclosed ultimate beneficial owners or, alternatively, they are dissolved or the application on the dissolution thereof has been filed to court.</p>				
5.9.	To assess the possibilities of ensuring free-of-charge access to the Latvian register of the ultimate beneficial owners	Plan of Measures for 2017-2019 Moneyval recommendation 5.3.	Assessment prepared	Assessment submitted for the review to the FSDB meeting	MoJ, in cooperation with the MoF		28 December 2018
5.10	Identification of the providers of services of foundation and provision of operation of legal persons and legal arrangements ensured	Moneyval recommendation 5.3.	Strengthening of the mechanism for identification, selection and supervision of the providers of services of foundation and provision of operation of legal persons and legal arrangements to be supervised by the SRS	The assessment carried out regarding possible mechanisms, ensuring the identification and supervision of the providers of services of foundation and provision of operation of legal persons and legal arrangements	MoF, in cooperation with the MoJ	MoF, SRS	1 December 2018

5.11	To ensure that the subject of the law (financial and non-financial institutions) take measures for determination of the ultimate beneficial owners of the customer, being legal persons, and carry out active verification of such information	Moneyval recommendation 5.4.	<p>1. A single general approach established in the methodology of the supervisory authorities with respect to the due diligence of customers - legal persons, with special focus on determination of ultimate beneficial owners, and the guidelines of supervisory and control authorities correspondingly enhanced.</p> <p>2. Targeted verification, granting larger priority to such types of economic activity as are exposed to larger ML/FT risk</p>	<p>1. A single approach established and guidelines enhanced, on the basis of identified risks, the scope of verifications to be carried out defined</p> <p>2. The number of targeted verifications, number of applied penal sanctions/warnings for the failure to perform or duly perform the UBO due diligence</p>	CS	FCMC, SRS, LCSN, LCSA, BoL, LACA, NCCH	28 December 2018
5.12	Understanding and mechanisms improved in the customer due diligence measures taken by the sworn notaries, when determining the ultimate beneficial owners.	Moneyval recommendation 3.1., 5.4.	Strengthened supervisory mechanism of the subjects of the <i>Law on the PMLTF</i> (notaries), forming a uniform understanding and improving the	1. Data obtained from 22 other Member States of the CNUE (The Council of the Notariats of the European Union) on the possibilities of determining the ultimate beneficial owner.	LCSN		1 January 2019

			mechanisms for determination of the ultimate beneficial owners.			
				2. Guidelines on the ML/FT prevention in the Latin Notariate adopted in the UINL (International Union of Notaries) (<i>the Guide "Good practices on the prevention of money laundering and terrorist financing in the notarial sector"</i>).	LCSN	1 May 2019
				3. Report prepared on the progress in the formation of the transaction register, where the feature "ultimate beneficial owner" is included.	LCSN	31 December 2019
				4. The register of transactions closed via sworn notaries established, incorporating therein the feature "ultimate beneficial owner".	LCSN	31 December 2021
				5. A visualised image and methodology established for determination of the ultimate beneficial owner.	LCSN	31 December 2021

Sixth course of action - Financial intelligence

Authority in charge of the course of action: CS

Co-responsible authorities: SP, SRS, SeP, CPCB, GPO, FCMC, LCSN, LCSA, BoL, LACA, NCCH, CRPC, NCCH, LGSI, MoT

Sixth course of action		FINANCIAL INTELLIGENCE					
Sub-objectives to be achieved:		1. System for reporting suspicious and unusual transactions improved					
		2. Coordination ensured between the CS, supervisory and controlling authorities, law enforcement authorities and subjects of the law					
		3. Adequate possibilities ensured to carry out strategic and operational analysis					
		4. The CS is reorganised into the administrative type financial intelligence service, prescribing complete autonomy and operational independence thereof					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
6.1.	To ensure the training of the subjects of the <i>Law on the PMLTF</i> and the supervisors.	Moneyval recommendation 6.1.	1. The CS has carried out the two-tier training of the supervisors (introductory seminar for all supervisors, 1-2 specialised seminars for each supervisory and control authority separately) about the preconditions for quality reporting: <ul style="list-style-type: none"> - differences between suspicious and unusual transactions; - possible adverse effects of delayed or protective reporting. 	1. and 2. At least 11 seminars of mandatory attendance.	CS	FCCM, SRS, LCSN, LCSCA, BoL, CRPC, MoT, NCCH, subjects of the <i>Law on the PMLTF</i>	1 May 2019

			<p>2. The CS, following separate agreement with groups of certain subjects, performs a specialised training thereof about the preconditions of quality reporting:</p> <ul style="list-style-type: none"> - differences between suspicious and unusual transactions; - possible adverse effects of delayed or protective reporting. 			
6.2.	Provision of information ensured to the subjects of the <i>Law on the PMLTF</i>	Moneyval recommendation 6.1.	<p>1. Information about the AML/CFT posted on the CS website enhanced</p> <p>2. The information section created available to the registered users of the e-services section of the CS website, posting therein information addressed to the submitters of reports, which is not to be disclosed to public.</p>	<p>1. Operative and practically applicable information prepared on a monthly basis, for the purposes of preparation of reports to the CS</p> <p>2. Operative, practically applicable information prepared on a monthly basis, for the purposes of preparation of reports.</p>	CS	Regularly, starting from 1 November 2018
					CS	Regularly, starting from 1 January 2019

6.3.	To improve system for reporting suspicious and unusual transactions	Moneyval recommendation 6.1.	Profiling of risks of the subjects of the law performed, in order to improve the quality of suspicious transactions reports. Feedback ensured for the subjects of the <i>Law on the PMLTF</i> and the supervisory and control instructions, the motivation of the subjects to submit reports increased.	A risk-based approach established in cooperation with the subjects of the <i>Law on the PMLTF</i> . Higher quality communication between the CS and the subjects ensured. The number of poor quality reports reduced by 20%.	CS,	FCMC, SRS, LCSN, LCSA, LACA, BoL, TCPD, CRPC, NCCH, LGSI, MoT	Starting from 1 November 2018
6.4.	To strengthen the public and private sector cooperation, enhance the information exchange and improve mutual reliability	Moneyval recommendation 6.2.	Effective operation of the CS Advisory Board and the cooperation platform ensured, <i>inter alia</i> , the work organisation, record-keeping, observance of confidentiality within the cooperation coordination group established, and other key issues of effective operation of the group.	1. The internal legal framework developed necessary for the operation of the cooperation coordination group (Section 55 of the <i>Law on the PMLTF</i>). The operation of the cooperation group ensured.	CS	SP, TCPB, CPCB, SeP, GPO, FLA	30 November 2018
				2. The CS Advisory Board, in line with the restored mandate, convened at least once per month.	CS	SP, TCPB, CPCB, SeP, GPO	Starting from 1 January 2019
6.5.	To increase the number of employees of the CS, <i>inter alia</i> , to increase the resources of the CS for performance of strategic analysis.	Moneyval recommendation 6.3.	CS capacity built in the field of both strategic analysis and operational analysis. Training of new employees and	1. In 2018, 2 (two) additional job position established. In 2019, 16 new job positions established; changes introduced with respect to the staff remuneration.	CS		28 December 2018

			enhancement of knowledge of the existing employees ensured in accordance with the latest risks.	2. The effectiveness of the software of the CS is assessed and the conclusions made with respect to the necessary improvements for data processing IT systems development.	CS		20 December 2018
				3. Training of the CS employees.	CS		28 December 2019
				4. Workplaces arranged in the CS for new employees and the work in new premises commenced	CS		28 December 2019
				5. The service provider outsourced for the operational and strategic analysis, etc., to be performed during the self-liquidation process of ABLV	CS		1 November 2018
6.6.	To develop the amendments to the law on the PMLTF, in order to prevent the information disclosure risks, providing for a broader range of information to be included in the report.	Moneyval recommendation 6.4.	Risk of information disclosure mitigate, when the subjects of law request additional information.	Amendments developed to the <i>Law on the PMLTF</i>	MoF	CS	28 December 2018
6.7.	To provide the CS with online access to the following State information systems databases - KRASS, Tractor-Type Machinery Register, Ship Register.	FATF Recommendation 29.	Accelerated data retrieval from the State information systems	1. Online access ensured for the CS to the necessary databases	CS	Database holders	1 July 2019

				2. Information gathered on the new databases available online, table prepared with the new databases available online, including the assessment on the need to add the relevant database to the data sources of the CS.	CS		1 July 2019
6.8.	To develop the typologies on the criminal offences causing the largest threats to the AML/CFT system of the country.	Moneyval recommendation 7.2.	Improved abilities to discover and effectively investigate the criminal offences related to ML	Typologies developed in the field of taxes, as well as regarding the relation of the fraud and corruption to money laundering.	CS	SP, TCPB, CPCB, GPO	15 November 2018
6.9.	Proposal prepared for the change of the status of the CS.	Moneyval recommendation 6.5.	Draft law developed for the change of the status of the CS (in coordination with <i>Egmont Group</i>), ensuring complete autonomy and operational independence of the CS, providing for appropriate funding, number of employees and other necessary resources for a full-fledged performance of the actions prescribed by the legal framework and this plan.	Draft law submitted for the review to the Saeima (Parliament)	MoF	CS, the Treasury, MoJ, MoI, GPO	15 October 2018

Seventh course of action - Money laundering investigation and prosecution

Authority in charge of the course of action: MoJ

Co-responsible authorities: MoI, CS, SP, SRS, CPCB, SeP,GPO

Seventh course of action		MONEY LAUNDERING INVESTIGATION AND PROSECUTION					
Sub-objectives to be achieved:		1. Priority importance granted to combating and investigation of money laundering					
		2. The model practice established in investigating ML cases of separate categories					
		3. Public awareness raised with respect to adverse effects of ML					
		4. Understanding of the officials involved in combating ML promoted with respect to ML identification, arrest and effective investigation					
		5. Single practice established in money laundering investigation, as a whole					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
7.1.	To develop the draft law Amendments to the Credit Institutions Law, in order to provide for the condition that it shall be prohibited inform the customer about the requests of the investigation authorities, subjects of operational activities, prosecutor's office or court.	Moneyval recommendation 7.1. Decision of the 26 June 2018 FSDB meeting	Legal regulation developed for the purposes of facilitating the ML identification and investigation.	Draft law developed	MoF	FCMC, FLA	1 October 2018
7.2.	For the institutions involved in combating ML, within the scope of current investigations, upon initiative of the involved institution, to convene the cooperation coordination group.	Moneyval recommendation 6.2., 7.1. Decision of the 26 June FSDB meeting	Practical operation of the cooperation coordination groups commenced	Cooperation coordination groups established	CS	SP, SeP, SRS, CPCB, SBG, ISB, prosecutor's office and subjects of the law	Constantly
7.3	To ensure systemic and uniform activities of the law enforcement authorities in the field of combating crime, to establish and fully introduce the National Criminal Intelligence Model.	Moneyval recommendation 7.1. Plan of Measures for 2017-2019	Possibility ensured for the subjects of the immediate activities to immediately exchange intelligence at their disposal	The possibilities assessed to attract the funding of Phase 2 of the IT system development of the EU structural funds for the purposes or establishment of the uniform IT system	MoI	MoF, SRS, GPO, MoJ, CPCB, CPB	28 December 2019

		Measure 3.9.					
7.4.	To develop the typologies, within the scope of the Structural Reform Support Programme of the European Commission, oriented towards formation of model practice in ML cases carried out by the third parties and autonomous ML cases and successful application thereof in practice.	Moneyval recommendation 7.1.	1. Typologies developed	The formation of model practice facilitated in ML cases carried out by the third parties and autonomous ML cases	MoI (SP)	MoF (SRS, NCCH), CPCB, GPO, CS	28 December 2018
			2. Typologies successfully implemented in practice	Increase of the successfully investigated ML cases carried out by the third parties and autonomous ML cases by 20% in 2019, as compared to the indicators of 2018	MoI (SP)	MoF (SRS, NCCH), CPCB, GPO, CS	28 December 2019
7.5.	To carry out consultations with the chairpersons of courts for the purposes of prioritising the adjudication of the ML cases.	Moneyval recommendation 7.1.	The possibly faster examination of ML cases in court will be ensured.	Average term for examination of cases - 12 months in one instance	MoJ (CA)		15 December 2018
7.6.	To carry out the assessment of the capacity of the investigation authorities on performance of the parallel financial investigations and to develop the proposals for reorganisation of resources, in order to ensure systematic parallel financial investigations.	Moneyval recommendation 7.1.	Abilities of investigation authorities to ensure systematic parallel financial investigations	The report prepared and submitted to the FSDB - summary on the capacity of investigation authorities to ensure systematic parallel financial investigations with proposals of the investigation authorities on ensuring of systematic parallel financial investigations and improvement thereof	MoI	SP, CPCB, TCPB, SeP, ISB, SBG	1 February 2019
7.7.	Anti-money laundering training: 1. To organise and carry out the training of investigators and prosecutors regarding crypto-currencies and risks inherent thereto.	Moneyval recommendation 7.1., 7.3., 7.4. Plan of Measures for 2017-2019 Measure 3.6.	1. The understanding raised on the use of crypto-currencies in money laundering, possibilities of identifying and arresting them	1. Investigators and prosecutors, judges, the CS employees - 100 persons trained	MoJ (CA), LSPA	FCMC, SP, SRS, CPCB, SeP, GPO, SBG, ISB, CS	1 July 2019
	2. To organise and carry out the training of investigators and analysts in the field of financial analysis and organisation of financial investigation.		2. More effective identification of proceeds from crime ensured.	2. Investigators and analysts - 100 persons trained	MoJ (CA), LSPA	SP, SRS, CPCB, SeP, ISB, CS	1 July 2019

	3. Training programme "Recovery of Proceeds from Crime (Identification, Tracking, Arrest, Confiscation During the Pre-trial Investigation)" developed and approved		3. Raised understanding among the SP investigators and other officials with respect to the identification of money laundering and arrest over the property of the persons suspected and a person maintaining permanent relationship, <i>inter alia</i> , abroad	3. SP investigators and other officials - 100 persons trained	State Police College		15 December 2019
	4. To implement the training of judges, prosecutors and investigators regarding ensuring the necessary scope of evidence for investigating money laundering, <i>inter alia</i> , regarding penal policy		4. To establish a single practice in money laundering investigation	4. Judges, prosecutors and investigators - 300 persons trained	MoJ (CA), Latvian Judicial Training Centre, LSPA	SP, SRS, CPCB, SeP, SBG, ISB	Constantly, starting from the first six months of 2019
7.8.	To develop the guidelines for prioritising ML cases (<i>Risk Based Approach</i>), determining common principles and criteria for selection and assessment, under priority procedure, of the cases to be examined, and according to the principles and criteria for prioritisation of ML cases set by the guidelines to commence and direct complex and voluminous criminal procedures.	Moneyval recommendation 7.2.	1. Guidelines developed, approved and distributed	1. Guidelines	CS	SP, TCPB, CPCB, GPO	15 November 2018
			2. Abilities and skills enhanced in investigating complex and voluminous ML cases	2. At least 10 criminal proceedings commences regarding complex, voluminous ML over the period of one year	SP, TCPB, CPCB, GPO		28 December 2019
7.9.	To prepare analytical summary about the new practice of application of the norms of law (AML), including the analysis of the practice of application of the new norms of law, conclusions and recommendations for improving the effectiveness of prosecution in ML cases, as well as including the analysis on the motivation and ability of prosecutors to test in practice the recently introduced norms of law.	Moneyval recommendation 7.3.	Raising the effectiveness in the application of new norms of law	Analytical summary prepared	GPO		31 July 2019

7.10.	To prepare the case law summary (analysis of the existing practice, expression of conclusions and recommendations for the purposes of promoting the application of uniform norms in the ML field)	Moneyval recommendation 7.3.	Single understanding of the ML investigation, proof.	Case law summary prepared	MoJ, in cooperation with the Supreme Court	CA	28 December 2019
7.11.	Strengthening the control over the conduct of the prosecutors with respect to expressing the opinion (protest) on the type and scope of penalty to be determined in ML criminal cases.	Moneyval recommendation 7.4.	Adequate and consistent response of the State (penal policy) in ML cases ensured	The outlook carried out, on a semi-annual basis, regarding the results of the prosecutors' protests and discussed in the Advisory Board of the Control Service	GPO		Constantly
7.12.	The aggregation from the Court Administration System is prepared on the criminal penalties adjudged for ML/FT	Plan of Measures for 2017-2019 Measure 3.4. Moneyval recommendation 7.4.	Statistical data are prepared and submitted regarding the ML/FT, available in the Court Administration System, thus showing what kind of criminal penalties are adjudged in practice.	Information regarding the practice of imposition of criminal penalties prepared and reviewed in the Advisory Board of the Control Service on an annual basis	MoJ (CA)	Authorities in the composition of the CSAB	Constantly
7.13.	To review the number of employees and resources of the Economic Crime Enforcement Department of the Main Criminal Police Department of the State Police, in order to ensure that they are able to adequately accumulate the expected increase in information to be verified and criminal proceedings as a result of the relevant activities of the action plan.	Moneyval recommendation 7.1. and 7.2.	The capacity of the ML/FT criminal procedures investigation built	Funding granted for the financing of 5 (five) new job positions in the Economic Crime Enforcement Department of the Main Criminal Police Department of the State Police	MoI (SP)	MoF	Starting from 1 January 2019
7.14.	1. Under the leadership of the Ministry of Justice, discuss the content of the guidelines for ensuring a unified approach to investigating the laundering of proceeds	Moneyval recommendation 7.3.	1. A discussion was held on guidelines for ensuring a unified approach to investigating the laundering	1. Considered minimum evidence of a predictive offense to prove the criminal origin of the funds.	MoJ		30 October 2018

	from crime, ensuring the minimum amount of evidence, involving courts in the discussion.	Decision of the 26 June 2018 FSDB meeting	of proceeds from crime, ensuring the minimum amount of evidence.				
	2. To develop practice guidelines for ensuring a unified approach to the investigation of laundering of proceeds from crime, ensuring the minimum amount of evidence.		2. Guidelines developed, approved and distributed	2. Single practice established in money laundering investigation	SP, CPCB TCPB	MoJ., MoI., GPO,	28 December 2018

Eighth course of action - Confiscation

Authority in charge of the course of action: MoJ

Co-responsible authorities: MoI, CS, SP, SRS, CPCB, GPO

Eight course of action		CONFISCATION					
Sub-objectives to be achieved:		1. A single approach to applying the "reverse burden of proof" in the issues of property confiscation developed and introduced.					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
8.1.	To implement the training about the confiscation of proceeds from crime (including, gathering information, freezing of funds, imposition of arrest, confiscation and enforcement of the decision/judgment, in line with the legal framework that took effect on 1 August 2017)".	Moneyval recommendation 8.1.	Single understanding about the arrest and confiscation of the proceeds from crime	Investigators, prosecutors and judges - 300 persons trained	LSPA, MoJ (CA)	MoI (SP, SBG), CPCB, MoF (SRS TCPB), CS	28 December 2019
8.2.	To enhance the guidelines for ensuring the confiscation of the criminally acquired property at the stage of pre-trial investigation, which entails the guidance for the recovery of the presumed	Moneyval recommendation 8.1.	Guidelines enhanced.	Increase of identification and imposition of arrest on the criminally acquired property, inter alia, presumed	MoI (SP)	GPO, CPCB, NCCH, SBG, ISB	28 December 2018

	criminally acquired property, effectiveness and to provide proposals for the enhancement thereof.			property, as compared to the year before - 20%			
8.3.	To supplement the report of the Statistical Work Group, by defining the fields to be integrated in the State information systems (eventually - CIS (Court Information System) and KRASS (Criminal Procedure Information System)) for the needs of accounts of the statistical data, to ensure a fully-fledged fulfilment of the FATF Recommendation 33.	Moneyval recommendation 8.2.	Fulfilment of the FATF Recommendation 33 ensured	The report of the Statistical Work Group enhanced and submitted to the FSDB.	CS	CS, SRS, SeP, CPCB, GPO, MoJ (as the supervisory authority of the CA), MoI (as the supervisory authority of the IC).	1 February 2019
8.4.	To develop and distribute a newsletter regarding the determination of value of the arrested property and entry of information into CIS with respect to the arrested property and the value thereof.	Moneyval recommendation 8.2.	Improved information quality in the CIS with respect to the arrested property and the value thereof	A newsletter prepared for the investigation authorities, prosecutors and judges	MoJ		15 November 2018
8.5.	To prepare and distribute a newsletter regarding legal regulation of the confiscation of the proceeds from crime, which took effect on 1 August 2017	Moneyval recommendation 8.3.	The newsletter for the judges prepared	Increase of the confiscation of the proceeds from crime, based on the judgment of conviction, by 100%”	MoJ		15 November 2018
8.6.	To introduce amendments to legal framework, in order to effectively combat ML on border, as well as to ensure dissuasive system with respect to arrest and confiscation of cash not declared or falsely declared on border.	Moneyval recommendation 8.4. Plan of Measures for 2017-2019 Measure 2.7.	Effective combating of the proceeds from crime on border - limited or terminated circulation of cash, including cash from crime, by taking control measures on the internal EU borders. Funds (cash) transferred into the State budget (inter alia, those recognised as criminally acquired) - increase as compared to year before - 100%	Amendments to the legal framework prepared and submitted to the Cabinet of Ministers	MoF	MoJ, GPO, CS, SRS, SBG	28 December 2018

Ninth course of action- Investigation and prosecution of financing of terrorism

Authority in charge of the course of action: MoI

Co-responsible authorities: SeP, CS, GPO

Ninth course of action		INVESTIGATION AND PROSECUTION OF FINANCING OF TERRORISM					
		1. Updated national level ML risk assessment available					
Sub-objectives to be achieved:		2. Updated national level financing of terrorism risk assessment available					
		3. The understanding raised among the involved institutions regarding the current financing of terrorism cases					
		4. The role of the Advisory Board of Experts of the Counterterrorism Centre increased in distribution of information to competent institutions about current financing of terrorism risks					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
9.1.	Risk assessment carried out, focussing on the vulnerabilities financing of terrorism, arising out of the role of Latvia as the regional financial centre, <i>inter alia</i> , with respect to specific financial products and services and taking into account the existing risks, arising out of high concentration of the customers of foreign shell companies and the financing of terrorism risks pertaining thereto. <i>Inter alia</i> , to carry out a specific assessment about the FT risks in the sector of non-profit organisations, on the basis of a broader FT risk assessment, for the purposes of developing and introducing the FT risk-based approach to the assessment of the sector.	Moneyval recommendation 9.1.	National Terrorism and Proliferation Financing Risks Report for 2017 - 2018 prepared.	1. Separate report developed on the financing of terrorism and financing of proliferation risks. Report reviewed in the Financial Sector Development Board.	CS	SeP	1 February 2019
				2. The issue on the development of the strategy for combating financing of terrorism reviewed by the Advisory Board of Experts of the Counterterrorism Centre	SeP	Institutions involved in the Advisory Board	30 June 2019

9.2.	To establish a risk-based approach to the NGO sector supervision for prevention of financing of terrorism.	Moneyval recommendation 9.1.	A risk-based approach established to the NGO sector supervision for prevention of financing of terrorism.	1. The NGO sector financing of terrorism risk assessment developed, also assessing the risks of involvement of the NGO into evasion of financial sanctions	SeP	CS	1 October 2018
				2. Provision of information implemented to the Control Service about the natural persons included in the increased risk group	SeP		Constantly
9.3.	To arise understanding among the involved institutions regarding the cases of financing of terrorism still under investigation or the verifications thereof	Moneyval recommendation 9.2., 10.3., 10.4.	1. Practical operation of the cooperation coordination groups commenced The Control Service co-ordinates the cooperation between the subjects of operative activities, investigation institutions, prosecutors, the State Revenue Service, as well as the subjects of the law.	1. The agenda of the cooperation coordination work group regularly includes the issues concerning financing of terrorism	CS	SP, SeP, SRS, CPCB, SBG, ISB, FCMC, prosecutor's office and subjects of the law	Starting from 1 December 2018
			2. The abilities of the law enforcement authorities increased to identify and investigate the criminal offences of financing of terrorism. Single understanding and approach to investigation facilitated	2. Training of 20 persons carried out specifically for the investigation of the criminal offences of financing of terrorism	SeP	Prosecutor's Office	Starting from 1 December 2018

9.4.	Expansion of the Advisory Board of Experts of the Counterterrorism Centre with other key players with respect to the issues on financing of terrorism (for example, MoF), for more systematic recognition of the FT risks.	Moneyval recommendation 9.2.	The Advisory Board of Experts of the Counterterrorism Centre expanded, by including therein the representatives of the Ministry of Finance and experts in the issues on financing of terrorism, who could promote more systematic recognition of the FT risks.	Amendments developed to the 22 November 2005 Cabinet of Ministers Regulation No. 880 <i>By-Laws of the Advisory Board of Experts of the Counterterrorism Centre</i>	MoI	SeP, MoF	3 December 2018
------	--	------------------------------	--	--	-----	----------	-----------------

Tenth course of action - Preventive measures and financial sanctions of financing of terrorism

Authority in charge of the course of action: MoJ, in cooperation with the MoFA

Co-responsible authorities: CS, SeP

Tenth course of action		PREVENTIVE MEASURES AND FINANCIAL SANCTIONS OF FINANCING OF TERRORISM					
Sub-objectives to be achieved:		1. Well-arranged legal framework					
		2. Clear guidelines for all subjects					
		3. High level risk awareness					
		4. Internal control systems (ICS) for the subjects of the law					
		5. Development of a risk-based understanding among the subjects of the law					
No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
10.1.	It is necessary to urgently carry out an in-depth assessment of the legal basis for application of financial sanctions in the country, for the purposes of ensuring consistency of the relevant legal framework.	Moneyval recommendation 10.1., FATF Recommendation 7.	Clear legal basis for the fulfilment of the duties of the corresponding competent authorities; The CS is able to issue an open-ended freezing orders, the circle of applicability of the freezing orders expanded; Full compliance with the FATF standards ensured.	Amendments to the <i>Sanctions Law, Criminal Law, Law on the PMLTF</i> , 15 July 2016 Cabinet of Ministers Regulation No. 468	MoFA	SeP, FCMC, CS, MoJ	1 June 2019

10.2	To set the requirements for the subjects of the law with respect to formation and control of the internal control system for the management of the financing of terrorism and sanctions risk	Moneyval recommendation 10.1.	Enhancement of the internal control system facilitated, in order to ensure the prevention of financing of terrorism and fulfilment of the requirements of the sanctions.	The statutory regulations and guidelines developed for the subjects of the law	FCMC, SRS, CRPC		1 May 2019
10.3.	To enhance internal legal framework for the purposes of enhancing the supervisory process with respect to ensuring the fulfilment of sanctions and requirements for combating financing of terrorism (incl., evasion thereof)	Moneyval recommendation 10.2.	Increased supervision of ensuring the fulfilment of sanctions and requirements of combating financing of terrorism	Amendments introduced to the internal legal framework	FCMC		31 March 2019
10.4.	To ensure that, when performing the verifications, the supervisors pay increased attention (assess as a priority) to the compliance of application of the financial sanctions with the international requirements with respect to combating financing of terrorism.	Moneyval recommendation 10.2.	Increased compliance of the application of financial sanctions	1. On the basis of the risk assessment, guidance notes/guidelines developed, which the subjects of the law can use for facilitating the understanding of the risk and formation of the ICS.	SeP	CS	1 March 2019
				2. SeP training for the supervisory and control authorities	SeP		1 April 2019
				3. The supervisory and control authorities, when performing the verifications, pay increased attention to the compliance of application of the financial sanctions	FCMC, SRS, CRPC		1 September 2019
10.5.	Provision of information and training to all subjects of the law must be strengthened, <i>inter alia</i> , for the purposes of promoting transaction supervision with respect to the risks of evasion of financial sanctions. Organisation of seminars of different levels for the subjects	Moneyval recommendation 10.4.	Set of seminars for the subjects on the amendments to the <i>Sanctions Law</i> , by way of introducing the Moneyval recommendations (organised by the MoFA, in cooperation with	Set of seminars organised by the MoFA with 4 (four) lectures, where the supervisors and subjects of the law would be informed about the	MoFA	FCMC, SRS, CRPC, BoL, LGSi, LCSA, LCSN, LACA, NCCH, PMB, CS, SeP	September 2018

	(attraction of resources for organising such training).		the FCMC, SRS, CRPC, MoF). Separate training sessions in the Latvian Chamber of Commerce and Industry (LCCI).	topicalities in the issues on sanctions and amendments to the legal framework in accordance with the FATF recommendations for the purposes of enhancing the legal framework of Latvia.			
10.6.	Improvement and supplementing of the informative content on the website of the MoFA, including, guidelines for application of sanctions, the best practice, FAQs (in Latvian) regarding the procedure, under which the subjects of the sanctions may obtain information about their rights, procedure, under which it is possible to ask to exclude themselves from the sanctions list.	Moneyval recommendation 10.4.	Subjects of the law and public at large informed, understanding regarding the sanctions and, more specifically, financing of terrorism risks.	Available and easily readable information about the sanctions for all subjects of the law. High level or risk awareness.	MoFA		1 March 2019

Eleventh course of action - Weapons of mass destruction - financial sanctions

Authority in charge of the course of action: MoFA

Co-responsible authorities: CS, SeP, FCMC

Eleventh course of action	WEAPONS OF MASS DESTRUCTION - FINANCIAL SANCTIONS
Sub-objectives to be achieved:	1. Improved legal framework for combating financing of proliferation
	2. Adequate resources ensured for supervision of introduction of financial sanctions
	3. A duty imposed on the subjects to ensure the formation of internal control systems
	4. The composition of the Committee for Control of Goods of Strategic Significance extended
	5. Developed international cooperation in combating financing of proliferation

No.	Measure	Source	Activity outcome	Outcome indicator	Responsible authority	Co-responsible authorities	Term for implementation
11.1.	To review the legal basis in the field of financial sanctions, by preventing the flaws in technical compliance, <i>inter alia</i> , separating the competence of the CS and FCMC in cases of attempted financing of proliferation.	Moneyval recommendation 11.1., FATF Recommendation 7.	Amendments introduced to the <i>Law On International Sanctions and National Sanctions of the Republic of Latvia</i> and, in line with the statutory regulation, the CS may carry out the freezing in proliferation cases.	Amendments to the <i>Sanctions Law</i> and the <i>Law on the PMLTF</i> , amendments introduced to the relevant Cabinet of Ministers regulations.	MoFA, MoF	FCMC, CS, SRS, CRPC	1 July 2019
11.2.	To set the requirements for the subjects of the law with respect to formation and control of the internal control system for the management of the sanctions risk	Moneyval recommendation 11.1.	Enhancement of the internal control system facilitated, in order to ensure the prevention of financing of terrorism and fulfilment of the requirements of the sanctions.	In accordance with the amendments to the <i>Sanctions Law</i> (12 July 2018) the statutory regulations and guidelines developed for the subjects of the law	FCMC, SRS, CRPC		1 May 2019
11.3.	To enhance the legal base for freezing, ensuring the possibility for the CS to freeze for unspecified period of time	Moneyval recommendation 11.1.	The CS is entitled to adopt the decisions necessary for the fulfilment of sanctions, <i>inter alia</i> , decisions binding in the financial and capital market participants, regarding permanent freezing of funds in cases of financing of terrorism and financing of proliferation.	Corresponding amendments to the legal framework prepared.	MoF, MoFA	CS, FCMC, SRS, CRPC, BoL, LGSI, LCSA, LCSN, LACA, NCCH	1 June 2019
11.4.	To increase the provision of information and regulations to all subjects of the law, for the purposes of ensuring the development and introduction of internal control systems capable of identifying the potential proliferation activity, taking into account the development trends with respect to evasion of proliferation sanctions and the vulnerability of Latvia with respect to the financing of proliferation.	Moneyval recommendation 11.3.	Institutional cooperation in organising informative events.	Informative events on the necessity of risk assessments, internal control systems. Administrative fines for the absence of the internal control (preventive measures).	CS, SeP, MoFA	FCMC, SRS, CRPC, BoL, LGSI, LCSA, LCSN, LACA, NCCH, PMB	Constantly

11.5.	International level conference in Riga “ <i>How to prove effectiveness in IO 11?</i> ” on combating financing of proliferation	Moneyval recommendation 11.3.	Latvia strategically shapes its reputation as the country that has overcome the crisis in the financial sector reputation and may serve as a model in the future for showing the way to other Moneyval member states.	The CS, in cooperation with Moneyval Secretariat and FATF, organises an international level conference in Riga on Latvia’s experience in introducing IO11, with the participation of international experts, delegations of other Moneyval member states	CS	MoFA, MoI, MoF, MoJ, SP, FCMC	31 March 2019
-------	--	-------------------------------	---	---	----	-------------------------------	---------------

V. Impact assessment on the State and local government budget

Summary on the State and local government budget funding necessary for implementation of the tasks included in the plan

The necessary additional funding for the Office of the Prosecutor (Office for Prevention of Laundering of Proceeds Derived from Criminal Activity) in 2018 does not exceed EUR 482, 015.

			Funding planned in the <i>Medium Term Budget Framework Law</i>	Necessary additional funding	Year of implementation of the measure (if the implementation of the measure

											has a fixed term)
Task	Measure	Code and name of the budget programme (sub-programme)	2018	2019	2020	2019	2020	2021	henceforth till the completion of the measure (if the implementation has a fixed term)	henceforth on an annual basis (if the implementation of the measure is open-ended)	
1	2	3	4	5	6	7	8	9	10	11	12
Total funding for implementation of the plan			2, 044, 037	961, 691	931, 868	7, 757, 802	5, 7905, 688	4, 880, 680	0	4, 385, 435	0
<i>including</i>											
<i>Ministry of Justice</i>			<i>1, 053, 455</i>			<i>1, 266, 823</i>	<i>886, 253</i>	<i>686, 253</i>		<i>191, 000</i>	
<i>Ministry of Finance</i>			<i>557, 762</i>	<i>555, 993</i>	<i>555, 990</i>	<i>2, 827, 551</i>	<i>2, 224, 807</i>	<i>2, 224, 807</i>	<i>0</i>	<i>2, 224, 807</i>	<i>0</i>
<i>Ministry of Economics</i>			<i>277, 142</i>	<i>268, 342</i>	<i>268, 342</i>						
<i>Prosecutor's Office</i>			<i>155, 678</i>	<i>137, 356</i>	<i>107, 536</i>	<i>3, 423, 179</i>	<i>2, 467, 179</i>	<i>1, 757, 179</i>		<i>1, 757, 179</i>	
<i>Ministry of Culture</i>						<i>68, 640</i>	<i>49, 140</i>	<i>49, 140</i>		<i>49, 140</i>	
<i>Ministry of the Interior</i>						<i>171, 609</i>	<i>163, 309</i>	<i>163, 309</i>		<i>163, 309</i>	
	Ministry of Justice	06.01.00 Registration of legal entities	1, 053, 455	0	0	1,266, 823	886, 253	686, 253	0	191, 000	-
	Measure 5.2. In accordance with the assessment carried out in Clause 5.1, by ensuring the modernisation of the registers of the RE, a		1, 053, 455	0	0	988, 211	391, 000	191, 000	0	191, 000	-

	risk-based approach has been developed in the RE with respect to the verification of information about the ultimate beneficial owners.											
	Measure 5.2. (3) RE has developed a risk-based approach to verifying the information submitted by the registrant on the ultimate beneficial owners, which includes an automated risk assessment, the defined risks of occurrence: 1. reported unusual or suspicious transaction; 2. Extended registration deadline; 3. Postponed or refused registration.						247,627	495,253	495,253			
	Ministry of Justice											
	Measure 5.8.(3). Especially high risk commercial companies which have not disclosed their ultimate beneficial owners have been excluded from the Commercial Register maintained by the RE.						30,985	0	0	0	0	2019

	Ministry of Justice										
		33.00.00 Ensuring the State revenue and customs policy	533, 182	533, 163	533, 160	2, 827, 551	2, 224, 807	2, 224, 807	0	2, 224, 807	0
	Measure 8.6. To ensure enhanced declared/undeclared cash movement control measures and the detention thereof on internal borders of the European Union.					2, 504, 198	1, 91,2 530	1, 912, 530		1, 912, 530	
	Ministry of Finance										
	Measure 3.3.(2). To ensure strengthening of the risk analysis-based anti-money laundering supervisory function in the SRS for 25 job positions.					323, 353	312, 277	312, 277		312, 277	
	Ministry of Finance										
	Measure 3.3.(2). To review the number of employees and resources of the supervisory authorities, in order to ensure that they are able to adequately manage the identified risks and supervise the conduct of the subjects of law with respect to the risks.										
			533, 182	533, 163	533, 160						

	Ministry of Finance										
		39.02.00 Supervision of organisation and course of lotteries and gambling	24, 580	22, 830	22, 830						
	Measure 3.3.(4). To review the number of employees and resources of the supervisory authorities, in order to ensure that they are able to adequately manage the identified risks and supervise the conduct of the subjects of law with respect to the risks.		24, 580	22, 830	22, 830						
	Ministry of Finance										
		26.01.00 Internal market and consumer rights protection	277, 142	268, 342	268, 342						
	Measure 3.3.(3). To review the number of employees and resources of the supervisory authorities, in order to ensure that they are able to adequately manage the identified risks and supervise the conduct of the subjects of law with respect to the risks.		277, 142	268, 342	268, 342						
	Ministry of Economics										

		02.00.00 Anti-money laundering	155, 678	137, 536	107, 536	3,423, 179	2, 467,179	1, 757,179		1, 757,179	
	Prosecutor's Office										
	<p>Measure 6.5.(1). To increase the resources of the CS for performance of strategic analysis and in the field of operational analysis. In 2018, 2 (two) additional job position established. In 2019, 16 new job positions established; changes in employee remuneration.</p>					1, 332, 179	1, 332, 179	1, 332, 179		1, 332, 179	
	Prosecutor's Office										
	<p>Measure 6.1. To raise awareness, training and feedback of the subjects of the <i>Law on the PMLTF</i> regarding the quality reporting preconditions, including: a) differences between suspicious and unusual transactions; b) possible adverse effects of delayed/protective reporting.</p>					290, 000	290, 000	290, 000		290, 000	
	Prosecutor's Office										

	Measure 6.5. To increase the number of employees of the CS, <i>inter alia</i> , to increase the resources of the CS for performance of strategic analysis		87,890	77,890	47,890						
	Prosecutor's Office										
	Measure 6.5.(2). To increase the number of employees of the CS, <i>inter alia</i> , to increase the resources of the CS for performance of strategic analysis		67,788	59,646	59,646						
	Prosecutor's Office										
	Measure 1.1.(7). The report drawn up on the use of virtual currency as the risks of the new ML/FT method					5,000					
	Measure 1.1.(10). The third national ML/FT risk assessment drawn up, incorporating the results of the assessment carried out within Measure 9.1. Translation into English has been performed.					20,000					
	Measure 1.1.(9). Study on the scope of a latent crime has been carried out					10,000					
	Measure 1.2.(5).					40,000					

	First AML/CFT days organised										
	Measure 1.2.(4). Informative booklets drawn up on the needs of the subjects of the <i>Law on the PMLTF</i> , SCA and other persons					2,000					
	Measure 1.2.(1). Moneyval Fifth Round Evaluation Report translated into Latvian and the society information has been carried out.					4,000					
	Measure 4.6.(1). Typologies updated. Translation into English.					1,000					
	Measure 6.5.										
	Measure 6.5.(2). The effectiveness of the software of the CS is assessed and the conclusions made with respect to the necessary improvements for data processing IT systems development					451,000	135,000	135,000		135,000	
	Measure 6.5.(3). Training of the CS employees					50,000					
	Measure 6.5.(4). Workplaces arranged in the CS for new employees and the					150,000					

	work in new premises commenced										
	Measure 6.1.(2). The CS, following separate agreement with certain groups of subjects, performs a specialised training thereof.					10,000					
	Measure 6.5.(5). The service provider outsourced for the operational and strategic analysis, etc., to be performed during the self-liquidation process of ABLV					890,000	710,000				
	Measure 7.2. Cooperation coordination groups established					5,000					
	Measure 9.1 National Terrorism and Proliferation Financing Risks Report for 2017 - 2018 prepared. Translation into English.					3,000					
	Measure 11.5. The CS, in cooperation with Moneyval Secretariat and FATF, organises an international level conference in Riga on Latvia's experience in introducing IO11, with the participation of international experts, delegations of					160,000					

	other Moneyval member states										
		21.00.00. Cultural heritage									
	Measure 3.3.(5). To review the number of employees and resources of the supervisory authorities, in order to ensure that they are able to adequately manage the identified risks and supervise the conduct of the subjects of law with respect to the risks					68,640	49,140	49,140		49,140	
	Ministry of Culture										
		06.01.00 State Police									
	Measure 7.8.(2). Abilities and skills enhanced in investigating complex and voluminous ML cases; Measure 7.13. To review the number of employees and resources of the Economic Crime Enforcement Department of the Main Criminal Police Department of the State Police , in order to ensure that they are able to adequately accumulate the					171,609	163,309	163,309		163,309	

	expected increase in information to be verified and criminal proceedings as a result of the relevant activities of the action plan										
	Ministry of the Interior										

Minister for Finance

D. Reizniece-Ozola

A. Zitcere +371 67095553
Aija.Zitcere@fm.gov.lv