

Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

12 December 2008 [shall come into force on 1 January 2009];
28 May 2009 [shall come into force on 2 June 2009];
1 December 2009 [shall come into force on 1 January 2010];
10 December 2009 [shall come into force on 1 January 2010];
31 March 2011 [shall come into force on 29 April 2011];
7 June 2012 [shall come into force on 11 July 2012];
12 September 2013 [shall come into force from 9 October 2013];
31 October 2013 [shall come into force from 1 January 2014];
13 August 2014 [shall come into force from 16 September 2014];
18 December 2014 [shall come into force from 13 January 2015];
11 June 2015 [shall come into force from 14 July 2015];
4 February 2016 [shall come into force from 29 February 2016];
26 May 2016 [shall come into force from 29 June 2016];
22 June 2017 [shall come into force from 1 August 2017];
26 October 2017 [shall come into force from 9 September 2017].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*¹ has adopted and
and the President has proclaimed the following law:

Law on the Prevention of Money Laundering and Terrorism Financing

Chapter I General Provisions

Section 1. Terms Used in this Law

The following terms are used in this Law:

1) **funds** – financial resources or other corporeal or incorporeal, movable or immovable property;

2) **financial resources** – financial instruments or means of payment (in the form of cash or non-cash resources) held by a person, documents (in hard copy or electronic form) in the ownership or possession of a person that give the right to gain benefit from them, as well as precious metals in the ownership or possession of a person;

2¹) **group** – a group of legal persons or legal arrangements:

a) which consists of the parent undertaking and its subsidiary undertaking, as well as of the arrangements where the parent undertaking or the subsidiary undertaking holds a participatory interest;

b) which is a group of companies within the meaning of Law on the Annual Financial Statements and Consolidated Financial Statements;

2²) **virtual currency** – a digital representation of the value which can be transferred, stored or traded digitally and operate as a means of exchange, but has not been recognised as a legal means of payment, cannot be recognised as a banknote and coin, non-cash money and electronic money, and is not a monetary value accrued in the payment instrument which is used in the cases referred to in Section 3 Clauses 10 and 11 of the Law on the Payment Services and Electronic Money;

¹ The Parliament of the Republic of Latvia

2³) **virtual currency service provider** – the person providing virtual currency services, including the provider of services of exchange of the virtual currency issued by other persons, which provides the users with the possibility to exchange the virtual currency for another virtual currency by receiving commission for it, or offer to purchase and redeem the virtual currency through a recognised legal means of payment;

3) **business relationship** – a relationship between the subject of the Law and a customer that originates when the subject of the Law performs economic or professional activities and that has a lasting purpose at the time of establishment;

3¹) **individual transaction** – a transaction between the subject of the Law and the customer without the establishment of a business relationship within the meaning of this Law;

4) **customer** – a legal or natural person or a legal arrangement, or an association of such persons, or an association of arrangements to whom the subject of the Law provides services or sells goods;

5) **beneficial owner** – a natural person who is the owner of the customer – legal person – or who controls the customer, or on whose behalf, for whose benefit or in whose interests business relationship is being established or an individual transaction is being executed, and it is at least:

a) regarding legal persons – a natural person who owns, in the form of direct or indirect shareholding, more than 25 per cent of the capital shares or voting stock of the legal person or who directly or indirectly controls it;

b) regarding legal arrangements – a natural person who owns or in whose interests a legal arrangement has been established or operates, or who directly or indirectly exercises control over it, including who is the founder, proxy or supervisor (manager) of such legal arrangement;

6) **credit institution** – a credit institution registered in the Republic of Latvia, another Member State or third country, a branch or a representation of a credit institution of a Member State, third country;

6¹) **correspondent banking relationship** – a relationship where one credit institution (correspondent) provides services to another credit institution (respondent), including services involving the performance of payments and settlements, according to a mutually concluded contract. The correspondent banking relationship shall also be deemed to include the relationship between credit institutions and financial institutions or the relationship between financial institutions, if the correspondent institution provides to the respondent institution services similar to the services referred to in the first sentence of this Clause according to a mutually concluded contract;

6²) **private banker** – an employee of a credit institution who provides individual services to wealthy customers – natural persons –, by ensuring a complex asset management of the customer, including advice in the financial planning, investment, tax and inheritance issues, special credit terms, special procedures for servicing such customers and their transactions, as well as an increased confidentiality conditions for the customer information;

6³) **central contact point** – a person designated by the payment institution or electronic money institution of the Member State in the Republic of Latvia who ensures conformity of the financial institution of the relevant Member State with the requirements for the prevention of money laundering and terrorism financing of the Republic of Latvia, as well as the necessary information and document exchange with the Financial and Capital Market Commission;

7) **financial institution** – a merchant, branch or representation registered in the Commercial Register, or a merchant registered in the relevant register of another Member State or a third country who is not a credit institution and who provides one or more financial services within the meaning of the Credit Institutions Law. Including the following shall be regarded as a financial institution:

- a) an insurance merchant, insofar as it carries out life insurance or other insurance activities related to the accumulation of funds, and a private pension fund;
- b) an insurance intermediary, insofar as it provides life insurance or other insurance services related to the accumulation of funds;
- c) an investment brokerage company;
- d) an investment management company;
- e) a capital company carrying out the buying and selling of the foreign currency cash;
- f) a payment institution;
- g) an electronic money institution;
- h) a savings and loan association;
- i) other provider of payment services not referred to in Sub-paragraphs “f”, “g” and “h” of this Clause;
- j) a manager of alternative investment funds;
- k) a provider of re-insurance services;
- l) a provider of financial leasing services;
- m) a person engaged in the provision of consumer credit services and to whom the Consumer Rights Protection Centre issues a special permit (licence) for the provision of credit services;

8) **legal arrangement** – an association of persons which has a permanent legal capacity and capacity to act, as well as an arrangement which is not a legal person, but has a permanent legal capacity and capacity to act and the structure of which may involve a founder, proxy, supervisor (manager) or statuses similar thereto, and a beneficiary – if the natural person gaining the benefit is not yet identified – a person in whose interests the legal arrangement has been established or operates, any other natural person who is actually exercising control over the legal arrangement, by means of ownership or otherwise;

8¹) **senior management** — the board of directors, if any is established, or a member of the board of directors, official or employee specially appointed by the board who has sufficient knowledge of the exposure of the subject of the Law to the money laundering and terrorism financing risks and holds a position of sufficiently high level to take decisions concerning exposure of the subject of the Law to the abovementioned risks;

9) [26 October 2017];

10) **provider of services for the creation of a legal arrangement and provision of its operation** – a legal or natural person having a business relationship with the customer and providing the following services:

- a) assists in creation of a legal arrangement;
- b) fulfils the duties of a director or a secretary of a merchant or another legal arrangement, or a member of a partnership, as well as other similar duties, or provides the fulfilment thereof by another person;
- c) provides a registered office, correspondence address, business address for a legal arrangement, as well as provides other related services;
- d) fulfils the duties of a fiduciary under a direct authorisation or a similar legal document or provides the fulfilment of such duties by another person;
- e) represents a shareholder or a member of such commercial company whose financial instruments are not listed on a regulated market and that is subject to the requirements for the disclosure of information in conformity with the European Union legislation or equivalent international standards, or provides the performance of such an activity by another person;

11) **Member State** – a European Union Member State or a state of the European Economic Area;

12) **third country** – a country other than a Member State;

12¹⁾ **high-risks third countries** – countries or territories where according to an international organisation or the organisation setting the standards in the field of prevention of money laundering and terrorism financing, there is no efficient system for the prevention of money laundering and terrorism financing in place, including countries or territories which have been determined by the European Commission as having strategic deficiencies in the regimes for the prevention of money laundering and terrorism financing, which poses significant threats to the financial system of the European Union;

13) **supervisory and control authority** – a State authority or professional organisation carrying out activities related to supervision and control of compliance with the requirements of this Law;

14) **list of unusual transaction indications** – a list approved by the Cabinet containing transaction indications which may be a sign of possible money laundering, terrorism financing or an attempt to carry out such actions;

15) **shell bank** – a credit institution or a financial institution, or another institution which performs activities equivalent to those of a credit institution or a financial institution, and which has no physical presence (including the presence of its actual management) in the country in which it is registered, and which is unaffiliated with any regulated and supervised group. Also the person who provides services equivalent to those of a credit institution by carrying out non-cash transfers on behalf of a third party, and whose operation is not controlled by a supervisory and control authority, except in cases when such transfers are performed by an electronic money institution or they are performed between commercial companies of one group which are such within the meaning of the Financial Conglomerate Law, or between commercial companies which have the one and the same beneficial owner, shall be considered a shell bank;

15¹⁾ **shell arrangement** – a legal person characterised by one or several of the following indications:

a) has no affiliation of a legal person to an actual economic activity and the operation of a legal person forms a minor economic value or no economic value at all, and the subject of the Law has no documentary information at its disposal that would prove the opposite;

b) laws and regulations of the country where the legal person is registered do not provide for an obligation to prepare and submit financial statements for its activities to the supervisory institutions of the relevant state, including the annual financial statements;

c) the legal person has no place (premises) for the performance of economic activity in the country where the relevant legal person is registered;

16) **unusual transaction** – a transaction complying with at least one indication included in the list of unusual transaction indications;

17) **suspicious transaction** – a transaction creating suspicions that the funds involved therein are directly or indirectly obtained in the result of a criminal offence or are related with terrorism financing, or an attempt to carry out such actions;

18) **politically exposed person** – a person who in the Republic of Latvia, other Member State or third country holds or has held a prominent public office, including a higher official of the public authority, a head of the State administrative unit (local government), the Head of the Government, the Minister (the Deputy Minister or the Deputy of the Deputy Minister if there is such an office in the relevant country), the State Secretary or other official of high level in the government or State administrative unit (local government), a Member of Parliament or a member of similar legislation entity, a member of the management entity (board) of the political party, a Judge of the Constitutional Court, a Judge of the Supreme Court or of the court of other level (a member of the court authority), a council or board member of the Supreme Audit Institution, a council or board member of the Central Bank, an ambassador, a chargé d'affaires, a high-ranking officer of the armed forces, a council or board

member of a State capital company, a head (a director, a deputy director) and a board member of an international organisation, or a person who holds equal position in such organisation;

18¹) **family member of a politically exposed person** – a person who is the following for a person referred to Paragraph 18 of this Section:

a) a spouse or a person equivalent to a spouse. A person shall be considered a person equivalent to a spouse only if he or she is given such a status pursuant to the legislation of the relevant state;

b) a child or a child of a spouse or a person equivalent to a spouse of a politically exposed person, his or her spouse or a person equivalent to a spouse;

c) a parent, grandparent or grandchildren;

d) a brother or a sister;

18²) **close associate** – a natural person regarding whom it is known that he or she has business or other close relations with any of the persons referred to in Clause 18 of this Section or he or she is a stockholder or shareholder in the same commercial company with any of the persons referred to in Clause 18 of this Section, and also a natural person who is the only owner of a legal entity regarding whom it is known that it has been actually established in the favour of the person referred to in Clause 18 of this Section;

19) **freezing of funds** – prevention of any move and transaction with funds, and also transfer, amending, alteration, use, access to them or dealing with them in any way that would result in any change in their volume, amount, location, ownership, possession, character, destination or other change that would enable the use of the funds, including portfolio management.

[31 March 2011; 7 June 2012; 12 September 2013; 13 August 2014; 4 February 2016; 26 October 2017]

Section 2. Purpose of this Law

The purpose of this Law is to prevent money laundering and terrorism financing.

Section 3. Subjects of the Law

(1) The subjects of this Law are persons performing an economic or professional activity:

1) credit institutions;

2) financial institutions;

3) tax advisors, external accountants, sworn auditors and commercial companies of sworn auditors;

4) sworn notaries, sworn lawyers, other independent providers of legal services when they, acting on behalf and for their customer, assist in the planning or execution of transactions, participate therein or carry out other professional activities related to the transactions for their customer concerning the following:

a) buying and selling of immovable property, shares of a commercial company capital;

b) managing of the customer's money, financial instruments and other funds;

c) opening or managing of all kinds of accounts in credit institutions or financial institutions;

d) establishment, management or provision of operation of legal persons or legal arrangements, as well as in relation to the making of contributions necessary for the establishment, operation or management of a legal person or a legal arrangement;

5) providers of services related to the establishment and provision of operation of a legal arrangement or legal person;

6) persons acting as agents or intermediaries in immovable property transactions;

7) organisers of lotteries and gambling;

- 8) persons providing encashment services;
- 9) other legal or natural persons trading in means of transport, cultural monuments, precious metals, precious stones, articles thereof or other goods, and also acting as intermediaries in the abovementioned transactions or engaged in provision of services of other type, if payment is made in cash or cash for this transaction is paid in an account of the seller at a credit institution in the amount of EUR 10 000 or more, or in a currency the amount of which in accordance with the exchange rate to be used in accounting in the beginning of the day of the transaction is equivalent to or exceeds EUR 10 000 regardless of whether this transaction is carried out in a single operation or in several mutually related operations;
- 10) debt recovery service providers;
- 11) virtual currency service providers.

(2) The subjects of the Law which belong to a certain group shall implement the group-scale policy and procedures, including the personal data protection policy, as well as the information exchange policy and procedures established within the group for the purpose of the prevention of money laundering and terrorism financing. The abovementioned group-scale policy and procedures shall be efficiently implemented in Member States and the third countries also at the branch level and at the level of those subsidiary undertakings where the subjects of the Law hold the majority of capital shares.

(2¹) The subjects of the Law which belong to a certain group shall, at the group level, ensure that the structural units responsible for conformity, audits or execution of the functions for the prevention of money laundering and terrorism financing have access to the information necessary for the execution of the abovementioned functions from the branches and subsidiary undertakings, including information on customers, accounts, and payments.

(3) The subjects of the Law whose branches or legal representatives operate (offer services) in another Member State shall ensure that the abovementioned branches and legal representatives comply with the requirements of the laws and regulations of the relevant Member State in the field of prevention of money laundering and terrorism financing.

(3¹) If the subjects of the Law have branches or subsidiary undertakings where they hold the majority of capital shares in Member States or third countries where the minimum requirements for the prevention of money laundering and terrorism financing are not as strict as the requirements laid down in the laws and regulations of the Republic of Latvia, the branches and subsidiary undertakings of these subjects where they hold the majority of capital shares, established in the Member State or the third country, shall implement the requirements laid down in the laws and regulations of the Republic of Latvia, insofar as they are not in contradiction with the requirements specified in the laws and regulations of Member States or third countries in the field of prevention of money laundering and terrorism financing.

(3²) If the laws and regulations of the Member State or the third country precludes the application of Paragraphs two, 2.¹ or 3.¹ of this Section, the subjects of the Law shall ensure that the branches and subsidiary undertakings where they hold the majority of capital shares implement additional measures to efficiently restrict the money laundering and terrorism financing risk in the abovementioned Member State or the third country, and shall inform their supervisory and control authority in the Republic of Latvia. If additional measures are not sufficient, the supervisory and control authority of the Republic of Latvia shall implement additional supervisory measures, including by requesting the group not to commence or to terminate the business relationship and not to execute the transactions, and, if necessary, by requesting the group to terminate its activities in the Member State or third country.

(4) In order to prevent activities related to money laundering and terrorism financing, also the persons not indicated in Paragraph one of this Section, as well as State authorities, derived public persons and their authorities shall have an obligation to comply with the requirements of this Law for reporting on unusual or suspicious transactions. Legal protection mechanisms intended for the subjects of the Law shall be applied to the persons referred to in this Paragraph.

[31 March 2011; 31 October 2013; 13 August 2014; 26 October 2017 / Clause 11 of Paragraph one shall come into force on 1 July 2019. See Paragraph 17 of Transitional Provisions]

Section 4. Proceeds of Crime

(1) Funds shall be considered proceeds of crime:

1) if they have come into the ownership or possession of a person as a direct or indirect result of a criminal offence;

2) in other cases laid down in The Criminal Law.

(2) The term “proceeds of crime” shall be used in the meaning of the term “criminally acquired property” used in The Criminal Law.

(3) In addition to that laid down in The Criminal Law funds which belong to the following person or are directly or indirectly controlled by the following person shall also be considered proceeds of crime:

1) who is included on any list of those persons suspected of being involved in terrorist activity or production, possession, transportation, use or distribution of weapons of mass destruction compiled by the states or international organisations laid down by the Cabinet;

2) who is included on the list of subjects of sanctions drawn up by the Cabinet on the basis of the Law on International Sanctions and National Sanctions of the Republic of Latvia with the view to combat the involvement in terrorist activity or production, possession, transportation, use or distribution of weapons of mass destruction;

3) on whom bodies performing operational activities, pre-trial investigating institutions, the Office of the Prosecutor or a court have information which forms sufficient basis for suspecting such person of committing a criminal offence related to terrorism or participation therein.

(4) The Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter – the Control Service) shall maintain the information on the persons referred to in Paragraph three of this Section on its website by making it accessible for the subjects of the Law and their supervisory and control authorities.

(5) Funds shall be declared to be proceeds of crime in accordance with the procedures specified in the Criminal Procedure Law.

[10 December 2009; 13 August 2014; 4 February 2016; 22 June 2017; 26 October 2017]

Section 5. Money Laundering and Terrorism Financing

(1) The following actions are money laundering:

1) the conversion of proceeds of crime into other valuables, change of their location or ownership while being aware that these funds are the proceeds of crime, and if such actions have been carried out for the purpose of concealing or disguising the illicit origin of funds or assisting another person who is involved in committing a criminal offence in the evasion of legal liability;

2) the concealment or disguise of the true nature, origin, location, disposition, movement, ownership of the proceeds of crime, while being aware that these funds are the proceeds of crime;

3) the acquisition, possession, use or disposal of the proceeds of crime of another person while being aware that these funds are the proceeds of crime;

4) [22 June 2017].

(1¹) The actions referred to in Paragraph one, Clauses 1, 2, and 3 of this Section, when a person deliberately allowed the funds to be criminally acquired, shall also be regarded as money laundering.

(2) Money laundering shall also be recognised as such if a criminal offence which is provided for in The Criminal Law and in the result of which such funds have been directly or indirectly acquired has been committed outside the territory of the Republic of Latvia and criminal liability is provided for such criminal offence at the place of its commitment.

(2¹) Money laundering shall be recognised as such regardless of whether the exact criminal offence from which the proceeds have originated has been identified.

(3) Terrorism financing is the direct or indirect collection or transfer of financial funds or other property acquired by any form with a view to use them or by knowing that they will be fully or partly used to carry out one or several of the following activities:

- 1) terrorism;
- 2) the activities referred to in Article 1 of the Convention for the Suppression of Unlawful Seizure of Aircraft;
- 3) the activities referred to in Article 3 of the Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, 10 March 1988;
- 4) the activities referred to in Article 1 of the International Convention against the Taking of Hostages;
- 5) the activities referred to in Article 2 of the International Convention for the Suppression of Terrorist Bombings;
- 6) the activities referred to in Article 7 of the Convention on the Physical Protection of Nuclear Material;
- 7) the activities referred to in Article 1 of the Convention on the Suppression of Unlawful Acts Relating to Civil Aviation Safety;
- 8) the activities referred to in Article 2 of the Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation;
- 9) the activities referred to in Article 2 of the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons;
- 10) the activities referred to in Article 2 of the Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms Located on the Continental Shelf, 10 March 1988;
- 11) *[The Clause will be included in the wording of the Law as of the day of coming into force of the relevant amendments to The Criminal Law.] See Paragraph 18 of Transitional Provisions];*
- 12) *[The Clause will be included in the wording of the Law as of the day of coming into force of the relevant amendments to The Criminal Law.] See Paragraph 18 of Transitional Provisions].*

(4) Terrorism financing is also the transfer of financial funds or property acquired by any means at the disposal of a terrorist group or a separate terrorist.

[31 March 2011; 31 August 2014; 22 June 2017; 26 October 2017]

Section 5.¹ Accessibility of the Information Necessary for the Fulfilment of the Requirements of the Law for the Subjects of the Law from the Register of Enterprises of the Republic of Latvia

The subjects of the Law, for the purposes of fulfilment of the obligations specified in this Law, have the right to request and receive online records and information on members and beneficial owners from the registers maintained by the Register of Enterprises of the Republic of Latvia for a fee in the amount determined by the Cabinet in order to assess the information on the customer and its counterparties and the necessity to report a suspicious transaction to the Control Service or refrain from execution of a suspicious transaction, as well as in order to establish whether insolvency procedure of a legal person has not been declared or legal protection procedure has not been initiated for the customer.

Chapter II Internal Control

Section 6. Obligation to Perform Risk Assessment and to Create an Internal Control System

(1) The subject of the Law, according to his or her type of activity, shall conduct and document the assessment of the money laundering and terrorism financing risks in order to identify, assess, understand, and manage the money laundering and terrorism financing risks inherent for his or her activities and customers, and, on the basis of such assessment, shall establish an internal control system for the prevention of money laundering and terrorism financing, including by developing and documenting the relevant policies and procedures, which shall be approved by the board of the subject of the Law, if any is appointed, or the senior management body of the subject of the Law.

(1¹) When performing the risk assessment and creating the internal control system, the subject of the Law shall take into account:

1) the risks identified by the European Commission in the European Union Risk Assessment Report;

2) the risks identified in the national money laundering and terrorism financing risk assessment report;

3) other risks inherent to the activities of the relevant subject of the Law.

(1²) When performing the money laundering and terrorism financing risk assessment and creating the internal control system, the subject of the Law shall take into account at least the following circumstances affecting the risks:

1) customer risk inherent to the legal form, ownership structure of the customer, economic or personal activities of the customer or the beneficial owner of the customer;

2) country and geographical risk, i.e., the risk that the customer or the beneficial owner of the customer is affiliated to the country or territory whose economic, social, legal or political circumstances may be indicative of a high money laundering or terrorism financing risk inherent to the country;

3) risk of the services and products used by the customer, i.e., the risk that the customer may use the relevant service or product for the purposes of money laundering or terrorism financing;

4) service or product delivery channel risk related to the type (channel) through which the customer obtains and uses the service or product.

(2) An internal control system is a set of measures comprising activities directed towards the provision of compliance with the requirements of the Law, providing for the relevant resources and carrying out training of the employees, so the participation of the subject of the Law in money laundering or terrorism financing is prevented as much as possible.

(3) When creating the internal control system a credit institution, insurance company and investment brokerage company shall comply with the requirements of the Credit Institutions Law, the Financial Instrument Market Law, the Insurance and Reinsurance Law, and the laws and regulations issued pursuant to these laws.

(4) [26 October 2017]

[13 August 2014; 26 October 2017]

Section 7. Internal Control System

(1) When creating the internal control system, the subject of the Law shall provide at least for the following:

- 1) [26 October 2017];
 - 2) the procedures by which the money laundering and terrorism financing risk associated with the customer, the state of residence (registration) thereof, the economic or personal activity of the customer, the services and products used and their delivery channels, as well as transactions executed shall be assessed, documented and reviewed;
 - 3) the procedures for carrying out the customer due diligence and the extent thereof based on the assessment of money laundering and terrorism financing risk carried out by the subject of the Law and by complying with the minimum requirements for customer due diligence determined in this Law and other laws and regulations;
 - 4) the procedures for the monitoring of transactions of the customer based on the assessment of money laundering and terrorism financing risk carried out by the subject of the Law;
 - 5) the procedures for discovering unusual and suspicious transactions, and the procedures by which the subject of the Law shall refrain from making a suspicious transaction;
 - 6) the procedures for reporting unusual and suspicious transactions to the Control Service;
 - 7) the procedures for storing and destroying information and documents obtained in the process of the customer due diligence, as well as while monitoring transactions of the customer;
 - 8) the rights, obligations and liability of employees, as well as the professional qualification and conformity standards of employees in the fulfilment of the requirements of this Law;
 - 9) the procedures for providing anonymous internal reporting on violations of the requirements of this Law and assessment of such reports, if such reporting is possible considering the number of employees of the subject of the Law;
 - 10) independent internal audit function in order to ensure the conformity of the internal control system with the requirements of the laws and regulations in the field of prevention of money laundering and terrorism financing and the assessment of the effectiveness of its functioning, if such function is possible considering the number of employees of the subject of the Law;
 - 11) the requirements and procedures for regular reviewing of the functioning of policies and procedures according to changes in the laws and regulations or the operational processes of the subject of the Law, services provided thereby, governance structure, customer base or regions of operations thereof.
- (1¹) The supervisory and control authority in relation to the subjects of the Law to be supervised and controlled, in conformity with the money laundering and terrorism financing risks inherent to the activities of the subject of the Law, may set additional requirements, not referred to in Paragraph one of this Section, to be complied with by the subject of the Law when creating the internal control system. The additional requirements referred to in the first sentence of this Paragraph in relation to the subjects of the Law under supervision and control of the Latvian Association of Certified Auditors, the Lotteries and Gambling Supervision Inspection, the Consumer Rights Protection Centre, and the State Revenue Service may be determined by the Cabinet.
- (2) The supervisory and control authorities referred to in Section 45 of this Law shall determine the methodology for the detection and risk assessment of money laundering and terrorism financing in conformity with the activities of the subjects of this Law to be supervised and controlled by them.
- (3) Credit institutions and financial institutions, except for capital companies carrying out the buying and selling of foreign currency cash, shall, in addition to that specified in Paragraph one of this Section, provide that the employee who is responsible for the prevention of money laundering and terrorism financing has an obligation to inform the board on a regular basis

about the operation of the internal control system for the prevention of money laundering and terrorism financing at the relevant credit institution or financial institution.
[13 August 2014; 26 October 2017]

Section 8. Updating of the Risk Assessment and Improvement of the Internal Control System

(1) The subject of the Law shall, on a regular basis, but at least once per each three years, review and update the money laundering and terrorism financing risk assessment in accordance with the inherent risks.

(2) The subject of the Law shall, on a regular basis, but at least once per each 18 months, assess the efficiency of the operation of the internal control system, including by reviewing and updating the money laundering and terrorism financing risk assessment related to the customer, its country of residence (registration), economic or personal activity of the customer, services and products used and their delivery channels, as well as the transactions made, and, if necessary, shall implement measures for improving the efficiency of the internal control system, including shall review and adjust the policies and procedures for the prevention of money laundering and terrorism financing.

(3) The subject of the Law, regardless of the regularity of the risk assessment specified in Paragraph one of this Section, shall carry out the risk assessment and implement measures for improving the internal control system in the following cases:

1) the subject of the Law or the supervisory and control authority has grounds to believe that there are deficiencies in the internal control system of the subject of the Law;

2) the subject of the Law plans to introduce changes in its operational processes, governance structure, services and products provided and their delivery channels, customer base or geographical regions of operation, as well as before introducing new technologies or services.

[26 October 2017]

Section 9. Training of Employees

The subject of the Law shall ensure that the responsible employees are aware of the risks related to money laundering and terrorism financing, laws and regulations governing the prevention of money laundering and terrorism financing, and also shall conduct regular training of employees, in order to develop their ability to discover indications of an unusual transaction and suspicious transactions and to carry out the activities provided for in the internal control system.

Section 10. Appointment of Employees Responsible for the Compliance with the Requirements of the Law

(1) The subject of the Law – a legal person – shall appoint one or several employees (persons responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism financing) who are entitled to take decisions and are directly liable for the compliance with the requirements of this Law and for ensuring the exchange of information with the relevant supervisory and control authority (hereinafter – the employees responsible for the compliance with the requirements of this Law). The subject of this Law shall, within 30 days after obtaining the status of the subject of the Law or changes in the composition of the employees responsible for the compliance with the requirements of this Law, notify the relevant supervisory and control authority thereof.

(2) The subject of the Law – legal person – in addition to that referred to in Paragraph one of this Section shall designate a member of the board who shall monitor the field of prevention of money laundering and terrorism financing in the respective legal person.

(2¹) A credit institution, payment institution, and electronic money institution has an obligation to develop:

1) the policy for assessing the suitability of the employee responsible for the compliance with the requirements of this Law and the responsible member of the board, and to document the assessment which attests that the relevant employee and relevant member of the board complies with the requirements specified in the laws and regulations and internal policies and procedures of the subject of this Law to ensure the conformity of the activity of the subject of this Law with the requirements of this Law;

2) the procedure by which the powers and obligations of the employee responsible for the compliance with the requirements of this Law and the responsible member of the board in the field of prevention of money laundering and terrorism financing shall be distributed, and the procedures by which supervision of the activities of the employee responsible for the compliance with the requirements of this Law and the responsible member of the board shall be ensured.

(3) The subject of the Law – a legal person –, the supervisory and control authority thereof, the Control Service and its officials and employees does not have the right to disclose to a third party the information on the persons referred to in Paragraph one of this Section or employees of the structural units that is at its disposal.

(4) The person who is responsible for the conformity with the requirements of this Law at a credit institution or insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, may not have a conviction of committing an intentional criminal offence.

[13 August 2014; 26 May 2016; 26 October 2017]

Chapter III

Customer Due Diligence

[26 October 2017]

Section 11. Obligation to Conduct the Customer Due Diligence

(1) The subject of the Law shall conduct the customer due diligence:

1) before establishing the business relationship;

2) before an incidental transaction if:

a) the amount of the transaction or the total sum of several seemingly linked transactions is EUR 15 000 or more or is in a foreign currency which according to the foreign exchange rate to be used in accounting at the beginning of the day of executing the transaction is equivalent to or exceeds EUR 15 000;

b) transfer of funds is being performed, including also the credit transfer, direct debt transfer, money remittance, or transfer made with a payment card, electronic money instrument, mobile telephone, digital or another information technology device, and exceeds EUR 1000,

c) foreign currency cash purchase or sale transaction is executed the amount of which or the total sum of several seemingly linked transactions of which exceeds EUR 1500;

3) if the subject of the Law is engaged in the trade in goods, as well as in intermediation or provision of other type of services within the scope of an incidental transaction and if the payment is made in cash or cash for such transaction is paid into the account of the seller at a credit institution in the amount equivalent to or exceeding EUR 10 000, or in a foreign currency which according to the foreign exchange rate to be used

in accounting at the beginning of the day of executing the transaction is equivalent to or exceeds EUR 10 000, regardless of whether such transaction is executed as a single operation or as several mutually linked operations;

4) if the subject of the Law – the organiser of lotteries and gambling – when executing a transaction with a customer for the sum the amount of which is equal or exceeds EUR 2000, including if the customer wins, purchases means for participation in the game or lottery tickets, or exchanges foreign currency for this purpose, regardless of whether such transaction is executed as a single operation or as several mutually linked operations;

5) if the transaction conforms to at least one of the indications included in the list of indications of unusual transactions or there are suspicions of money laundering, terrorism financing or attempted money laundering, terrorism financing;

6) if there are suspicions of the veracity of the previously obtained customer due diligence data.

(2) If at the moment of executing the transaction it cannot be identified whether the sum of the transaction will be equal to or exceed EUR 15 000 or will be in a foreign currency which according to the foreign exchange rate to be used in accounting at the beginning of the day of executing the transaction is equivalent to or exceeds EUR 15 000, the customer due diligence shall be conducted as soon as it has become known that the sum of the transaction with the customer is equivalent to or exceeds EUR 15,000 or is in a foreign currency which according to the foreign exchange rate to be used in accounting at the beginning of the day of executing the transaction is equivalent to or exceeds EUR 15 000.

(3) If, on the basis of a documented money laundering and terrorism financing risk assessment, a low risk is determined, and in accordance with the requirements of this Law enhanced customer due diligence has not been conducted, then in order not to interrupt the normal execution of the transaction, the verification of the identification of the customer and verification of the designated beneficial owner may be carried out at the moment of establishing a business relationship as soon as it is possible after the initial contact with the customer, but prior to executing the transaction.

(4) If, on the basis of a documented money laundering and terrorism financing risk assessment, a low risk is determined, and in accordance with the requirements of this Law enhanced customer due diligence has not been conducted, an insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, and an insurance intermediary, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, may verify the identification of the customer and the conformity of the determined beneficial owner also after establishing a business relationship or before the person who benefits from the insurance receives the reimbursements, or before he or she exercises the rights provided for in the insurance contract.

(5) If the subject of the Law applies the provisions of Paragraph three or four of this Section, it shall implement the following measures:

1) document the risk assessment;

2) determine the measures mitigating the money laundering and terrorism financing risks in policies and procedures, including limitations on the amount, number or type of transactions.

(6) If the subject of the Law has suspicions of money laundering or terrorism financing and there are grounds to believe that the further application of customer due diligence measures may disclose the suspicions of the subject of the Law to the customer, the subject of the Law has the right not to continue the customer due diligence, but to report a suspicious transaction to the Control Service. In its report for the Control Service the subject of the Law shall also indicate the considerations forming the basis for the conclusion that the further application of customer due diligence measures may disclose the suspicions of the subject of the Law to the customer.

(7) If the subject of the Law is unable to implement the customer due diligence measures specified in Section 11.¹, Paragraph one, Clause 1, 2 or 3 of this Law, it is prohibited for the subject of the Law to establish the business relationship, continue the business relationship (it is subject to termination) and to execute an incidental transaction with the relevant person or legal arrangement. The subject of the Law shall document and assess each such case and, in case of suspicions of money laundering or terrorism financing, shall report to the Control Service.

(8) The provisions of Paragraph seven of this Section shall not apply to sworn notaries, sworn attorneys, other independent representatives of legal professions, tax advisors, outsourced accountants, certified auditors in cases when they defend or represent a customer in pre-trial criminal proceedings or court proceedings, or provide advice on the commencement of the court proceedings or avoidance thereof.

[26 October 2017]

Section 11.¹ Customer Due Diligence Measures and Risk Factors

(1) Customer due diligence measures are a set of risk assessment-based activities within the scope of which the subject of the Law:

- 1) identifies the customer and verifies the identification data obtained;
- 2) ascertains the beneficial owner and, on the basis of the risk assessment, verifies that the relevant natural person is the beneficial owner of the customer. For a legal arrangement and a legal person the subject of the Law also ascertains the shareholding structure of the relevant person and the way how the control of the beneficial owner over such legal arrangement or legal person manifests itself;
- 3) obtains information on the purpose and intended nature of the business relationship and incidental transaction;
- 4) after establishment of the business relationship carries out its supervision, including inspections to confirm that transactions entered into during the course of the business relationship are being executed according to the information at the disposal of the subject of the Law on the customer, its economic activity, risk profile, and origin of funds;
- 5) ensures the storage, regular assessment and updating of the documents, personal data and information obtained during the course of the customer due diligence according to the inherent risks, but at least once per each five years.

(2) Upon determining the extent of and procedures for customer due diligence, as well as the regularity of assessment of the documents, personal data and information obtained during the course of the customer due diligence, the subject of the Law shall take into consideration the money laundering and terrorism financing risks posed by the customer, its state of residence (registration), type of economic or personal activity of the customer, services and products to be used and their delivery channels, as well as the transactions executed. When determining the extent of and regularity for the customer due diligence, the subject of the Law shall also take into account the following risk affecting indicators:

- 1) the purpose of the business relationship;
- 2) the regularity of the transactions intended and executed by the customer;
- 3) the duration of the business relationship and regularity of transactions;
- 4) the scale of the transactions intended and executed by the customer.

(3) When conducting the customer due diligence, the subject of the Law shall take into account at least the following risk increasing factors:

- 1) the business relationship is carried out under unusual circumstances;
- 2) the customer or its beneficial owner is affiliated with a higher risk jurisdiction, i.e.:
 - a) a high risk third country;
 - b) a country or territory with a high corruption risk;

- c) a country or territory with high level of criminal offences as a result of which proceeds from crime may be obtained;
 - d) a country or territory on whom to financial or civil legal restrictions have been imposed by the United Nations Organisation, the United States of America or the European Union;
 - e) a country or territory which provides financing or support to terrorist activities or in the territory of which such terrorist organisations operate that are included in lists of countries or international organisations recognised by the Cabinet which have prepared lists of persons suspected of engaging in terrorist activities or in the production, storage, transportation, use or distribution of weapons of mass destruction;
 - f) a country or territory which has refused to cooperate with international organisations in the field of prevention of money laundering and terrorism financing;
- 3) the customer is a legal arrangement which is a private asset management company;
 - 4) the customer is a legal person which is issuing or is entitled to issue bearer shares (equity securities) or which has owners who are the registered owners of the capital shares held in favour of the beneficial owner;
 - 5) the customer executes large-scale cash transactions;
 - 6) the ownership or shareholding structure of the customer – legal person – is not characteristic to the economic activity of the customer or is complicated;
 - 7) the customer uses the services of a private banker;
 - 8) the customer uses services, products or delivery channels thereof that favour anonymity;
 - 9) the customer uses services, products or delivery channels thereof that restrict the possibilities of customer identification or acquiring knowledge of his or her personal and economic activity;
 - 10) the customer receives payments from an unknown third party;
 - 11) the customer uses new services, products or delivery channels thereof, or new technologies.
- (4) The subject of the Law, upon assessing the money laundering and terrorism financing risks, may take into account the following risk mitigating factors:
- 1) efficient systems for the prevention of money laundering and terrorism financing are operating in the country;
 - 2) such requirements have been specified in the country in the field of prevention of money laundering and terrorism financing which meet the international standards specified by the organisations determining standards in the field of prevention of money laundering and terrorism financing, and the country complies with these requirements;
 - 3) there is a low corruption risk in the country;
 - 4) the country has a low level of such criminal offences as a result of which the proceeds may be obtained from crime;
 - 5) the customer – natural person – uses only the principal account within the meaning of the Payment Services and Electronic Money Law.
- (5) The subject of the Law should be able to prove that the extent of the customer due diligence corresponds to the existing money laundering and terrorism financing risks.
- (6) Upon establishing a business relationship, the subject of the Law, on the basis of the money laundering and terrorism financing risk assessment, shall obtain and document information on the purpose and intended nature of the business relationship, including on the services the customer plans to use, the planned number and scope of transactions, the type of economic or personal activity of the customer within the scope of which he or she will use the relevant services, and, if necessary, the origin of funds of the customer and the origin of wealth characterising the financial situation of the customer.

(7) The subject of the Law shall apply the customer due diligence measures not only when establishing a business relationship, but also during the course of the business relationship, on the basis of the risk assessment-based approach, including in cases when changes in significant customer-related circumstances occur.

(8) Upon applying the customer due diligence measures, the subject of the Law shall obtain and process the personal data of natural persons in accordance with the purposes of this Law, only and solely for the purposes of preventing money laundering and terrorism financing, and shall not further process them in a manner that does not correspond to the abovementioned purposes. Processing of personal data for other purposes, including commercial purposes, is prohibited.

(9) The subject of the Law, insofar as it is carrying out life insurance or other insurance services related to the accumulation of funds, shall assess the existing money laundering and terrorism financing risks, including the risk inherent to the beneficiary of insurance indemnity, and, in addition to the customer due diligence measures, shall conduct the following due diligence measures with respect to the beneficiary of the insurance indemnity, as soon as he or she is identified or determined:

1) if the beneficiary of the insurance indemnity is a specific natural or legal person, – shall ascertain the given name, surname of the natural person or the firm name of the legal person;

2) if the beneficiary of the insurance indemnity is determined based on indications, – shall obtain information on the beneficiary of the indemnity to such extent that would allow to determine the identity of the beneficiary of the insurance indemnity at the moment of the disbursement of insurance indemnity;

3) if the beneficiary of the insurance indemnity is a legal person or a legal arrangement, – shall conduct an enhanced due diligence thereof to determine the beneficial owner of the beneficiary of the insurance indemnity at the moment of the disbursement of insurance indemnity.

(10) The activities referred to in Paragraph nine of this Section shall be carried out prior to the disbursement of insurance indemnity. If a life insurance contract or another insurance contract related to the accumulation of funds is assigned to another insurance merchant, the beneficiary of the insurance indemnity shall be identified before executing the assignment.

(11) If the beneficial owner of a legal arrangement is determined within the scope of the governance of a legal arrangement according to special indications, the subject of the Law shall obtain information on the beneficial owner to such extent that would allow to determine the identity of the beneficial owner during the disbursement of funds (benefit) or during the time when the beneficial owner will exercise the rights provided thereto.

[26 October 2017]

Section 12. Identification of Natural Persons

(1) A natural person shall be identified by verifying his or her identity based upon the personal identification document where the following information is provided:

1) regarding a resident – the given name, surname, personal identity number;

2) regarding a non-resident – the given name, surname, date of birth, the photograph of the person, number and date of issue of the personal identification document, country and authority which issued the document.

(2) Only a personal identification document valid for entering the Republic of Latvia shall be used for the identification of a natural person – non-resident, who is a face-to-face customer of the subject of the Law in the Republic of Latvia.

(3) An inland passport of the relevant country, another personal identification document recognised by the relevant country or a document giving the right to enter the country where the identification of a person is carried out may be used for the identification of a natural

person – non-resident at the state of residence thereof if he or she is a non-face-to-face customer of the subject of the Law.

(3¹) Upon verifying the identity of a natural person based on the personal identification documents, the subject of the Law shall ascertain that the personal identification document is not included in the Register of Invalid Documents.

(4) Sworn notaries shall establish the identity of a natural person in accordance with the procedures specified in the Notariate Law.

(5) If a natural person is represented by another natural person, the subject of the Law shall identify the person authorised to represent the natural person in relations with the subject of the Law in accordance with Paragraph one of this Section and shall obtain a document or a copy of the relevant document which confirms its right to represent the natural person.

[13 August 2014; 26 October 2017]

Section 13. Identification of Legal Persons and Legal Arrangements

(1) A legal person shall be identified:

1) by requesting to present documents attesting to the firm name, legal form and incorporation or legal registration of the legal person;

2) by requesting to provide information on the registered address and, if it differs from the registered address, the actual place of performance of economic activity of the legal person;

3) by requesting to present the incorporation document of the legal person (memorandum of incorporation, articles of association) and identifying the persons authorised to represent the legal person in relations with the subject of the Law, including by clarifying the given names and surnames of the relevant persons who hold positions in the management body of the legal person, and obtaining a document or a copy of the relevant document which confirms their rights to represent the legal person, as well as by verifying identity of such persons.

(1¹) A legal arrangement shall be identified:

1) by requesting to present documents attesting to the status of the legal arrangement, the purpose of creation thereof, and its firm name;

2) by requesting to provide information on the registered address and, if it differs from the registered address, the actual place of performance of economic activity of the legal arrangement;

3) by clarifying the structure and mechanisms of governance of the legal arrangement, including the beneficial owner or the person in whose interests the legal arrangement has been created or operates.

(2) The subject of the Law may identify a legal person and legal arrangement by obtaining the information referred to in Paragraph one of this Section from a publicly available, reliable and independent source.

(3) Sworn notaries shall establish the identify of a legal person and legal arrangement in accordance with the procedures specified in the Notariate Law.

[26 October 2017]

Section 14. Making of Copies of Personal Identification Documents

(1) When establishing a business relationship or executing the transactions specified in Section 11 of this Law, a credit institution and financial institution shall make copies of those documents on the basis of which the identification of a customer has been performed.

(2) If the information that identifies a customer – a legal person – is obtained in the way specified in Section 13, Paragraph two of this Law, a credit institution and financial institution

shall document the information specified in Section 13, Paragraph one of this Law and the information on the source thereof.

Section 15. Prohibition of Keeping Anonymous Accounts

A credit institution and financial institution is prohibited to open and maintain anonymous accounts or accounts with fictitious names (non-conforming to personal identification documents).

[13 August 2014; 26 October 2017]

Section 16. Obligation to Conduct the Customer Due Diligence

[26 October 2017]

Section 17. Customer Due Diligence

[26 October 2017]

Section 18. Determination of the Beneficial Owner and Ascertaining the Conformity of the Determined Beneficial Owner

(1) The subject of the Law, in cases when in accordance with the requirements of this Law the customer due diligence is to be conducted, shall determine the beneficial owner of the customer and, on the basis of the risk assessment, shall implement the measures necessary to ascertain that the determined beneficial owner is the beneficial owner of the customer.

(2) The subject of the Law shall determine the beneficial owner of the customer by obtaining at least the following information on them:

1) regarding a resident – the given name, surname, personal identity number, date, month and year of birth, citizenship, country of residence, as well as the specific share of the capital shares or stock belonging to the customer and also directly or indirectly controlled by such person, including the direct and indirect shareholding, in the total number, as well as the type of directly or indirectly implemented control over the customer;

2) regarding a non-resident – the given name, surname, date, month and year of birth, number and date of issue of the personal identification document, the country and body issuing the document, citizenship, country of permanent place of residence, as well as the specific share of the capital shares or stock of the customer belonging to the person and being directly or indirectly controlled, including the direct and indirect shareholding, in the total number thereof, as well as the type of directly or indirectly implemented control over the customer.

(3) The subject of the Law shall determine the beneficial owner of the customer in at least one of the following ways:

1) by receiving a statement on the beneficial owner approved by the customer;

2) by using information or documents from the information systems of the Republic of Latvia or foreign countries;

3) by determining the beneficial owner on its own if the information on him or her cannot be obtained in any other way.

(4) If the total credit turnover of the customer or several customers sharing one beneficial owner during the time period of last 12 calendar months exceeds 10 million euros, the subject of the Law shall, not later than within 45 days from the moment when the abovementioned limit is exceeded, obtain the confirmation signed by the beneficial owner of the customer that he or she is the beneficial owner of the customer, in the following cases:

1) the customer or the beneficial owner of the customer is a politically exposed person, a family member of a politically exposed person, a person closely associated to a politically exposed person;

- 2) the customer is a shell arrangement;
 - 3) the customer uses services of a private banker.
- (5) By reference to the provisions of Paragraph four of this Section, the confirmation signed by the beneficial owner of the customer shall not release the subject of the Law from the obligation to implement all other necessary measures on the basis of the risk assessment to ascertain that the determined beneficial owner is the beneficial owner of the customer.
- (6) An insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, and an insurance intermediary, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, is entitled to ascertain that the beneficial owner indicated by the customer is the beneficial owner of the customer also after the establishment of a business relationship, but not later than at the time when the person gaining the benefit starts to use the rights specified for him or her in the insurance contract.
- (7) The subject of the Law, by duly justifying and documenting the activities performed to determine the beneficial owner, may consider that the beneficial owner of a legal person or a legal arrangement is a person holding the position in the senior management body of such legal person or legal arrangement, if all the means of determination have been exhausted and it is not possible to determine any natural person – beneficial owner – within the meaning of Section 1, Clause 5 of this Law, as well as the doubts that the legal person or legal arrangement has another beneficial owner have been excluded.
- [26 October 2017]*

Section 18.¹ Reporting Obligation and Obligation to Determine the Beneficial Owner of a Legal Person

- (1) A natural person, if he or she has the grounds to believe that he or she has become a beneficial owner of a legal person, has an obligation to immediately report this fact to the legal person by indicating the information referred to in Paragraph four of this Section.
- (2) The natural person referred to in Section 1, Clause 5, Sub-Clause “a” of this Law shall immediately report to the legal person, if he or she acts for the benefit of another person, and shall identify such person by indicating the information referred to in Paragraph four of this Section.
- (3) The legal person, upon its own initiative, shall determine and identify its beneficial owners, if it has reasonable grounds to doubt the information submitted in accordance with the procedures specified in Paragraphs one and two of this Section, or if such information has not been submitted, but the legal person has reasonable grounds to believe that it has a beneficial owner.
- (4) The legal person shall store at least the following information on its beneficial owners: given name, surname, personal identity number (if any) and the date, month and year of birth, number of the personal identification document and date of issue thereof, country and body issuing the document, citizenship, country of residence, as well as the manner of exercising control over the legal person, including by indicating the given name, surname, personal identity number (if the person has no personal identity number – date, month, year of birth) of a shareholder (stockholder), member or owner through which the control is exercised, but, if it is a legal person – the firm name, registration number and registered address, as well as the documentary justification of the control exercised.

[26 October 2017 / See Paragraphs 19 and 20 of Transitional Provisions]

Section 18.² Obligation of a Legal Person to Disclose its Beneficial Owner

- (1) A legal person, including a partnership which is registered in the public registers maintained by the Register of Enterprises of the Republic of Latvia, shall, without delay, but

not later than within 14 days from getting to know the relevant information, submit to the Register of Enterprises of the Republic of Latvia the application for the registration of information on the beneficial owners or for the registration of changes in such information by indicating the information laid down in Section 18.¹, Paragraph four of this Law. It shall not be necessary to submit the documentary justification on the exercised control, as well as to indicate information on the date, month and year of birth, number of the personal identification document and the date of issue thereof, country and body issuing the document for the persons who have a personal identity number.

(2) Upon submitting an application to the Register of Enterprises of the Republic of Latvia for the registration (incorporation) of a legal person or changes in the composition of shareholders or members of the board of a capital company, information on the beneficial owner of the legal person shall be indicated in the application in accordance with the requirements of this Section. If it is not possible to determine the beneficial owner of the legal person, the applicant shall confirm it in the application. The legal person may omit the submission of the information to the Register of Enterprises of the Republic of Latvia on the beneficial owner, if, concurrently with submitting the application, the information on the beneficial owner to the extent specified in Section 18.¹, Paragraph four of this Law is submitted to the corresponding register maintained by the Register of Enterprises of the Republic of Latvia within the scope of other obligations specified in the laws and regulations, and the manner of exercising control over the legal person stems, accordingly, only from the status of the founder, or – in case of a foundation – also the status of the member of the board.

(3) If the shareholder (stockholder), member or owner through whom the beneficial owner exercises control over the legal person loses its status in the relevant legal person, the legal person shall immediately, but not later than within 14 days from getting to know the relevant information, submit an application to the Register of Enterprises of the Republic of Latvia on the change of the beneficial owner or an application confirming that the beneficial owner has not changed, and shall indicate the shareholder (stockholder), member or owner through whom the beneficial owner exercises control.

(4) The legal person may omit the submission of the information to the Register of Enterprises of the Republic of Latvia on the beneficial owner, if the information on the beneficial owner in the extent specified in Section 18.¹, Paragraph four of this Law has already been submitted to the corresponding register maintained by the Register of Enterprises of the Republic of Latvia within the scope of other obligations specified in the laws and regulations, and the manner of exercising control over the legal person stems, accordingly, only from the status of the shareholder of the limited liability company, member of the partnership, owner of the sole proprietorship or the farm or fishery, founder of the foundation or member of the board of the foundation.

(5) The legal person may omit the submission of the information to the Register of Enterprises of the Republic of Latvia on the citizenship and country of residence of the beneficial owner, if:

1) information has been submitted to the Register of Enterprises of the Republic of Latvia on the personal identity number of the Republic of Latvia granted to the beneficial owner, and the citizenship and the country of residence of the beneficial owner is Latvia;

2) information has been submitted to the Register of Enterprises of the Republic of Latvia on the country issuing the personal identification document of the beneficial owner, and the citizenship and country of residence of the beneficial owner corresponds to the country which issued the personal identification document.

(6) The legal person may omit the submission of the information to the Register of Enterprises of the Republic of Latvia on the beneficial owner, if the beneficial owner is a stockholder in such joint stock company the stock whereof is listed on a regulated market, and the manner of exercising control over the legal person stems only from the status of the stockholder.

[26 October 2017 / Section shall come into force on 1 December 2017. See Paragraphs 21 and 22 of Transitional Provisions]

Section 18.³ Availability of the Information on Beneficial Owners

(1) In order to efficiently limit the money laundering and terrorism financing risks, to promote the confidence in transactions executed by legal persons and the financial system, and the business environment as a whole, to minimise the possibility to use legal persons for unlawful activities (particularly, corrupt practices and tax evasion), to protect the rights of other persons, and to ensure the availability of the information on the beneficial owners of the counterparties of the transaction – legal persons, any person has the right to receive online information on the beneficial owners at the disposal of the Register of Enterprises of the Republic of Latvia. The relevant information shall be provided for a fee in the amount stipulated by the Cabinet, unless laid down otherwise in the laws and regulations governing the operation of the Register of Enterprises of the Republic of Latvia.

(2) Information on a beneficial owner who has not attained 18 years of age at the moment of issuing the information shall be restricted access information. The restriction of access to the information referred to in the first sentence of this Paragraph shall not refer to the issuance of information on the beneficial owner to the supervisory and control authorities and the subjects of the Law, when fulfilling the requirements of this Law.

(3) An informative notice on the natural person, who has been specified as the beneficial owner of a legal person and whose official electronic address is included in the official directory of electronic addresses, as the beneficial owner of a legal person or changes in such status shall be sent to the electronic address of such natural person.

[26 October 2017 / Paragraph three shall come into force on 1 June 2018. See Paragraphs 23 and 24 of Transitional Provisions]

Section 19. Obtaining of Information on the Purpose and Intended Nature of a Business Relationship

[26 October 2017]

Section 20. Monitoring of a Business Relationship and Incidental Transactions

(1) After establishment of a business relationship or when executing individual transactions, the subject of the Law, on the basis of a money laundering and terrorism financing risk assessment, shall continuously:

1) update information on the economic or personal activity of the customer;

2) conduct monitoring of the activities and transactions of the customer in order to ascertain that the transactions are not considered unusual or suspicious.

(2) Upon carrying out monitoring of a business relationship or incidental transactions, the subject of the Law shall pay special attention to the following:

1) untypically large transaction, complex transactions, seemingly mutually linked transactions of the customer which does not seem to have an apparent economic or clearly lawful purpose;

2) transaction involving a person from high-risk third countries.

[26 October 2017]

Section 21. Prohibition of Co-operation with Shell Banks

(1) The subject of the Law is prohibited from executing transactions of any kind with shell banks.

(2) Creation and operation of shell banks in the Republic of Latvia is prohibited.

Section 22. Enhanced Customer Due Diligence

(1) Enhanced customer due diligence shall mean the risk-assessment based activities carried out in addition to customer due diligence, including in order to:

1) additionally ascertain that the person determined as the beneficial owner in accordance with Section 18 of this Law is the beneficial owner of the customer;

2) ensure enhanced monitoring of the transactions executed by the customer.

(2) The subject of the Law shall apply enhanced customer due diligence in the following cases:

1) upon establishing and maintaining a business relationship or executing an incidental transaction with a customer who has not participated in the onsite identification procedure in person, except in the case when the following conditions are fulfilled:

a) the subject of the Law ensures adequate measures for mitigating the money laundering and terrorism financing risks, including drafting of policies and procedures and carrying out of staff training on the performance of remote identification;

b) the customer identification, by means of technological solutions including video identification or secure electronic signature, or other technological solutions, is being performed to the extent and in accordance with the procedures stipulated by the Cabinet;

2) upon establishing and maintaining a business relationship or executing an incidental transaction with a customer – politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;

3) upon establishing and maintaining a business relationship or executing an incidental transaction with a customer whose beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;

4) upon establishing and maintaining the correspondent banking relationship of credit institutions with the credit institution or financial institution (respondent);

5) in other cases when establishing and maintaining a business relationship or executing an incidental transaction with the customer, if an increased money laundering or terrorism financing risk exists.

(3) In accordance with Paragraph two, Clause 1, Sub-clause “b” of this Section the Cabinet shall determine the extent of and procedures for the customer identification by means of technological solutions including video identification or secure electronic signature, or other technological solutions.

(4) The Financial and Capital Market Commission, with respect to the credit institutions and financial institutions the operation of which is under its supervision in accordance with the laws and regulations, in addition to that referred to in this Section, shall determine the categories of customers which shall be subject to enhanced due diligence, the minimum extent of the enhanced due diligence for different categories of customers, and the requirements for enhanced due diligence of such customers and the money laundering risk management, as well as the factors increasing the money laundering and terrorism financing risks.

[26 October 2017]

Section 23. Non-participation of the Customer in the Onsite Identification Procedure in Person

(1) If the customer identification is performed without the participation of the customer in the onsite identification procedure in person, the subject of the Law shall implement one or several of the following measures, using the risk-assessment based approach:

1) obtain additional documents or information attesting to the customer’s identity;

2) carry out verification of the additionally submitted documents or obtain confirmation of another credit institution or financial institution registered in the Member State attesting that the customer has a business relationship with this credit institution or financial institution, and the credit institution or financial institution has carried out the onsite customer identification;

3) ensure that the first payment within the scope of the business relationship is carried out through the account which has been opened in the customer's name at the credit institution to which the requirements for the prevention of money laundering and terrorism financing requirements arising from this Law and the legal acts of the European Union apply;

4) request personal presence of the customer in the execution of the first transaction;

5) if the customer is a natural person – resident –, obtain information attesting to the customer's identity from the document which the customer has signed with a secure electronic signature.

(2) The subject of the Law shall perform the customer identification, only with the customer participating in the onsite identification procedure in person in the following cases:

1) the customer or the beneficial owner of the customer is a politically exposed person, a family member of the politically exposed person, or a person closely related with the politically exposed person and uses a service the monthly credit turnover of which exceeds EUR 3000;

2) the customer is a shell arrangement;

3) the customer uses services of a private banker.

(3) When authorising a person who is not an employee of the subject of the Law to identify a customer, the subject of the Law shall be responsible for the identification of the customer in accordance with the requirements of this Law.

(4) The subject of the Law, on the basis of the risk assessment, may carry out the customer identification without the participation of the customer in the onsite identification procedure in person when the customer has not been identified by the subject of the Law, its employee or authorised person, if the subject of the Law has performed the risk assessment, and the customer identification measures implemented without the participation of the customer in the onsite identification procedure in person correspond to the money laundering and terrorism financing risks.

[26 October 2017]

Section 24. Correspondent Banking Relationship of Credit Institutions

(1) Upon establishing a correspondent banking relationship with a credit institution or a financial institution (respondent), a credit institution and financial institution shall implement the following measures in addition to the customer due diligence measures:

1) acquire information on the respondent in order to fully understand the nature of the respondent's business and to determine the reputation of the relevant credit institution or investment brokerage company and the quality of its supervision from publicly available information;

2) assess the measures for the prevention of money laundering and terrorism financing implemented by the respondent with which the correspondent banking relationship is being established;

3) obtain approval from the board of its credit institution or specially authorised member of the board prior to establishing new correspondent banking relationship;

4) document the liability of the respondent in the field of prevention of money laundering and terrorism financing;

5) ascertain that the respondent which uses services related to direct access to the accounts of the correspondents has verified the identity of the customers to whom permission to access the accounts of the correspondent has been given and has conducted enhanced

customer due diligence regarding such customers, and is able to provide relevant customer due diligence data upon a request;

6) obtain information on the reputation of the respondent, including its possible involvement in the activities related to money laundering and terrorism financing or violations of the requirements of international or national sanctions, and on the sanctions imposed on the subject of the Law with respect to the abovementioned activities.

(2) A credit institution shall not enter into or shall terminate the correspondent banking relationship with a credit institution or a financial institution which is known to be engaged in a business relationship with a shell bank.

[26 October 2017]

Section 25. Business Relationship with a Politically Exposed Person, a Family Member of a Politically Exposed Person and a Person Closely Related to a Politically Exposed Person

(1) When establishing a business relationship with a customer, the subject of the Law shall determine, by carrying out risk-assessment based measures, whether the customer or the beneficial owner is a politically exposed person or a family member of a politically exposed person, or a person closely related to a politically exposed person.

(2) The internal control system of the subject of the Law shall ensure, on the risk assessment basis, a possibility to determine that a customer, who at the time of establishing a business relationship is not a politically exposed person or a family member of a politically exposed person or a person closely related to a politically exposed person, or has become such after the establishment of the business relationship.

(2¹) An insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, and an insurance intermediary, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, shall ascertain that the beneficiary of the indemnity or other funds under the life insurance contract with accumulation of funds or – in the respective case – the beneficial owner of the beneficiary of the indemnity is a politically exposed person or a family member of a politically exposed person, or a person closely related to a politically exposed person. The abovementioned activities shall be carried out prior to the disbursement of the insurance indemnity or other payment or before assigning the insurance contract to another insurance merchant. If an increased risk is identified, the insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, and the insurance intermediary, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, in addition to the customer due diligence measures specified in Section 11.¹ of this Law shall implement the measures specified in Paragraph three of this Section, as well as the enhanced customer due diligence, and shall assess the necessity to report to the Control Service.

(3) If, prior to the establishment of business relationship or during the business relationship, it is found that the customer or its beneficial owner is a politically exposed person or a family member of a politically exposed person, or a person closely related to a politically exposed person, the subject of the Law shall implement the following measures:

1) receive a consent from the senior management prior to the establishment of a business relationship. The condition referred to in this Clause shall apply to the subject of the Law – a legal person;

2) implement and document the risk-assessment based measures for determining the origin of funds and the origin of wealth characterising the material status of the customer and its beneficial owner.

(4) When maintaining business relationship with a politically exposed person or a family member of a politically exposed person, or a person closely related to a politically exposed

person, the subject of the Law shall carry out ongoing monitoring of the transactions executed by the customer.

(5) The subject of the Law shall, on the basis of the risk assessment, terminate the application of enhanced customer due diligence laid down in Section 22 of this Law in relation to his or her conformity with the status of a politically exposed person, a family member of a politically exposed person or a person closely related to a politically exposed person if:

- 1) the politically exposed person has died;
- 2) the politically exposed person does not hold a prominent public office anymore in conformity with Section 1, Clause 18 of this Law for at least 12 months and business relationship of whom does not cause increased money laundering risk anymore.

[13 August 2014; 4 February 2016; 26 October 2017]

Section 26. Simplified Customer Due Diligence

(1) The subject of the Law in the cases referred to in this Section, if a low money laundering and terrorism financing risk is present, as well as measures have been implemented to determine, assess and understand its own activities and the money laundering and terrorism financing risks inherent to the customer, is entitled to carry out the customer due diligence by performing the customer identification activities referred to in Sections 12, 13, and 14 of this Law and the customer due diligence measures referred to in Section 11.¹ of this Law, within the scope corresponding to the nature of the business relationship or incidental transaction and the level of money laundering and terrorism financing risks.

(2) The subject of the Law, if a low money laundering and terrorism financing risk is present which is not in contradiction with the risk assessment, including the national money laundering and terrorism financing risk assessment report, and measures have been implemented to determine, assess and understand its own activities and the money laundering and terrorism financing risks inherent to the customer, is entitled to conduct a simplified customer due diligence in cases when the customer is:

- 1) the Republic of Latvia, a derived public person, direct administration or indirect administration institution, or a capital company controlled by the State or a local government characterised by a low risk of money laundering and terrorism financing;

- 2) a merchant whose stocks are admitted to trading on a regulated market in one or several Member States.

(3) In addition to that specified in Paragraph two of this Section, the subject of the Law is entitled to conduct a simplified customer due diligence in cases when the services provided conform to all of the following indications:

- 1) the transaction has a written contractual base;
- 2) the transaction is executed, using a bank account which is opened by a credit institution registered in a Member State;

- 3) the transaction does not conform to the indications included in the list of unusual transaction indications;

- 4) the transaction does not arouse suspicions or no information is available that attests to money laundering or terrorism financing, or an attempt to carry out such actions;

- 5) the total amount of the transaction does not exceed EUR 15 000 or is in a foreign currency which according to the exchange rate to be used in accounting at the beginning of the day of executing the transaction does not exceed EUR 15 000;

- 6) the income from the transaction cannot be used for the benefit of third parties, except in case of death, disability, obligation to provide subsistence or in similar events;

- 7) if at the time of the transaction the conversion of funds into financial instruments or insurance or any other claims is impossible, or if such conversion of funds is possible and the following conditions are conformed to:

- a) the income from the transaction are only realisable in the long term – not earlier than after five years from the day of entering into the transaction;
- b) the subject-matter of the transaction cannot be used as collateral;
- c) during the term of validity of the transaction no early payments are made, the assignment of the claim rights and early termination of the transaction are not used.

(4) An insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, and an insurance intermediary, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, is entitled to conduct the simplified customer due diligence with respect to:

1) persons whose life insurance contracts provide for an annual insurance premium which does not exceed EUR 1000 or is in a foreign currency which according to the exchange rate to be used in accounting at the beginning of the day of executing the transaction does not exceed EUR 1000, or if the single premium does not exceed EUR 2500 or is in a foreign currency which according to the exchange rate to be used in accounting at the beginning of the day of executing the transaction does not exceed EUR 2500;

2) persons concluding lifelong pension insurance contracts, and such contracts do not provide for the possibility of early disbursement, and it cannot be used as a collateral.

(5) A private pension fund is entitled to conduct the simplified customer due diligence in relation to contributions to pension plans if the customer cannot use the abovementioned contributions as a collateral and cannot assign them, and in relation to such contributions to pension plans which are made by way of deduction from wages.

(6) When executing the transaction provided for in Section 11, Paragraph one, Clause 2, Sub-Clause “c” of this Law, the subject of the Law is entitled to conduct the simplified customer due diligence, if the transaction does not correspond to the indications included in the list of unusual transaction indications and does not arouse suspicions or no information is available that attests to money laundering or terrorism financing, or an attempt to carry out such actions.

(7) The Financial and Capital Market Commission, with respect to the credit institutions and financial institutions the operation of which is under its supervision in accordance with this Law, in addition to that specified in this Section, shall determine the requirements for the simplified customer due diligence, as well as may determine additional risk mitigating factors that are not specified in Section 11.¹, Paragraph four of this Law.

(8) The simplified customer due diligence shall not be applied in the cases referred to in this Section, if, on the basis of the risk assessment, the subject of the Law finds, or there is information at its disposal on money laundering or terrorism financing, or an attempt to carry out such actions, or an increased risk of such actions, including if the risk increasing factors referred to in Section 11.¹, Paragraph three of this Law are present.

(9) The simplified customer due diligence shall not be applied with respect to a customer who performs economic activity in high-risk third countries.

(10) When conducting the simplified customer due diligence, the subject of the Law shall acquire and document information attesting to compliance of the customer with the exemptions referred to in Paragraphs one, two or three of this Section, and after establishment of a business relationship shall carry out the supervision thereof.

[26 October 2017 / See Paragraph 26 of Transitional Provisions]

Section 27. Exemptions from Customer Due Diligence

[12 September 2013]

Section 27.¹ Exemptions from Customer Due Diligence

(1) The subject of the Law is entitled not to apply individual customer due diligence measures referred to in Section 11.¹ of this Law in relation to transactions with electronic money, if a low risk of money laundering and terrorism financing is present, the subject of the Law has carried out risk assessment and implemented adequate risk mitigating measures, including by fulfilling all of the following conditions:

1) the sum of money stored electronically in the payment instrument cannot be supplemented or it has a maximum monthly payment transactions limit of EUR 150 which can only be used in the Republic of Latvia;

2) the maximum sum electronically stored by the electronic money holder does not exceed EUR 150;

3) the payment instrument may only be used for the purchase of goods or services;

4) the payment instrument cannot be financed by anonymous electronic money;

5) the issuer of electronic money carries out sufficient monitoring of the transactions or business relationship in order to be able to discover unusual or suspicious transactions;

6) the subject of the Law ensures that the same person may use a limited number of payment instruments which correspond to the conditions referred to in this Section.

(2) The subject of the Law cannot apply exemption from the customer due diligence referred to in Paragraph one of this Section, if redemption of the value of electronic money in cash or withdrawal thereof in cash is possible, if the sum redeemed or withdrawn in cash accordingly exceeds EUR 50.

[26 October 2017]

Section 28. Obtaining of Information Necessary for Customer Due Diligence, and Responsibility of a Customer

(1) In order to comply with the requirements of this Law, the subject of the Law is entitled to request its customers and the customers have an obligation to provide true information and documents necessary for the customer due diligence, including information on the beneficial owners, transactions executed by the customers, economic and personal activity, financial position, sources of money or other funds of the customers and beneficial owners.

(2) If the subject of the Law does not receive the true information and documents necessary for the compliance with the requirements specified in Sections 11 and 11.¹ of this Law in the amount that enables it to perform a substantive inspection, the subject of the Law shall terminate the business relationship with the customer and request early fulfilment of obligations from the customer. In such cases the subject of the Law shall decide on the termination of business relationships also with other customers having the same beneficial owners, or requesting early fulfilment of obligations from such customers.

(3) *[26 October 2017]*

[26 October 2017]

Section 29. Recognition and Acceptance of the Results of Customer Due Diligence

(1) A credit institution and a financial institution has the right to recognise and accept the results of such customer due diligence with respect to the fulfilment of the measures specified in Section 11.¹, Paragraph one, Clauses 1, 2, and 3 of this Law which have been carried out by the credit institutions and financial institutions in the Member States or the third countries, if all of the following conditions have been met:

1) the credit institution and financial institution which uses the recognition and acceptance of the results of the customer due diligence ensures the ability to receive, without delay, all copies of the customer due diligence and customer due diligence data verification,

and other necessary information and documents in relation to the customer due diligence from the credit institution and financial institution which it has addressed;

2) the credit institution and financial institution which uses the recognition and acceptance of the results of the customer due diligence ascertains that the credit institution and financial institution which it has addressed applies the customer due diligence and information storage requirements equivalent to the requirements of this Law, and that they are supervised and controlled at least to the same extent as laid down in this Law;

3) the subject of the Law has assessed the risk associated with the credit institution or financial institution, or the country of their operation, and has implemented the respective risk mitigating measures;

4) the credit institution and financial institution does not accept the results of such customer identification and customer due diligence which has been carried out by credit institutions and financial institutions whose operation or country of operation is characterised by a high risk of money laundering or terrorism financing.

(2) If in accordance with Paragraph one of this Section the subject of the Law recognizes the customer due diligence conducted by another credit institution or financial institution, it does not give the right for the credit institution or financial institution to rely on the supervision performed by such credit institution and financial institution. The subject of the Law has an obligation to perform ongoing supervision of the business relationship of the customer.

(3) The subject of the Law shall be responsible for the fulfilment of the requirements of this Law also in the case if the customer due diligence has been performed by using the results of the customer due diligence conducted by the credit institution and financial institution referred to in Paragraph one of this Section.

(4) The supervisory and control authorities may assume that the credit institution and financial institution complies with the provisions of this Section by its group policies and procedures in the field of prevention of money laundering and terrorism financing, if all of the following conditions are met:

1) the credit institution and financial institution relies upon the information provided by a credit institution and financial institution belonging to the same group;

2) the customer due diligence measures, information storage requirements, and requirements for the prevention of money laundering and terrorism financing applied within the scope of the group are equivalent to the requirements of this Law;

3) the efficient implementation of the requirements referred to in Clause 2 of this Paragraph at a group level is supervised by the supervisory and control authority of the home Member State or a third country.

[26 October 2017]

Chapter IV

Reporting on Unusual and Suspicious Transactions

Section 30. Reporting Obligations

(1) The subject of the Law has an obligation to:

1) immediately notify the Control Service of each unusual or suspicious transaction. Reporting obligation shall also apply to the funds creating suspicions that they are directly or indirectly obtained as a result of a criminal offence, or are related to the terrorism financing or an attempt to carry out such actions, but are not yet involved in the transaction or an attempt thereof;

2) within seven working days after receipt of a written request from the Control Service arising from the report of the subject of the Law or the information provided by the institution or authority referred to in Section 62 of this Law, provide to it the information and documents at the disposal of the subject of the Law, and also additional information in order

for the Control Service to be able to fulfil its obligations in conformity with the requirements of this Law. Considering the amount of information and documents to be provided, the deadline for the provision of response to a request may be extended upon coordination with the Control Service;

3) within three working days after receipt of a written request from the Control Service related to the order issued by such Service on the temporary freezing of funds for five working days, provide to it the information and documents at the disposal of the subject of the Law in order for the Control Service to be able to fulfil its obligations in conformity with the requirements of this Law. Considering the amount of information and documents to be provided, the deadline for the provision of response to a request may be extended upon coordination with the Control Service.

(2) The Cabinet shall issue the regulations in which the list of unusual transaction indications and the procedures for the submission of reports on unusual or suspicious transactions is approved, and shall approve a form of the report.

(3) The requirements referred to in Paragraph one of this Section shall not be applied to tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn lawyers and other independent providers of legal services in cases when they defend or represent their customers in pre-trial criminal proceedings or court proceedings, or provide an advice on the initiation of court proceedings, except in the field of prevention of money laundering and terrorism financing.

(4) Reports shall be submitted in a written or electronic form.

(5) The Control Service has no right to disclose the data of such persons who have provided information on unusual or suspicious transactions. This restriction shall not apply to the cases provided for in Section 56, Paragraph one of this Law.

(6) The subject of the Law shall, not later than on the following working day, register the reports provided to the Control Service and ensure their availability to supervisory and control authorities.

[10 December 2009; 13 August 2014; 26 October 2017]

Section 31. Contents of the Report

The report which shall be submitted to the Control Service by the subject of the Law shall include the following:

1) the customer identification data;

2) the description of the planned, reported, advised, commenced, deferred, executed or approved transaction, as well as the identification data of the person involved in the transaction and the amount of the transaction, the time and place for the execution or reporting of the transaction and, if there are documents attesting to the transaction at the disposal of the subject of the Law, the copies of such documents;

3) the grounds on which the subject of the Law considers the transaction to be suspicious, or the unusual transaction indication to which the relevant transaction conforms.

Chapter V

Refraining from Executing a Transaction and Freezing of Funds

[13 August 2014]

Section 32. Refraining from Executing a Transaction

(1) The subject of the Law shall take a decision to refrain from executing a transaction if the transaction is related with or there are reasonable suspicions that it is related with money laundering or terrorism financing, or there are reasonable suspicions that the funds are directly

or indirectly obtained as a result of a criminal offence or are related with terrorism financing, or an attempt of such criminal offence.

(2) In conformity with the requirements of this Law, the subject of the Law shall, without delay, but not later than on the following working day, notify the Control Service of refraining from executing a transaction.

(3) When refraining from executing a transaction, the subject of the Law shall not carry out any actions with the funds involved in the transaction until receipt of an order of the Control Service to terminate the refraining from executing a transaction. If the subject of the Law receives an order of the Control Service to freeze the funds, it shall act in conformity with Section 32.¹, Paragraph three of this Law.

[13 August 2014]

Section 32.¹ Order on Freezing of Funds

(1) The Control Service has the right to issue an order binding on the subject of the Law or the State information system manager to freeze the funds if there are reasonable suspicions that a criminal offence is being committed or has been committed, including money laundering, terrorism financing or an attempt of such criminal offences.

(2) The Control Service shall issue an order on freezing the funds:

1) after receipt of the report of the subject of the Law on the refraining from executing a transaction;

2) upon its own initiative;

3) upon a request of foreign authorised institutions referred to in Section 62, Paragraph one of this Law to freeze the funds.

(3) After receipt of the order of the Control Service to freeze funds, the subject of the Law or the State information system manager has an obligation to ensure immediate freezing of funds until the date indicated in the order of such Service or until receipt of the order of the Control Service to terminate the freezing of funds.

(4) The subject of the Law or the State information system manager shall inform the customer in writing about the order of the Control Service to freeze funds, and send to the customer a copy of such order of the Service where the procedures for its contesting are explained.

[13 August 2014]

Section 32.² Procedures by which the Control Service shall Issue an Order on Freezing of Funds

(1) The Control Service shall, not later than within five working days, but, if additional information needs to be requested, within eight working days, after receipt of the report of the subject of the Law on the refraining from executing a transaction, assess whether the subject of the Law has taken the decision provided for in Section 32 of this Law in accordance with the provisions of this Law and whether the restriction of the rights determined for the particular person is commensurate, and shall issue an order to terminate the refraining from executing a transaction or to carry out temporary freezing of funds. An order of the Control Service in accordance with which the subject of the Law terminates the refraining from executing a transaction shall be substantiated.

(2) If the Control Service has issued an order on temporary freezing of funds on the basis of the report of the subject of the Law on the refraining from executing a transaction, then such Service shall compile and analyse the obtained information and not later than within 40 days after receipt of the report of the subject of the Law on the refraining from executing a transaction, but – in exceptional case – within an additional time period determined by the Prosecutor General or his or her specially authorised prosecutor (not longer than 40 days) that

is necessary for the receipt of significant requested information, including from abroad, shall carry out one of the following actions:

- 1) issue an order on freezing of funds for a certain period of time if:
 - a) money or other funds are to be considered proceeds of crime pursuant to Section 4, Paragraph three of this Law. In such case the funds shall be frozen for a period of time determined in the order, however, no longer than for six months;
 - b) on the basis of the information at the disposal of the Control Service, there are suspicions that a criminal offence is being committed or has been committed, including money laundering or an attempt of such criminal offence. In such case the funds shall be frozen for a period of time determined in the order, however, no longer than for 45 days;
 - 2) provide a written notification to the subject of the Law or the State information system manager that further temporary freezing of funds shall be terminated because there are no grounds for the issue of the order referred to in Paragraph two, Clause 1 of this Section;
 - 3) not later than on the fortieth day from the time when the report of the subject of the Law on the refraining from executing the transaction has been received, notify the subject of the Law or the State information system manager with a written order on the extension of the time period for freezing of funds of an additional time period determined by the Prosecutor General or his or her specially authorised prosecutor provided for in Paragraph two of this Section.
- (3) The Control Service has the right to, upon its own initiative or upon a request of the foreign authorised institutions or authorities referred to in Section 62, Paragraph one of this Law to freeze the funds, issue an order on temporary freezing of funds for a time period of up to five working days on the basis of the information at its disposal.
- (4) If the Control Service has, upon its own initiative or upon a request of the foreign authorised institutions or authorities referred to in Section 62, Paragraph one of this Law to freeze the funds, issued an order on temporary freezing of funds on the basis of the information at its disposal, then such Service shall, not later than within five working days after issue of the order referred to in Paragraph three of this Section, carry out one of the following actions:
- 1) issue an order on freezing of funds for a certain period of time if:
 - a) money or other funds are to be considered proceeds of crime pursuant to Section 4, Paragraph three of this Law. In such case the funds shall be frozen for a period of time determined in the order, however, no longer than for six months;
 - b) on the basis of the information at the disposal of the Control Service, there are suspicions that a criminal offence is being committed or has been committed, including money laundering or an attempt of such criminal offence. In such case the funds shall be frozen for a period of time determined in the order, however, no longer than for 45 days;
 - 2) notify the subject of this Law or the State information system manager with a written order on the termination of temporary freezing of funds that further temporary freezing of funds shall be terminated because there are no grounds for the issue of the order on the freezing of funds for a certain period of time.
- (5) In the cases laid down in Paragraphs two and four of this Section, the Control Service has the right to determine with an order the freezing of funds for a time period of up to 45 days by previously not issuing the order on temporary freezing of funds.
- (6) The Control Service shall revoke the order on freezing of funds if the customer has provided justified information on the lawfulness of the origin of funds. The customer shall submit the abovementioned information to the subject of the Law or the State information system manager who shall immediately transfer it to the Control Service.
- (7) The Control Service has the right to revoke the freezing of funds before the term with an order.

(8) If the order on freezing of funds for a certain time period has not been revoked, the Control Service shall, within 10 working days after its issuing, provide information to the pre-trial investigating institutions or the Office of the Prosecutor in accordance with the procedures specified in Section 55 of this Law.

(9) The Control Service shall register the reports received outside the business hours on the next working day, but not later than on the second working day after the receipt thereof.

[13 August 2014; 26 October 2017]

Section 33. Order Issued to the State Information System Manager

(1) In the cases provided for in Section 32.², Paragraph two, Clause 1 and Paragraph four of this Law, the Control Service may issue an order to the State information system manager to implement the measures within its competence in order to prevent the re-registration of the property during the time period determined in the order.

(2) The State information system manager shall immediately execute the order and shall notify the Control Service of the way of execution and the results.

(3) The Control Service shall, within 10 working days after the issue of the order, if it has not revoked the order, provide information to pre-trial investigating institutions or the Office of the Prosecutor in accordance with the procedure specified in Section 55 of this Law.

[13 August 2014]

Section 33.¹ Objects Subject to Orders of the Control Service

(1) Orders issued by the Control Service in accordance with Section 32.², Paragraph two, Clause 1 and Paragraph four, and Section 33, Paragraph one of this Law shall be applicable to proceeds of crime, including property that has originated by converting proceeds of crime into other valuables.

(2) If the proceeds of crime have been fully or partially added to the funds acquired from lawful sources, orders of the Control Service shall be applied to the total amount of the proceeds of crime and funds acquired from lawful sources, not exceeding the value of the proceeds of crime.

(3) If from the funds that are subject to orders of the Control Service in accordance with Paragraphs one and two of this Section fruits are being received, then the orders of the Control Service shall also apply to the fruits received or a part thereof corresponding to the value of the fruits received from the proceeds of crime.

[10 December 2009; 13 August 2014]

Section 33.² Order on the Monitoring of Transactions

The Control Service shall issue an order, with approval of the Prosecutor General or his or her specially authorised prosecutor, to the subject of the Law to monitor transactions in its customer's account for a period of time not exceeding one month, if the Control Service, on the basis of information at the disposal thereof or information received from the subject of the Law or by way of information exchange with the institutions and authorities specified in Section 62 of this Law, has reasonable suspicions that a criminal offence has been committed or is being committed, including money laundering, terrorism financing or an attempt to carry out such actions. If necessary, this term may be extended for a time period not exceeding one month by the Prosecutor General or his or her specially authorised prosecutor.

[10 December 2009]

Section 33.³ Notification of an Order to the Land Registry Office

(1) The Land Registry Office shall be notified of an order issued by the Control Service in accordance with Section 32.², Paragraph two, Clause 1 and Paragraph four of this Law, if it contains an issue that is within the competence of the Land Registry Office. If until the receipt of an order or within the time period determined in the order the Land Registry Office receives a request for corroboration regarding the voluntary corroboration of rights in respect of the immovable property specified in the order issued by the Control Service, a judge of a Land Registry Office shall take a decision to suspend the examination of the corroboration request for the time period specified in the order. The Land Registry Office shall send to the Control Service the decision taken.

(2) After receipt of the order of the Control Service referred to in Section 32.², Paragraph two, Clause 1 and Paragraph four of this Law, the Land Registry Office shall provide a written notification to the person subject to the order by sending the person a copy of the order in which the procedures for contesting the order are explained.

[10 December 2009; 13 August 2014]

Section 34. Procedures for Contesting an Order of the Control Service

(1) The subject of the Law or the State information system manager and persons the funds of whom are frozen, or authorised representatives of these persons may contest the orders issued by the Control Service in the cases and in accordance with the procedures specified in this Law before a specially authorised prosecutor within the time periods laid down in this Law.

(1¹) *[13 August 2014]*

(2) The decision of a specially authorised prosecutor may be contested by the persons referred to in Paragraph one of this Section before the Prosecutor General whose decision shall be final.

[10 December 2009; 13 August 2014]

Section 35. Deadline for the Submission of Complaints

A complaint regarding an order of the Control Service may be submitted by the persons specified in Section 34, Paragraph one of this Law within 30 days after they have received a copy of the order.

Section 36. Exemption in Relation to Refraining from Executing a Suspicious Transaction

(1) If refraining from executing such a transaction in relation to which there are reasonable suspicions that it is associated with money laundering or terrorism financing may serve as information that would help the persons involved in money laundering or terrorism financing to avoid the responsibility, the subject of the Law has the right to execute the transaction by reporting it to Control Service in accordance with Section 31 of this Law after the execution of the transaction.

(2) Paragraph one of this Section shall not be applicable to the transactions executed by the persons on whom financial restrictions have been imposed by the United Nations Security Council or the European Union.

(3) In the cases specified in the European Union legal acts, credit institutions have the right to make payments from accounts of such persons who are suspected of committing a criminal offence related to terrorism or money laundering, or of participating in such an offence, if a credit institution has taken a decision regarding such accounts to refrain from the performance

of a specific type of debit operations, or if an order of the Control Service on refraining from a specific type of debit operations has been received.
[26 October 2017]

Chapter VI

Record Keeping and Release from Responsibility

Section 37. Storage, Updating and Destruction of Customer Due Diligence Documents

(1) *[26 October 2017]*

(2) The subject of the Law, for five years after the termination of a business relationship or execution of an incidental transaction, shall store the following:

- 1) all the information obtained within the scope of the customer due diligence, including information on the customer and its accounts, copies of documents attesting to the customer identification data, results of customer due diligence;
- 2) information on all the payments made by the customer;
- 3) correspondence with the customer, including electronic correspondence.

(2¹) Upon expiry of the term for storage of the documents and information specified in this Section, the subject of the Law shall destroy the documents and information on the person at its disposal.

(3) Upon assessing the necessity, commensurability and justification of further storage, in order to prevent, discover or investigate the money laundering or terrorism financing cases, the Control Service, the supervisory and control authority, the bodies performing operational activities, including the State security authority, as well as upon instruction of the investigating authority, Office of the Prosecutor or court, may extend the time period referred to in Paragraph two of this Section for a time period not exceeding five years.

(4) The subject of the Law has the right to electronically process the data on the customers, their representatives and beneficial owners, obtained as a result of the customer identification and due diligence.

(5) Sworn notaries shall store the customer due diligence documents pursuant to the requirements provided for in the Notariate Law.

[13 August 2014; 26 October 2017]

Section 37.¹ Provision of Customer Due Diligence Documents and Information to the Financial and Capital Market Commission

The subjects of the Law referred to in Section 45, Paragraph one, Clause 1 of this Law shall provide information to the Financial and Capital Market Commission which has been obtained in the result of the customer identification and due diligence, and also information on transactions executed by the customer and other information related to the money laundering and terrorism financing risk management. The Financial and Capital Market Commission has the right to issue normative regulations for the subjects of the Law referred to in Section 45, Paragraph one, Clause 1 of this Law regarding the amount of information to be provided, the requirements for the collection of information and the procedures for the provision thereof.

[26 May 2016]

Section 37.² Provision of the Customer Due Diligence Documents and Information to the Control Service, Supervisory and Control Authorities

The subject of the Law shall document the customer due diligence measures, as well as information on all the payments made and received by the customer and, upon a request of the supervisory and control authority or the Control Service, within the time period specified

in such request, shall present such documents to the supervisory and control authorities of the subject of the Law or shall submit copies of such documents to the Control Service.
[26 October 2017]

Section 38. Prohibition of Disclosure of the Reporting Fact

(1) The subject of the Law, its management (members of the council or board) and employees shall not be permitted to notify a customer, beneficial owner, as well as other persons, except for the supervisory and control authorities, of the fact that the data concerning the customer or the transaction (transactions) thereof have been provided to the Control Service and that the analysis of such data may be or is being performed or that pre-trial criminal proceedings are or may be commenced in relation to the commitment of a criminal offence, including money laundering, terrorism financing or attempts to carry out such actions.

(2) The information disclosure prohibition specified in Paragraph one of this Section shall not apply to exchange of information within the same group, except in case when the Control Service has prohibited the subject of the Law to disclose the relevant information.

(2¹) The prohibitions laid down in Paragraph one of this Section shall not apply to the exchange of information between the subject of the Law and the person who provides services to the subject of the Law which are related to the assessment of conformity of the internal control system and efficiency of the activity of the subject of the Law, or identification, assessment, management and supervision of the present and potential risks of the activity of the subject of the Law. Prior to the provision of information in the cases laid down in this Paragraph the subject of the Law shall implement measures to ensure the protection of information against its further disclosure.

(3) The information disclosure prohibition laid down in Paragraph one of this Section shall not apply to the exchange of information between tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn lawyers, and other independent providers of legal services of the Member States, if they perform their professional activities as employees of the same legal person or when working within the framework of the same group.

(4) The prohibition specified in Paragraph one of this Section shall not apply to the exchange of information between credit institutions, financial institutions, tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn lawyers and other independent providers of legal services in the cases, when:

- 1) two or more subjects of the Law participate in the transaction;
- 2) the same person is involved in the transaction;
- 3) the subjects of the Law involved in the transaction are registered or operate in the Member State;

4) the subjects of the Law involved in the transaction belong to the same professional category and are subject to equivalent obligations regarding the professional secrecy and personal data protection;

5) the information exchanged is being used only for the prevention of money laundering and terrorism financing.

[13 August 2014; 26 May 2016; 26 October 2017]

Section 39. Permission to Disclose the Reporting Fact

(1) *[26 October 2017]*

(2) The Control Service shall inform a customer about the following:

1) the fact that the information has been provided to pre-trial investigating institutions or the Office of the Prosecutor pursuant to the procedure specified in Section 55 of this Law;

2) the fact that, due to refraining from executing the transaction, it is impossible to provide the information specified in Paragraph two, Clause 1 of this Section.
[10 December 2009; 7 June 2012; 13 August 2014; 26 October 2017]

Section 40. Release of the Subject of the Law from Responsibility

(1) If the subject of the Law complies with the requirements of this Law, actions of its management (members of the council or board) and employees may not be regarded as a violation of the norms governing the professional activity or the requirements of the supervisory and control authorities.

(2) If the subject of the Law has reported in good faith to the Control Service in compliance with the requirements of this Law, irrespective of whether the fact of money laundering, terrorism financing or an attempt to carry out such actions or another associated criminal offence is proved or not proved during the pre-trial criminal proceedings or court proceedings, as well as irrespective of the provisions of the contract between the customer and the subject of the Law, the reporting to the Control Service shall not be deemed to be the disclosure of confidential information and, therefore, the subject of the Law, its management (members of the council or board) and employees shall not be subject to legal and also civil liability.

(3) If the subject of the Law in good faith has refrained from executing the transaction in accordance with Section 32 of this Law, has terminated business relationship or has requested early fulfilment of obligations pursuant to Section 28, Paragraph two of this Law, the subject of the Law, its management (members of the council or board) and employees shall not be subject to legal and also civil liability due to such refraining or delay of the transaction, termination of business relationship or request for the early fulfilment of obligations.

(4) If tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn lawyers and other independent providers of legal services refrain a customer from the involvement in criminal offences, it shall not be deemed to be disclosure of confidential information and, therefore, the subjects of the Law referred to in this Paragraph, their management (members of the council or board) and employees shall not be subject to legal and also civil liability.

(5) If the Control Service has issued an order on freezing of funds in accordance with the requirements of this Law, then, irrespective of the outcome of the freezing of funds, the subject of this Law, its management (members of the council or board) and employees shall not be subject to legal and also civil liability.

[13 August 2014; 26 October 2017]

Chapter VII

Special Provisions Applicable to Credit Institutions and Financial Institutions

Section 41. Availability of Information Necessary for the Fulfilment of the Requirements of the Law

(1) In order to evaluate the compliance of a person with the requirements of Section 10, Paragraph four of this Law, credit institutions and insurance merchants, insofar as they are carrying out life insurance or other insurance activities related to the accumulation of funds, have the right to request and receive free of charge information from the Punishment Register on the criminal record related to the criminal offences committed by the employee and the person who wishes to establish an employment legal relationship with the credit institution or the insurance merchant regardless of whether the criminal record has been extinguished or set aside.

(2) In order to fulfil the obligations specified in the Law, credit institutions and insurance merchants, insofar as they are carrying out life insurance or other insurance activities related

to the accumulation of funds, have the right to request and receive free of charge information from the following registers:

- 1) [26 October 2017];
- 2) registers of the State Revenue Service – data on the following regarding the income of a customer, representatives thereof and beneficial owners, and also a person who has expressed a wish to establish business relationship with the credit institution or insurance merchant, representatives thereof and beneficial owners:
 - a) income of the last five years;
 - b) disbursers of income;
- 3) the Invalid Document Register – data on a customer, the beneficial owners and representatives thereof, and also on a person who has expressed a wish to establish a business relationship with the credit institution or insurance merchant, the beneficial owners and representatives of such a person, in order to ascertain that the personal identification documents presented by the abovementioned persons have not been declared invalid;
- 4) the Punishment Register – data on the criminal record related to criminal offences in the national economy, which has not been extinguished or set aside, of a customer, the beneficial owners and representatives thereof, as well as of a person who has expressed a wish to establish a business relationship with the credit institution or insurance merchant, the beneficial owners and representatives of such a person, when carrying out the money laundering and terrorism financing risk assessment, as well as in the cases when the necessity of reporting to the Control Service on a suspicious transaction or the necessity to refrain from executing a suspicious transaction is being evaluated;
- 5) the State Unified Computerised Land Register – data on the owned or previously owned immovable property of a customer and the beneficial owners thereof, the business partners of the customer and the beneficial owners thereof, as well as of a person who has expressed a wish to establish a business relationship with the credit institution or insurance merchant, the beneficial owners and representatives of such a person, as well as the spouses and relatives of the first degree of kinship of the abovementioned persons, in order to ascertain that the information at the disposal of the credit institution or insurance merchant regarding the customer's operations related to the immovable property comply with the data of the Land Register, and that the financial status of the customer's beneficial owner indicates that this person could possibly be the beneficial owner of the relevant customer, as well as in the cases when the necessity of reporting to the Control Service on a suspicious transaction or the necessity to refrain from executing a suspicious transaction is being evaluated;
- 6) the State Vehicle Register – data on the owned or previously owned vehicles of a customer, the beneficial owners thereof, the business partners of the customer and the beneficial owners thereof, as well as of a person who has expressed a wish to establish a business relationship with the credit institution or insurance merchant, the beneficial owners and representatives of such a person, as well as the spouses and relatives of the first degree of kinship of the abovementioned persons, in order to ascertain that the information at the disposal of the credit institution or insurance merchant on the customer's operations related to the vehicles comply with the data of the State Vehicle Register, and that the financial status of the customer's beneficial owner indicates that this person could possibly be the beneficial owner of the relevant customer;
- 7) the Population Register – the personal data (given name, surname, personal identification number, personal identification document number and term of validity and date of death of a person) of a customer, the beneficial owners and representatives thereof, and also of a person who has expressed a wish to establish business relationship with the credit institution or insurance merchant, the beneficial owners and representatives of such person, in order to verify the identity of the abovementioned persons, and also data on the spouses and relatives of the first degree of kinship of such persons in order to verify the identity thereof,

determine mutually related customers and carry out the money laundering and terrorism financing risk assessment in relation to such customers.

(3) According to Paragraphs one and two of this Section, the information received shall be used only for the fulfilment of the functions specified in this Law.

(4) If a credit institution or insurance merchant, insofar as it is carrying out life insurance or other insurance activities related to the accumulation of funds, is a user of credit information within the meaning of the Law on Credit Bureaus, it has the right to receive the data referred to in Paragraph two, Clauses 1, 2, 3, 5, 6 and 7 of this Section also by intermediation of a credit bureau. The credit bureau shall, upon a request of the user of credit information, request and receive the data referred to in Paragraph two, Clauses 1, 2, 3, 5, 6 and 7 of this Section from the relevant register. The credit bureau shall not use the data received for purposes other than the transfer of such data to users of credit information who have requested them in non-modified way and shall not store them after the data have been transferred to the user of credit information.

[13 August 2014; 18 December 2014; 26 October 2017 / Amendment to Clause 7 of Paragraph two in relation to provision of information on the date of death of a person shall come into force on 1 September 2019. See Paragraph 27 of Transitional Provisions]

Section 42. Right to Perform Identification After Opening of an Account

Credit institutions have the right to open an account for customers prior to determining the identification and the beneficial owner thereof, if pursuant to the requirements of this Law enhanced customer due diligence is not to be conducted and if it is ensured that the customer cannot execute transactions prior to the absolute completion of the customer due diligence.

Section 43. Termination of a Business Relationship

(1) [26 October 2017]

(2) If in the cases specified in Section 28, Paragraph two of this Law a credit institution or financial institution, upon its own initiative, terminates the business relationship with a customer by closing the relevant accounts of the customer, the credit institution or financial institution shall, according to the instructions of the customer, transfer the monetary funds present in the accounts to the current account of the same customer at another credit institution, to the account from which the monetary funds have been received previously, or disburse in cash if the customer has no current account in another credit institution or a transfer to the account from which the monetary funds have been received previously cannot be carried out. If there are any suspicions of money laundering or terrorism financing, the credit institution or financial institution shall notify the Control Service thereof in conformity with the provisions referred to in Section 30 of this Law. If the credit institution or financial institution has grounds to refrain from executing a transaction, it shall not transmit and disburse monetary funds present in the accounts, but shall act in conformity with the provisions referred to in Section 32 of this Law.

(3) If a financial instruments account has been opened for a customer at a credit institution or financial institution, the credit institution or financial institution shall, in the cases specified in Section 28, Paragraph two of this Law, close the financial instruments account of the customer, when terminating the business relationship with the customer, by selling the financial instruments present in the account for the market value thereof. The credit institution or financial institution shall manage the acquired monetary funds pursuant to the provisions of Paragraph two of this Section.

(4) A credit institution or financial institution shall not be subject to legal and also civil liability for the termination of the business relationship with a customer or for requesting the

early fulfilment of the customer's obligations in the cases provided for and the procedure specified in this Law.

[13 August 2014; 11 June 2015; 26 October 2017]

Section 44. Exchange of Information Between Credit Institutions and Financial Institutions

(1) For the implementation of the purposes of this Law a credit institution shall provide, upon a request of a correspondent bank, information and documents obtained in the course of its customers' and their beneficial owners' or authorised persons' identification and due diligence, associated with the transaction which is being executed with the intermediation of the relevant correspondent bank.

(2) For the implementation of the purposes of this Law, credit institutions and financial institutions have the right to mutually exchange, directly or with the intermediation of the authorised bodies of the abovementioned institutions, the information specified in Paragraph one of this Section on their customers or persons in relation to whom a business relationship has not been established or has been terminated pursuant to the procedure provided for in this Law.

(3) The relevant credit institution and financial institution shall not be subject to legal and also civil liability for the provision of the data specified in Paragraphs one and two of this Section. The data obtained pursuant to the procedure specified in Paragraphs one and two of this Section shall be deemed to be the confidential data.

(4) For the implementation of the purposes of this Law, credit institutions and financial institutions or the authorised bodies thereof have the right to create, maintain and electronically process the personal data, to create and maintain personal data processing systems regarding the customers and persons, in relation to whom a business relationship has not been established or has been terminated pursuant to the procedure provided for in this Law, the beneficial owners and authorised persons of such persons. In such cases the right of a data subject to request information on data processing, including its purposes, recipients, source from which it has been obtained, right to access his or her data and request their amending, destruction, discontinuation or prohibition of the processing thereof provided for in the Personal Data Protection Law, shall not apply to the data processing performed.

[26 October 2017]

Chapter VIII

Rights and Obligations of Supervisory and Control Authorities

Section 45. Supervisory and Control Authorities of the Subject of the Law

(1) Supervision and control of compliance of the subjects of the Law with the requirements of this Law shall be carried out by the following authorities:

1) the Financial and Capital Market Commission – credit institutions, electronic money institutions, insurance companies, insofar as they are carrying out life insurance or other insurance activities related to the accumulation of funds, private pension funds, insurance intermediaries, insofar as they are providing life insurance services or other insurance services related to the accumulation of funds, investment brokerage companies, managers of alternative investment funds, investment management companies, savings and loans associations, providers of re-insurance services and payment institutions;

2) the Latvian Council of Sworn Advocates – sworn lawyers;

3) the Latvian Sworn Notaries Council – sworn notaries;

4) the Latvian Association of Sworn Auditors – sworn auditors and commercial companies of sworn auditors;

- 5) [26 October 2017 / See Paragraph 28 of Transitional Provisions];
 - 6) the Bank of Latvia – capital companies licensed by the Bank of Latvia for the buying and selling of foreign currency cash;
 - 7) the Lottery and Gambling Supervisory Inspection – organisers of lotteries and gambling;
 - 8) [1 December 2009];
 - 9) [10 December 2009].
- (1¹) Transactions with the cultural monuments included in the list of State heritage shall be supervised and controlled by the State Inspection for Heritage Protection.
- (2) The State Revenue Service shall supervise the following subjects of the Law not specified in Paragraph one of this Section:
- 1) tax advisors, external accountants;
 - 2) independent providers of legal services when they, acting on behalf of their customers, assist in the planning or execution of transactions, participate therein or carry out other professional activities related to the transactions or approve a transaction for the benefit of their customer concerning the following:
 - a) buying and selling of an immovable property, undertaking;
 - b) managing of the customer's money, financial instruments and other funds;
 - c) opening or managing of all kinds of accounts in credit institutions or financial institutions;
 - d) establishment, management or provision of operation of legal arrangements, as well as in relation to the making of contributions necessary for the establishment, operation or management of a legal person or a legal arrangement;
 - 3) providers of services related to the establishment and provision of operation of a legal arrangement;
 - 4) persons acting as agents or intermediaries in immovable property transactions;
 - 5) other legal or natural persons trading in means of transport, precious metals, precious stones, the articles thereof and trading in other goods, and also acting as intermediaries in the abovementioned transactions or engaged in provision of services of other type, if payment is carried out in cash or cash for this transaction is paid in an account of the seller in a credit institution in the amount of EUR 15 000 or more, or in a foreign currency the amount of which in accordance with the exchange rate to be used in accounting in the beginning of the day of executing the transaction is equivalent to or exceeds EUR 15 000 regardless of whether this transaction is executed in a single operation or in several mutually related operations;
 - 6) other institutions which are not referred to in Section 45, Paragraph one, Clause 1 of this Law and which provide the following services:
 - a) credit services, including financial leasing, if provision of services is not subject to licensing;
 - b) issuance of guarantees and such other letters of commitment by which an obligation is imposed;
 - c) advising the customers in issues of financial nature;
 - d) encashment;
 - e) virtual currency exchange services.
- (2¹) The Consumer Rights Protection Centre shall supervise:
- 1) the subjects of the Law – persons engaged in the provision of consumer credit services and to whom the Consumer Rights Protection Centre issues a special permit (licence) for the provision of credit services;
 - 2) the subjects of the Law – persons engaged in provision of debt recovery services and to whom the Consumer Rights Protection Centre issues a special permit (licence) for the provision of debt recovery services.

(3) The subjects of the Law referred to in Paragraph two of this Section, except for the subjects of the Law referred to in Paragraph two, Clause 5 of this Section, shall, within 10 working days after registration with the Register of Enterprises or the Taxpayers' Register of the State Revenue Service, submit a report on its type of activity to the State Revenue Service.

(4) The subjects of the Law referred to in Paragraph two, Clause 5 of this Section shall, within 10 working days after the day of the establishment of a business relationship, agreement between transaction partners on a transaction, provision and receipt of services, submit a report on its type of activity to the State Revenue Service.

[1 December 2009; 10 December 2009; 31 March 2011; 12 September 2013; 31 October 2013; 13 August 2014; 26 October 2017 / Clause 6, Sub-clause "e" of Paragraph two shall come into force on 1 July 2019. See Paragraph 17 of Transitional Provisions]

Section 46. Obligations of a Supervisory and Control Authority

(1) A supervisory and control authority has the following obligations:

1) to keep records and to register the subjects of the Law to be supervised;
2) to conduct training of employees of the subjects of the Law which are under supervision and control and develop guidelines regarding the issues related to the prevention of money laundering and terrorism financing;

3) to conduct regular inspections according to the methodology developed by it, in order to assess the compliance of the subjects of the Law with the requirements of this Law, and, when finding a violation, to decide on the drawing up of an inspection report and imposition of sanctions;

4) to report to the Control Service on unusual and suspicious transactions found during inspections and not reported by the relevant subject of the Law to the Control Service;

5) upon a request of the Control Service, to provide it with methodological assistance for the fulfilment of the functions provided for in this Law;

6) to impose sanctions for the violations of laws and regulations specified in laws and regulations or propose that other competent authorities impose such sanctions, and to control the measures for the prevention of the violations;

7) on its own initiative or pursuant to a request, to exchange information with foreign institutions the obligations of which are essentially similar, if the confidentiality of data is ensured and they can be used only for mutually coordinated purposes;

8) not later than until 1 February of each year, to compile and submit to the Control Service statistical information on the measures related to the supervision and control of the subjects of the Law that were implemented last year;

9) to implement the necessary administrative, technical and organisational measures, in order to ensure the protection of information obtained within the scope of compliance with the requirements of this Law, to prevent unauthorised access to and unauthorised tampering with, distribution or destruction of such information. The procedure for the registration, processing, storage and destruction of the information shall be determined by the head of the supervisory and control authority. The supervision and control authority shall store information for at least five years;

10) to exchange information with other supervisory and control authorities that perform equivalent functions in the relevant state, in order to carry out such activities which would minimise possibilities for money laundering and terrorism financing;

11) to implement supervisory measures on the basis of money laundering and terrorism financing risk assessment;

12) to conduct the risk assessment and regular revision thereof according to the risk level.

(1¹) Upon assessing the necessity, commensurability and justification of further storage, in order to prevent, discover or investigate the money laundering or terrorism financing cases, upon instruction of the Control Service, the bodies performing operational activities, including the State security authority, as well as upon instruction of the investigatory authority, Office of the Prosecutor or court, may extend the time period referred to in Paragraph one, Clause 9 of this Section for a time period not exceeding five years.

(1²) The supervisory and control authority shall publish on its website the decision by which sanctions and supervisory measures are imposed, if violations of the requirements for the prevention of money laundering and terrorism financing are found, immediately after the person on whom the sanction or supervisory measure has been imposed is informed about the abovementioned decision.

(1³) When publishing the decision by which sanctions and supervisory measures are imposed, the supervisory and control authority shall comply with the following provisions:

1) the publication shall include at least the information on the type and nature of the violation and the identity of persons held liable, except for that which is laid down in Clause 2 of this Paragraph, as well as on contesting the decision and the given ruling;

2) the natural person may be left unidentified in the publication, if after performance of the initial assessment it is found that the disclosure of his or her data may endanger the stability of the financial market or the course of the initiated criminal proceedings, or cause incommensurate harm to the persons involved;

3) if it can be expected that the circumstances referred to in Clause 2 of this Paragraph may cease to exist in a reasonable period of time, the public disclosure of information may be temporarily postponed;

4) the publication shall be available on the website of the supervisory and control authority for a time period of five years in accordance with the applicable personal data protection requirements.

(2) The Latvian Council of Sworn Notaries, the Latvian Council of Sworn Advocates, and the Latvian Council of Sworn Auditors shall supervise and control the compliance with the requirements of this Law in accordance with the procedures laid down in this Law, insofar as it is not in contradiction with the procedures laid down in the laws and regulations governing the activities of the sworn notaries, sworn lawyers, and sworn auditors. The abovementioned organisations have the following obligations:

1) to develop the procedure specifying a set of measures to be implemented by the subject of the Law in order to ensure the compliance with the requirements of this Law;

2) to ensure that the training of the subjects of the Law that are under supervision and control in the issues related to the prevention of money laundering and terrorism financing is carried out;

3) to apply the sanctions specified in laws and regulations, if non-compliance with the requirements of this Law is found.

[13 August 2014; 26 October 2017]

Section 47. Rights of Supervisory and Control Authority

(1) A supervisory and control authority has the right:

1) to visit the premises owned or used by the subjects of the Law that are under the supervision and control, and related to the economic or professional activities thereof, and to conduct inspections therein;

2) to request information from the subjects of the Law under the supervision and control that is related to compliance with the requirements of this Law, to request that they present the original documents, to receive copies or certified copies of such documents, to receive relevant explanations, as well as to perform activities for the prevention or mitigation of the money laundering and terrorism financing possibilities;

- 3) to draw up inspection reports attesting to violations of the requirements of this Law and facts related thereto;
 - 4) to specify for the subjects of the Law a deadline for elimination of the violations of this Law found, and to control the implementation of the violation elimination;
 - 5) to publish statistical information on the violations of the requirements of this Law and the sanctions applied;
 - 6) to request any information from the State authorities and authorities of derived public persons, which is at the disposal thereof, for the fulfilment of the obligations specified in this Law;
 - 7) to issue recommendation for the subjects of the Law for the fulfilment of the obligations specified in this Law;
 - 8) to determine that the subject of the Law needs not to perform the risk assessment of the sector of its activities, if special risks of the relevant sector have been unambiguously identified and understood before.
- (2) The Financial and Capital Market Commission shall issue the normative regulations for the supervision and control of the prevention of money laundering and terrorism financing for the subjects of the Law referred to in Section 45, Paragraph one, Clause 1 of this Law wherein the following shall be determined:
- 1) the requirements to be included in the internal control system in addition to that specified in Section 7, Paragraph one of this Law;
 - 2) the minimum amount of measures to be implemented in order to ensure the establishment of an internal control system complying with the requirements for the prevention of money laundering and terrorism financing and the efficiency of internal control system, and also assessment of the conformity thereof with the laws and regulations, including by determining the regularity and requirements for the assessment in accordance with which independent assessment of the internal control system shall be carried out;
 - 3) the requirements for ensuring of personnel resources and personnel training for the money laundering and terrorism financing risk management;
 - 4) the requirements for cooperation with third parties for attraction of potential customers, ensuring of the requirements for customer identification and communication with a customer;
 - 5) the requirements for ensuring technical resources for the money laundering and terrorism financing risk management, including information technologies;
 - 6) the minimum amount of measures to be implemented for the determination of politically exposed persons, their family members and persons closely related with them, and also the amount of the minimum measures to be implemented before the establishment of business relationship and when carrying out enhanced due diligence of such persons;
 - 7) the requirements in accordance with which money laundering and terrorism financing risk assessment shall be performed, and also the requirements in respect of measures for the money laundering and terrorism financing risk management and mitigation;
 - 8) the minimum amount of measures to be implemented for customer identification and due diligence before the establishment of business relationship and during business relationship, including for the supervision of transactions executed by customers;
 - 9) the list of minimum indications of suspicious transactions, and also the minimum amount of measures to be implemented in order to identify the indications of a suspicious transactions;
 - 10) the requirements for the establishment and maintenance of correspondent banking relationship and the procedures for the respondent due diligence;
 - 11) the minimum amount of measures to be implemented to determine the origin of the funds and wealth characterising the material status of a customer;
 - 12) the requirements for customer identification if the customer does not participate in the identification procedure in person;

13) the minimum amount of measures to be implemented for the due diligence and supervision of the transactions of customers – the subjects of this Law;

14) the minimum amount of measures to be implemented to determine the beneficial owner of the customer and ascertain that the person indicated as the beneficial owner is the beneficial owner of the customer;

15) the minimum amount of measures to be implemented by credit institutions and financial institutions, if the legal acts of the third country do not allow to implement the group level requirements in the field of prevention of money laundering and terrorism financing;

16) the measures to be implemented in order ensure the application of Regulation (EU) No 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (Text with EEA relevance) (hereinafter – Regulation No 2015/847);

17) the requirements for the formation of central contact points, their functions and monitoring.

(2¹) The Financial and Capital Market Commission may request that the electronic money institutions and payment institutions carrying out business activity in the Republic of Latvia in one of the ways other than branch and the central headquarters whereof are located in another Member State to form the central contact point in the Republic of Latvia, for the purposes of ensuring conformity with the requirements for the prevention of money laundering and terrorism financing in the Republic of Latvia and to facilitate the supervision of the Financial and Capital Market Commission, including by submitting documents and information upon a request.

(3) The Bank of Latvia shall determine requirements binding for capital companies which carry out buying and selling of foreign currency cash for the fulfilment of the obligations specified in this Law in respect of the money laundering and terrorism financing risk assessment, internal control system and its establishment, customer due diligence and supervision of the transactions executed by customers.

(4) The Cabinet shall determine requirements binding for the subjects of the Law referred to in Section 45, Paragraph 2.¹ of this Law for the fulfilment of the obligations specified in this Law in respect of the money laundering and terrorism financing risk assessment, internal control system and its establishment, customer due diligence and supervision of the transactions executed by customers.

[13 August 2014; 26 May 2016; 26 October 2017]

Section 48. Prohibition of Information Disclosure

(1) The supervisory and control authorities of the subjects of this Law, the officials and employees thereof do not have the right to inform the customers and beneficial owners of the subjects of this Law, as well as other persons, that the Control Service has been provided with data on the customer, supervision of transactions in the customer's account and unusual or suspicious transactions, and that the analysis of such data may be or is being performed or that pre-trial criminal proceedings are or may be initiated in relation to the commitment of a criminal offence, including money laundering, terrorism financing or attempts to carry out such actions.

(2) The prohibition specified for supervisory and control authorities in Paragraph one of this Section shall not apply to the cases when they provide information to pre-trial investigating institutions, the Office of the Prosecutor or a court, as well as to the cases when the subject of the Law has refrained from executing a transaction.

[10 December 2009]

Section 49. Release from Responsibility of the Supervisory and Control Authorities

Reporting to the Control Service shall not be deemed to be the disclosure of confidential information and, therefore, the supervisory and control authorities of the subjects of the Law, the officials and employees thereof shall not be subject to legal liability irrespective of whether the fact of the criminal offence, including money laundering, terrorism financing or an attempt to carry out such actions, or another associated criminal offence is proved or not proved during the pre-trial criminal proceedings or court proceedings.

Chapter IX The Control Service

Section 50. Legal Status of the Control Service

(1) The Control Service is a specially established State authority which, pursuant to this Law, exercises control over unusual and suspicious financial transactions, and acquires, receives, registers, processes, compiles, stores, analyses and provides to pre-trial investigating institutions, the Office of the Prosecutor and a court information, which may be used for the prevention, detection, pre-trial criminal proceedings or trial of money laundering, terrorism financing or an attempt to carry out such actions or another associated criminal offence.

(2) The Control Service shall operate under the supervision of the Office of the Prosecutor.

(3) The structure and the list of offices shall be determined by the Prosecutor General in accordance with the State budget funds allocated.

(4) The Head of the Control Service shall be appointed to office for a four-year term and dismissed from office by the Prosecutor General. Employees of the Control Service shall be hired, as well as dismissed by the Head of the Control Service. The remuneration of the officials and employees of the Control Service shall be determined in accordance with the Law on Remuneration of Officials and Employees of State and Local Government Authorities.

(5) The Head and employees of the Control Service must comply with the requirements which are provided for in the law On Official Secrets, in order to receive a special permit to access especially secret information.

[1 December 2009]

Section 51. Rights and Obligations of the Control Service

(1) The Control Service has the following obligations:

1) to receive, compile, store, accumulate, systematise and analyse reports of the subjects of the Law, and also information obtained by other means, in order to determine whether such information may be related to money laundering, terrorism financing or an attempt to carry out such actions, or to another associated criminal offence;

2) to provide to investigating institutions, the Office of the Prosecutor and a court information that may be used for the prevention, detection, pre-trial criminal proceedings or trial of money laundering, terrorism financing or an attempt to carry out such actions, or of another associated criminal offence;

3) to analyse the quality of the reports provided and the effectiveness of their use, and to inform the subjects of the Law thereof;

4) to conduct the analysis and research of the practices of money laundering, terrorism financing or an attempt to carry out such actions, and to improve the methodology for the hindrance and detection of such actions;

5) pursuant to the procedures provided for in this Law, to cooperate with international and foreign authorities, which are engaged in the prevention of money laundering and terrorism financing;

6) to provide supervisory and control authorities with information on the most characteristic practices and places of acquisition proceeds of crime, money laundering and terrorism financing, in order to carry out the activities for the mitigation of money laundering and terrorism financing possibilities, to ensure the training of the employees of supervisory and control authorities in issues related to the prevention of money laundering and terrorism financing;

7) to provide the subjects of the Law and their supervisory and control authorities with the information specified in Section 4, Paragraph four of this Law and to ensure the updating thereof;

8) upon a request of supervisory and control authorities and according to the competence thereof, to provide data on the statistics, quality and use effectiveness of the reports provided by the subjects of the Law;

9) by taking into account the information at the disposal of the Control Service, to provide recommendations to the subjects of the Law, supervisory and control authorities, pre-trial investigating institutions and the Office of the Prosecutor, in order to mitigate the money laundering and terrorism financing possibilities;

10) to publish information on the results of the Control Service work by indicating the number of cases investigated and the number of persons transferred for criminal prosecution last year, the number of persons convicted for the criminal offences related to money laundering or terrorism financing, the amount of the funds seized and confiscated;

11) to inform supervisory and control authorities on the discovered violations of the requirements of this Law committed by the subjects of the Law;

12) to compile and submit the statistical information referred to in Paragraph one, Clause 8 of this Section to the Advisory Board of the Control Service, and also summary statistics for the purpose of efficiency assessment on the activities carried out in the field of prevention and combating of money laundering and terrorism financing, including the quality of the reports provided for suspicious or unusual transactions;

13) to develop recommendations for the subjects of the Law and implement measures in order to mitigate risks of money laundering and terrorism financing, including by deciding on the reporting on the execution of unusual or suspicious transactions and refraining from executing transactions upon the initiative of the subject of the Law;

14) to analyse the laws and regulations governing the prevention of money laundering and terrorism financing, to prepare recommendations for the improvement of such laws and regulations, to organise and carry out money laundering and terrorism financing risk assessment, and also to develop proposals for the mitigation of the level of such risks;

15) to maintain on the website of the Control Service information of general nature on the current typologies of money laundering, terrorism financing and criminal offences related thereto;

16) to provide detailed information to the supervisory and control authorities on the current typologies of money laundering, terrorism financing and criminal offences related thereto.

(2) The Control Service has the following rights:

1) in the cases specified in this Law, to order the subject of the Law to freeze a transaction or a definite type of debit operations in the customer's account;

2) in the cases provided for in this Law, to order the State information system manager or request the Land Registry Office to implement measures in order not to allow the re-registration of funds;

3) to instruct the subjects of the Law regarding extension of the time period for the storage of documents obtained in the process of customer identification and due diligence;

- 4) to request and receive information from the subjects of the Law, State authorities, as well as from derived public persons and the authorities thereof;
 - 5) to provide information to pre-trial investigating institutions, the Office of the Prosecutor, court, supervisory and control authorities;
 - 6) to exchange information with foreign authorities whose obligations are similar to the obligations of the Control Service;
 - 7) to request and receive information on the results of activities carried out in the field of combating money laundering and terrorism financing from pre-trial investigating institutions, the Office of the Prosecutor, court, the Ministry of Interior and Ministry of Justice, also Court Administration, which is at their disposal, including statistics on pre-trial investigation, prosecution, trial results, on arrest imposed on the property and amount of confiscation and international cooperation in the field of combating money laundering and terrorism financing;
 - 8) to request and receive information which is necessary for the money laundering and terrorism financing risk assessment from the subjects referred to in Section 3 and authorities referred to in Section 45 of this Law;
 - 9) not to issue the order on freezing of the funds, if there are objective reasons to believe that such action would adversely affect the operational activities measures, pre-trial investigation, the analysis provided by the Control Service, or might endanger human life or health, or under other emergency circumstances, or if such action would be obviously incommensurate to the lawful interests of a natural or legal person;
 - 10) to participate in meetings of the financial intelligence units organisation Egmont Group, European Union financial intelligence units (FIU) platform, to use secure communication channels, as well as technologies in order to identify the money laundering and terrorism financing trends, risk factors at the national and international level, as well as, by ensuring personal data protection, to compare data at its disposal with the data at the disposal of similar services of other countries in order to discover the subjects of interest, including in other countries, and to identify the amount of their funds, including proceeds from crime.
- [10 December 2009; 13 August 2014; 11 June 2015; 26 October 2017]*

Section 52. Responsibility of the Control Service

If the orders specified in this Law are issued pursuant to the requirements of this Law, the Control Service and its officials shall not be subject to legal and also civil liability for the consequences of the order.

Section 53. Information Protection at the Control Service

- (1) The Control Service is allowed to use the information at the disposal thereof only for the purposes and pursuant to the procedures provided for in this Law. An employee of the Control Service who has used such information for other purposes or has disclosed it to persons who do not have the right to receive the relevant information, shall be subject to criminal liability pursuant to the procedures provided for in the Criminal Law.
- (2) Information, which has been obtained by the Control Service based on the supervision procedures of the Prosecutor General and specially authorised prosecutors, shall not be forwarded at the disposal of or used for the needs of bodies performing operational activities, pre-trial investigating institutions, the Office of the Prosecutor or a court.
- (3) The Control Service shall implement the necessary administrative, technical and organisational measures in order to ensure protection of information, to prevent unauthorised access to, unauthorised tampering with, distribution or destruction of information. Information on transactions shall be stored at the Control Service for at least five years.

Processing of the information received by the Control Service shall not be included into the data processing register of the Data State Inspectorate. In order to ensure, in public interests, prevention of money laundering and terrorism financing, not to endanger or influence the course of investigation processes, the Control Service, by assessing the necessity and commensurability, has the right to prohibit or restrict the rights of the data subject to access its data at the Control Service, including for the purposes of correcting and deleting the data.
[26 October 2017]

Chapter X

Cooperation of the Control Service with the State and Local Government Authorities

Section 54. Cooperation Obligation of the State and Local Government Authorities

All State and local government authorities have an obligation, pursuant to the procedures specified by the Cabinet, to provide information requested by the Control Service for the implementation of the functions thereof. When exchanging information with the Control Service, the person who performs the data processing is prohibited from disclosing to other legal or natural persons the fact of the exchange of information and the information contents, except in cases when the information is provided to pre-trial investigating institutions, the Office of the Prosecutor or a court.

Section 55. Co-operation of the Control Service with Pre-trial Investigating Institutions, the Office of the Prosecutor and a Court

The Control Service shall provide information to pre-trial investigating institutions, the Office of the Prosecutor or a court, if such information allows for substantiated suspicions that the relevant person has committed a criminal offence, including money laundering, terrorism financing or an attempt to carry out such actions.

Section 56. Satisfaction of Information Requests

(1) According to the requirements of this Law the Control Service shall provide information upon a request of the bodies performing operational activities, pre-trial investigating institutions, Office of the Prosecutor, and a court which is assessed from the point of view of lawfulness and justification and approved by the Prosecutor General or specially authorised prosecutors in the operational activities procedure or criminal proceedings.

(1¹) The Control Service shall, following the Prosecutor General or specially authorised prosecutor has assessed the request of the State security institution from the point of view of lawfulness justification and approved it, provide the information at the disposal of the Service regarding a person who:

1) in accordance with the procedures determined in the Immigration Law has requested a residence permit and there are substantiated suspicions that such person may cause threats to the State security or public order and security, and connection with money laundering or terrorism financing is possible;

2) in accordance with the procedures determined in the Law on Circulation of Goods of Strategic Significance has requested a licence for goods of strategic significance and there are reasonable suspicions of a suspicious transaction with goods of strategic significance by this person, and connection with money laundering or terrorism financing is possible;

3) is an owner of the airport ensuring international passenger, cargo or postal carriages by air, the operator of aircraft carrying out international passenger, cargo or postal carriages by air and the provider of air navigation services (beneficial owner) or an employee who holds a leading office or may significantly influence the activity of the undertaking by his or

her decisions, and there are reasonable suspicions that such person may cause threats to the State or public security and his or her connection with money laundering or terrorism financing is possible, and if a State security institution has received information request in accordance with the law On Aviation.

(2) Upon a request of the State Revenue Service the Control Service shall provide the information at the disposal thereof necessary for the examination of the income declarations of State officials provided for in laws and regulations, as well as other declarations of natural persons provided for in laws, if there are reasoned suspicions that such persons have provided false information on their financial status or income.

(3) The Control Service shall, upon request of the Financial and Capital Market Commission, provide thereto the information at the disposal of the Service necessary for the assessment of the persons specified in the laws and regulations regarding the possible connection of the relevant persons with money laundering, terrorism financing, or criminal offences related thereto.

(4) Upon a request of the bodies performing operational activities, pre-trial investigating institutions, Office of the Prosecutor or a court the Control Service shall provide information on whether there is information about the person or an account thereof at its disposal. Information shall be required within the procedure of operational activities or criminal proceedings, if there are justified suspicions that the person is connected to money laundering, terrorism financing or an attempt to carry out such actions or another criminal offence related to such activity, or there may be proceeds of crime at the disposal of the person. Information shall be provided in an encrypted form by pseudonymising personal data in accordance with the concluded bilateral agreement.

(5) If there are objective reasons to believe that provision of information, on the basis of the request of institutions referred to in Paragraphs two and three of this Section, would adversely affect the current operational activities, pre-trial investigation, the analysis provided by the Control Service or might endanger human life or health, or under other emergency circumstances, or if disclosure of information would be obviously incommensurate to the lawful interests of a natural or legal person or non-conforming to the purpose it was requested, the Control Service does not have a duty to fulfil the information request.

(6) The Control Service, upon international request of information within the scope of the criminal proceedings initiated abroad, is entitled to provide information to the person directing the criminal proceedings initiated abroad.

[10 December 2009; 7 June 2012; 11 June 2015; 22 June 2017; 26 October 2017]

Section 57. Responsibility for the Information Request

(1) The requester of the information and the specially authorised prosecutor who has accepted the request shall be responsible for the justification for the request of information.

(2) The information provided by the Control Service may be published from the moment when the relevant person is held criminally liable.

Section 58. Use of Information

(1) Information received by the State authorities referred to in this Chapter from the Control Service may only be used for the purpose for which the relevant information has been received. The State authorities shall provide information to the Control Service on the results of the use of information, pre-trial investigation or the verification carried out.

(2) The Control Service may disclose the information received by it from the authorities and institutions referred to in Section 62, Paragraphs one and four of this Law upon a prior consent of such authorities and institutions and for a mutually coordinated purpose of use.

[26 October 2017]

Chapter XI

The Advisory Board of the Control Service

Section 59. The Task of the Advisory Board of the Control Service

In order to facilitate the work of the Control Service and to co-ordinate its co-operation with pre-trial investigating institutions, the Office of the Prosecutor, a court and the subjects of this Law, the Advisory Board of the Control Service (hereinafter – the Advisory Board) is established, the tasks of which are:

1) to co-ordinate the co-operation among the State authorities, the subjects of the Law and the supervisory and control authorities thereof in the fulfilment of the requirements of this Law;

2) to develop recommendations for the fulfilment of the obligations of the Control Service provided for in this Law;

3) to prepare and submit to the Control Service recommendations for amending the list of unusual transaction indications;

4) upon a request of the Prosecutor General, or on its own initiative, to inform the Prosecutor General about the work of the Control Service and to provide recommendations for improving the work of this Service;

5) to examine the information on activities in the field of prevention and combating of money laundering and terrorism financing, including on those carried out in the previous year which are related to supervision and control of the subjects of the Law, and also the quality of reports provided on suspicious and unusual transactions.

[13 August 2014]

Section 60. The Composition of the Advisory Board

(1) The Advisory Board shall consist of:

1) two representatives, including one from the State Revenue Service, designated by the Minister for Finance;

2) one representative designated by each:

- a) the Minister for the Interior;
- b) the Minister for Justice;
- c) the Bank of Latvia;
- d) the Finance and Capital Market Commission;
- e) the Association of Latvian Commercial Banks;
- f) the Latvian Insurers Association;
- g) the Latvian Association of Sworn Auditors;
- h) the Latvian Sworn Notaries Council;
- i) the Latvian Council of Sworn Advocates;
- j) the Supreme Court.

(2) Meetings of the Advisory Board shall be chaired by the Prosecutor General.

(3) The Advisory Board shall invite the Head of the Control Service and experts to participate in the meetings thereof.

(4) The Control Service shall ensure the record keeping of the Advisory Board.

Chapter XII

Co-ordination of the Prevention of Money Laundering and Terrorism Financing

Section 61. Co-ordinating Authority

- (1) A co-ordinating authority, whose purpose of operation is to co-ordinate and to improve the co-operation between the State authorities and the private sector in the prevention of money laundering and terrorism financing, is the Financial Sector Development Board.
- (2) The composition, functions, tasks, rights, the decision taking procedures and work organisation of the Financial Sector Development Board shall be determined by the Cabinet.

Chapter XIII

International Co-operation

Section 62. Exchange of Information

(1) The Control Service may, on its own initiative or upon a request, conduct exchange of information with foreign authorised institutions the obligations of which are essentially similar to the obligations referred to in Section 50, Paragraph one and Section 51 of this Law, as well as with foreign or international anti-terrorism financing agencies concerning the issues of the control of the movement of funds associated with terrorism, if:

1) the confidentiality of data and the use thereof for mutually agreed purposes only is ensured;

2) it is guaranteed that the information shall be used for the prevention and detection of only such criminal offences which are criminally punishable in Latvia.

(1¹) The Control Service may, on the basis of information request received from the United Nations Security Council and auxiliary institutions established in accordance with its legal acts (hereinafter – the UN Security Council) by intermediation of the Ministry of Foreign Affairs, transfer to the UN Security Council the information necessary for the implementation of the sanctions regime laid down in its resolutions if data confidentiality of the provided information is ensured and the use of information only for the implementation of the sanctions regime laid down in resolutions of UN Security Council is guaranteed.

(2) The Control Service is entitled to enter into cooperation agreements for the purpose of information exchange with the institutions and authorities referred to in Paragraph one of this Section by agreeing on the procedures and content of the exchange of information. The Control Service is entitled to determine for the foreign authorised institutions and international authorities other restrictions and conditions related to the use of information provided, in addition to those specified in Paragraph one of this Section, as well as to request data on the use thereof. Information shall be provided for the purpose of the analysis thereof, and a prior consent of the Control Service in accordance with the requirements specified in Paragraph one of this Section shall be required for the further forwarding of the information. If possible, the Control Service shall inform the provider of information about the use of the information received.

(3) The Control Service shall, by indicating a justification, refuse to perform exchange of a full or partial amount of information or shall refuse to give its consent to further forwarding of information in the following cases:

1) such an action may prejudice the sovereignty, security, public order or other State interests of Latvia;

2) there are sufficient grounds to believe that the person will be subject to prosecution or punishment due to the race, religion, national, ethnic origin or political opinion;

3) such an action would definitely be non-commensurate with the lawful interests of the State of Latvia or a person;

4) the person, who is included in any list of persons suspected of being involved in terrorist activity compiled by the states or international organisations recognized by the Cabinet, has committed the criminal offence in the territory of the state which has expressed a request for information exchange or its further forwarding, is a citizen of such a state and has not committed any criminally punishable offence in the territory of Latvia.

(4) The Control Service may request also from other foreign institutions, not referred to in Paragraph one of this Section, information required for the analysis of the reports received on unusual or suspicious transactions.

(5) Information at the disposal of the Control Service shall be provided to foreign investigating institutions and courts in accordance with the procedures provided for in international agreements regarding mutual legal assistance in criminal matters and through intermediation of the State authorities of the Republic of Latvia specified in such agreements, moreover, only on criminal offences, which are criminally punishable in the Republic of Latvia, if it is not specified otherwise in the international agreements regarding mutual legal assistance in criminal matters.

[13 August 2014; 26 October 2017]

Section 63. Issue of Orders

(1) The Control Service has the right to issue an order upon a request of the authorised institutions or international terrorism prevention authorities of other states in accordance with Chapter V of this Law.

(2) The Control Service has the right to issue an order, if the information provided in the request creates reasonable suspicions that a criminal offence is occurring, including money laundering, terrorism financing or an attempt to carry out such actions, and such an order would also have been issued, if a report on an unusual or suspicious transaction had been received according to the procedure provided for in this Law.

Chapter XIV

Compensation of Losses Caused as a Result of Unjustified and Unlawful Action of the Subject of the Law and the Control Service

[7 June 2012]

Section 64. Unjustified Action

(1) The action of the subject of the Law shall be unjustified, if it at the time of taking the decision has acted in good faith in compliance with the provisions of this Law, however later one of the legal basis for the compensation of losses determined in Section 68 of this Law has arisen.

(2) The action of the Control Service shall be unjustified, if it has acted in compliance with the provisions of this Law, however later one of the legal basis for the compensation of losses determined in Section 68 of this Law has arisen.

Section 65. Unlawful Action

(1) The action of the subject of the Law shall be unlawful, if it does not comply with the provisions of this Law.

(2) The action of the Control Service shall be unlawful, if it, upon issuing an order, has violated the provisions of this Law.

Section 66. Loss

Loss is a materially assessable damage which is caused to a person as a result of unjustified or unlawful actions by the Control Service or the subject of the Law.

Section 67. Causal Link

- (1) The right to compensation for losses shall arise, if a direct causal link exists between the unjustified or unlawful actions of the subject of the Law or the Control Service and loss caused to a person – objective link between the actions of the subject of the Law or the Control Service and its consequences following in terms of time that causes loss, namely, the abovementioned action is the main factor which has inevitably caused such consequences.
- (2) Causal link does not exist, if the same loss would have arisen also in case of not setting in of any of legal basis for the compensation of losses.

Section 68. Legal Basis for the Compensation of Losses

- (1) The compensation of losses shall have the following legal basis:
- 1) an order of the Control Service issued in accordance with the provisions of Section 32.², Paragraph one of this Law to terminate the refraining from executing transactions;
 - 2) a notice of the Control Service issued to the subject of the Law in compliance with Section 32.², Paragraph two, Clause 2 of this Law on the fact that such Service has not found any basis to issue the order referred to in Section 32.², Paragraph two, Clause 1 of this Law;
 - 2¹) an order of the Control Service issued to the subject of the Law in compliance with Section 32.², Paragraph four, Clause 2 of this Law by which it is notified that further temporary freezing of funds is to be terminated as the Control Service has not found any basis to issue the order referred to in Section 32.², Paragraph four, Clause 1 of this Law;
 - 3) an order of the Control Service issued in compliance with Section 32.², Paragraph six and seven of this Law to revoke the order which has been issued in accordance with the provisions of Section 32.², Paragraph two, Clause 1 of this Law;
 - 4) a decision of the Prosecutor General or specially authorised prosecutor by which the order of the Control Service issued in accordance with Section 32.², Paragraph one or Paragraph two, Clause 1 of this Law is repealed.
- (2) If the subject of the Law has acted unjustifiably, the right to compensation of losses shall not arise from the moment when he or she has notified the Control Service in accordance with Section 32, Paragraph two of this Law until the moment when the Control Service has issued the order to terminate the refraining from executing a transaction in accordance with Section 32.², Paragraph one of this Law.
- [13 August 2014]*

Section 69. Co-responsibility

A person is not entitled to receive compensation of losses fully or partially, if he or she:

- 1) has not used his or her knowledge, abilities and practical opportunities, as well as has not done everything possible in order to prevent or minimize the loss;
- 2) has hampered the assessment of the lawfulness of a transaction, including he or she has not provided or has not provided in a timely manner the information which is necessary (requested) for the assessment of the transaction, he or she has provided false information, has not been accessible at his or her declared place of residence or actual place of residence (if his or her address has been specified for the subject of the Law), or at the legal address;

- 3) has caused losses for himself or herself or has induced incurring of such losses.

Section 70. Types of Losses to be Compensated

(1) The following direct losses shall be compensated to a person:

- 1) refraining from executing transactions or unearned income as a result of suspension of the relevant actions;
- 2) losses incurred as a result of non-fulfilment or delay in the fulfilment of obligations;
- 3) other direct losses not referred to in this Section, which are determined in the Civil Law and which a person may prove.

(2) If fine for late payments has been calculated for a person as a taxpayer regarding the time period when the possibility to act with financial funds was unlawfully or unjustifiably prohibited to him or her, and the Prosecutor General or specially authorised prosecutor has taken a decision on the compensation of losses, such fine for late payments shall be deleted for the relevant person in accordance with the procedures determined in the law On Taxes and Duties.

[Paragraph two shall come into force on 11 January 2013 / See Paragraph 9 of Transitional Provisions]

Section 71. Determination of the Amount of Compensation of Losses

(1) When determining the corresponding amount of the compensation of losses, the lawful and actual justification, the motives for the actions of the subject of the Law and the Control Service, as well as the actions of the person shall be taken into account.

(2) When determining the amount of the compensation of losses, in addition other circumstances significant in the particular case, if they can be objectively proven, may be taken into account.

(3) Losses, which have been calculated in compliance with the provisions of Section 70 and Section 71, Paragraph one and two of this Law, shall be compensated in the following amount:

- 1) in the amount of 100 per cent – for the calculated sum or part of the sum which does not exceed EUR 150 000;
- 2) in the amount of 75 per cent – for the calculated part of the sum which exceeds EUR 150 000, but does not exceed EUR 1 425 000;
- 3) in the amount of EUR 50 per cent – for the calculated part of the sum which exceeds EUR 1 425 000.

(4) The compensation of losses for unearned income to be disbursed to a person shall be subject to taxes and duties in accordance with the procedures determined in the tax laws.

[31 October 2013]

Section 72. Procedures by which an Application for the Compensation of Losses shall be Submitted and Examined

(1) A person shall submit an application for the compensation of losses within six months from the day of setting in of lawful basis referred to in Section 68 of this Law to the Office of the Prosecutor General. The following shall be indicated in the application:

- 1) given name, surname, address and personal identity number, but if there is not any – other information which provides a possibility to identify the person, of a submitter – natural person, or the firm name, registration number and legal address of a legal person;
- 2) claim;
- 3) lawful basis for the compensation of losses and other facts which substantiate the right to compensation of losses;

4) confirmation of a person that this person did not have any free financial funds in order to fulfil his or her obligations at the time of arising of loss;

5) details of the bank account or postal settlement system account to which compensation of losses is to be transmitted;

6) by option – other contact information (additional address, phone number, electronic mail address).

(2) The documents confirming the loss and other evidence shall be appended to the application.

(3) The Prosecutor General or specially authorised prosecutor shall, within three months after receipt of an application, assess the lawful basis for the compensation of losses and take a decision on the compensation of losses and the amount thereof or on the refusal to compensate the losses. If due to objective reasons it is not possible to observe the time period of three months, it may be prolonged to up to six months by informing the submitter thereof in writing. If necessary the Prosecutor General or specially authorised prosecutor may request additional information.

(4) A person shall be held liable according to the law for the intentional provision of false information to the Office of the Prosecutor General.

Section 73. Notification of Decision of the Prosecutor General or Specially Authorised Prosecutor and Validity Thereof

(1) A decision on the compensation of losses or refusal to compensate losses shall come into effect by the time when it is notified to the submitter.

(2) A person who does not agree with the decision of the Prosecutor General or specially authorised prosecutor in the matter of compensation of losses has the right to initiate court proceedings within 30 days in accordance with the procedures provided for in the Civil Procedure Law.

Section 74. Execution of a Decision Taken in the Matter of Compensation of Loss

(1) After the decision on the compensation of loss of the Prosecutor General or specially authorised prosecutor has come into effect, the Office of the Prosecutor General shall, within three working days, send the following to the Ministry of Finance for execution:

1) a true copy of the decision;

2) information on person's data, bank or postal settlement system details and contact information, if a person has specified it.

(2) After the decision of the Prosecutor General or specially authorised prosecutor has come into effect, the Office of the Prosecutor General shall, within three working days, send the following to a tax administration for deleting of fine for late payments referred to in Section 70, Paragraph two of this Law:

1) a true copy of the decision;

2) information on person's data, the amount of sum of the suspended transaction and a time period during which the person was prohibited from possibility to act with financial funds.

(3) The Ministry of Finance shall, within a month after receipt of all necessary information, disburse a compensation of loss, by transmitting it to the bank or postal settlement system account specified in the application.

(4) Upon a justified decision, the Ministry of Finance may disburse the compensation of losses in parts within a year after receipt of all necessary information. This decision may not be contested and appealed.

(5) The compensation of losses shall be disbursed from the funds intended specially for such purposes in the State budget.

[Paragraph two shall come into force on 11 January 2013 / See Paragraph 9 of Transitional Provisions]

Section 75. Report on the Compensation of Losses

The Ministry of Finance shall, once a year (until 15 January of the following year), draw up a report on all decisions of the Prosecutor General or specially authorised prosecutor on the compensation of losses from the State budget received during the relevant time period and submit it to the Cabinet.

Section 76. Liability of the Subject of the Law

- (1) If the State compensates to a person the losses, which have been incurred due to unlawful action of the subject of the Law, the Office of the Prosecutor General shall bring a subrogation action against the subject of the Law after disbursement of the compensation.
- (2) Prior to bringing a subrogation action against the subject of the Law the Office of the Prosecutor General shall notify him or her of the decision taken and propose to voluntarily compensate the caused losses within a month.
- (3) Funds collected in accordance with the subrogation procedures shall be transferred to the State basic budget.

Chapter XV

Liability for Violations in the Field of Prevention of Money Laundering and Terrorism Financing, and Competence in Imposing Sanctions and Implementing Supervisory Measures

[26 October 2017]

Section 77. Competence in Imposing Sanctions and Implementing Supervisory Measures

- (1) The supervisory and control authority shall impose the sanctions specified in Section 78 of this Law, if violations of the laws and regulations in the field of prevention of money laundering and terrorism financing are found. The sanctions specified in Section 78, Paragraph one, Clauses 1, 2, 3, 5, 6, and 7 of this Law in relation to the certified auditors and commercial companies of certified auditors shall be imposed by the State Revenue Service upon the proposal of the supervisory and control authority – the Latvian Association of Certified Auditors.
- (2) The supervisory and control authority in addition to the sanctions specified in Section 78 of this Law may apply the supervisory measures specified in the laws and regulations governing the activities of the relevant subjects of the Law, if violations of the laws and regulations in the field of prevention of money laundering and terrorism financing are found.
- (3) When determining the type and extent of sanctions or supervisory measures in accordance with Paragraph one of this Section, the supervisory and control authority shall take into account all relevant circumstances, including:
 - 1) the severity, duration and regularity of the violation;
 - 2) the degree of liability of the natural or legal person;
 - 3) the financial situation of the natural or legal person (the amount of annual income of the liable natural person or the total annual turnover of the liable legal person and other factors affecting the financial situation);
 - 4) the profit obtained by the natural or legal person as a result of the violation, insofar as it can be calculated;
 - 5) the losses caused to the third parties by the violation, insofar as they can be established;

6) the extent to which the natural or legal person held liable is cooperating with the supervisory and control authority;

7) the violations which the natural or legal person has previously committed in the field of prevention of money laundering and terrorism financing, and international and national sanctions.

[26 October 2017]

Section 78. Failure to Comply with the Requirements Specified for the Prevention of Money Laundering and Terrorism Financing

(1) The following sanctions may be imposed on the subject of the Law for the violation of the laws and regulations in the field of prevention of money laundering and terrorism financing, including in relation to the customer due diligence, monitoring of the business relationship and transactions, reporting of unusual and suspicious transactions, provision of information to the supervisory and control authority or the Control Service, refraining from execution of a transaction, freezing of funds, internal control system, storage and destruction of information, as well as for the violation of Regulation No 2015/847:

1) to express a public announcement by indicating the person liable for the violation and the nature of the violation;

2) to express a warning;

3) to impose a fine on a person (natural or legal) liable for the violation in the amount of up to EUR 1 000 000;

4) to suspend or terminate the activity, including to suspend or annul a licence (certificate) or to annul the record in the relevant register;

5) to set a temporary prohibition on a person liable for the violation to fulfil the obligations specified for him or her by the subject of the Law;

6) to impose an obligation to perform certain action or refrain therefrom;

7) to impose an obligation on the subject of the Law to dismiss the person liable for the violation from the position held.

(2) In relation to sworn lawyers and sworn notaries the proceedings for violations of the laws and regulations in the field of prevention of money laundering and terrorism financing shall be examined according to the procedural order for the examination of disciplinary cases specified in the laws and regulations governing activities of such persons.

(3) By way of derogation from Paragraph one, Clause 3 of this Section, the following sanctions may be imposed on credit institutions and financial institutions for the violation of the laws and regulations in the field of prevention of money laundering and terrorism financing, including in relation to the customer due diligence, monitoring of the business relationship and transactions, reporting of unusual and suspicious transactions, provision of information to the supervisory and control authority or the Control Service, refraining from the execution of a transaction, freezing of funds, internal control system, storage and destruction of information, as well as for violation of Regulation No 2015/847:

1) to impose a fine on a legal person in the amount of up to 10 per cent of the total annual turnover according to the latest approved financial statement, drafted, approved and audited, if necessary, in accordance with the laws and regulations in the field of preparation of annual statements binding to the credit institution or financial institution. If 10 per cent of the total annual turnover, available in accordance with that which is laid down in the first sentence of this Clause, is less than EUR 5 000 000, the supervisory and control authority is entitled to impose a fine in the amount of up to EUR 5 000 000. If the credit institution or financial institution is a parent undertaking or a subsidiary undertaking of a parent undertaking, the corresponding total annual turnover shall be the total annual turnover or the income of the corresponding type in accordance with the relevant laws and regulations and

the latest available consolidated statements which have been approved by the key management body of the parent undertaking;

2) to impose a fine of up to EUR 5 000 000 on the official, employee or a person who, at the time of committing the violation, has been liable for the performance of a specific action upon assignment or in the interests of the credit institution or financial institution.

(4) If the supervisory and control authority finds that a branch of a credit institution or financial institution licensed in another Member State which operates in Latvia or a credit institution or financial institution licensed in another Member State which provides financial services without opening a branch therein performs activities contrary to this Law, directly applicable European Union legal acts or other laws and regulations, or the decisions taken by the supervisory authorities of credit institutions or financial institutions of the Member State, it shall immediately request that the respective branch, credit institution or financial institution terminates such activities.

(5) If a branch of a credit institution or financial institution licensed in another Member State which operates in Latvia, or a credit institution or financial institution licensed in another Member State which provides financial services without opening a branch fails to terminate the activities contrary to this Law, directly applicable European Union legal acts or other laws and regulations, or the decisions taken by the supervisory authorities of credit institutions or financial institutions of the Member State, the supervisory and control authority shall immediately inform the supervisory authority of the credit institutions or financial institutions of the relevant Member State thereon.

(6) If a branch of a credit institution or financial institution licensed in another Member State which operates in Latvia, or a credit institution or financial institution licensed in another Member State which provides payment services without opening a branch performs activities contrary to this Law, directly applicable European Union legal acts or other laws and regulations, or the decisions taken by the supervisory authorities of credit institutions or financial institutions of the Member State, the supervisory and control authority shall inform the supervisory authority of credit institutions or financial institutions of the relevant Member State thereon and shall implement measures for the prevention of such violations.

(7) The supervisory and control authority shall publish on its website information on the sanctions imposed on the subject of the Law, as well as information on appeal of the decision on the imposition of sanctions, the outcome of the appeal, and the decision on revoking the sanctions.

(8) The supervisory and control authority may publish the information referred to in Paragraph seven of this Section without identifying the person, if, after the initial assessment, it finds that the disclosure of personal data of the natural person on whom the sanction has been imposed may endanger the stability of the financial market or the course of the initiated criminal proceedings, or cause incommensurate harm to the persons involved.

(9) If it is expected that the circumstances referred to in Paragraph eight of this Section may cease to exist in a reasonable period of time, public disclosure of the information referred to in Paragraph seven of this Law may be postponed.

(10) Information posted on the website of the supervisory and control authority in accordance with the procedures specified in this Section shall be available for the time period of five years from the day of posting it.

(11) The Financial and Capital Market Commission shall inform the European Banking Authority on the sanctions imposed on persons.

[26 October 2017 / See Paragraph 30 of Transitional Provisions]

Section 79. Appeal of an Administrative Act of the Financial and Capital Market Commission

The decision of the Financial and Capital Market Commission on the imposition of sanctions taken on the basis of this Law may be appealed before the Administrative Regional Court. The court shall examine the case as the court of first instance. The case shall be examined before a panel of three judges. The judgment of the Administrative Regional Court may be appealed by filing a cassation complaint.

[26 October 2017]

Section 80. Operation of the Administrative Act

The appeal of the administrative act on the imposition of the sanctions referred to in Section 78 of this Law, except for the imposition of a fine, shall not suspend the operation of such act.

[26 October 2017]

Section 81. Procedures for the Use of Fines

The fines for violations of this Law shall be transferred into the State budget. Use of the fines collected for violations of this Law shall be determined in accordance with that provided for in the law on annual State budget.

[26 October 2017]

Section 82. Statute of Limitation

(1) If the subject of the Law has violated the laws and regulations in the field of prevention of money laundering and terrorism financing, the supervisory and control authority is entitled to initiate proceedings not later than within five years from the day of committing the violation, but, in case of a continuing offence, – from the day of terminating the violation.

(2) If the subject of the Law has violated the laws and regulations in the field of prevention of money laundering and terrorism financing and if there is information at the disposal of the supervisory and control authority which causes suspicions regarding direct or indirect involvement of the subject of the Law in money laundering or terrorism financing, the supervisory and control authority is entitled to initiate proceedings not later than within 10 years from the day of committing the violation, but, in case of a continuing offence, – from the day of terminating the violation.

(3) The calculation of the statute of limitation for initiation of proceedings specified in Paragraphs one and two of this Section shall be stopped from the day of when the proceedings have been initiated.

(4) The supervisory and control authority may take a decision on imposition of the sanctions specified in Section 78 of this Law within two years from the day when the proceedings have been initiated.

(5) Due to objective reasons, including if the proceedings require a protracted determination of facts, the supervisory and control authority, by taking a decision, may extend the time period for taking of a decision specified in Paragraph four of this Section for a time period not exceeding three years from the day when the proceedings have been initiated. The decision on extending the time period shall not be subject to appeal.

(6) The supervisory and control authority shall terminate the proceedings, if the decision on imposition of the sanctions specified in Section 78 of this Law has not been taken within the time period specified in Paragraph four or five of this Section.

[26 October 2017]

Transitional Provisions

1. With the coming into force of this Law, the Law on the Prevention of Laundering of Proceeds Derived from Criminal Activity (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1998, No. 3; 2000, No. 14; 2002, No. 16; 2004, No. 2; 2005, No. 13; 2006, No. 12) is repealed.
2. The subjects of the Law shall conduct the customer identification and determination of the beneficial owner, specified in this Law, in relation to those customers with whom business relationships are in force and who were not subject thereto, no later than until 1 July 2009 or shall terminate the business relationship with such customers until the deadline specified.
3. Until the day of the coming into force of new Cabinet regulations, but not later than until 1 January 2009, the following Cabinet regulations shall be in force:
 - 1) the Cabinet Regulation No. 213 of 2 June 1998, Regulation Regarding the Work Remuneration System for Employees of the Service of Prevention of Money Laundering;
 - 2) the Cabinet Regulation No. 497 of 29 December 1998, Regulation Regarding the Procedure According to Which the State Authorities Shall Provide Information to the Service of Prevention of Money Laundering;
 - 3) the Cabinet Regulation No. 127 of 20 March 2001, Regulations Regarding List of Elements of Unusual Transactions and Procedures for Reporting;
 - 4) the Cabinet Regulation No. 731 of 29 August 2006, Regulation Regarding States and the International Organisations Having the Lists Compiled in Which the Persons Suspected of Committing an Act of Terror or Participation Therein Are Included.
4. The subjects of the Law under the supervision of the State Revenue Service pursuant to Section 45, Paragraph two of this Law and who have commenced their operation until the day of coming into force of this Law shall inform in writing the territorial office of the State Revenue Service regarding the type of their activities within 30 working days following the coming into force of this Law.
5. The provisions of Section 41 of this Law regarding the right to request and receive free of charge information necessary for the enforcement of this Law from the registers and information systems shall come into force concurrently with the necessary amendments to the relevant laws in force. Until the day of the coming into force of the relevant amendments, the subjects of the Law referred to in Section 41 of this Law have the right to request and receive information from the Invalid Document Register, the Punishment Register and the Population Register according to the legal norms in force until the day of the coming into force of this Law.
6. The information from the Punishment Register specified in Section 41 of this Law shall be provided free of charge starting from 1 January 2010.
7. In 2009 the remuneration (salary, etc.) specified in accordance with this Law shall be determined in accordance with the law On Remuneration of Officials and Employees of State and Local Government Authorities in 2009.
[12 December 2008]
8. Section 32, Paragraph 2.¹ of this Law, amendments to the introductory part of Section 32, Paragraph three and Paragraph three, Clause 3 of this Law regarding the determination of the time period of 40 days, Section 32, Paragraph eight, Clause 4, Section 34, Paragraph 1.¹ of

this Law, amendments to Section 34, Paragraph two, as well as amendments to Section 39, Paragraph one related to the provision of information to a customer on an order issued by the Control Service pursuant to Section 32, Paragraph 2.¹ of this Law, shall not be applied to the reports of the subject of the Law that were submitted to the Control Service until 31 December 2009.

[10 December 2009]

9. Section 70, Paragraph two and Section 74, Paragraph two of this Law shall come into force concurrently with the relevant amendments to the law On Taxes and Duties.

[7 June 2012]

10. Sections 64, 65, 66, 67, 68 and 69, Section 70, Paragraph one, Sections 71, 72 and 73, Section 74, Paragraph one, three, four and five, Sections 75 and 76 of this Law shall come into force on 1 January 2013.

[7 June 2012]

11. Amendments to Section 41, Paragraph two, Clause 2 of this Law shall come into force on 1 March 2015.

[13 August 2014]

12. The Cabinet shall issue regulations regarding the countries and international organisations which have drawn up the lists of those persons suspected of being involved in terrorist activity or production, possession, transportation, use or distribution of weapons of mass destruction. Until the day of coming into force of the Cabinet Regulation referred to in the first sentence of this Paragraph, however no longer than until 1 April 2016, Cabinet Regulation No. 36 of 13 January 2009, Regulations Regarding the Countries and International Organisations which have Drawn up the Lists of Those Persons Suspected of Being Involved in Terrorist Activity, shall be in force.

[4 February 2016]

13. Section 4, Paragraph three, Clause 2 (in new wording) of this Law shall come into force concurrently with the Law on International Sanctions and National Sanctions of the Republic of Latvia.

[4 February 2016]

14. In respect of establishment of business relationship with a customer – politically exposed person who holds or has held a prominent public office in the Republic of Latvia, and also a family member of a politically exposed person or a person closely related to a politically exposed person – the subject of the Law shall ensure fulfilment of the requirements specified in Section 22, Paragraph two, Clause 2, Section 25, Paragraphs one, three and four of this Law until 1 June 2016.

[4 February 2016]

15. In respect of a customer – politically exposed person who holds or has held a prominent public office in the Republic of Latvia, and also of a family member of a politically exposed person or a person closely related to a politically exposed person with whom business relationship has been established until the day of coming into force of Section 1, Clause 18 (new wording) of this Law – the subject of the Law shall ensure the fulfilment of the requirements specified in Section 22, Paragraph two, Clause 2, Section 25, Paragraphs two, three and four of this Law until 1 December 2016.

[4 February 2016]

16. A credit institution, payment institution and electronic money institution shall develop the policy specified in Section 10, Paragraph 2.¹, Clause 1 of this Law and the procedures specified in Paragraph 2.¹, Clause 2 within three months from the day when Section 10, Paragraph 2.¹ comes into force, and until 1 January 2017 shall carry out and document the assessment which attests that the employee responsible for the compliance with the requirements of this Law and the responsible member of the board corresponds to the requirements laid down in laws and regulations and internal policies and procedures of the subject of this Law.

[26 May 2016]

17. Section 3, Paragraph one, Clause 11 and Section 45, Paragraph two, Clause 6, Sub-Clause “e” of this Law shall come into force on 1 July 2019.

[26 October 2017]

18. Amendment supplementing Section 5, Paragraph three of this Law with Clauses 11 and 12 shall come into force concurrently with the corresponding amendments to The Criminal Law.

[26 October 2017 / The abovementioned amendment will be included in the wording of the Law as of the day of coming into force of the relevant amendments to The Criminal Law]

19. The natural person shall notify information to the legal person in accordance with Section 18.¹, Paragraphs one and two of this Law by 1 February 2018.

[26 October 2017]

20. The commercial company which has submitted a notification to the commercial register on the beneficial owner in accordance with Section 17.¹ of The Commercial Law and for which such beneficial owner remains unchanged by the day of coming into force of Section 18.² of this Law, shall submit the lacking information referred to in Section 18.¹, Paragraph four of this Law on the beneficial owner by 1 February 2018.

[26 October 2017]

21. Section 18.² of this Law shall come into force on 1 December 2017. The Register of Enterprises of the Republic of Latvia shall, by 1 January 2018, register information in the commercial register submitted on the beneficial owners of the commercial companies in accordance with Section 17.¹ of The Commercial Law, without taking a separate decision.

[26 October 2017]

22. A legal person (except for commercial companies referred to in Paragraph 20 of these Transitional Provisions), who has been registered in the register maintained by the Register of Enterprises of the Republic of Latvia or for the registration of whom an application has been submitted until the day of coming into force of Section 18.² of this Law, shall submit an application to the Register of Enterprises of the Republic of Latvia on its beneficial owner in accordance with Section 18.², Paragraph two of this Law by 1 March 2018.

[26 October 2017]

23. The Register of Enterprises of the Republic of Latvia shall ensure online availability of the information referred to in Section 18.³, Paragraph one of this Law starting from 1 April 2018.

[26 October 2017]

24. Section 18.³, Paragraph three of this Law shall come into force on 1 June 2018.

[26 October 2017]

25. The Cabinet shall issue the regulations referred to in Section 22, Paragraph two, Sub-Clause “b” and Paragraph three of this Law by 1 April 2018.
[26 October 2017]

26. The subjects of the Law shall take into account the national money laundering and terrorism financing risk assessment report in relation to the simplified customer due diligence specified in Section 26 of this Law starting from 1 July 2018.
[26 October 2017]

27. Amendment to Section 41, Paragraph two, Clause 7 of this Law with respect to the provision of information on the date of death of a person shall come into force on 1 January 2019.
[26 October 2017]

28. Amendment deleting Section 45, Paragraph one, Clause 5 of this Law shall come into force on 25 June 2019.
[26 October 2017]

29. The Cabinet shall issue the regulations regarding the supervision and control of the prevention of money laundering and terrorism financing referred to in Section 47, Paragraph four of this Law for the subjects of the Law referred to Section 45, Paragraph 2.¹ of this Law until 1 July 2018.
[26 October 2017]

30. The Financial and Capital Market Commission is entitled to impose the sanctions specified in Section 78 of this Law on participants of the financial and capital market also for the violations of the requirements of the laws and regulations in relation to the financial restrictions specified in the Law on International Sanctions and National Sanctions of the Republic of Latvia, up to the day of coming into force of amendments to the laws and regulations determining liability for the violations of the requirements of the laws and regulations in relation to the financial restrictions for which criminal liability is not applied in accordance with Section 84 of The Criminal Law.
[26 October 2017]

Informative Reference to Directives of the European Union

[31 March 2011; 12 September 2013; 26 October 2017]

This Law contains norms arising from:

1) Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;

2) Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of ‘politically exposed person’ and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

3) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC;

4) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;

5) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 684/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA relevance);

6) Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475/JHA and amending Council Decision 2005/671/JHA.

This Law has been adopted by the *Saeima* on 17 July 2008.

President

V. Zatlers

Riga, 30 July 2008