



Financial Intelligence  
Unit

# 2021 ANNUAL REPORT

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## FOREWORD

In 2021, we continued the path of reform in the Financial Intelligence Unit (FIU) in a number of directions with the unchanged goal of strengthening Latvia's national security by monitoring financial flows and preventing abuse of the financial system.

Last year, we were still forced to live and work within the constraints of the Covid-19 pandemic. However, I am really pleased with the work we have done together in the Service, working closely with our partners in Latvia and abroad. I would like to highlight three important areas in particular that have been the focus of our attention.

I see cooperation as one of the cornerstones of any financial intelligence service. An effective anti-money laundering system relies on the ability to share information, both locally and internationally, within the public sector and with the private sector as well. Last year's results show that we are a reliable partner and have a strong platform for local and international cooperation.

Information technology is another area without which effective and efficient combating of financial crime is unthinkable. Today, it is increasingly important to be able to process and qualitatively analyse large data streams, combine them with strategic analysis and understand both present and future risks. Last year saw the completion of the first phase of our major digital transformation journey, with the full implementation of the internationally recognised goAML system.

Finally, none of the above is conceivable without highly qualified and loyal staff, who are the Service's greatest asset. Adapting to the pandemic's dictates while maintaining the highest safety standards has not been easy. And yet we have been able to provide flexible working conditions that respect

the intricacies of our working environment and balance them with the needs of our employees.

The year 2022 promises to be equally busy.

First, we will continue to ensure consistently high quality in our core business through tactical and operational analysis. We will launch a national strategy to fight financial crime. We plan to develop even closer cooperation with other law enforcement agencies in the fight against the shadow economy, financial and organised crime. In March this year, we will launch the first AML Innovation Centre in the Baltics, which will transfer data analytics and typology-based knowledge from research to financial intelligence within a secure public-private partnership platform. In summer, we will host the Egmont Group Plenary Meeting in Riga, bringing together participants from more than 160 countries. We are also planning several high-level international conferences on the latest developments in the fight against and detection of financial crime.

Finally, I would like to say a huge thank you to all FIU staff and all our partners. I am truly pleased and proud of the work we have done together to protect national security and Latvia's financial system from abuse!

Head of the Financial Intelligence Unit  
Ilze Znotiņa



*Latvia did not get on the grey list only because it introduced reforms. Latvia should be commended for this. For a long time nothing happened, but then a lot was done in a very short time. And there is only so much you can do to fight money laundering. Latvia is now clearly one of the leading countries in this field in Europe*

/ Daniel Thelesklaf,  
former Chairman of Moneyval /

# FINANCIAL INTELLIGENCE UNIT OPERATIONS IN 2021 summary



More than **20** training events on ML/TF/PF organised  
for more than **5000** participants

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**247** meetings of the Cooperation Coordination  
Group chaired by the Financial Intelligence Unit  
(45% more than in 2020) on both operational and  
strategic issues.



The international cooperation of the Financial Intelligence  
Unit is rated as excellent by foreign partners – **9.46**  
out of 10.

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Work with the new reporting system goAML has  
commenced, with **685** users registered.



**11** staff members have obtained internationally  
recognised CAMS certificates, which certify the knowledge  
and competence of these professionals in the field of  
financial crime detection and prevention on an  
international scale.



The number of unique visitors to the  
Financial Intelligence Unit website  
exceeds

**50,000**

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# *GENERAL DESCRIPTION OF THE FINANCIAL INTELLIGENCE UNIT*

## **Status of the Financial Intelligence Unit, its lines of action and objectives**

Since 1 January 2019, the Financial Intelligence Unit has been an independent, directly administered body under the supervision of the Cabinet of Ministers. The Cabinet of Ministers exercises institutional oversight through the Minister for the Interior. Oversight does not apply to the performance of tasks and exercise of rights assigned to the Financial Intelligence Unit, neither does it cover the internal organisation of the Financial Intelligence Unit, including the issuance of internal rules and regulations, the preparation of reports and decisions relating to staff.

The principles of independence and decision-making autonomy of the Financial Intelligence Unit are enshrined in the regulatory framework in accordance with the FATF Recommendations on the Autonomy and Independence of Financial Intelligence Units, which stipulate that the state should ensure that the institution is functionally autonomous and independent, i.e. the institution has the right to perform its functions independently, without political interference - including making decisions, analysing, requesting and/or transferring information to other competent authorities. The importance of operational independence and autonomy is also mentioned in the Charter of the Egmont Group (an international organisation of financial intelligence services), in the principles of information exchange and in the Egmont Group's membership criteria.

Since 29 June 2019, the Financial Intelligence Unit has been the lead authority for preventing the abuse of the financial system of the Republic of Latvia for money laundering and the financing of terrorism and proliferation.

The **main functions of** the Financial Intelligence Unit under the Law on Prevention of Money Laundering, Terrorism and Proliferation Financing (hereinafter - the Prevention Law) are to monitor suspicious transactions and other information received and to obtain, receive, record, process, compile, store, analyse and provide to investigative authorities, prosecutors and courts information that may be used for the prevention, detection, criminal prosecution or trial of money laundering, terrorism and proliferation financing or attempted money laundering, terrorism and proliferation financing, or any other related offence. The Financial Intelligence Unit (FIU) ensures the functioning of the Private-Public Coordination Group and conducts the national risk

assessment on money laundering and the financing of terrorism and proliferation.

The **mission** of the Financial Intelligence Unit is to prevent abuse of Latvia's financial system and to effectively combat any risks of money laundering, terrorism and proliferation financing through a proactive, risk-based and sustainable approach.

The strategic objectives for the period until the end of 2022 on which the Financial Intelligence Unit is focusing its resources are:



**Leadership** - to be the leading authority in preventing money laundering, terrorism and proliferation financing in Latvia.



**Professionalism** - to improve the analytical quality and effective application of financial intelligence.



**Reputation** - to improve Latvia's international reputation and cooperation in the fight against money laundering, terrorism and proliferation financing.

# *CHANGES TO THE REGULATORY FRAMEWORK FOR PREVENTING ML/TF/PF*

On 12 July 2021, substantial amendments to the Prevention Law entered into force, and on 1 October 2021, Cabinet of Ministers Regulation No 550 of 17 August 2021 "Regulations on the Submission Procedure and Content of Suspicious Transaction Reports and Threshold Declaration" entered into force.

With the changes in the legislation, the Financial Intelligence Unit has introduced the goAML application as of 1 October 2021, replacing the existing Financial Intelligence Unit core system and e-reporting system. Also, as of 1 October, the parallel reporting system, which until now required reports of suspicious tax transactions to be submitted to both the State Revenue Service (hereinafter - SRS) and the Financial Intelligence Unit, has been discontinued. As of 1 October 2021, these reports are being submitted to a single system, the Financial Intelligence Unit, which passes them on to the SRS.

In addition to these amendments, other significant changes have been made to the regulatory framework:

- broadening the range of institutions to which the Financial Intelligence Unit is entitled to send information at its disposal for the performance of tasks set out in regulatory enactments;
- facilitating the procedure for issuing the Financial Intelligence Unit's transaction monitoring orders (eliminating the requirement for the approval of the Attorney General or their specially authorised prosecutor);
- defining the role of the Financial Intelligence Unit as the responsible authority for the National Risk Assessment Report, as well as the conditions for collecting and publishing the statistical data needed for the report;
- solidifying the restricted status of information held by the Financial Intelligence Unit and of information on the staff of the Financial Intelligence Unit who perform the core functions of the institution, their contact details;
- changes to the procedure for challenging asset-freezing orders of the Financial Intelligence Unit: as of 1 October 2021, orders of the Financial Intelligence Unit will be reviewed by an investigating judge instead of a specially authorised prosecutor;
- introducing changes to the content of the Financial Intelligence Unit's order on freezing of assets - it includes a justification to the extent that the information does not jeopardise the accomplishments of the objectives of criminal proceedings, the rights of other persons, or the public interest.

# KEY PERFORMANCE INDICATORS FOR THE FINANCIAL INTELLIGENCE UNIT 2021

## Financial intelligence - tactical and operational analysis

In 2021, the Financial Intelligence Unit received 5,715 suspicious transaction reports (18.2% more than in 2020) and 62,420 threshold declarations (3.5% less than in 2020). The most significant increase in suspicious transaction reports comes from credit institutions undergoing liquidation, where the number of reports has almost tripled from 435 in 2020 to 1,289 in 2021. The number of reports where the predicate offence is fraud has also increased by 33%, from 451 in 2020 to 653 in 2021.

The objective of the Financial Intelligence Unit is to receive the highest quality reports on suspicious transactions, including by facilitating the consistency of the number of reports with Latvia's money laundering risk profile. Accordingly, the Financial Intelligence Unit has developed typology and indicator lists for money laundering related to corruption offences as well as money laundering threats inherent in new technologies. In 2022, the Financial Intelligence Unit will develop lists for money laundering related to tax evasion, human trafficking, trafficking-based money laundering, etc.

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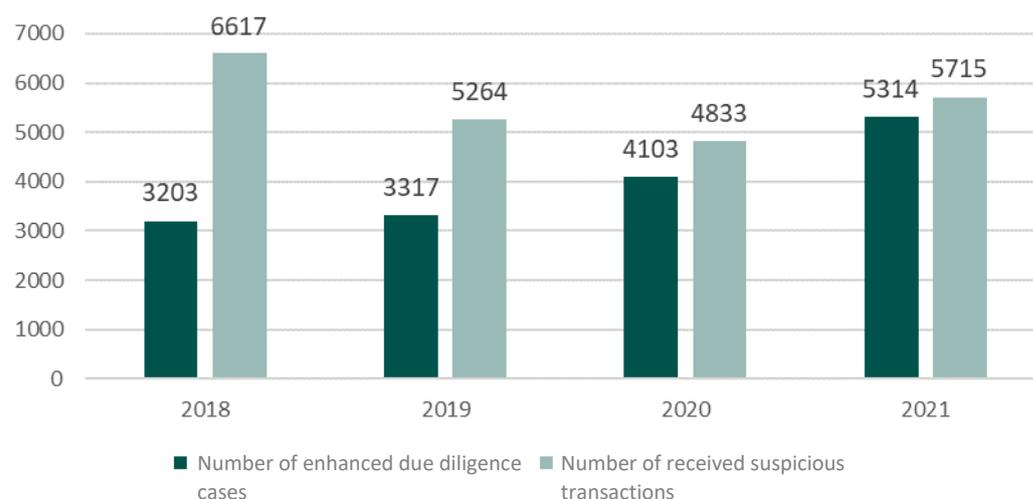
## Suspicious transaction reports and threshold declarations

Year	Number of suspicious transaction reports	Number of threshold declarations	Number of unusual transaction reports
2018	6617	-	25198
2019	5264	1208	26764
2020	4833	64635	-
2021	5715	62420	-

Despite a significant increase in the number of reports from credit institutions in liquidation, the share of suspicious transaction reports reviewed in depth among the total number of reports continued to rise in 2021 (from 85% in 2020 to 93% in 2021), as in previous years.

## Suspicious transaction reports subject to due diligence and analysis

Year	Number of in-depth investigations
2018	3203
2019	3317
2020	4103
2021	5314



In 2021, the Financial Intelligence Unit received 893 reports in which a Prevention Law subject initiated a transaction abstention (an increase of 111% compared to 2020). The significant increase in the number of suspicious transaction reports, and in particular reports in which the subject of the Prevention Law has initiated abstention from transactions, is attributable to customer due diligence performed while in the process of liquidating credit institutions subject to liquidation. The analysis of these reports was also the focus of the majority of financial intelligence resources in 2021.

## Number of suspicious transaction reports and abstention reports by year

Year	Number of suspicious transaction reports	Including number of abstentions
2018	6617	222
2019	5264	251
2020	4833	422
2021	5715	893

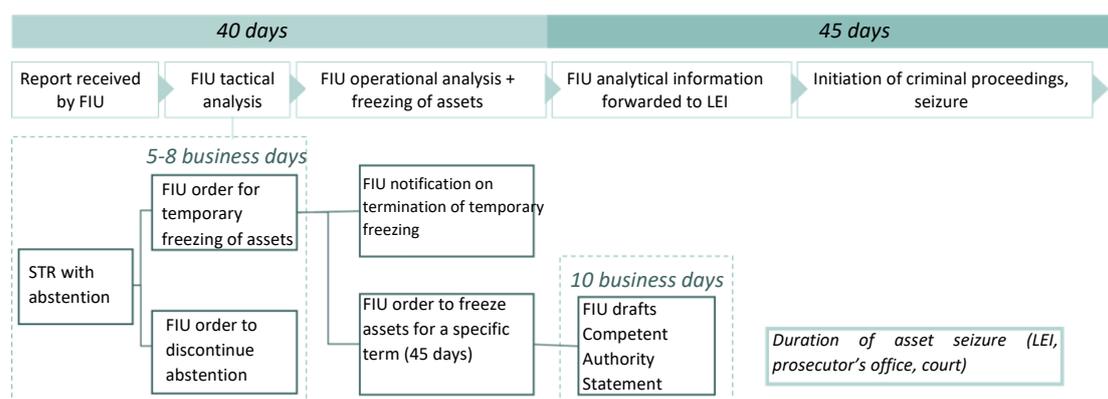
It should be noted that, upon receipt of a suspicious transaction report from a subject of the Prevention Law initiating the abstention from transactions, the Financial Intelligence Unit shall, within five working

days or, if additional information is required, within eight working days, assess, through a tactical analysis, whether the subject of the Prevention Law has commenced abstention from transactions in accordance with the provisions of the Law, and whether the impairment on the rights of the person concerned is proportionate. Also during this period, the Financial Intelligence Unit shall, combining information of the subject of the Prevention Law, and other information in the possession of the Financial Intelligence Unit - if it suspects that a criminal offence, including money laundering, financing of terrorism and proliferation, or an attempt to commit such criminal offences is being or has been committed - decide on initiating a temporary freezing of funds by issuing an appropriate order. The Financial Intelligence Unit may also decide to terminate an abstention from transactions if, at the time of the analysis, the assessment of the available material facts and relevant circumstances does not warrant the Financial Intelligence Unit to exercise its right under the Prevention Law to order the freezing of funds.

During the period of a temporary freezing order, the Financial Intelligence Unit shall carry out an in-depth operational analysis and continue to obtain additional information from other subjects of the Prevention Law, foreign services, national information systems, state administration authorities, public sources, with the aim of obtaining additional facts that will either eliminate the suspicions raised or provide further corroboration of possible money laundering and criminal origin of the funds.

If, in the course of the operational analysis, it is established that the information in its possession gives rise to a reasonable suspicion that money laundering has taken place and that the funds are of criminal origin, and if the investigation has not revealed any facts which would eliminate this suspicion, the Financial Intelligence Unit shall issue an order to freeze the funds for a specified period and shall forward the information in the form of a competent authority opinion to the investigating authority or the public prosecutor's office.

A schematic representation of the financial intelligence activities initiated following an abstention report by a Prevention Law subject is provided below.

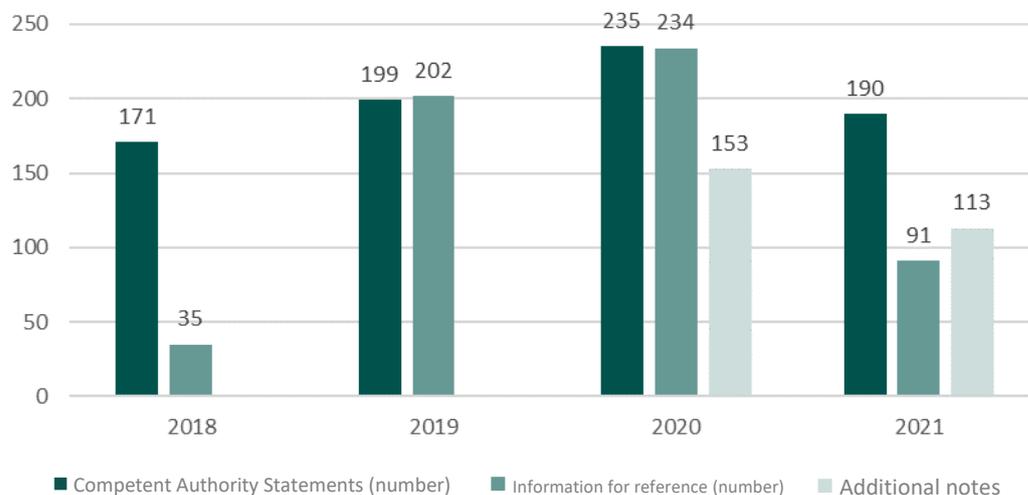


In addition to the financial intelligence initiated by the subject of the Prevention Law, the Financial Intelligence Unit initiates and carries out financial intelligence upon its own initiative, which may be based on information provided by law enforcement authorities, information from public sources or a whistleblower report. Financial intelligence can also be carried out at the request of foreign services or on the basis of information received. The tactical and operational analysis of such information is not subject to any time limits set by external laws and regulations, except in the case of a temporary freezing of funds or a temporary freezing of funds ordered upon the initiative of the Financial Intelligence Unit or at the request of a foreign service.

As a result of the financial intelligence carried out in 2021, the Financial Intelligence Unit forwarded 394 reports to law enforcement authorities, including 190 competent authority opinions, 113 items of information providing additional facts related to information previously transmitted by the Financial Intelligence Unit, and 91 items of information for reference. The competent authority's opinions are sent when there are reasonable grounds to suspect a person of possible criminal offences, predominantly money laundering. After receiving the competent authority's opinion, the law enforcement authority assesses whether to initiate criminal proceedings and uses the facts contained in the competent authority's opinion as evidence in criminal proceedings. In turn, the information is passed on to law enforcement authorities or bodies for control and supervision of the subjects of the Prevention Law for the exercise of their functions (e.g., operational activity, supervisory function, etc.).

The number of referrals to law enforcement authorities by year can be seen in the graph below. The decrease in the number of reports sent to law enforcement authorities is attributable to the reallocation of financial intelligence capacity in 2021 towards the multi-fold increase in the analysis of abstention reports by subjects of the Prevention Law.

### Information sent to law enforcement authorities



In 2021, the Financial Intelligence Unit sent the greatest amounts of material to the State Police (81.2%), to the Corruption Prevention and Combating Bureau (6.8%) and to the Tax and Customs Police Board of the State Revenue Service (6.1%). Indicated below is the number of materials sent to law enforcement authorities.

## Number of referrals to law enforcement authorities by institution in 2021

Recipient	Opinion of the competent authority	Information for reference	Additional notes	Total
State Police	166	55	99	<b>320</b>
Tax and Customs Police Directorate of the State Revenue Service	8	12	4	<b>24</b>
State Security Service	2	9	1	<b>12</b>
Corruption Prevention and Combating Bureau	10	10	7	<b>27</b>
Specialised prosecutor's office for organised crime and other sectors	4		2	<b>6</b>
Criminal Law Department of the Prosecutor General's Office		1		<b>1</b>
Prosecutor's Office Division for Investigation of Especially Serious Cases		1		<b>1</b>
Internal Security Office		1		<b>1</b>
National Revenue Service		1		<b>1</b>
Internal Security Directorate of the State Revenue Service		1		<b>1</b>
<b>Total</b>	<b>190</b>	<b>91</b>	<b>113</b>	<b>394</b>

With regard to the material sent to law enforcement authorities, the Financial Intelligence Unit has adopted orders for the temporary freezing of assets (both at the discretion of the subject of the Prevention Law and on its own initiative or at the request of a foreign counterpart) amounting to €209.63 million. It should also be noted that the 2021 total does not include the value of frozen financial instruments and immovable property, as this is not always precisely measurable at the time of freezing and can change significantly over time, thus leading to significant discrepancies between the estimated amount of assets and property frozen and amounts seized and confiscated at later stages of the proceedings. Presented below is the amount of frozen funds sent to law enforcement authorities compared to previous years.

## Amount of frozen funds included in reports to law enforcement authorities

Year	Amount of frozen funds (millions of EUR)
2018	101.482
2019	345.98
2020	429.412
2021	209.63*

\*Excludes the value of securities and real estate

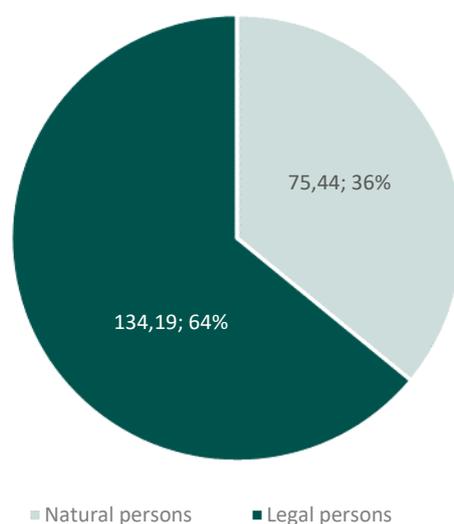
## Frozen funds and valuables

Year	Amount of frozen funds (millions of EUR)	Real estate	Bank safes	Vehicles
2018	101.482	2	4	8
2019	345.98	16	4	1
2020	429.412	45	4	0
2021	209.63*	30	1	0

\*Excludes the value of securities and real estate

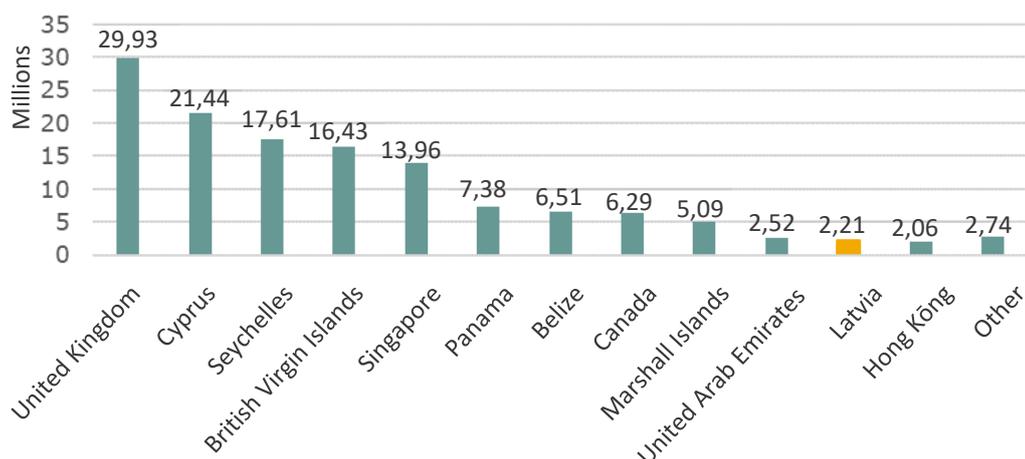
In 2021, as in previous years, the majority of assets have been frozen for legal persons (64%), while just over a third have been frozen for natural persons (36%). It is notable that, as in previous years, a portion (33%) of the frozen funds have been assigned to a third party (a legal entity registered in Latvia), but the calculations in this and subsequent breakdowns are based on the original owner of the funds (before the assignment of claims).

## Breakdown of the amount of frozen funds by type of person in 2021 (in millions of EUR)



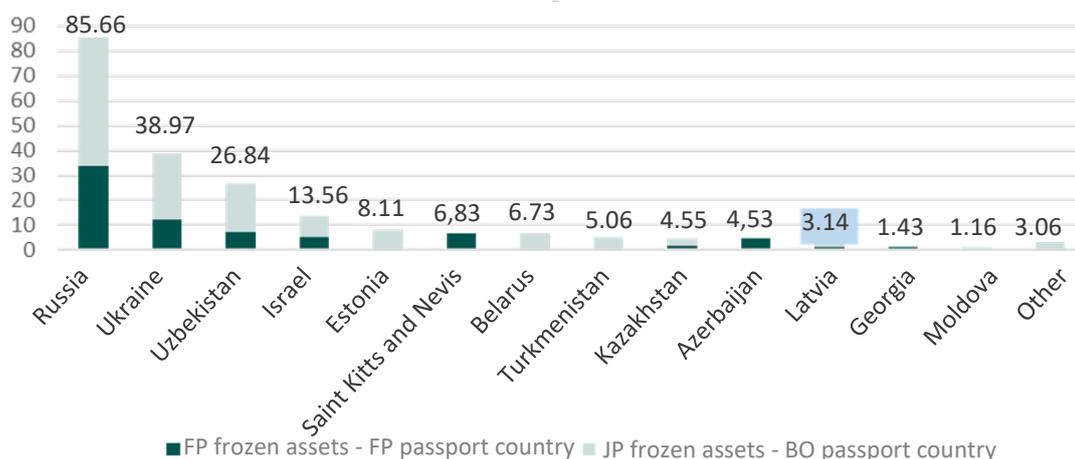
For legal persons, the United Kingdom and Cyprus dominate the breakdown of frozen assets by country of registration, ahead of previous leaders the United Arab Emirates (2019) and the British Virgin Islands (2020). It is significant that in the vast majority of Financial Intelligence Unit orders, the countries of the legal persons do not coincide with the beneficial owner of the funds (see below).

### Breakdown by country of registration of the amount of funds frozen for legal persons in 2021



The majority (more than 85%) of the materials for freezing proceeds of crime were sent in connection with suspected money laundering at credit institutions in liquidation. This is also reflected in the breakdown of the amount of frozen funds by the country of alleged origin, where only €3.14 million, or 1.5%, is attributable to the funds of a Latvian natural person and the funds of a legal person where the beneficial owner is a Latvian natural person. Most of the frozen funds originate from the Commonwealth of Independent States (CIS) or former CIS countries, in particular Russia, Ukraine and Uzbekistan.

### Breakdown by country of possible origin of the amounts frozen in 2021



## Amount of funds frozen in 2021, broken down by type of alleged offence

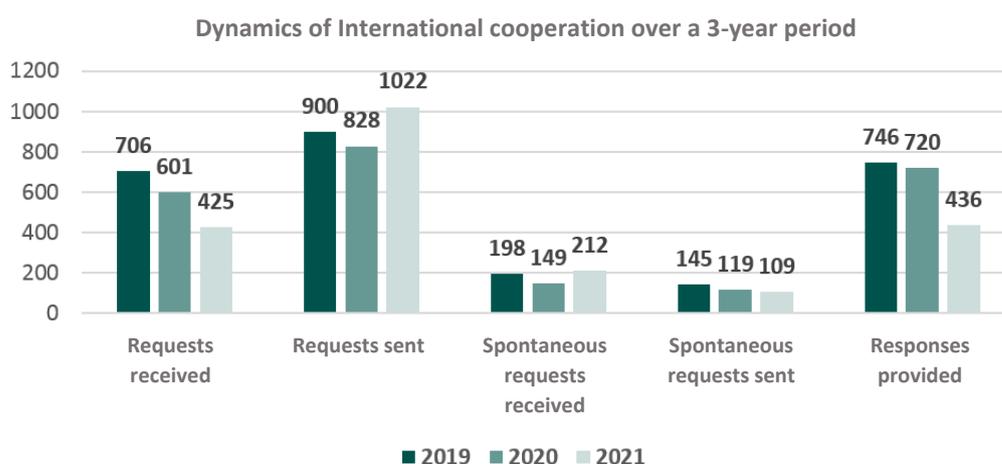
Type of offence	Amount, EUR
Stand-alone money laundering	200,758,543.50
Corruption offences	7,889,349.29
Tax offences	986,163.08

the decrease in the amount of frozen funds in 2021 is attributable to a significant increase in the number of reports from credit institutions in liquidation and the financial focus of the Treasury Service on the assessment and analysis of these reports, with correspondingly fewer proactive measures taken on its own initiative. In addition, the Financial Intelligence Unit is increasingly using other possible solutions that do not require the immediate issuance of asset freezing orders, such as transaction monitoring, to detect national predicate offences and money laundering.

# COOPERATION WITH PARTNER INSTITUTIONS ABROAD

The Financial Intelligence Unit is a member of the Egmont Group, an international organisation of financial intelligence units. Membership in the Egmont Group enables the Financial Intelligence Unit to communicate and exchange information with all members of the 166-nation Group through a secure and protected channel. One of the most important international cooperation functions of the Financial Intelligence Unit is the preparation of responses to requests from foreign financial intelligence units, as well as the preparation of requests from the Financial Intelligence Unit to foreign services. Therefore, the Financial Intelligence Unit has actively used the Egmont Group's capabilities to obtain information for financial analysis purposes also in 2021.

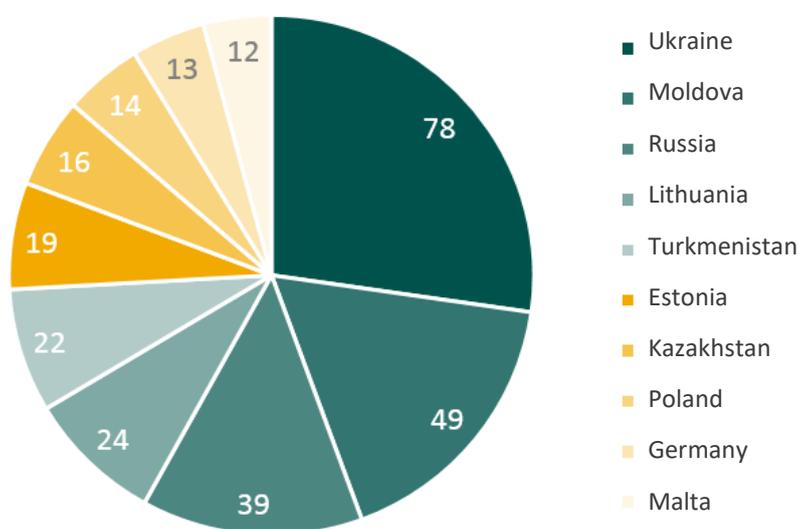
In 2021, the work of financial intelligence units worldwide continued to be affected by the Covid-19 pandemic, which resulted in a decrease in the number of requests for information received by the Financial Intelligence Unit from foreign financial intelligence units. The number of requests received in 2021 was almost 30% lower than the year before. At the same time, the number of requests made by the Financial Intelligence Unit to foreign counterparts was at a record high, which was mainly due to the active work of the Service in analysing suspicious transaction reports submitted by the subjects of the Prevention Law, as well as to the support provided by the Financial Intelligence Unit to law enforcement authorities in obtaining information from foreign countries.



In 2021, requests from foreign financial intelligence units mainly concerned the following possible offences:

- stand-alone money laundering;
- fraud;
- misappropriation;
- tax evasion or avoidance;
- corruption;
- bribery;
- abuse of official position.

In terms of the number of requests sent, the most important countries for Financial Intelligence Unit cooperation in 2021 were Estonia, Lithuania, Cyprus, Ukraine, the UK, the Czech Republic, Russia, Switzerland, Luxembourg and Germany. The most important countries for cooperation with the Financial Intelligence Unit, in terms of number of requests received, are listed below.



At the end of 2021, the Financial Intelligence Unit conducted a survey of its closest foreign counterparts to assess the Financial Intelligence Unit's international cooperation in 2021. The responses from the 26 national financial intelligence units show that overall, cooperation with the Financial Intelligence Unit is rated excellent, with a score of 9.46 out of 10. Compared to 2020, foreign cooperation partners rate cooperation with the Latvian Financial Intelligence Unit higher in 2021 (in 2020, 27 national financial intelligence units rated cooperation with the Latvian Financial Intelligence Unit as 9.22 out of 10).

In describing the cooperation with the Financial Intelligence Unit, the foreign colleagues highlighted the excellent quality of the information provided, the completeness of the replies, the short turnaround time for requests and the high usefulness of the information for further analysis and investigations as the most important aspects.

Already in 2019, the Financial Intelligence Unit established and chaired a specialised International Financial Intelligence Taskforce (IFIT), which brought together representatives from 22 countries whose financial institutions had dealt most with a particular Latvian credit institution. The main mission of the Financial Intelligence Unit in this task force is not only to provide international partners with a new perspective on how to investigate financial crime, but also to promote multilateral cooperation, especially given the global nature of financial crime. The Task Force grew to 24 member countries in 2020 and remained active in 2021, with regular exchanges of operational and strategic information, as well as three remote Task Force meetings:

1. An IFIT meeting was held in June 2021 and was attended by a total of 47 participants from 19 national financial intelligence units. Representatives of the Egmont Group Secretariat attended the meeting. The meeting discussed the progress and analysis of operational cases in various countries, presented new typologies and indications of suspicious transactions, the results of the strategic analysis carried out by the Financial Intelligence Unit, as well as an overview of anti-money laundering monitoring activities in the EU context.
2. The second and third meetings of the IFIT in 2021 took place in December. Although the content of the two December meetings did not differ significantly, the meetings were organised separately by country group, depending on the role of a country group in a given case (affected country, transit and/or integration phase country), with the aim of facilitating focused discussions and devoting more attention on the issues at stake for each of the invited country groups. A total of 42 participants from 19 national financial intelligence units and the Egmont Group Secretariat attended the meetings. During a meeting, discussions were held on the progress of a case, current developments and future plans in Latvia, looking in detail at the three stages of money laundering (placement, transit and integration) and their characteristics in the context of the specific case, as well as discussing the latest trends in digital transformation.

In addition to the IFIT meetings, a number of face-to-face and remote bilateral meetings were held with the members of the task force in 2021 to discuss specific operational issues in more detail and to exchange experiences.

### **Financial Intelligence Unit participation in the international Egmont Group**

In 2021, the Financial Intelligence Unit was represented at five meetings of the European Union (EU) Financial Intelligence Unit Platform, as well as at the Egmont Group Working Group Meeting and the Egmont Group Plenary Meeting. Participation in these

forums not only provides the opportunity to learn about the latest global trends and developments, including the latest EU legislation on AML/CTPF, but also allows the Financial Intelligence Unit to participate in discussions and working groups, as well as to establish and maintain contacts with foreign counterparts. Given the global reach of Covid-19, these meetings were held remotely in 2021.

### **Financial Intelligence Unit participation in the Europol Financial Intelligence Public-Private Partnership**

The Financial Intelligence Unit actively participates in the Europol Financial Intelligence Public-Private Partnership ( EFIPPP),<sup>1</sup>, which includes major European financial institutions, financial intelligence units from EU Member States and law enforcement authorities. The Financial Intelligence Unit is actively involved in the work of the EFIPPP, including quarterly EFIPPP Plenary Meetings. For example, at the September 2021 Plenary, the Financial Intelligence Unit presented its methodological material: "Typologies and characteristics of money laundering", which received positive feedback.

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<sup>1</sup> <https://www.europol.europa.eu/about-europol/european-financial-and-economic-crime-centre-efecc>.

# *STRATEGIC ANALYSIS (RESEARCH) AND DEVELOPMENT*

One of the tasks of the Financial Intelligence Unit is to carry out strategic analysis of trends and typologies of ML/TF/PF and to develop methods to deter and detect such activities.<sup>2</sup> Financial Intelligence Unit studies and other strategic analysis products in 2021 analyze trends, issues and typologies in ML/TF/PF.

The themes of the strategic analysis studies are derived from global or national issues and trends in the area of ML/TF/PF and at the same time help to define the strategic potential, actions and lines of action of the Financial Intelligence Unit.

## **In 2021, the Financial Intelligence Unit carried out the following strategic analysis studies:**

The National ML/TF/PF Risk Assessment Report 2017-2019 concluded that tax evasion and corruption, illicit movement of excise goods and narcotic substances, including smuggling, as well as property crime, in particular large-scale fraud, pose a significant threat of a national predicate offence for ML. Following a risk-based approach, the focus of the FIU's strategic analysis in 2021 was mainly on corruption offences and related ML.

### Risk assessment of money laundering, terrorism and proliferation financing in virtual currencies.

The report was prepared by the Financial Intelligence Unit in cooperation with the Ministry of Finance, the State Revenue Service (SRS), the Economic Crime Directorate of the State Police Headquarters, and the Financial and Capital Market Commission (FCMC). The purpose of the risk assessment is to identify the risks of ML/TF/PF inherent in virtual currencies so that they can be effectively managed by the entities subject to the Prevention Law. The document analyses the regulatory framework in Latvia and the EU, as well as FATF standards, examines global trends in the virtual currency industry, assesses the situation of the virtual currency industry in Latvia, assesses the risks of terrorism and proliferation financing associated with virtual currencies and provides insight into the ML/TF/PF risk indicators for virtual currencies.

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<sup>2</sup> Section 51 Paragraph One Clause 4 of the Law on Prevention of Money Laundering, Terrorism and Proliferation Financing. Available at: <https://likumi.lv/ta/id/178987-noziedzigi-iegutu-lidzeklu-legalizacijas-un-terorisma-un-proliferacijas-finansesanas-noversanas-likums>

The study is available on the Financial Intelligence Unit's [website](#).

Guidelines for the management of money laundering, terrorism and proliferation financing risks of politically exposed persons, their family members and closely associated persons

Politically exposed persons are considered to be at increased ML risk by virtue of their influence in the public sector, which can be used for private gain. In particular, there is an increased likelihood that politically exposed persons may use the services of Prevention Law subjects to launder the proceeds of a criminal offence, such as corruption. In view of this risk, the Financial Intelligence Unit has developed guidance for Prevention Law subjects on managing the risks of politically exposed persons, their family members and persons closely associated with them. The guidelines have been coordinated with all supervisory and control bodies.

The guidelines are available on the Financial Intelligence Unit's [website](#).

Proposals for mitigation measures to address the risks identified in the NRA.

The document summarises the risks identified in the NRA, assesses the consequences of their manifestation, determines the likelihood of a risk occurring and the severity of threat for each risk on a five-point scale from "low" to "high", and defines proposals for mitigation measures to manage these risks. The proposals for mitigating measures identified in the NRA are structured into 11 action lines, similar to the AML/CTPF Action Plan, and further development of the proposals into policy planning documents has been delegated to the authorities responsible for the action lines of the AML/CTPF Action Plan. Proposals for mitigating actions identified in the NRA have been coordinated with the Financial Intelligence Advisory Board.

Guidelines on "Suspicious transaction reporting and abstention".

The guidelines are designed to promote a common understanding of suspicious transaction reporting and to clarify the reporting obligations and differences in reporting under the Prevention Law, including practical examples. The guidelines for subjects of the Prevention Law explain in which cases: a suspicious transaction report should be submitted; it is necessary to refrain from carrying out a transaction as provided for in Section 32 of the Prevention Law; it is recommended to assess the need to initiate a meeting of the Cooperation Coordination Group provided for in the Prevention Law before submitting a report.

The study is available on the Financial Intelligence Unit's [website](#).

Methodological material "Typologies and characteristics of money laundering" updated.

The material brings together information identified in the practice of the Financial Intelligence Unit, law enforcement authorities, foreign financial intelligence services and international institutions, with the aim of using it as a legitimate, comprehensive and legally valuable source of circumstantial evidence. The material has been improved and further developed in 2021.

Supplementary Material, 2nd version, available on the Financial Intelligence Unit' [website](#).

Indicators and case studies of corrupt offences.

The document is the result of the work of a cooperation coordination group organised by the Financial Intelligence Unit, which included representatives from the Corruption Prevention and Combating Bureau (hereinafter - CPCB), the Prosecutor General's Office and the largest credit institutions in Latvia. The document contains a list of indicators that may point to corruption and/or money laundering. The material has been developed for use by credit institutions and other subjects of the Prevention Law, as well as for the Financial Intelligence Unit, the CPCB and the Prosecutor General's Office. The document is divided into two chapters, where the indicators are based on the views of foreign and international organisations and on possible cases of corruption in Latvia. The indicators are complemented by case studies.

The study is available from the Financial Intelligence Unit [on its website](#).

Tax offences and money laundering. Boundaries, typologies and case law.

The main topics under study in this document are: analysis of tax offences in the context of indicators of the shadow economy, statistical analysis of tax offences, analysis of cases of tax offences, assessment of typologies and practices of money laundering related to tax offences identified in Latvia and internationally, etc. The findings and results of the study will be used to plan the activities of the Financial Intelligence Unit in 2022 and to increase the focus on tax offences.

### Analysis of the new reporting system, Covid-19 impact on reporting indicators.

The study analyses the impact on reporting indicators of the changes to the reporting system introduced on 12 December 2019. The findings have been used to revise the classification of criminal offences, the classification of money laundering typologies, and the regulation on threshold declarations, which were introduced on 1 October 2021 with the transition to the goAML reporting system. The study also analyses the impact of Covid-19 on reporting rates, cross-sectional reporting trends by reporting sector and by different types of reporting.

### Analysis of the founders of legal persons identified in suspicious transaction reports.

The study has restricted status.

### Use of trade transactions for NFT/TF/PF (TBML).

In accordance with the methodology developed by the Bank of Italy on the use of foreign trade mirror statistics in the development of trade-based money laundering risk indicators, Latvia's foreign trade indicators for 2018 and 2020 have been analysed by country and commodity in the context of the trade-based money laundering risk groups identified by the FATF, as well as reports received by the Financial Intelligence Unit on possible money laundering through trade in goods. The study will be published on the Financial Intelligence Unit website in the first quarter of 2022.

Other strategic analysis products:

### Organisation of feedback meetings.

In 2021, feedback meetings were organised with 7 different monitoring and control bodies and 16 different subjects of the Prevention Law. The feedback sessions focused on the reporting practices of a specific area or Prevention Law subject over a specific period of time.

### Strategic analysis on demand.

One of the strategic analysis areas of the Financial Intelligence Unit is the strategic analysis carried out at the request of supervisory and control institutions or law enforcement authorities on a specific issue, such as the subject of the Prevention Law, a sector, etc. Also in 2021, the Financial Intelligence Unit prepared and provided strategic analysis information upon request. These documents have restricted status.

# *TRAINING AND SEMINARS BY THE FINANCIAL INTELLIGENCE UNIT*

The Financial Intelligence Unit (FIU) actively organised training on AML/CTPF in 2021. The audience reached is wide - the training was attended by subjects of the Prevention Law, representatives of supervisory and control institutions, law enforcement authorities, prosecutor's offices, as well as other cooperation partners and stakeholders. Given the national restrictions to contain the spread of Covid-19, the Financial Intelligence Unit has mainly implemented online training and developed online training materials.

At the end of 2021, the Financial Intelligence Unit launched a virtual training platform with video lectures for law enforcement authorities and prosecutors on various AML/CTPF related topics, such as:

- Financial Instruments Market Law: what the Financial Intelligence Unit, investigators, prosecutors and courts need to know.
- Crime on financial instruments markets. Insider dealing, financial market manipulation, fraud: international practice and case studies.
- What are the obligations of financial and capital market participants to prevent their involvement in crime on financial instrument markets? What red flags should I pay attention to?
- Principles of international cooperation of the Financial Intelligence Unit. Use of information provided by the Financial Intelligence Unit in criminal proceedings.
- Cross-border law enforcement cooperation (police-to-police cooperation).
- Specificities of international criminal law cooperation in financial investigations: seizure of assets abroad; European Investigation Order; request for legal assistance.
- Specificities of international criminal law cooperation in financial investigations: extradition; transfer of proceedings.

In February 2022, the training platform was finalised and the training content made available to law enforcement officers.

In addition to the above, on 8 December 2021, the Financial Intelligence Unit organised face-to-face training for 20 anti-money laundering prosecutors.

In October 2021, a series of training sessions for Prevention Law subjects was launched, organised in cooperation with the

monitoring and control body responsible for the sector. In total, the Financial Intelligence Unit conducted 9 such workshops:

- Prevention Law subjects supervised by the FCMC (180 participants).
- Subjects of the Prevention Law supervised by the Latvian Council of Attorneys at Law (550 participants).
- Subjects of the Prevention Law monitored by the Latvian Association of Certified Auditors (130 participants).
- Prevention Law subjects supervised by the Bank of Latvia (50 participants).
- Subjects of the Prevention Law supervised by the Inspectorate for the Supervision of Lotteries and Gambling (50 participants).
- Subjects of the Prevention Law supervised by the Latvian Council of Notaries (130 participants).
- Subjects of the Prevention Law supervised by Latvian Association of Insolvency Practitioners / Insolvency Control Service (150 participants).
- Prevention Law subjects supervised by the National Heritage Board (10 participants).
- Prevention Law subjects supervised by the Consumer Rights Protection Centre (100 participants).

Subjects of the Prevention Law under the supervision of the SRS were provided with access to training materials, as well as specifically adapted recorded video lectures by foreign lecturers, as the SRS did not organise a separate workshop due to the large number of subjects of the Prevention Law.

The webinars explained the findings of the 2017-2019 National ML/TF/PF Risk Assessment to the specific supervisory and control authority and the Prevention Law subjects under its supervision; provided practical tips and training on the use of the goAML reporting system; explained sector-specific ML/TF/PF risks; and analysed suspicious transaction reporting statistics. Each workshop involved a foreign expert/expert in the field to provide an international perspective on AML/CTPF matters relevant to the sector. Recordings of all the workshops have been published on the aforementioned Financial Intelligence Unit's virtual training platform, which is available to all Prevention Law subjects for refresher or first-time acquisition of the lecture material.

The third international conference on sanctions, "European Union sanctions against Belarus: implementation challenges and how to overcome them", was organised on 25-26 November 2021 under the auspices of the Financial Intelligence Unit with the support of the co-responsible institutions. The aim of the online conference was to bring together competent national authorities and high-level foreign experts to share information and experience on the effective application of sanctions against Belarus. The conference was a dynamic exchange of views, both from an academic perspective and from practical experience, leading to the joint

development of qualitative recommendations for future sanctions implementation plans. The event reached a wide audience, bringing together nearly 300 representatives from both public institutions and foreign experts.

# *PARTICIPATION IN INTERNATIONAL ASSESSMENTS*

One of the functions of the Financial Intelligence Unit is to represent Latvia in various international assessment processes related to AML/CTPF. In 2021, the Financial Intelligence Unit participated in six different assessments of Latvia's AML/CTPF system by international organisations. For example, Latvia, under the guidance of the Financial Intelligence Unit, submitted its 2nd Enhanced Surveillance Follow-up Report to Moneyval on 31 March 2021.

Latvia's international reputation in the area of AML/CTPF is being restored as international organisations assess Latvia's progress in improving AML/CTPF. For example, the International Monetary Fund (IMF) experts in the Article 4 Consultation Papers assessed positively the measures to improve the assessment system, highlighting the progress made in recent years in improving the AML/CTPF system.

The following initiatives of the Financial Intelligence Unit have been highlighted as particularly successful:

- the functioning of the public-private partnership mechanism (or the Cooperation Coordination Group)
- the regularity of on-site inspections by supervisory and control bodies;
- AML/CTPF training provided to Prevention Law subjects, fully operational beneficial ownership register.

The most important international assessments in 2021, to which the Financial Intelligence Unit has contributed within its remit, are:

## **Moneyval's enhanced surveillance process.**

Despite the fact that, in the follow-up report published by the Moneyval Committee of Experts on the Evaluation of Anti-Money Laundering and Counter-Terrorism Financing Measures of the Council of Europe published on 22 January 2020, Latvia was declared the first Moneyval member state and the second country in the world to be assessed as at least "mostly compliant" with all 40 recommendations of the Financial Action Task Force (hereinafter "FATF"), and the decision of the FATF plenary meeting of 21 February 2020 not to include Latvia in the so-called "grey list", Latvia remains under enhanced supervision by Moneyval. Latvia, under the guidance of the Financial Intelligence Unit, submitted the 2nd Enhanced Supervisory Follow-up Report to Moneyval on 31 March 2021. In this comprehensive report (131 pages), Latvia provided an update on progress and results achieved in the implementation of AML/CTPF measures.

#### **4AMLD<sup>3</sup> process for evaluating the effectiveness of introduction and implementation.**

Latvia, led by the Ministry of Finance, reported to the Council of Europe on the effectiveness of the application of the 4AMLD provisions in the context of national regulation. The Financial Intelligence Unit also provided statistics and commentary in support of its effectiveness, in line with its remit. On 16-19 March 2021, an online meeting with experts from the Council of Europe Evaluation Commission took place (meeting with representatives of supervisory and control bodies, law enforcement authorities, Prevention Law subjects, the Ministry of Finance and the Financial Intelligence Unit). On 9 April 2021, the draft assessment report was received, and on 22 April 2021, Latvia's views on the conclusions of the assessment report, as well as clarifications or additional information, were submitted to the Council of Europe.

#### **Evaluation visit by the Executive Directorate of the UN Counter-Terrorism Committee.**

The UN Counter-Terrorism Committee Executive Directorate's assessment evaluated Latvia's progress in implementing Security Council resolutions related to the prevention of terrorism and the financing of terrorism. From 28 June to 2 July 2021, video consultations were held with experts of the Evaluation Commission, during which expert recommendations were made on what Latvia should do to fully implement the relevant Security Council resolutions; examples of good practice were identified; areas where Latvia could benefit from technical assistance or where Latvia could provide technical assistance were identified.

#### **OECD Working Group on Bribery in International Business Transactions Phase 3 Assessment for Latvia.**

On 21 June 2021, Latvia, under the leadership of the Ministry of Justice, submitted a report to the Secretariat of the Organisation for Economic Co-operation and Development (OECD) Working Group on Bribery in International Business Transactions on the implementation of the recommendations made in the Phase 3 assessment. In the report, the FIU commented on the implementation and progress of recommendations under its responsibility, including the role of the FIU in detecting bribery abroad, the resources and capacity of the FIU, efforts to improve the flow of information between the FIU and law enforcement authorities.

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<sup>3</sup> 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 648/2012 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

In October 2021, the OECD Working Group on Bribery in International Business Transactions approved a report on Latvia's implementation of the recommendations made in the Phase 3 assessment. Recommendations within the remit of the Financial Intelligence Unit were assessed as fully implemented, including the recommendation to promote and facilitate the exchange of information between the Financial Intelligence Unit and law enforcement authorities, and the recommendation to ensure capacity building of the Financial Intelligence Unit. The working group appreciated the results achieved in implementing the recommendations, namely the detection of several cases of bribery of foreign officials with the support of the Financial Intelligence Unit and the confiscation of possible proceeds of crime. The working group noted in particular the progress made by the Financial Intelligence Unit to improve the prevention and detection of money laundering, including through institutional reforms, increased staffing of the Financial Intelligence Unit, enhanced reporting requirements and regular updates to the money laundering risk criteria.

#### **International Monetary Fund Article IV assessment for Latvia.**

The International Monetary Fund (IMF) conducts annual reviews of countries' macroeconomic and financial stability. These assessments also focus on the area of AML/CTPF. As part of the assessment of Latvia, an online meeting with IMF experts was held under the chairmanship of the Bank of Latvia, after which the IMF Article 4 consultation documents were received. IMF experts in the Article IV consultation documents<sup>4</sup> have positively assessed the measures to improve the AML/CTPF system, highlighting the progress made over the past years in improving the AML/CTPF system. The following initiatives were highlighted as particularly successful: the functioning of the public-private partnership mechanism; the regularity of on-site inspections by the supervisory and control bodies; ML/TF/PF training provided to the subjects of subjects of the Prevention Law; fully operational register of beneficial owners.

#### **IMF assessment of the financial sector in the Nordic-Baltic region in the area of AML/CTPF.**

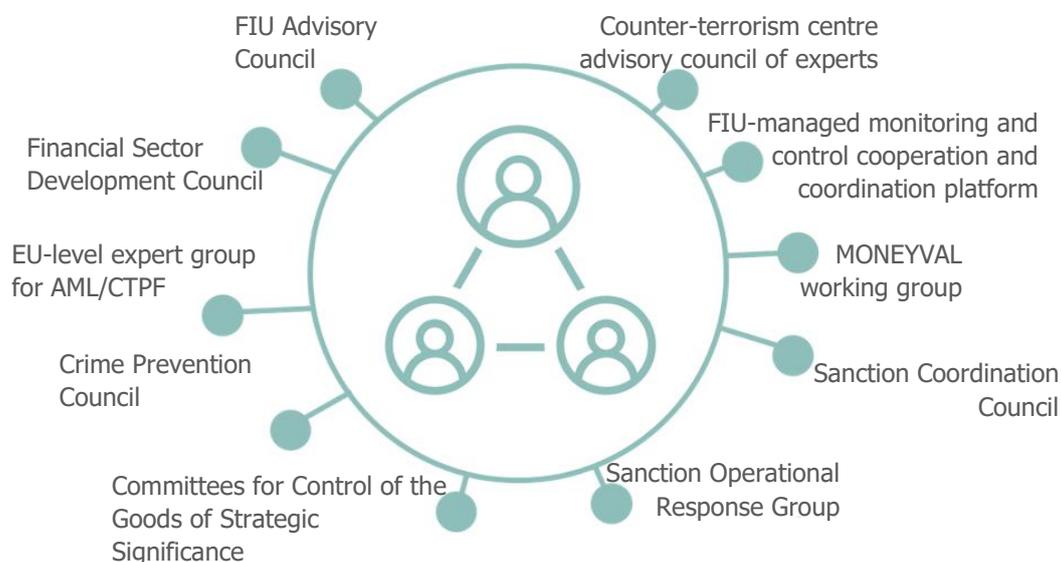
As part of this assessment, the IMF is analysing financial flows (banks and other financial institutions) with/between countries in the region, the impact of these flows on ML/TF risks, and the cooperation of supervisory and control institutions in this area. Latvia, under the guidance of the Bank of Latvia, completed and submitted the necessary documentation for the assessment. The Financial Intelligence Unit also provided extensive information and supporting statistics, including on the resources and capacity of the

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<sup>4</sup> <https://www.imf.org/en/Publications/CR/Issues/2021/08/31/Republic-of-Latvia-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-465002>

Financial Intelligence Unit, suspicious transaction reporting practices and indicators, the toolkits and guidance developed for Prevention Law subjects and counterparts, strategic analysis products and their contributions.

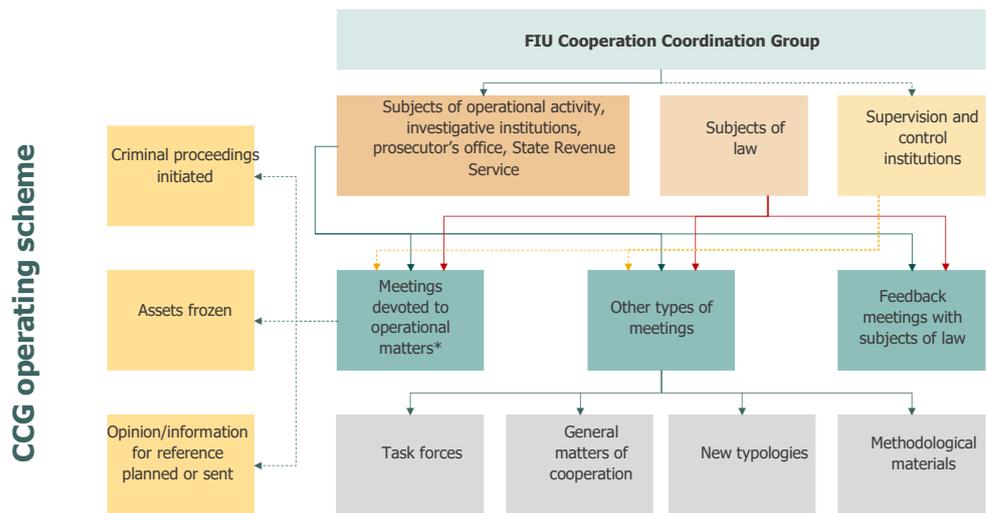
# FINANCIAL INTELLIGENCE UNIT COOPERATION PLATFORMS



## Cooperation Coordination Group activities

The functions of the Financial Intelligence Unit cannot be performed without effective cooperation with law enforcement authorities and prosecutors, as well as with the subjects of the Prevention Law and their supervisory and control bodies. According to Section 55 of the Prevention Law, the purpose of such cooperation is to facilitate the effective performance of the tasks assigned to the participating institutions, the subjects of the Prevention Law and the supervisory and control bodies by the regulatory enactments.

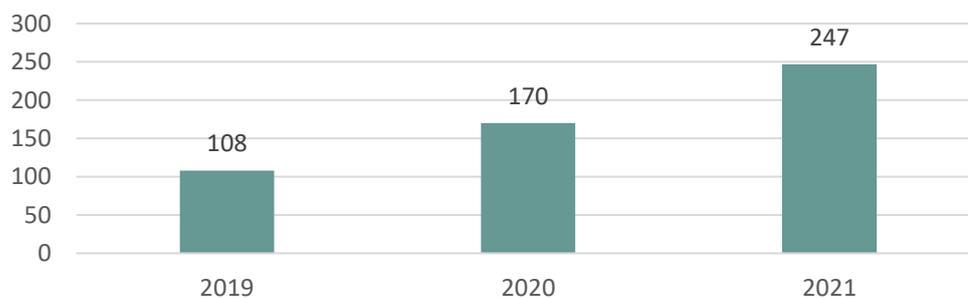
The Prevention Law stipulates that the Financial Intelligence Unit coordinates the cooperation of the institutions involved (subjects of operational activity, investigative authorities, prosecutor's office, SRS, as well as subjects of the Prevention Law) and how such cooperation is coordinated by convening a cooperation coordination group. The Cooperation Coordination Group is convened by the Financial Intelligence Unit on its own initiative or at the initiative of at least one of the institutions involved. The functioning of the Cooperation Coordination Group is schematically illustrated **below**.



*\*Exchange information relevant to ML/TF/PF, attempt at such actions or other related criminal act or suspicious transaction. May consider specific situations involving review or investigation, exchange information.*

The Cooperation Coordination Group is an effective, flexible and operational instrument for coordinating cooperation, as demonstrated by the rapidly growing number of Cooperation Coordination Group meetings convened. 108 meetings of the Cooperation Coordination Group were convened in 2019, 170 in 2020 and 247 in 2021 (of which 14, 39 and 65 were repeated meetings, respectively, to continue the examination of specific cooperation issues).

**Dynamics of the Cooperation Coordination Group meetings  
2019-2021**



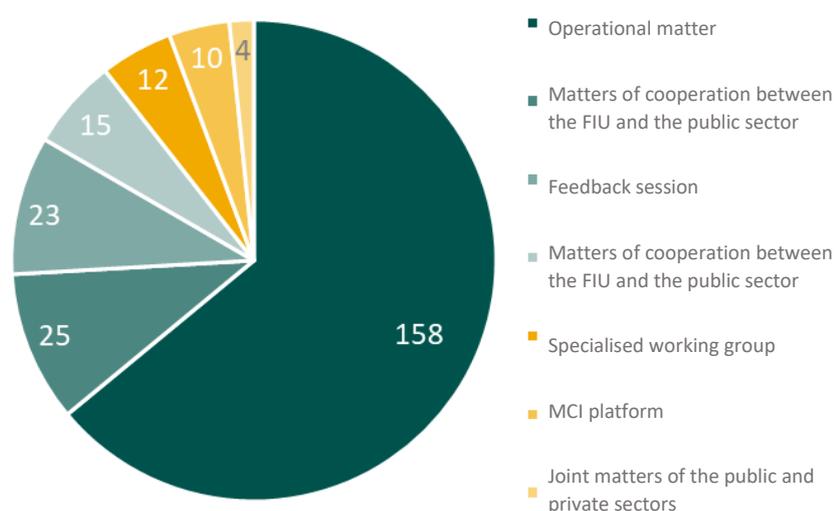
Although almost all the institutions involved have exercised their right to initiate a meeting of the Cooperation Coordination Group, the most frequent meetings have been initiated by the Financial Intelligence Unit: 62 meetings in 2019, 98 meetings in 2020 and 195 meetings in 2021.

The Cooperation Coordination Group meets to discuss a range of issues, including:

- The Financial Intelligence Unit's operational files;
- Matters of cooperation between the Financial Intelligence Unit and the public sector;

- feedback meetings to inform a specific Prevention Law subject and/or its supervisory and control authority on the quality of reporting to the FIU;
- Current issues for the Financial Intelligence Unit and the private sector (subjects of the Prevention Law);
- specialised working groups;
- a platform for supervisory and control bodies;
- issues common to the public and private sectors.

In 2021, the most frequent meetings of the Cooperation Coordination Group were organised on operational matters - 158, of which 112 were on operational matters of the Financial Intelligence Unit.



10 meetings of the Platform for Cooperation and Coordination between the Financial Intelligence Unit and the public sector. The operation of this platform promotes the fulfilment of the obligations laid down in the Prevention Law by both the Financial Intelligence Unit and the supervisory and control institutions - and asserts the position of the Financial Intelligence Unit as the leading authority in Latvia in the prevention of ML/TF/TF. Through the platform, the Financial Intelligence Unit has the opportunity to learn about the current activities of supervisory and control institutions, as well as to identify and devise solutions to problems in the area of AML/CTPF.

The Financial Intelligence Unit held 23 feedback sessions with the public and private sector, 12 of which were organised with credit institutions, 7 with supervisory and control bodies, and 4 with individual subjects of the Prevention Law other than credit institutions.

Feedback meetings were held in 2021 with those credit institutions that have filed at least 10 reports on a suspicious transaction or transactions in 2020, as well as 3 such meetings with other subjects of the Prevention Law. The feedback sessions covered statistics (number of reports, typologies, groups of alleged offences reported, etc.) and specific information from the reports made in 2020, analysed jointly with the relevant subject of the Law.

In 2021, 88 meetings of the Cooperation Coordination Group were attended by Prevention Law subjects, of which 75 were attended by credit institutions and 13 by other Prevention Law subjects. 18 meetings were convened at the initiative of the private sector: 16 at the initiative of credit institutions and 2 at the initiative of a solicitor or other independent legal services provider acting on behalf of a client.

The meetings of the Cooperation Coordination Group, convened at the initiative of the private sector, focused on operational matters as well as mutual cooperation issues.

In the framework of private-public cooperation, 6 meetings of the Cooperation Coordination Group were held in 2021 on the initiative of the CPCB, where risk information was shared with credit institutions. Credit institutions assessed this information and reported to the Financial Intelligence Unit. In two cases, on the basis of credit institutions' reports, information was prepared and provided to the CPCB to perform the tasks set out in the regulatory enactments.

The work of the Cooperation Coordination Group makes an important contribution to public-private cooperation. This model of information exchange significantly speeds up the detection, investigation and transfer of information on ML/TF/PF cases to law enforcement authorities for procedural action, as well as the development of a common understanding of AML/CTPF issues at inter-institutional level.

An innovation in the operation of the Cooperation Coordination Group in 2021 was the establishment and operation of several specialised Cooperation Coordination Group Working Groups. For the first time an inter-institutional "sustainable" project-oriented Anti-Corruption Cooperation Coordination Group was established with a permanent membership - representatives from 4 major Latvian credit institutions, the Financial Intelligence Unit, the CPCB and the Prosecutor General's Office. During the year, 6 meetings of this group were held, resulting in the document "Indicators and case studies of corrupt offences", which is published on the Financial Intelligence Unit's [website](#).<sup>5</sup>

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<sup>5</sup> Indicators and case studies of corruption offences. 2021. <https://www.fid.gov.lv/lv/aktualitates/koruptivu-noziedzigu-nodarijumu-indikatoru-un-gadijumu-analize>



In four meetings of the Inter-institutional Working Group on the effective detection of (possible) criminal offences identified during the self-liquidation process of ABLV Bank, the Financial Intelligence Unit coordinated with the State Police and the Prosecutor's Office.

The representation of law enforcement authorities in the LAG has increased significantly compared to the previous year. Law enforcement authorities participated in 166 meetings of the Cooperation Coordination Group in 2021.

Institution	2020	2021
State Police	49	69
including <i>ENAP</i> (ECD)	27	41
including <i>ONAP</i> (OCD)	11	12
CPCB	9	37
SRS <i>NMPP</i> (TCPB)	15	20
<i>VDD</i> ( <i>SSS</i> )	12	17

The Prosecutor's Office participated in 33 meetings of the Cooperation Coordination Group (10 more than in 2020).

### **Example: Cooperation Coordination Group case study**

In 2021, the State Police arrested an organised group suspected of human trafficking.

Upon the initiative of the State Police, a quick and effective solution was required in order to prevent the outflow of potentially criminally-gained funds. On the same day, the Financial Intelligence Unit convened a meeting of the Cooperation Coordination Group, which brought together representatives of the State Police and the banks where the persons involved in the crime held accounts.

The State Police informed the banks about the circumstances of the case and the planned actions, while ensuring confidentiality: the information was transferred within the Cooperation Coordination Group.

On the same day, the Financial Intelligence Unit issued instructions for banks to monitor transactions in the accounts of persons linked to the case. As a result, without freezing the assets of the persons involved (which could have hampered investigative activities or have been disproportionate), the Cooperation Coordination Group model ensured that funds allegedly criminally obtained by the persons involved in the case did not change their location without a thorough check by the bank and the Financial Intelligence Unit.

### **Financial Intelligence Unit responses to law enforcement requests**

Responding to requests is an essential element of the Financial Intelligence Unit's cooperation with law enforcement authorities and prosecutors.

Pursuant to Section 56 Paragraph One of the Prevention Law, the Financial Intelligence Unit shall provide the information at its disposal upon request of the subjects of operational activity, investigative authorities or prosecutor's office in the course of operational activity or criminal proceedings, as well as upon request of a court in criminal proceedings.

The number of requests to the Financial Intelligence Unit remains fairly stable, with 304 requests received by the Financial Intelligence Unit in 2021 (two fewer than in 2020). The number of requests from the Internal Security Bureau has increased significantly - threefold, and the number of requests from the Public Prosecutor's Office has doubled.

<b>Institution</b>	<b>2020</b>	<b>2021</b>
<b>Military police</b>	2	1
<b>Border Guard</b>	0	1
<b>SRS IDP (ISD)</b>	2	2
<b>VDD (SSS)</b>	17	6
<b>IDB (ISB)</b>	3	10

<b>KNAB (CPCB)</b>	15	16
<b>Public Prosecutor's Office</b>	9	19
<b>NMPP (TCPB)</b>	50	35
<b>State Police</b>	195	213
<b>Total:</b>	<b>298</b>	<b>303</b>

The State Police sent 213 requests to the Financial Intelligence Unit, of which 100 were from units of the General Criminal Police Directorate (75 from the Economic Crime Directorate and 12 from the Organised Crime Directorate) and 113 were from regional administrations.

Of the 266 requests indicating a link to a specific criminal offence, the majority were related to money laundering - 178. Of these, 137 cases of money laundering were indicated without predicate offences.

The most common predicate offences identified in the requests, along with money laundering, were:

- tax offences - evasion of taxes and related duties - 18 times, 13 of these by an organised group, and evasion of filing a tax return - 1 time;
- corruption offences - 7;
- 8 offences against property, 7 fraud offences and 1 embezzlement offence.

Other predicate offences included violations of sanctions imposed by international organisations and by the Republic of Latvia, human trafficking, and the movement of goods and substances whose movement is prohibited or specially regulated across the state border of the Republic of Latvia.

88 requests related to various criminal offences, but not linked to money laundering. These requests most frequently mentioned:

- fraud - 26;
- drug offences - 15;
- 10 homicides, including 4 aggravated homicides and 4 especially aggravated homicides;
- tax offences - 7;
- withholding information and making false statements about the ownership and beneficial ownership of funds - 7;
- illegal manufacture (production), storage, movement and sale of alcoholic beverages and tobacco products - 4.

The Financial Intelligence Unit provided 248 responses to 304 requests received in 2021. In some cases, replies were given in the form of an opinion of the competent authority (3), information for reference (2) and a supplementary reply to an earlier request (1). Following the responses, the Financial Intelligence Unit sent 10 additional items of information on the issues raised in the requests. The Financial Intelligence Unit provided 27 interim replies to pending requests.

The average response time for requests in 2021 was 31 days, but it should be noted that the response time for requests for information from foreign services (26% of all requests) is highly dependent on the speed of the foreign services' response. In 26% of cases, a reply was provided within one week, including 8 cases where the reply was provided on the day the request was received and 11 cases where it was provided on the following day.

# *INNOVATIONS AND TECHNOLOGICAL SUPPORT SOLUTIONS*

On 1 October 2021, the Financial Intelligence Unit completed the first phase of the largest digital transformation project in the history of the institution, by launching the internationally acclaimed goAML system with full functionality. The introduction of the system changed the receipt and analysis flows for reports and threshold declarations, as well as the procedure for transmitting analysis documents to the Financial Intelligence Unit. The Financial Intelligence Unit not only contributed to strengthening the flow of electronic information in the country, but also ensured that documents were transmitted immediately to counterparts via a secure channel.

Developed by the United Nations Office on Drugs and Crime, goAML is the gold standard in the financial intelligence services environment, and its development is becoming more focused as the number of services using the system increases.

The functionality provided by goAML was complemented by a visualisation solution supported by law enforcement authorities, thus creating a platform for further solutions to data improvement and enrichment processes.

The introduction of goAML brought to an end the phase during which the subjects of the Prevention Law had to report suspicious tax transactions to both the Financial Intelligence Unit and the SRS. Currently, a report that is marked by the subject of the Prevention Law as also belonging to the SRS is automatically sent to the SRS after its acceptance by the Financial Intelligence Unit. The new solution has significantly facilitated the work of the subjects of the Prevention Law.

The number of active institutions in goAML has gradually increased:

- On 1 November 2021, the number of active goAML institutions reached 422;
- As of 1 December 2021 - 588;
- As of 1 January 2022 - 685.

The number of active institutions at the closure date of 30 September 2021, compared to the closure date of the previous E-notification or "Suspicious Transaction Reporting and Threshold Declarations", was 692.

In November 2021, four law enforcement authorities, important partners of the Financial Intelligence Unit, also started using goAML.

Although the introduction of the new system led to a radical change in the content of the messages and the user interface, the changeover process went smoothly. This was facilitated by early access to the user test environment, the user guides produced and the timely support provided. The epidemiological situation also allowed more participants to participate in remote online training than in face-to-face training. However, the most important success factor was the successful and mutually open communication between the subjects of the Prevention Law and the Financial Intelligence Unit.

At the same time, the digital transformation also strengthened internal information systems protection solutions, expanding the monitoring of security events and resources, ensuring more efficient allocation of resources and timely error handling, thus allowing for timely prevention of potential errors and more efficient reallocation of resources among processes.

The Financial Intelligence Unit pays close attention to ensuring information security in remote working environments. A new video conferencing platform has been introduced to allow communication at institutional, national and international level without the use of third-party server platforms.

As the volume of documents received, processed and produced by the Financial Intelligence Unit has increased, a modern centralised backup and replication management solution has been implemented.

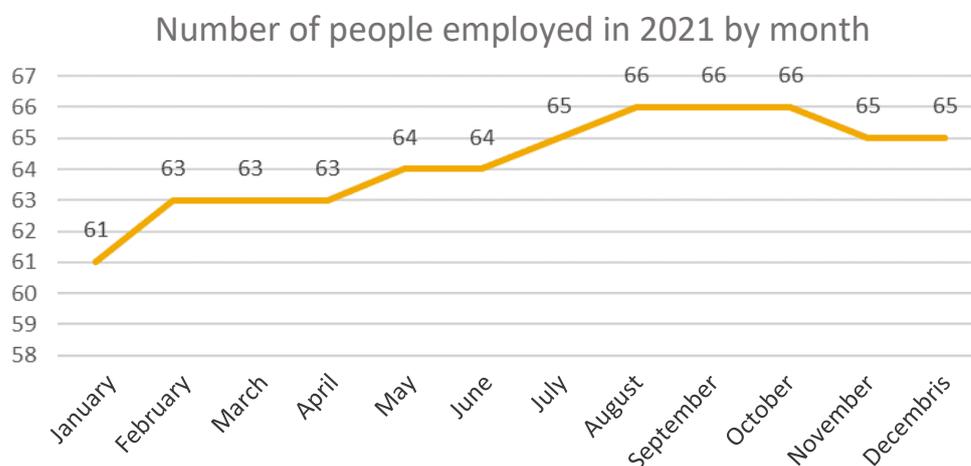
The Financial Intelligence Unit has improved its website <https://sankcijas.fid.gov.lv/>, which maintains information on sanctioned natural or legal persons or other identifiable entities (subject to national or international sanctions), and has created a web service that allows access to the current sanctions lists free of charge. The published web services can be accessed through *API Pārvaldnieks* (API Manager), a shared component of the National Information Systems Interface managed by the State Regional Development Agency.

# FINANCIAL INTELLIGENCE OFFICERS

The Financial Intelligence Unit's Human Resources Policy is based on the interplay between selection, remuneration, performance, training and the working environment. The objective of the Personnel Policy is to contribute to the achievement of the objectives and tasks set out in the operational strategy of the Financial Intelligence Unit by attracting motivated officials and staff, developing their professional qualities and achieving a highly qualified level of expertise in the sector.

In accordance with the Cabinet of Ministers' Decree No. 576 of 29 September 2020 "On the Action Plan to Prevent Money Laundering, Terrorism and Proliferation Financing for the 2020-2022 Period", two additional service positions were allocated to the Financial Intelligence Unit as of 1 January 2021. The total number of service positions at the Financial Intelligence Unit in January 2021 was 68, including 14 officials and 54 staff.

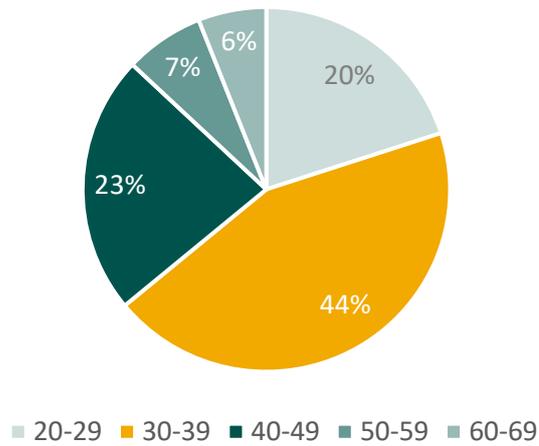
On 1 January 2021, the Financial Intelligence Unit had 61 filled posts, but with the increase in the number of staff, the Financial Intelligence Unit had 65 filled positions at the end of the year. In 2021, 11 new employees joined the Financial Intelligence Unit and an average of 64 positions were filled in the reporting year.



The average age of a Financial Intelligence Unit employee is 38. The Financial Intelligence Unit is 73% female and 27% male.

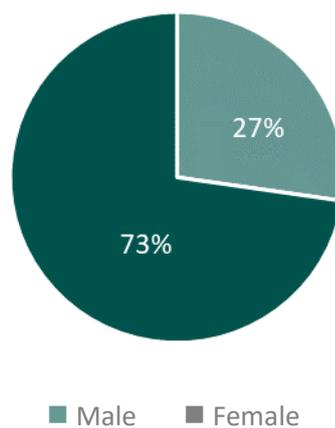
Number of Financial Intelligence Unit staff by age group:

Number of employees by age group



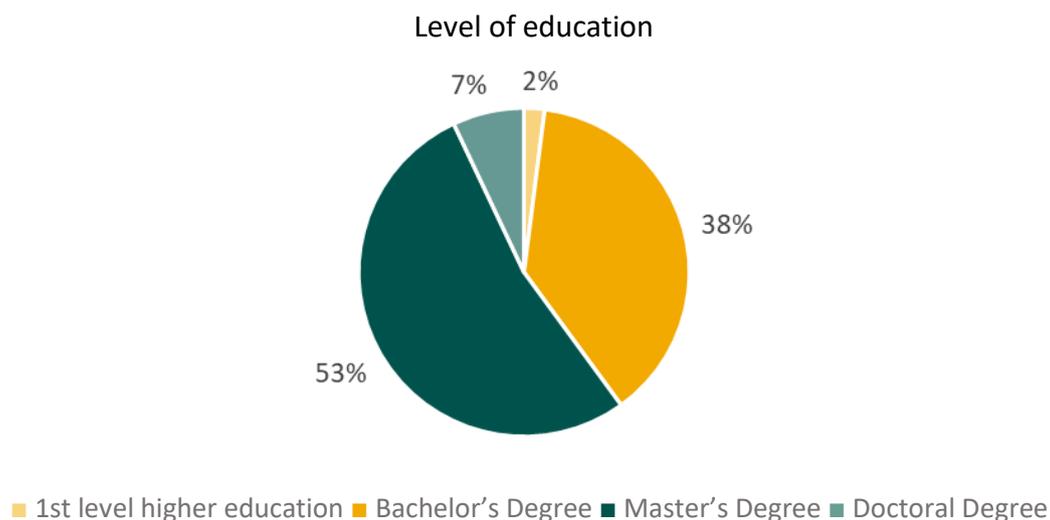
Number of Financial Intelligence Unit staff by gender:

Gender breakdown



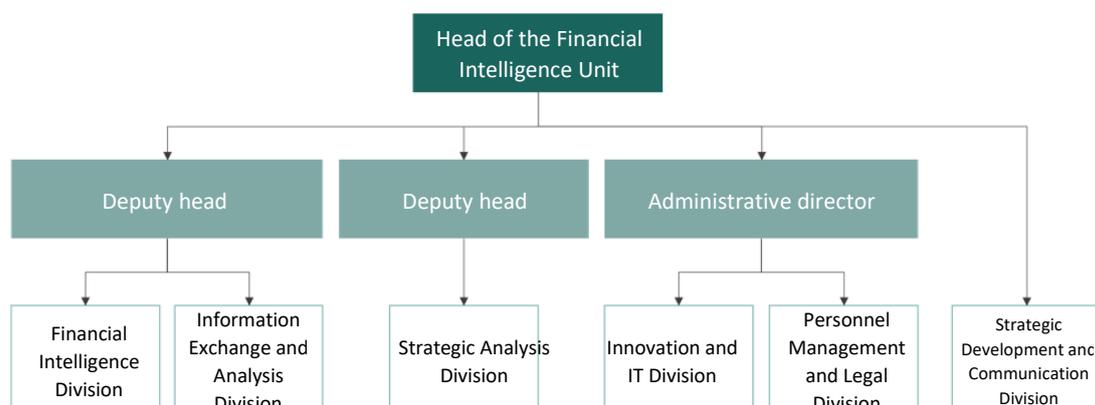
The majority, 53%, of Financial Intelligence Unit staff have a Master's degree, while 38% have a Bachelor's degree.

## Educational level of Financial Intelligence Unit staff:



In order to strengthen their knowledge and improve their qualifications in the field of anti-money laundering, a number of Financial Intelligence Unit officers have had the opportunity to participate in the international Association of Certified Anti-Money Laundering Specialists (ACAMS) accredited training programme and qualify for the Certified Anti-Money Laundering Specialist (CAMS) examination. After several months of independent training, 11 Financial Intelligence Unit officers have earned the prestigious CAMS certificate by the end of 2021.

## Structure of the Financial Intelligence Unit



# COMMUNICATION WITH THE PUBLIC

In 2021, the Financial Intelligence Unit communicated with the public through various channels to inform them about the latest developments and achievements of the Financial Intelligence Unit, as well as new developments in the area of anti-money laundering.

## Cooperation with the media

During the reporting period, the Financial Intelligence Unit has prepared and provided answers to media requests and proactively implemented publicity activities in order to explain the Financial Intelligence Unit as well as current developments in the field of anti-money laundering. Financial Intelligence Unit topics were covered in the national media in the form of news stories, interviews, opinion pieces, educational and explanatory material. The views of the Financial Intelligence Unit have also been featured on international websites dealing with AML/CTPF.

Top media topics in 2021:

- Changes to suspicious transaction reporting in the context of the new goAML reporting system.
- Results of financial intelligence activities, including the dynamics of the number of suspicious transaction reports received and analysed.
- The Financial Intelligence Unit's intention to establish the AML Innovation Centre, which will ensure operational cooperation between specialists from the Financial Intelligence Unit, law enforcement authorities and other institutions involved in combating financial crime, both nationally and in the Baltics.
- Financial intelligence as a national security issue.
- European Commission proposals for reform of the EU-level AML/CTPF system.

## Communication on social networks

Following communication trends, the Financial Intelligence Unit utilises social networks in its everyday communication with the public. In 2021, the Financial Intelligence Unit kept its followers and other social media users regularly informed about the latest developments in its work and in the area of AML/CTPF, and about other relevant news. To make the information easier to understand, the Financial Intelligence Unit used visually designed

material, including photographs and infographics, in its social media communications.

The Financial Intelligence Unit has a growing following on social media platforms. In 2021, the number of followers on LinkedIn, the professional social platform of the Financial Intelligence Unit, reached 5 000. The Financial Intelligence Unit had 700 followers on Facebook and 300 followers on the microblogging site Twitter.

### **Participation in the "Lampa" talk festival**

In order to explain the risks of financial crime and the role of the Financial Intelligence Unit in preventing money laundering to the public in a clear and engaging way, representatives of the Financial Intelligence Unit took part in the "Lampa" talk festival discussions in 2021. The discussion "To report or not to report? - That is the question" was devoted to highlighting the importance of reporting from the perspective of society, public administration and other countries, while the discussion "Cryptocurrencies and Money Laundering. How to prevent such crimes?" had experts discussing international and Latvian experience in preventing cryptocurrency and money laundering crimes.

### **Information and education campaign "*Naudas li(i)kumi*" (Money (F)Laws)**

The Financial Intelligence Unit, as the lead authority for AML/CFT/CFT, is obliged to organise Money Law Days as an educational campaign for businesses and the public to raise awareness of economic and financial crime and to warn people about the risks of being involved in it, pursuant to paragraph 1.3.2 of Cabinet Decree No. 653 "On the Action Plan to Prevent Money Laundering, Terrorism and Proliferation Financing for the 2020-2022 Period".

The Financial Intelligence Unit ran its awareness-raising campaign "*Naudas li(i)kumi*" from 1 February to 31 March 2021. The main objectives of the campaign were to raise public awareness of the risks of financial crime, explain the financial intelligence process and its necessity, encourage the public to recognise and identify risk situations in the context of financial crime, and illustrate potential scenarios for action in suspicious situations.

The campaign strategy was based on messages to raise public awareness of the need to prevent money laundering for the benefit of all citizens, as financial crime hampers the growth of the country's economy and has a negative impact on economic development. The campaign explained that one of the keys to national stability is a transparent, recognised and controlled financial system that prevents the transit or accumulation of illicit

funds, thereby promoting economic growth, business development, attracting investors and other key aspects of the economy.

In addition to publicity material (press releases, opinion pieces, interviews and publications in the media and on social media), the campaign produced five podcasts with the participation of Financial Intelligence Unit specialists and other experts to explain the topicality of the issue. The Financial Intelligence Unit's website provides campaign information material, including recorded broadcasts, in the section devoted to its "[Naudas li\(i\)kumi](#)" ([Money \(F\)Laws](#)) campaign:

- The role of the Financial Intelligence Unit in preventing financial crime.
- Where does the money flow? Types of money laundering: going behind the scenes of investigation.
- Towards a new culture of compliance in business. The opinions of entrepreneurs and of the Financial Intelligence Unit.
- How is the future affected by a wrong decision made at a young age?
- What are the risks in the world of virtual currencies and new financial technologies?

In addition to the social media communication aimed at raising young people's awareness of the risks of being involved in financial crime and how to avoid it, the campaign included two lectures by experts from the Financial Intelligence Unit in cooperation with Turība University and Junior Achievement Latvia.

## Campaign results



Campaign results reflect the increasing public interest regarding financial crime, unique view count of Campaign publicity materials (press releases, video recordings, publications) reached

874 239

Unique views of broadcast recordings published on Facebook reached 40735, with total viewership of recordings at 349289



As a result of the campaign, the number of the Financial Intelligence Unit's followers on social media has increased:



24%



1,85%



18%

## **Public opinion poll**

In order to improve the situation and to be able to develop targeted activities to raise public awareness of money laundering, its links to specific criminal offences and the consequences of such offences for the economy and society as a whole, the Financial Intelligence Unit conducted a public opinion survey in 2021. The survey was carried out in August-September 2021 to obtain more accurate data on public opinion and the level of public awareness in the context of money laundering. The results of the survey reflect a positive overall awareness of financial crime and its impact on social well-being, but a number of groups can be identified that are not aware. The results of the study show that there is a general public perception that money laundering takes place through the financial sector, but that money laundering can also take place through apparently legal civil-law transactions. There is also a low level of public awareness of the country's restrictions on the use of cash and the amount of funds involved, which, as a result of money laundering, causes enormous losses to the national budget.

The results of the study will be used by the FIU in future public information and education campaigns, in the refinement of key messages, the choice of communication channels and tools, and in the development of the FIU's strategic communication products.

## **Website traffic and LinkedIn statistics**

One of the main communication channels of the Financial Intelligence Unit is the website <https://www.fid.gov.lv/lv>. In 2021, information on current events was also published and updated in other areas of the Financial Intelligence Unit's website. The total number of unique visitors to the Financial Intelligence Unit website in 2021 was more than 50,000. The number of followers of LinkedIn, the professional social platform of the Financial Intelligence Unit, increased by 597 in 2021. LinkedIn is an important communication platform for the Financial Intelligence Unit, given the active cooperation with foreign partners, who can stay informed about the news and activities of the Financial Intelligence Unit directly through regular communication on LinkedIn. In 2021, the Financial Intelligence Unit's LinkedIn profile was liked 2,811 times. The number of unique views of Financial Intelligence Unit LinkedIn content in 2021 was 100,599.

# *FINANCIAL AND OPERATIONAL MANAGEMENT OF THE FINANCIAL INTELLIGENCE UNIT*

The functions of the Financial Intelligence Unit are financed from budget programme 43.00.00. "Financial Intelligence Unit Activities". In 2021, €1.7 million was spent on core functions. In addition to the implementation of the core functions of the institution, the funding foreseen in the budget programme for 2021 also covered the implementation of activities under the Cabinet of Ministers' Decree No. 512 *"Implementation of the Action Plan to Prevent Money Laundering and Terrorist Financing for the period until 31 December 2019"* with a total spending of EUR 1.3 million and under the Cabinet of Ministers' 29 September 2021 Decree No. 576 *"Action plan to prevent money laundering and terrorist financing for the period 2020-2022"* with a total spending of €1.1 million. In addition, the measure "Strengthening the capacity of the Financial Intelligence Unit to fight financial and economic crime", financed by the Proceeds of Crime Confiscation Fund, was finalised in 2021 with remaining funding of €1,815 and an unspent balance of €19,123. By decision of the Crime Prevention Council meeting dated 30 September, the Financial Intelligence Unit project "Study on the use of machine learning methods to detect economic crime", with a total budget of €100 000 for 2021, was terminated without results and approved for re-implementation in 2022.

The total expenditure of the Financial Intelligence Unit in 2021 was €4.06 million, which is 93.0% of the approved annual plan and 0.1% higher than in 2020. Of the total expenditure, 67.5% is accounted for by remuneration, 23.9% by goods and services, 7.5% by capital expenditure and 1.1% by transfers and international cooperation.

The objective of the Financial Intelligence Unit's budget programme is to ensure that measures are taken to prevent money laundering and the financing of terrorism, to fulfil the functions laid down in the Prevention Law and to prevent abuse of the financial system of the Republic of Latvia for money laundering. The policy and operational results of the Budget Programme are presented in the table below.

*Results and performance indicators for the budget programme  
43.00.00 "Activities of the Financial Intelligence Unit" in 2020*

	2021 annual plan	2021 annual implementation	Deviation from target, %
<b>Policy performance indicators</b>			
Increase in the ratio of the amount of funds frozen by the Financial Intelligence Unit to the number of materials handed over to the judicial authorities (%)	4%	-16%	-507
<b>Operational results</b>			
Reports received / threshold declarations (number)	15,000	5,715 / 62,420	354.23
Amounts suspended (EUR million)	70	209.63	199.5
Orders issued to suspend cash operations (number)	150	363	142%
Materials sent for further processing (number)	250	394	57.6

The operational results of the Financial Intelligence Unit in 2021 show significant over-performance in terms the number of reports received, since as of 17 December 2019, unusual transaction reports have been replaced by threshold declarations. One of the indicators of the improvement in the quality of suspicious transaction reports is the decrease in the number of safeguard reports, which has been facilitated by intensive educational work with the subjects of the Prevention Law on reporting issues. The Financial Intelligence Unit suspends or freezes funds on the basis of information received from the subjects of the Prevention Law (reports of suspicious transactions) and upon the initiative of the Financial Intelligence Unit - on the basis of information in the possession of the Service in cases where there are reasonable grounds to suspect that a criminal offence has been committed, as well as on the basis of information otherwise received from the subjects of the Prevention Law and from international cooperation partners. The amount of frozen funds in 2021 was undeniably significantly affected by the freezing of funds of credit institutions that had suspended their operations, which accounted for more than 98% of the total amount frozen. The policy performance indicators were affected by changes in the calculation of frozen assets, which in 2020 included estimated values for financial instruments and real estate. To avoid the impact of estimating the value or setting the value at a specific date, no such components are included in 2021.

Given that the projected results are not up-to-date, they do not reflect the changes in the regulatory framework as of 2022:

- The indicator "Number of reports received" will be replaced by: "Ratio of the amount of abstention notices received to the amount of funds frozen by temporary freezing orders (%)" and "Ratio of the amount of abstention notices received to the amount of funds frozen by temporary freezing orders (%)".
- The indicator "Materials sent for further processing (number)" will be replaced by: "Competent authority opinions sent to law enforcement authorities indicating the predicate offence as corruption (number)", "Risk information reports sent to law enforcement authorities indicating the predicate offence as corruption (number)", "Competent authority opinions sent to law enforcement authorities indicating the predicate offence as tax crime (number)" and "Risk information reports sent to law enforcement authorities indicating the predicate offence as tax crime (number)".
- The indicators "Suspension orders issued (number)" and "Suspended amounts (millions of euros)" will be replaced by the indicator: "Ratio of the amount of transactions covered by temporary freezing orders to the amount of funds seized (%)".

# *DEVELOPMENT OF THE FINANCIAL INTELLIGENCE UNIT AND PLANS FOR 2022*

The priority tasks of the Financial Intelligence Unit are included in the Cabinet of Ministers' Decree No. 576 of 29 September 2020 "On the Action Plan to Prevent Money Laundering, Terrorism and Proliferation Financing for the 2020-2022 Period". The strategic goals, objectives, performance indicators and targets of the Financial Intelligence Unit are set out in the Financial Intelligence Unit Strategy 2019-2022, which is the medium-term management document of the Financial Intelligence Unit.

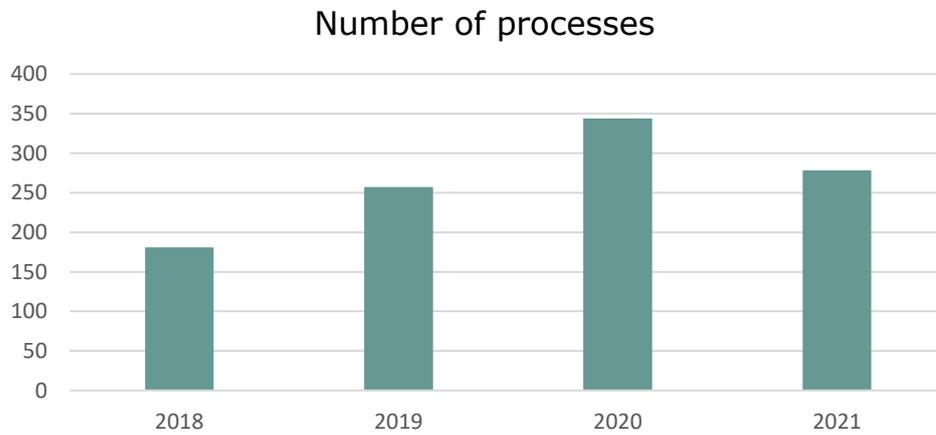
Given the pace of growth of the Service and the changes in the external environment, a new strategic planning cycle was launched in the summer of 2021, and groundwork has been carried out at all staff levels as well as at management level, with a view to developing a new and ambitious strategic plan for the next development period in 2022. This will include a revised and updated vision, mission, strategic development priorities and action plans.

Key actions planned by the Financial Intelligence Unit for 2022:

- A National Strategy to Combat Financial Crime is developed;
- The process of reviewing suspicious transaction reports submitted by LAS ABLV is completed;
- The link between financial crime and the shadow economy is further analysed, and work on second risk profile cases is strengthened;
- The FIU's autonomy (independence) is strengthened and overall compliance with enhanced safety requirements is ensured;
- The Egmont Riga event strengthens Latvia's international reputation and introduces a new standard in the FIU's international cooperation practice;
- The FIU Innovation Centre (AMLIH) is launched;
- Cooperation between the Baltic States on combating financial crime is developed.

# ATTACHMENTS

## **Criminal proceedings under Article 195 of the Criminal Law for money laundering (overall national statistics, not attributable to the results of the Financial Intelligence Unit)**



## **Prosecutions and proceedings pending**

Year	Criminal proceedings referred for prosecution	Criminal proceedings where prosecution has been initiated
2018	33	22
2019	62	65
2020	69	80
2021	127	136

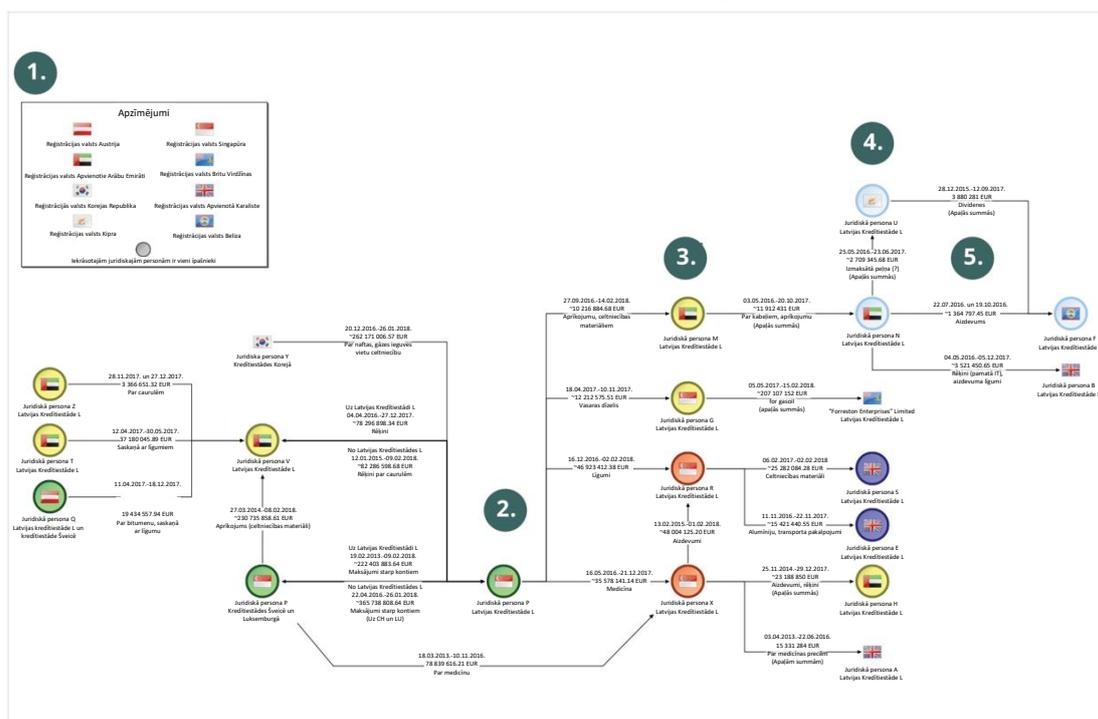
## Funding and allocation

No.	Financial indicators	Previous year (actual implementation)	During the reporting year	
			approved by law <sup>[1]</sup>	actual implementation
<b>1</b>	<b>Financial resources to cover expenditures (total)</b>	<b>4,176,159</b>	<b>4,248,126</b>	<b>4,060,227</b>
1.1.	grants	4,001,869	4,245,626	4,060,227
1.2.	paid services and other unit revenue	429	2,500	0
1.3.	transfers	173,861	0	0
1.4.	foreign financial assistance	0	0	0
1.5.	donations and gifts	0	0	0
<b>2</b>	<b>Expenditures (total)</b>	<b>4,058,162</b>	<b>4,369,064</b>	<b>4,062,042</b>
2.1.	maintenance expenditures (total)	3,386,346	4,023,602	3,755,215
2.1.1.	current expenditure	3,347,965	3,946,602	3,712,175
2.1.5.	transfers of maintenance expenditure	38,381	77,000	43,040
2.2.	capital expenditure	671,816	345,462	306,827

[1] Taking into account the Ministry of Finance's orders on changes to appropriations.

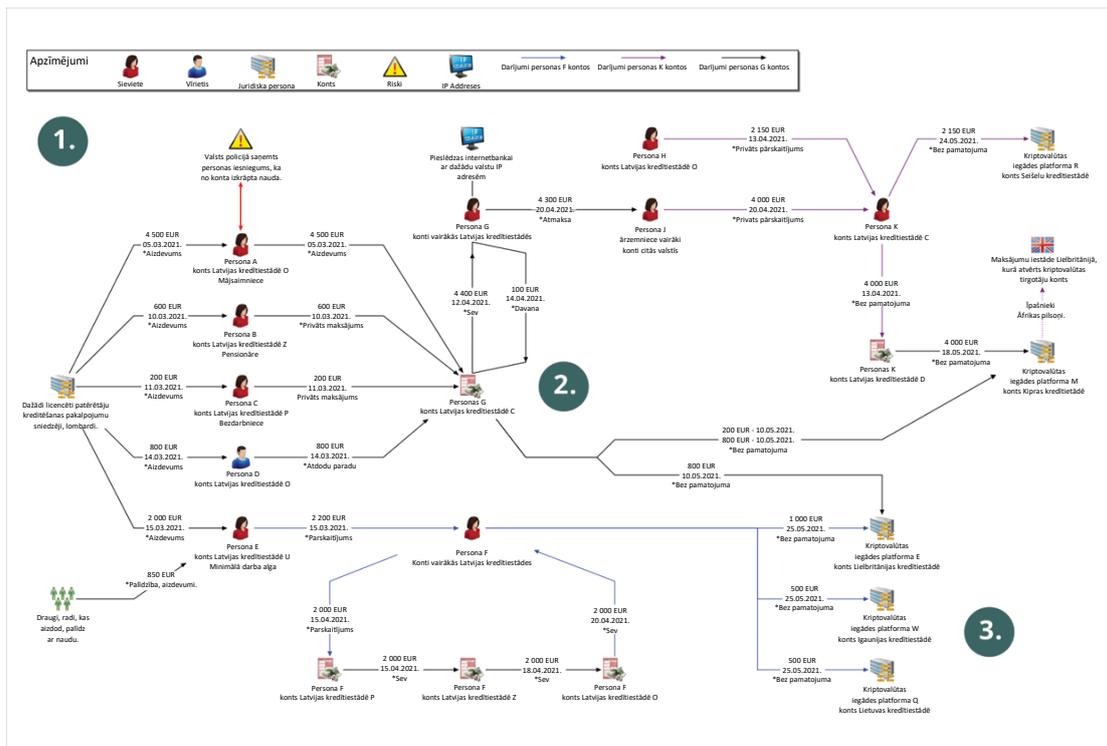
# Money laundering schemes (examples)

Noziedzīgi iegūtu līdzekļu legalizācijas shēma



## Facts and circumstances of the case:

1. Large Uzbek companies with economic activities make payments indirectly to Uzbek politically exposed persons or legal entities owned by their family members.
2. Funds are moved and structured to mimic what appear to be civil transactions, with the aim of distancing them from the source of the funds. Payments are made to legal entities established in tax-free or low-tax countries and/or high-risk jurisdictions.
3. Legal persons owned by one party perform functions that are not typical of real economic activity or give the impression that they have been set up only to carry out one specific transaction (no other counterparties in the person's accounts, or other counterparties play a minor role).
4. An examination of the invoices submitted by legal persons to the credit institution gives rise to a reasonable suspicion that at least some of them have been drawn up to conceal the real purpose of the transfer of funds to other persons.
5. Formally, legal entities controlled by different natural persons carry out circular transactions, in round amounts, which have no logical economic justification.



## Outline of the fraud scheme:

1. Individuals receive fraudulent phone calls offering them the opportunity to make a quick buck by investing in shares, etc. People borrow money from licensed consumer credit providers, pawn their belongings in pawn shops, borrow from family and friends.
2. During telephone conversations, fraudsters extract access details to people's credit institution accounts, ask them to confirm various terms and conditions, but actually access the accounts remotely and make transfers to other people's accounts. The fraudsters transfer the scammed money to another account, then to another person, in another country's credit institution, until the money ends up in a secure personal account controlled by the fraudsters.
3. The money is converted to various cryptocurrency platforms not registered in Latvia, transferred to the next cryptocurrency wallets further and further away.



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