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EUROPEAN COMMITTEE ON CRIME PROBLEMS
(CDPC)

COMMITTEE OF EXPERTS ON THE EVALUATION
OF ANTI-MONEY LAUNDERING MEASURES
(MONEYVAL)

THIRD ROUND DETAILED ASSESSMENT REPORT
ON LATVIA¹

ANTI-MONEY LAUNDERING
AND COMBATING THE FINANCING OF TERRORISM

COMPLIANCE WITH THE EUROPEAN UNION ANTI-MONEY LAUNDERING DIRECTIVES

Memorandum
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¹ Adopted by MONEYVAL at its 20th Plenary meeting (12-15 September 2006)

INTRODUCTION

1. In accordance with the procedures agreed by the MONEYVAL Committee and the International Monetary Fund (IMF) for the third round evaluation programme of MONEYVAL under the New Methodology, Latvia was evaluated by an IMF expert team as part of its FSAP programme between 8th and 24th March 2006. Latvian authorities and the IMF agreed that a representative of MONEYVAL joins the IMF team for part of the evaluation exercise to examine compliance with the European Union anti-money laundering directives where these differ from the FATF 40-Recommendations and therefore fall within the remit of the MONEYVAL examinations. Dr Vassil Kirov, Director General, Financial Intelligence Agency, Bulgaria was the MONEYVAL expert evaluator. The MONEYVAL representative joined the IMF expert team in Riga for three days from 8th – 10th February 2005. Prior to the visit the Latvian authorities had submitted a comprehensive reply to the MONEYVAL Mutual Evaluation Questionnaire (MEQ) and copies of the relevant legislation and other documents.
2. Specific MONEYVAL meetings, which included officials from the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, Lotteries and Gambling Supervisory Inspection, Latvian Association of Certified Auditors, took place in the framework of the on-site visit. The MONEYVAL representative participated jointly with the IMF expert team in the kick-off meeting with representatives of the main authorities and the following IMF specific meetings: Financial and Capital Market Commission, Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, Prosecutors Office of the Republic of Latvia, Bank of Latvia, Ministry of Justice and private sector.
3. The MONEYVAL evaluation was based on the European Union Council Directive of 10 June 1991 on the prevention of the use of the financial system for the purposes of money laundering (91/308/EEC) as amended by Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 (hereinafter both referred to as the “EU AML Second Council Directive”). The evaluation was also based on the laws, regulations and other documentation supplied by the Latvian authorities, including the replies to the MEQ and information obtained during the on-site visit.
4. On February 1, 2004, the amendments to the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity was adopted.

I. COMPLIANCE WITH THE EU AML SECOND COUNCIL DIRECTIVE

5. Prior to the on-site visit MONEYVAL had identified seven Articles in the EU AML Second Council Directive that differed, mostly in their mandatory aspect, from the FATF 40-Recommendations:
 - (i) Article 2a on the applicability of the AML obligations;

- (ii) Article 3 on identification procedures;
- (iii) Article 6 on reporting suspicious transactions and facts which might be an indication of money laundering;
- (iv) Article 7 on suspected transactions and the authority to stop/suspend a transaction;
- (v) Article 8 on tipping off;
- (vi) Article 10 on reporting of facts that could contribute suspicious transactions by supervisory authorities;
- (vii) Article 12 on extension of AML obligations.

6. The following sections address the findings of the on-site examination. They first describe the differences between the identified articles of the EU AML Second Council Directive and the relevant FATF 40-Recommendations. Following an analysis of the findings of the on-site visit and conclusions on compliance and effectiveness, recommendations and comments are made as appropriate.

6.1 Article 2a: Applicability of AML obligations

<i>Description</i>	<p>Article 2a of the EU AML Second Council Directive lists the types of institutions and legal or natural persons, acting in the exercise of certain professions and businesses that are subject to the Directive. The Article specifies the type of activities of the notaries and other independent legal professionals for which the obligations become applicable. In the case of auditors, external accountants and tax advisors the obligations are applicable in all cases of their professional activities. Dealers in high-value goods (such as precious stones or metals, or works of art, auctioneers) are subject to the Directive requirements whenever payment is made in cash, and in amount of EUR 15000 or more.</p> <p>FATF Recommendation 12, which extends the AML obligations to designated non financial businesses and professions (DNFBP), does not include auditors and tax advisors. It covers accountants limiting the applicability to the activities similar to those applied to the lawyers, notaries and other legal professionals. Indeed FATF Recommendation 16(a) strongly encourages countries to</p>
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	<p>extend the <i>reporting requirement</i> to the rest of the professional activities of accountants, including auditing but makes no reference to the other requirements (CDD, record keeping, internal controls). The tax advisors are not mentioned at all.</p> <p>Also, the applicability of the AML obligations to dealers in high value goods under the EU AML Second Council Directive lends itself to a broader class of persons than FATF Recommendation 12 (dealers of works of art and auctioneers are included). FATF Recommendation 12 limits the application to dealers in precious metals and precious stones.</p>
<i>Analysis</i>	<p>Section 2 of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity lists the natural and legal persons subject to the obligations arising under this law.</p> <p>The obligations are applied to tax consultants, sworn auditors, sworn auditor commercial companies and providers of financial services (S.2(4)(b)). The law provides for exception in cases which are associated with the pre-trial investigation professional activities thereof or within the scope of court proceedings.</p> <p>In the case of the legal profession (S.2(4)(c)) the obligations are applied to notaries, advocates and their employees and self-employed lawyers if they assist their client to plan the management of financial instruments and other resources, the opening or management of various types of accounts, the organization of the necessary investments for the creation, operation and management of entrepreneurs and similar structures, as well as if they represent their client or act on his or her behalf in financial transactions or transactions with immovable property. The law provides for exception in the cases which are associated with the fulfillment of the defense or representation function in court proceedings</p>
	<p>The Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity covers persons whose professional activity includes trading in art and cultural objects, as well as intermediation in the referred to trading transactions (S.2(4)(d)) and performers of economic activities who are engaged in the trading of precious metals, precious stones and the articles thereof (S.2(4)(e)).</p> <p>The law only requires identification when designated entity, including DNFBPs, open account or accept financial instrument for safe keeping, or when conducting financial transaction of EUR15,000 or more. The threshold is also applicable in situations not only where a</p>

	transaction is carried out in a single operation but also where it involves several operations or transactions that appear to be linked i.e. structured transactions.
<i>Conclusion</i>	<p>The Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity covers all the DNFBPs as the EU AML Second Council Directive requires <i>except independent accountants who are not also sworn auditors</i>.</p> <p>According to S.2(2)(4)(b) and (c) of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity obligations under this law apply to tax advisors and accountants (auditors), lawyers and notaries (with regard to the activities specified in the law) except in cases which are associated with the pre-trial investigation professional activities thereof or within the scope of court proceedings, respectively in cases which are associated with the fulfillment of the defense or representation function in court proceedings. All these DNFBPs as a consequence are exempted in aforementioned cases from all AML obligations such as identification requirement (Art 3 EU Directive), record keeping requirement (Art 4 EU Directive), requirement for applying of supporting measures – training and internal policies (Art 11 EU Directive). This is not consistent with the EU Directive as far as it provides for exemption in aforementioned circumstances only from reporting obligation (Art.6 EU Directive).</p> <p>According to S.2(2)(4) of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity obligations under this law are applicable to real estate agents, tax advisors and accountants (auditors), lawyers and notaries (with regard to the activities specified in the law) when they perform professional activities <i>associated with financial transactions</i> (provision of consultations, authorization of transactions). Read in conjunction with S.1(1) it seems not to be consistent with EU Directive.</p> <p>According to Art 2a (3) of the Directive mentioned DNFBPs fall in the scope of the directive when they exercise their professional activities irrespectively of any formal link with financial transactions. The approach of the Latvian law to link formally professional activities of real estate agents, tax advisors and accountants (auditors), lawyers and notaries (with regard to the activities specified in the law) with financial transactions in order to designate them as obliged persons narrows the scope of the EU Directive.</p> <p>Latvian authorities, as for most other jurisdictions, face certain difficulties in the aspect of monitoring the</p>

	practical implementation by DNFBPs although positive steps are taken in right direction (casinos and dealers in precious metals and stones). Relying only on SRO monitoring does not guarantee the effectiveness of the system even if involvement of the SROs is of crucial importance.
<i>Recommendations and Comments</i>	Latvian authorities should consider avoiding narrowing of the scope of the Latvian AML Law concerning <i>identification, record keeping, internal policies and training</i> obligations for tax advisors, accountants (auditors), lawyers and notaries (for the last two classes with regard to the activities specified in the law). They may also wish to consider covering of <i>independent accountants who are not also sworn auditors</i> by the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity.

6.2 Article 3, Art 3(3) and 3(4): Identification requirements – General Issues and Derogations

<i>Description</i>	<p>By way of derogation from the mandatory requirement for the identification of customers by persons and institutions subject to the Directive, the third paragraph of Article 3 of the EU AML Second Council Directive removes the identification requirement in cases of insurance activities where the periodic premium to be paid does not exceed Euro 1,000 or where a single premium is paid amounting to Euro 2,500 or less. Furthermore, Paragraph 4 of the same Article 3 provides for discretionary identification obligations in respect of pension schemes where relevant insurance policies contain no surrender value clause and may not be used as collateral for a loan.</p> <p>FATF Recommendation 5, in establishing customer identification and due diligence, does not provide for any similar derogation. It however provides for a general discretionary application of the identification procedures on a risk sensitivity basis. Therefore, in certain circumstances, where there are low risks, countries may allow financial institutions to apply reduced or simplified measures. Indeed, the Interpretative Note to Recommendation 5 quotes the same instances as the EU AML Second Council Directive as examples for the application of simplified or reduced customer due diligence.</p>
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<i>Analysis</i>	<p>Under the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity, customer identification and customer due diligence are mandatory when</p> <ul style="list-style-type: none"> • Opening an account or accepting financial resources for safe-keeping; • Carrying out a single transaction, or several transactions that appear to be linked, equivalent or above EUR15,000 (or its equivalent in lats); • If the amount of the transaction is not determinable at the time of its performance, as soon as the amount becomes known and is equivalent to or above the EUR15,000 threshold; • When one at least of the indicators provided in the list of indicators of unusual transaction (issued by the cabinet of Ministers in its Regulation No 127) is met; • When there is a suspicion of money laundering or attempted money laundering; • When there is a cause to doubt the veracity of the information acquired during the initial identification. <p>There is no requirement in the law for the service providers including DNFBPs to identify their clients when establishing business relations.</p> <p>According to S.9(3) of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity identification requirements shall not be applicable to insurance companies (insurers), if the periodic insurance premium payments of a client within a period of one year do not exceed a total of 1000 euro equivalent in lats on the basis of the exchange rate specified by the Bank of Latvia or a single insurance premium payment does not exceed 2500 euro equivalent in lats on the basis of the exchange rate specified by the Bank of Latvia – irrespective of the amount of the insurance.</p> <p>In this way the Latvian AML law lifts the obligation of identification to insurance providers under circumstances as determined by the EU AML Second Council Directive.</p> <p>The Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity does not provide for the exemption under Art 3 (4) of the EU AML Directive.</p>
<i>Conclusion</i>	<p>The Latvian AML law is in compliance with the provision of Article 3(3) of the EU AML Directive.</p> <p>The Latvian AML law is not consistent with EU AML Directive concerning requirement for clients</p>

	identification when establishing business relations.
<i>Recommendations and Comments</i>	Latvian authorities have to consider introducing in the AML law of the requirement for the identification of the clients <i>when establishing business relations</i> .

6.2.1 Articles 3(5) and 3(6): Identification requirements – Casinos

<i>Description</i>	<p>Paragraph 5 of Article 3 of the EU AML Second Council Directive requires the identification of all casino customers if they purchase or sell gambling chips with a value of € 1,000 or more. However, Paragraph 6 of the same article provides that casinos subject to State Supervision shall be deemed in any event to have complied with the identification requirements if they register and identify their customers immediately on ‘the entry, regardless of the number of gambling chips purchased.</p> <p>FATF Recommendation 12 applies customer due diligence and record keeping requirements to designated non-financial businesses and professions. In the case of casinos, these requirements are applied when customers engage in financial transactions equal to or above the applicable designated threshold. The Interpretative Note to Recommendation 5 establishes the designated threshold at Euro 3,000, irrespective of whether the transaction is carried out in a single operation or in several operations that appear to be linked. Furthermore, in the Methodology, under the Essential Criteria for Recommendation 12, the FATF defines, by way of example, <i>financial transactions</i> in casinos. These include the purchase or cashing in of casino chips or tokens, the opening of accounts, wire transfers and currency exchanges. Identification requirements under the FATF - 40 Recommendations for casinos are likewise applicable to internet casinos.</p>
<i>Analysis</i>	<p>In Latvia all casinos are subject to the state supervision exercised by the Lotteries and Gambling Supervisory Inspection.</p> <p>The Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity does not provide for an exemption as it is allowed by EU AML Directive.</p> <p>The Law on Gambling and Lotteries (valid as from 01.01.2006.), S. 36 (2), provides that when the person is buying or changing for money the funds for participating in the game (chips, counters, et. al.) up to an amount, which is equivalent to EUR 1000 or even higher, upon conversion in Lats according to the exchange rate fixed</p>

	by the Bank of Latvia at the day when respective activity is performed, the gambling organizer shall fix data identifying the said person, - title, number, date of issue and name of the issuing authority for the document attesting the person. The said information on the player and documents confirming transactions carried out therewith shall be kept by the gambling organizer for at least five years.
<i>Conclusion</i>	Latvia is in compliance with the provisions of Art 3(5) of the EU AML Second Council Directive.
<i>Recommendations and Comments</i>	No further recommendations.

6.3 Article 6: Reporting of Suspicious Transactions

<i>Description</i>	<p>Further to the reporting of suspicious transactions paragraph 1 of Article 6 of the EU AML Second Council Directive provides for the reporting obligation to include facts which might be an indication of money laundering. FATF Recommendation 13 places the reporting obligations on suspicion or reasonable grounds for suspicion that funds are the proceeds of a criminal activity.</p> <p>Furthermore, paragraph 3 of Article 6 of the EU AML Second Council Directive provides an option for member States to designate an appropriate self-regulatory body (SRB) in the case of notaries and independent legal profession as the authority to be informed of suspicious transactions or facts which might be an indication of money laundering. FATF Recommendation 16 imposes the reporting obligation under Recommendation 13 on DNFBPs but does not directly provide for an option on the disclosure receiving authority. This is only provided for in a mandatory manner in the Interpretative Note to Recommendation 16. Also, probably because the FATF identifies accountants within the same category as the legal profession, the Interpretative Note extends the option to external accountants.</p> <p>Finally, the same paragraph 3 of Article 6 of the EU Directive further requires that where the option of reporting through an SRB has been adopted for the legal profession, Member States are required to lay down appropriate forms of co-operation between that SRB and the authorities responsible for combating money laundering. The FATF Recommendations do not directly</p>
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	provide for such co-operation but the Interpretative Note to Recommendation 16, although in a non-mandatory manner, makes it a condition that there should be appropriate forms of co-operation between SRBs and the FIU where reporting is exercised through an SRB.
<i>Analysis</i>	In accordance with S. 11(2) of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity, officials and employees of the designated entities have a duty to immediately notify the Control Service (FIU) regarding discovered facts which do not conform to the indicators included in the list of indicators of unusual transactions, but which due to other circumstances cause suspicion regarding the laundering or attempted laundering of the proceeds derived from crime. The examiner interprets this provision to include both a suspected transaction and facts that might be an indication of money laundering. Hence, a report would still be filed if transactions per se are not suspected of money laundering but other circumstances indicate possible money laundering.
	DNFBPs are obliged to report both unusual and suspicious transactions to the Control Service (FIU). The Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity does not provide for reporting through SRB.
<i>Conclusion</i>	The Latvian law is compliant with the EU AML Second Directive as regards the reporting obligation under Article 6(1).
<i>Recommendations and Comments</i>	No further recommendations.

6.4 Article 7: Suspected Transactions – Refrain / Suspension

<i>Description</i>	Article 7 of the EU AML Second Council Directive requires that institutions and persons subject to the Directive refrain from carrying out transactions which they know or suspect to be related to money laundering until they have apprised the authorities who may stop the execution of the transaction. Furthermore where to refrain from undertaking the transaction is impossible or could frustrate efforts of an investigation, the Directive requires that the authorities be informed (through an STR) immediately the transaction is undertaken.
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	<p>FATF Recommendation 13, which imposes the reporting obligation where there is suspicion or reasonable grounds to suspect that funds are the proceeds of a criminal activity, does not provide for the same eventualities as provided for in Article 7 of the EU Directive. FATF Recommendation 5 partly addresses this matter but under circumstances where a financial institution is unable to identify the customer or the nature of the business relationship. However, whereas Recommendation 5 is mandatory in this respect, it does not provide for the power of the authorities to stop a transaction. Furthermore, the reporting of such a transaction is not mandatory. Paragraphs 1- 3 of the Interpretative Note to Recommendation 5 seem to be more mandatory in filing an STR in such circumstances.</p>
<i>Analysis</i>	<p>According S. 17 of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity, the persons referred to in Section 2, Paragraph two of this Law shall refrain from conducting a transaction or several linked transactions, including certain types of debit operations in the account of the client if there is cause for suspicion that this transaction is associated with laundering or attempted laundering of the proceeds from crime or terrorist financing. They should immediately report to the Control Service (FIU) about the refraining to execute a transaction enclosing with the report the available documents associated with the fact of refraining to execute a transaction. Within 14 days following the receipt of a report on refraining to execute a transaction the Control Service is authorized by the Law to:</p> <ol style="list-style-type: none"> 1) issue an order pursuant to the requirements set out under Section 17², Paragraph 1 of this Law and inform in writing the person referred to in Section 2, Paragraph two of this Law; 2) inform in writing the person referred to in Section 2, Paragraph two of this Law that additional analysis of the information contained in the report is to be conducted and that information and documents about the client and his transactions are to be requested from the client, including by way of intermediation from the part of the persons referred to in Section 2, Paragraph two of this Law, in order to decide whether debit operations with financial resources in the account of the client or the movement of other property should be stopped or notify in writing the person referred to in Section 2, Paragraph two of this Law that there is no ground to issue an order pursuant to the requirements set out under Section 17², Paragraph 1 of this Law. <p>The Control Service may inform the reporting person as well as its supervisory and control authority about the fact</p>

	<p>that information has been sent to pre-trial investigation authorities or inform that information concerning the refraining to execute a transaction cannot be sent.</p> <p>According to S17¹ of the AML law, if financial resources or other property are qualified as proceeds of crime, the Control Service may give the reporting persons an order to suspend the debit operation of such financial resource into the account of the client or other movement of property for the time specified in the order, but for not longer than six months.</p> <p>According to S. 17² of the Latvian AML Law if, on the basis of information at the disposal of the Control Service, there is cause to suspect that a criminal offense, including laundering, attempted laundering of the proceeds from crime or the financing of terrorism is taking place, the Control Service may give the persons referred to in Section 2, Paragraph two of this Law an order to suspend debit operations with the financial resources in the account of a client or the movement of other property for a period of time which shall not exceed 45 days.</p> <p>Under S.18 of the AML Law if the reporting person is not able to refrain from conducting a suspicious transaction, or if refraining from the conducting of such a transaction may serve as information, which would assist persons involved in the laundering of the proceeds from crime to evade liability, the credit institution or financial institution has the right to conduct the transaction, and report it to the Control Service pursuant to the procedures set out in Section 12 of this Law after the transaction has been conducted.</p>
<i>Conclusion</i>	<p>Section 17 Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity is in compliance with Article 7 of the EU AML Directive. Only problem seen by the evaluator could be lack of clear splitting of unusual and suspicious transactions.</p>
<i>Recommendations and Comments</i>	<p>The Latvian Authorities may wish to consider revising the approach supporting the reporting of both unusual and suspicious transactions or to make clearer their distinction between them.</p>

6.5 Article 8: Tipping off

<i>Description</i>	<p>Article 8(1) of the EU AML Second Council Directive prohibits institutions and persons subject to the obligations under the Directive and their directors and employees from disclosing to the person concerned or to</p>
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	third parties either that an STR or information has been transmitted to the authorities or that a money laundering investigation is being carried out. Furthermore Article 8(2) provides an option for Member States not to apply this prohibition (tipping off) to notaries, independent legal professions, auditors, accountants and tax advisors.
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	FATF Recommendation 14 imposes a similar prohibition on financial institutions, their directors, officers and employees. Recommendation 16 extends this prohibition to all DNFBPs. However, the prohibition under Recommendation 14(b) is limited to the transmission of an STR or related information. It does not therefore cover ongoing money laundering investigations. Furthermore, the FATF Recommendations do not provide for an option for certain DNFBPs to be exempted from the “tipping off”. The Interpretative Note to Recommendation 14 exempts tipping off only where such DNFBPs seek to dissuade a client from engaging in an illegal activity.
<i>Analysis</i>	Under S.14 of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity, the persons referred to in Section 2, Paragraph two of this Law and the officials and employees of such persons do not have the right to inform a client or a third person that information regarding the client or his or her transaction (transactions) has been reported to the Control Service. There is no tipping off prohibition for ongoing money laundering investigations. There is no exemption from the rule of S.14. The Law does not adopt the tipping off exemption for certain DNFBPs as provided for under paragraph 2 of Article 8 of the EU Directive.
<i>Conclusion</i>	Although S.14 of the Latvian AML Law addresses the “tipping off”, the provision is not in full compliance with Article 8 of the EU AML Directive.
<i>Recommendations and Comments</i>	The Latvian Authorities may wish to reconsider S. 14 with the objective of including the tipping off prohibition for ongoing money laundering investigations.

6.6 Article 10: Reporting by Supervisory Authorities

<i>Description</i>	Article 10 of the EU AML Second Council Directive imposes an obligation on supervisory authorities to inform the authorities responsible for combating money laundering if, in the course of their inspections carried out
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	<p>in the institutions or persons subject to the Directive, or in any other way, such supervisory authorities discover facts that could constitute evidence of money laundering. The Directive further requires the extension of this obligation to supervisory bodies that oversee the stock, foreign exchange and financial derivatives markets.</p> <p>In providing for the regulation and supervision of financial institutions and DNFBPs in Recommendation 23 and in providing for institutional arrangements (Recommendations 26 –32) the FATF-40 do not provide for an obligation on supervisory authorities to report findings of suspicious activities in the course of their supervisory examinations.</p>
<i>Analysis</i>	<p>According S.22 of the Latvian AML Law, the supervisory and control authorities, have a duty to report to the Control Service (FIU) the facts discovered during the course of examinations which conform to the indicators which are included in the list of indicators of unusual transactions, and regarding which the relevant persons referred to in Section 2, Paragraph two of this Law have not notified the Control Service.</p> <p>According S. 23 of the aforementioned Law the supervisory and control authorities have the right to notify the Control Service (FIU) regarding facts discovered during the course of examinations which do not conform to the indicators which are included in the list of indicators of unusual transactions, but which due to other circumstances cause suspicion of the laundering or attempted laundering of the proceeds from crime.</p>
<i>Conclusion</i>	<p>A section 22 and 23 of the Law On the Prevention of Laundering of Proceeds Derived from Criminal Activity reflects the principles of the provisions of Article 10 of the EU Directive.</p>
<i>Recommendations and Comments</i>	<p>No further recommendations.</p>

6.7 Article 12: Extension of AML obligations

<i>Description</i>	<p>Article 12 of the EU AML Second Council Directive provides for a mandatory obligation on Member States to ensure that the application of the provisions of the Directive are extended, in whole or in part, to professions and categories of undertakings, other than the institutions and persons listed in Article 2a, that are likely to be used for money laundering.</p>
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	FATF Recommendation 20 imposes a similar obligation but in a non-mandatory way by requiring countries to consider applying the Recommendations to categories of businesses or professions other than DNFBPs.
<i>Analysis</i>	The Latvian AML Law lists the businesses and persons subject to its provisions (Section 2). This is in compliance with Article 2a of the EU Directive – refer to Section 6.1 of this Report. The Act does not specifically include any provisions for extending the obligations to other categories of businesses or professions.
<i>Conclusion</i>	There is nothing to indicate that the Latvian Authorities will not extend the obligations under the AML Act to other categories of businesses and professions.
<i>Recommendations and Comments</i>	The Latvian Authorities may wish to consider ensuring the adoption of Article 12 of the EU Directive.

II. CONCLUSIONS

7. On the basis of the examination of the divergencies of the relevant Articles of the EU Directive from the FATF-40 Recommendations, although, as indicated in paragraph 6 of this Report some minor issues remain outstanding from the full implementation of the relevant points of the Directive, the Latvian AML Law has transposed the EU AML Second Council Directive to a high degree. On the basis of the limited assessment these relevant articles appear to be effectively implemented.