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

28 March 2019 [shall come into force from 1 April 2019].

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

*Latvijas Banka*

Regulation No. 158

Adopted 30 October 2017

**Requirements for the Prevention of Money Laundering and Terrorism Financing upon Carrying out Buying and Selling of Foreign Currency Cash**

*Issued pursuant to*

*Section 7, Paragraph 1.1and Section 47, Paragraph three of*

*the Law on the Prevention of Money Laundering and Terrorism Financing*

**I. General Provision**

1. The Regulation prescribes the requirements for capital companies which have received the licence of *Latvijas Banka* for buying and selling of foreign currency cash (hereinafter – the capital company) for the fulfilment of the obligations specified in the Law on the Prevention of Money Laundering and Terrorism Financing in relation to the money laundering and terrorism financing risk assessment, the internal control system and its establishment, customer due diligence, and supervision of the transactions executed by customers.

**II. Money Laundering and Terrorism Financing Risk Assessment**

2. The capital company shall, according to its type of operation, perform and document the money laundering and terrorism financing risk assessment in order to determine, assess, understand, and manage the money laundering and terrorism financing risks inherent to its operation and customers. The money laundering and terrorism financing risk assessment shall be approved by the board of directors of the capital company, if such has been established, or by the senior management body of the capital company.

3. The risk of money laundering and financing of terrorism or manufacturing, storage, movement, use, or proliferation of weapons of mass destruction (hereinafter – the proliferation) is the possibility that the capital company might be used for money laundering or financing of terrorism or manufacturing, storage, movement, use, or proliferation of weapons of mass destruction (hereinafter – the proliferation).

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4. Upon performing the money laundering and terrorism financing risk assessment, the capital company shall take into account the risks which:

4.1. have been identified in the European Union money laundering and terrorism financing risk assessment;

4.2. have been identified in the national money laundering and terrorism financing risk assessment;

4.3. have been identified in the sectoral risk assessment;

4.4. are characteristic to the operation of the relevant capital company.

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5. Upon performing the inherent money laundering and terrorism financing risk assessment, the capital company shall take into account the risks which are caused by the transactions of buying and selling foreign currency, executed and planned by the capital company, taking into consideration both the risk inherent to the sector of buying and selling foreign currency and the risks characteristic directly to the capital company. At least the following information shall be used for the money laundering and terrorism financing risk assessment inherent to the capital company:

5.1. the number and scale of the transactions executed and planned by the capital company;

5.2. the number and scale of such transactions of the capital company which have been executed without identifying the customer;

5.3. analysis of the factors affecting the risk of money laundering and terrorism financing related to the customers of the capital company, their countries of residence (registration), economic or personal activity of the customers, the services and products to be used and their supply channels, as well as related to the transactions executed thereby, containing the following factors affecting risk:

5.3.1. customer risk which is inherent to the customer, including if the customer is a legal person or legal arrangement – to its legal form and ownership structure, as well as to the economic or personal activity of the customer or the beneficial owner of the customer;

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

5.3.3. risk of services used by the customer, i.e., the risk that the customer may use the service of buying or selling foreign currency cash for money laundering or terrorism or proliferation financing;

5.3.4. risk of the service provision type which is associated with the type of receipt or use of the service of buying or selling foreign currency cash by the customer.

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6. The most significant factors increasing the money laundering and terrorism financing risk associated with the customer are as follows:

6.1. the business relationship with the customer is maintained or an occasional transaction with the customer is executed under unusual circumstances;

6.2. the customer is a legal person or legal arrangement which is a private asset management company;

6.3. the customer is a legal person which issues or is entitled to issue bearer shares (equity securities) or which has nominal shareholders;

6.4. the customer regularly executes large-scale transactions;

6.5. the ownership or shareholding structure of the customer – legal person or legal arrangement – seems unusual or overly complicated, taking into account its type of operation;

6.6. the customer is a legal person or legal arrangement the ownership or shareholding structure of which hinders the possibility of determining its beneficial owner;

6.7. the customer is an association, foundation, or a legal arrangement equivalent thereto which does not have a profit-making nature.

7. The most significant factors increasing the money laundering and terrorism financing risk associated with the economic or personal activity of the customer are as follows:

7.1. the economic activity or personal activity of the customer is not related to the Republic of Latvia;

7.2. the economic activity of the customer is related to:

7.2.1. organising of gambling;

7.2.2. provision of collection services;

7.2.3. intermediation in transactions with immovable properties;

7.2.4. trade in precious metals and precious stones;

7.2.5. trade in weapons and ammunition;

7.2.6. provision of money services;

7.2.7. buying and selling of scrap metal;

7.3. transactions in foreign currency are not characteristic to the economic activity of the customer.

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8. The most significant factors increasing the money laundering and terrorism financing risk related to the country or geographical scope are as follows:

8.1. a country or territory which has been indicated in a credible source, for example, a mutual assessment or accurate assessment reports, or referred to in the inspection reports as a country which does not have adequate systems for the prevention of money laundering or terrorism or proliferation financing, including such country which has been included in the List of Non-Cooperative Countries of the international Financial Action Task Force or regarding which the abovementioned organisation has published a notification as regarding a country or territory which does not have laws and regulations for combating money laundering or terrorism or proliferation financing or in which such laws and regulations have significant deficiencies, therefore, do not conform to the international requirements;

8.2. a country or territory to which sanctions, embargo, or similar measures, including financial or civil legal restrictions determined, for example, by the United Nations Organization, the European Union, or the United States of America, have been imposed;

8.3. a country or territory which has been indicated, in a credible source, as a country with significant level of corruption and other criminal activities;

8.4. a country or territory which has been indicated, in a credible source, as such which ensures financing or support for the activity of terrorists or in which terrorist organisations indicated in a credible source are operating;

8.5. a country or territory which is included in the list of a low-tax or tax-free countries or territories approved by the Cabinet;

8.6. a country or territory in which active military activity is taking place;

8.7. a country or territory which has been indicated, in a credible source, as such which ensures or supports proliferation.

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9. The most significant factors increasing the money laundering and terrorism financing risk associated with the service used by the customer or the type of its provision are as follows:

9.1. occasional transactions without identifying the customer;

9.2. remotely existing business relationship or occasional transactions.

10. The most significant factors reducing the money laundering and terrorism financing risk related to the country of residence (registration) of economic or personal activity of the customer are as follows:

10.1. efficient systems for the prevention of money laundering and terrorism and proliferation financing are operating in the country;

10.2. such requirements are laid down in the country in the field of combating money laundering and terrorism and proliferation financing which conform to the international standards laid down by the organisations determining standards in the field of preventing money laundering and terrorism and proliferation financing, and the country is actually implementing the abovementioned requirements;

10.3. there is a low corruption risk in the country;

10.4. there is a low level of such criminal offences in the country as a result of which proceeds of crime may be acquired.

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11. The capital company shall, regularly, according to the money laundering and terrorism financing risk inherent thereto, but not less than once in three years, perform reviewing and updating of the money laundering and terrorism financing risk assessment. The capital company shall review and update the money laundering and terrorism financing risk assessment in each case before it plans to make changes in its processes of operation, governance structure, services and products provided, supply channels of services and products, customer base, or geographical regions of operation, including prior to introduction of new technologies or services.

**III. Internal Control System and Its Establishment**

12. The capital company shall, on the basis of its last money laundering and terrorism financing risk assessment performed, establish the internal control system of the prevention of money laundering and terrorism financing (hereinafter – the internal control system), including by developing and documenting the relevant policies and procedures which are approved by the board of directors of the capital company, if such has been established, or the senior management body of the capital company.

13. The internal control system is a set of measures implemented by the capital company which includes actions directed towards ensuring the fulfilment of the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing and the Law on International Sanctions and National Sanctions of the Republic of Latvia, providing for adequate resources thereto and carrying out training of employees in order to prevent the involvement of the capital company in money laundering or terrorism or proliferation financing as much as possible.

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14. Upon establishment of the internal control system, the capital company shall provide for and document therein:

14.1. the procedures for the assessment of money laundering and terrorism financing risk of the capital company and the procedures by which the money laundering and terrorism financing risk related to the customer, the state of residence (registration) thereof, the economic or personal activity of the customer, the services and products used and their supply channels, and the transactions executed is assessed, documented, and reviewed;

14.2. the procedures for conducting the customer due diligence and the extent thereof based on the assessment of money laundering and terrorism financing risk of the customer carried out by the capital company and taking into consideration the minimum requirements for the customer due diligence laid down in the Law on the Prevention of Money Laundering and Terrorism Financing and other laws and regulations;

14.3. the procedures for supervising the transactions executed by customers;

14.4. the procedures for discovering unusual and suspicious transactions;

14.5. the procedures by which the capital company shall refrain from executing such transaction which is associated with or regarding which or regarding the monetary funds involved in which there are reasonable suspicions that the transaction is associated with money laundering or terrorism or proliferation financing, or there are reasonable suspicions that the monetary funds involved in the transaction have been directly or indirectly acquired as a result of a criminal offence or are related to terrorism or proliferation financing, or an attempt at such criminal offence;

14.6. the procedures by which the capital company shall notify the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity regarding unusual and suspicious transactions;

14.7. the procedures by which the capital company shall store and destroy information and documents obtained in the process of the customer due diligence and while supervising transactions executed by the customer;

14.8. the rights, obligations, and responsibility of employees of the capital company, as well as the professional qualification and compliance standards of employees of the capital company upon fulfilling the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing;

14.9. the procedures by which the capital company shall ensure anonymous internal reporting regarding violations of the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing and the assessment of such reports if, taking into account the number of employees of the capital company, such reporting is possible;

14.10. an independent internal audit function in order to ensure the conformity of the internal control system of the capital company with the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing and the assessment of the efficiency of the operation of the internal control system if, taking into account the number of employees of the capital company, such function is possible;

14.11. the requirements for regular reviewing of the policies and procedures for the prevention of money laundering and terrorism and proliferation financing according to the changes in the laws and regulations or the processes of operation, services provided, governance structure, customer base, or regions of operation of the capital company.

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15. The capital company shall, on a regular basis, but at least once per each 18 months, assess the efficiency of the operation of the internal control system, including by reviewing and updating the money laundering and terrorism financing risk assessment related to the customer, its country of residence (registration), economic or personal activity of the customer, services and products to be used and their delivery channels, and the transactions executed, and, if necessary, shall implement measures for improving the efficiency of the operation of the internal control system, including shall review and adjust the policies and procedures for the prevention of money laundering and terrorism and proliferation financing. The capital company shall assess the efficiency of the operation of the internal control system and shall implement the measures for improving the efficiency of the operation of the internal control system in each case if it has grounds for assuming that its internal control system has deficiencies, including upon request of *Latvijas Banka* to eliminate the deficiencies discovered in the internal control system, as well as before it plans to make changes in its processes of operation, governance structure, services and products provided, supply channels of services and products, customer base, or geographical regions of operation, including prior to introduction of new technologies or services.

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**IV. General Requirements for Conducting the Customer Due Diligence**

16. The capital company shall conduct the customer due diligence in the following cases:

16.1. before establishing a business relationship with a customer;

16.2. before executing an occasional transaction the amount of which or the total sum of several seemingly linked transactions exceeds EUR 1500;

16.3. if the transaction conforms to at least one of the indications included in the list of unusual transaction indications or there are suspicions of money laundering, terrorism or proliferation financing, or an attempt at such actions;

16.4. upon executing a transaction with a customer in relation to which, economic or personal activity, country of residence (registration) of economic or personal activity of which, transactions executed, services used, or types of provision thereof, the capital company has discovered significant increased risk factors;

16.5. upon executing a transaction with a politically exposed person, a family member of a politically exposed person, and a person closely associated to a politically exposed person;

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

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17. The customer due diligence is a set of measures based on risk assessment within the framework of which the capital company shall:

17.1. perform identification of the customer and verification of the identification data obtained;

17.2. ascertain information identifying the beneficial owner of the customer and, on the basis of the risk assessment, verify that the relevant natural person is the beneficial owner of the customer;

17.3. obtain information regarding the purpose and intended nature of the business relationship or occasional transaction;

17.4. carry out supervision of the transactions executed by the customer, including inspections to confirm that transactions are being executed according to the information at the disposal of the capital company regarding the customer, its economic activity, risk profile, and origin of funds;

17.5. ensure the storage, regular assessment, and updating of the documents, personal data, and information obtained in the process of the customer due diligence according to the inherent risk, but at least once per each five years.

18. Upon determining the extent of and procedures for customer due diligence, as well as the regularity of assessment of the documents, personal data, and information obtained in the process of the customer due diligence, the capital company shall take into consideration the money laundering and terrorism financing risk factors characteristic to the customer, its country of residence (registration), economic or personal activity of the customer, services and products to be used and their supply channels, as well as the transactions executed by the customer.

19. Upon determining the extent and regularity of the customer due diligence, the capital company shall also take into consideration the following indicators affecting the money laundering and terrorism financing risks related to the customer:

19.1. the purpose of the business relationship;

19.2. regularity of the transactions planned and executed by the customer;

19.3. duration of the business relationship and regularity of transactions;

19.4. extent of the transactions planned and executed by the customer.

20. The capital company shall carry out at least the following actions within the scope of the customer due diligence:

20.1. inspect such lists of persons prepared by State or international organisations recognised by the Cabinet and published on the website maintained by the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity who are suspected of involvement in terrorist activities or proliferation, and other available information to ascertain that the customer or its beneficial owner is not associated with money laundering or involvement in terrorist activities or proliferation;

20.2. obtain information regarding the economic or personal activity of the customer;

20.3. using the information provided by the customer and available to the public find out whether the customer or its beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person;

20.4. as far as possible, find out by using information available to the public whether the customer, its authorised person, or its beneficial owner has not been previously punished or is not suspected of fraud, money laundering, terrorism or proliferation financing, or an attempt at such actions.

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21. The capital company must be able to prove that the amount of the customer due diligence conducted thereby conforms to the existing money laundering and terrorism financing risk.

22. If in the cases referred to in Paragraph 16 of this Regulation the capital company is not able to perform the customer due diligence measures specified in Sub-paragraphs 17.1–17.3 of this Regulation and it has no grounds for the application of the simplified customer due diligence, the capital company shall not enter into a business relationship with such customer, shall terminate the commenced business relationship, as well as shall not execute an occasional transaction. The capital company shall document and assess each case of the sort, reporting to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity in case of suspicions of money laundering or terrorism or proliferation financing.

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**V. Procedures for the Identification of the Customer and Verification of the Identification Data**

23. The capital company shall perform identification of a natural person on the basis of the following personal identification documents and making their copies:

23.1. for a resident – the passport or identity card in accordance with the Personal Identification Documents Law;

23.2. for a non-resident – a personal identification document valid for entering the Republic of Latvia.

24. The capital company, when verifying the identity of a natural person after the personal identification document of the customer, shall ascertain that the personal identification document has not been included in the Register of Invalid Documents.

25. The capital company shall perform identification of a legal person or legal arrangement on the basis of the documents referred to in the Law on the Prevention of Money Laundering and Terrorism Financing. The capital company may perform identification of a legal person or legal arrangement by obtaining information regarding the legal person or legal arrangement from a credible and independent source available to the public.

26. If the capital company uses other sources of information for identification of the customer in addition to the documents submitted by the customer, the capital company shall document the source of information used and shall store the information received therefrom.

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27. During the process of identifying the customer the capital company shall determine whether the customer commences a business relationship or executes an occasional transaction on its own behalf or on behalf of another person. If the customer is represented by an authorised representative, the capital company shall identify such authorised representative in accordance with the procedures referred to in Paragraph 23 of this Regulation and ascertain its right to represent the customer by obtaining a document or a copy of the relevant document certifying its right to represent the customer.

**VI. Determination of the Beneficial Owner and Ascertaining the Conformity of the Determined Beneficial Owner**

28. The capital company, in cases when the customer due diligence is to be conducted, shall determine the beneficial owner of the customer and, on the basis of the risk assessment, shall perform the measures necessary to ascertain that the determined beneficial owner is the beneficial owner of the customer.

29. Upon determining the beneficial owner of the customer, the capital company shall obtain the following information regarding him or her:

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

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

30. The capital company may implement the determination of the beneficial owner of the customer in at least one of the following ways:

30.1. by receiving a notification regarding the beneficial owner approved by the customer;

30.2. by using information or documents from the information systems of the Republic of Latvia or foreign country;

30.3. by determining the beneficial owner of the customer on its own if the information regarding him or her cannot be obtained in any other way.

31. The capital company may, by appropriately justifying and documenting the actions carried out to determine the beneficial owner of the customer, assume that the beneficial owner of a legal person is a person who holds a position in the senior management body of such legal person, if the capital company has used all possible means of determination and it is not possible to determine any natural person in accordance with the explanation of the term “beneficial owner” included in the Law on the Prevention of Money Laundering and Terrorism Financing, as well as doubts have been excluded that the legal person might have another beneficial owner.

**VII. Simplified Customer Due Diligence**

32. If there is a low money laundering and terrorism financing risk, as well as measures have been performed to determine, assess, and understand the risks of the operation of the capital company and the money laundering and terrorism financing risks inherent to the customer, the capital company is entitled to conduct a simplified customer due diligence in the cases referred to in Paragraph 33 of this Regulation by carrying out the following actions:

32.1. the customer identification activities referred to in Chapter V of this Regulation;

32.2. the customer due diligence measures referred to in Chapter IV of this Regulation within the scope appropriate for a business relationship or an occasional transaction and the level of money laundering and terrorism financing risks.

33. The capital company is entitled to conduct a simplified customer due diligence in the following cases:

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

33.2. the customer is a merchant whose stocks are admitted to trading on a regulated market in one or several European Union Member States;

33.3. upon executing the transaction referred to in Sub-paragraph 16.2 of this Regulation if:

33.3.1. the transaction does not conform to the indications included in the list of unusual transaction indications;

33.3.2. the transaction does not cause suspicions or no information is available that attests to money laundering, terrorism or proliferation financing, or an attempt to carry out such actions;

33.3.3. the customer does not conduct economic activity in high-risk third countries.

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34. A simplified customer due diligence shall not be applied if, on the basis of the risk assessment, the capital company discovers or there is information at its disposal regarding money laundering, terrorism or proliferation financing, an attempt at carrying out such actions, or increased risk of such actions, including if the risk increasing factors specified in this Regulation exist.

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35. Upon conducting a simplified customer due diligence, the capital company shall obtain and document information certifying that the customer conforms to the conditions of Paragraph 33 of this Regulation.

**VIII. Enhanced Customer Due Diligence**

36. An enhanced customer due diligence is actions based in risk assessment which must be carried out by the capital company in addition to the customer due diligence, including to ascertain additionally that the natural person who has been determined as the beneficial owner is the beneficial owner of the customer and to ensure increased supervision of the transactions executed by the customer.

37. The capital company has an obligation to conduct an enhanced customer due diligence in the following cases:

37.1. upon commencing and maintaining a business relationship or executing an occasional transaction with a customer who has not participated in the identification procedure in person, except for the case when the following conditions are fulfilled:

37.1.1. the capital company ensures adequate measures for mitigating the money laundering and terrorism financing risks, including drafting of policies and procedures and training of employees regarding the performance of remote identification;

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

37.2. upon commencing and maintaining a business relationship or executing an occasional transaction with a customer who is or whose beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person;

37.3. in other cases when commencing and maintaining a business relationship or executing an occasional transaction with the customer, if an increased money laundering or terrorism financing risk exists.

**IX. Procedures for Commencing and Maintaining a Business Relationship with a Politically Exposed Person, a Family Member of a Politically Exposed Person and a Person Closely Associated to a Politically Exposed Person**

38. The capital company shall document the procedures by which it determines whether the customer or its beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person.

39. Prior to commencing a business relationship with a customer who is or whose beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person, an employee of the capital company shall inform the board of directors of the capital company, if such has been established, or a member of the board of directors of the capital company especially authorised by it, or such employee of the capital company who has sufficient knowledge regarding the level of the capital company being subject to the money laundering and terrorism financing risk and has a position of sufficiently high level in order to take the decisions concerning the level of the capital company being subject to such risk, regarding execution of a transaction with a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person, and receive a consent of the board of directors of the capital company, a member of the board of directors of the capital company especially authorised by it, or the employee of the capital company conforming to the abovementioned criteria for commencement of the business relationship.

40. If prior to the commencement of a business relationship or during a business relationship it is discovered that the customer or its beneficial owner is a politically exposed person, a family member of a politically exposed person, or a person closely associated to a politically exposed person, the capital company shall perform and document measures based in risk assessment in order to determine the origin of funds and the origin of wealth characterising the financial situation of the politically exposed person, the family member of the politically exposed person, or the person closely associated to the politically exposed person.

41. When maintaining a business relationship with a politically exposed person or a family member of a politically exposed person, or a person closely associated to a politically exposed person, the capital company shall continuously supervise the transactions executed by the customer.

42. The capital company shall, on the basis of the risk assessment, terminate the application of the enhanced customer due diligence in relation to his or her compliance with the status of a politically exposed person, a family member of a politically exposed person or a person closely associated to a politically exposed person if:

42.1. the politically exposed person has died;

42.2. the politically exposed person does not hold a prominent public office anymore for at least 12 months and business relationship of whom does not cause increased money laundering risk anymore.

**X. Right to Discontinue the Customer Due Diligence**

43. The capital company has the right to discontinue the customer due diligence commenced, if it grows suspicious of money laundering or terrorism or proliferation financing and there are grounds for assuming that further application of the customer due diligence measures may reveal the suspicions of the capital company to the customer.

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44. Upon discontinuing the customer due diligence in the case referred to in Paragraph 43 of this Regulation, the capital company shall report to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity regarding a suspicious transaction. The capital company shall also indicate the considerations in the report to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity which have caused the grounds for concluding that further application of the customer due diligence measures may reveal the suspicions of the capital company to the customer.

**XI. Discovering of Supervision of Transactions Executed by Customers and Unusual and Suspicious Transactions**

45. The capital company shall ensure continuous supervision of the transactions – business relationship and occasional transactions – executed by customers, including inspections to confirm that transactions are being executed according to the information at the disposal of the capital company regarding the customer, its economic or personal activity, risk profile, and origin of funds. The capital company shall continuously update the information regarding the customer, its economic or personal activity, risk profile, and origin of funds.

46. Within the scope of supervision of transactions of customers the capital company shall perform an independent analysis of the transactions executed by customers in order to ascertain that the transactions executed by customers do not cause suspicions of money laundering or terrorism or proliferation financing.

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47. The capital company shall document the procedures for the supervision of transactions executed by customers, including specifying the regularity of supervision of the transactions executed by customers, the actions to be carried out within the scope of supervision of the transactions executed by customers and the way of corroborating them, as well as determine the person responsible for supervision of the transactions executed by customers.

48. Upon carrying out supervision of a business relationship or occasional transactions, the capital company shall pay special attention to the following:

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

48.2. transaction involving a person from high-risk third countries.

49. On the basis of the information obtained during the customer due diligence, as well as the information provided by the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity and other law enforcement authorities, the capital company shall determine measures for increased supervision of the transactions executed by customers:

49.1. that transactions with customers should be executed only with a consent of the board of directors of the capital company, if such has been established, or a member of the board of directors especially authorised thereby, or of such employee of the capital company who has sufficient knowledge regarding the level of the capital company being subject to the money laundering and terrorism financing risk and holds a position of sufficiently high level in order to take the decisions concerning the level of the capital company being subject to such risk;

49.2. limits on transactions of customers;

49.3. enhanced analysis of transactions of the customer;

49.4. supervision measures or restrictions of other kind.

50. The capital company shall, according to its money laundering and terrorism financing risk assessment, determine and document the indications characteristic to a suspicious transaction.

**XII. Refraining from Executing a Transaction**

51. The capital company shall document the procedures by which its employees act upon discovering that the transaction applied by the customer or commenced by the capital company is associated with or there are reasonable suspicions that it is associated with money laundering or terrorism or proliferation financing, or there are reasonable suspicions that the funds have been directly or indirectly acquired as a result of a criminal offence or are related to terrorism or proliferation financing, or an attempt at such criminal offence.

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52. If the transaction is associated with or there are reasonable suspicions that it is associated with money laundering or terrorism or proliferation financing, or there are reasonable suspicions that the funds have been directly or indirectly obtained as a result of a criminal offence or are related to terrorism or proliferation financing or an attempt at a criminal offence, the capital company shall take a decision to refrain from executing the transaction, detaining the funds and notifying the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity thereof without delay, but not later than on the following working day.

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53. When refraining from executing the transaction, the capital company shall not carry out any actions with the funds involved in the transaction until receipt of an order of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity to terminate the refraining from executing the transaction.

54. If the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity has issued an order to the capital company regarding freezing of the detained funds, the capital company shall act in accordance with the procedures laid down in Chapter V of the Law on the Prevention of Money Laundering and Terrorism Financing.

55. If refraining from executing such transaction in relation to which there are reasonable suspicions that it is associated with money laundering or terrorism or proliferation financing may serve as information that would help the persons involved in money laundering or terrorism or proliferation financing to avoid the responsibility, the capital company has the right to execute such transaction, reporting it to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity after execution of the transaction without delay.

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55.1If financial restrictions have been imposed in relation to the person involved in the transaction, the capital company shall act in accordance with the procedures laid down in Section 5 of the Law on International Sanctions and National Sanctions of the Republic of Latvia.

*[28 March 2019]*

**XIII. Registration of Transactions Executed by Customers, Reporting on Unusual and Suspicious Transactions, as well as Storage and Destruction of Information and Documents**

56. The capital company shall document the procedures by which information regarding customers of the capital company, their beneficial owners and transactions executed by customers shall be registered, stored, and protected, as well as the procedures by which information regarding unusual and suspicious transactions shall be provided to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity.

57. The capital company shall prepare a report on an unusual or suspicious transaction to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, taking into consideration the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing.

58. The capital company shall, without delay, submit the report referred to in Paragraph 57 of this Regulation to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity in accordance with the procedures laid down in the Cabinet regulations in which the list of indications of an unusual transaction and the procedures for the provision of reports regarding unusual or suspicious transactions have been approved and the sample form of the report has been approved.

59. The capital company does not have the right to inform the customer or third party that information regarding the customer or its transaction executed, applied, commenced, or suspended has been provided to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity.

60. The capital company shall ensure access to all the information related to the internal control system of the capital company and the documents referred to in Paragraph 56 of this Regulation to *Latvijas Banka*.

61. The capital company shall register and record the requests of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity regarding customers of the capital company, their beneficial owners, and the transactions of the customer that are executed, applied, commenced, or suspended.

62. The capital company shall ensure storage of the copies the documents and information obtained in the process of the customer due diligence and while supervising transactions executed by a customer regarding a person, including the report sent to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity, for five years after the date when the capital company has terminated the business relationship with the customer or on which it has executed the last registered occasional transaction.

63. After expiry of the time period of storage of documents and information specified in Paragraph 62 of this Regulation the capital company shall destroy the documents and information regarding the person, unless it has received an instruction to extend the abovementioned time period in accordance with the conditions provided for in the Law on the Prevention of Money Laundering and Terrorism Financing. If the capital company has received such an instruction, it shall destroy the documents and information regarding the person after the time period specified in the instruction which may not exceed the time period specified in Paragraph 62 of this Regulation by more than five years has expired.

**XIV. Requirements of the Internal Control System in Relation to the Rights, Obligations and Responsibility of Employees**

64. The board of directors of the capital company, if such has been established, or the senior management body of the capital company shall ensure efficient implementation of the internal control system in everyday work.

65. The board of directors of the capital company, if such has been established, or the senior management body of the capital company shall determine a member of the board of directors or the responsible representative of the senior management body accordingly who supervises the field of the prevention of money laundering and terrorism financing in the capital company, and the capital company shall notify *Latvijas Banka* thereof within 30 days.

66. The capital company shall appoint one or several employees who are entitled to take decisions and are directly responsible for conformity with the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing and the Law on International Sanctions and National Sanctions of the Republic of Latvia and that exchange of information with *Latvijas Banka* is ensured. The capital company shall notify *Latvijas Banka* regarding appointing of the responsible employee within 30 days after entering into effect of the licence of *Latvijas Banka* for buying and selling foreign currency cash or after changes in the composition of employees.

*[28 March 2019]*

67. It is prohibited for the capital company to disclose information regarding the appointed responsible employee to the third parties.

68. The responsible employee of the capital company:

68.1. shall have good knowledge of the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing and the risks associated with money laundering and terrorism and proliferation financing;

68.2. shall regularly inform the board of directors of the capital company or the senior management body of the capital company regarding the operation of the internal control system in the capital company and, if necessary, provide proposals for improvement of the operation of the internal control system.

*[28 March 2019]*

69. The responsible employee of the capital company shall be responsible for:

69.1. the operation of the internal control system of the capital company;

69.2. informing and training of employees of the capital company in issues related to the operation of the internal control system and ensuring efficiency of training;

69.3. ensuring supervision of the transactions executed by customers;

69.4. reporting to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity regarding unusual and suspicious transactions;

69.5. storage, protection, and destruction of information and documents obtained in the process of the customer due diligence and while supervising transactions executed by customers after expiry of the time period for their storage;

69.6. registration, recording, and protection of requests of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity regarding customers of the capital company and transactions executed by customers.

70. An employee of the capital company who executes transactions with customers shall be responsible for:

70.1. the customer due diligence and registration of transactions executed by customers;

70.2. discovering of an unusual or suspicious transaction and informing of the responsible employee of the capital company regarding discovered unusual and suspicious transactions.

**XV. Requirements of the Internal Control System for Ensuring the Professional Qualification and Conformity Standards of Employees of the Capital Company**

71. The capital company shall ensure:

71.1. training of the new employees of the capital company in issues related to the internal control system;

71.2. continuous training of employees and regular improvement of their professional skills in issues related to the internal control system.

72. The training referred to in Sub-paragraph 71.2 of this Regulation shall be carried out at least once a year, and the following topics shall be included therein:

72.1. the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing;

72.2. risks associated with money laundering and terrorism and proliferation financing;

72.3. the basic principles of operation of the internal control system of the capital company;

72.4. discovering of unusual and suspicious transactions.

*[28 March 2019]*

73. The capital company shall document information regarding training carried out. The fact that the employee has participated in the training referred to in Paragraph 71 of this Regulation shall be certified by the signature of the trained employee. The fact that the responsible employee of the capital company has ascertained the efficiency of training and has assessed the level of knowledge of the trained employee in the issues referred to in Paragraph 72 of this Regulation shall be certified by the signature of the responsible employee.

**XVI. Requirements of the Internal Control System for Anonymous Internal Reporting on Violations of the Requirements of the Laws and Regulations Governing the Prevention of Money Laundering and Terrorism and Proliferation Financing**

*[28 March 2019]*

74. The capital company shall determine and document the procedures by which employees of the capital company may provide an anonymous internal report on violations of the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing in the capital company.

*[28 March 2019]*

75. The capital company need not determine the procedures provided for in Paragraph 74 of this Regulation if, upon carrying out the establishment of the internal control system or assessment of efficiency of its operation, it assesses that due to the number of employees anonymous internal reporting on violations of the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing in the capital company is not possible. The capital company shall document the abovementioned assessment and its justification.

*[28 March 2019]*

76. If the capital company has determined the procedures provided for in Paragraph 74 of this Regulation, it shall document the procedures for the assessment of anonymous internal reports on violations of the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing in the capital company.

*[28 March 2019]*

**XVII. Requirements of the Internal Audit System for Independent Internal Audit Function**

77. The capital company shall determine and document the procedures by which an independent internal audit function shall be carried out in the capital company in order to ensure the conformity of the internal control system of the capital company with the requirements of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing in the capital company and the assessment of efficiency of the operation of the internal control system.

*[28 March 2019]*

78. The capital company need not determine the procedures provided for in Paragraph 77 of this Regulation if, upon carrying out the establishment of the internal control system or the assessment of efficiency of its operation, it assesses that due to the number of employees the introduction of the independent internal audit function is not possible. The capital company shall document the abovementioned assessment and its justification.

**XVIII. Closing Provisions**

79. Regulation No. 141 of the Council of *Latvijas Banka* of 15 September 2014, Requirements for the Prevention of Money Laundering and Terrorism Financing upon Carrying out Buying and Selling of Foreign Currency Cash (*Latvijas Vēstnesis*, 2014, No. 183; 2016, Nos. 45, 52), is repealed.

80. Capital companies shall, by 1 January 2018, ensure the conformity of the internal control system with the requirements of this Regulation and other laws and regulations governing the prevention of money laundering and terrorism financing. Capital companies shall, by 10 January 2018, submit the approved money laundering and terrorism financing risk assessments and the document of policies and procedures of the internal control system to *Latvijas Banka*.

81. The Regulation shall come into force concurrently with amendments to the Law on the Prevention of Money Laundering and Terrorism Financing which provide for introduction of 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, and Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475/JHA and amending Council Decision 2005/671/JHA.

President of *Latvijas Banka* I. Rimšēvičs