



Financial Intelligence
Unit of Latvia

Financial Integrity Newsletter

**9 reasons why the
AMLA office should be
in Riga**

**“ Digital transformation is
more than just
implementing digital
solutions**

**FIU Latvia develops a
Black Box tool**

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OECD experts visit Latvia to kick off the KNAB-initiated project

Research: 49% of Latvians are aware of the potential introduction of the digital euro

Conference by FIU Latvia to gather industry experts

AML/CFT information sharing meets GDPR compliance



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Foreword

Digital transformation in Latvia's financial sector has been a meaningful developmental priority for some time already. It has many different avenues, but there is only one goal – to automate and modernize processes to promote security and competitiveness. Yes, in some cases in the short term it may seem like these are two different directions, but they aren't. In the long term, **competitiveness without security is not viable**, and Latvia's financial sector has certainly decided to proceed in this direction.

Just as legend states that Riga will never be ready, so too will digital transformation never reach completion. As new opportunities arise, **the financial sector has to be willing and capable of testing and implementing new, innovative technologies**. Meanwhile, generational and habitual change is driving client demand for increased effectiveness, security, and convenience.

Efficiency, service security, regulatory compliance (including AML and the application of sanctions), and client-centric service accessibility are Latvia's financial sector's primary goals in relation to process digitalization and automation. They are particularly important to solidify Latvia's good practice of offering financial services based on risk analysis.

The financial regulation and supervision sector is not immune to the increasing rapidity of new, incoming technologies, to make supervision more productive, thereby reducing the administrative load on all involved parties.

The implementation of DORA and MICA regulations comes with its own challenges, which will certainly bring with them new technological approaches both in offering services, as well as in supervision. Meanwhile, the **digital euro initiative and the new European Commission Payment Service Directive (PSD3) projects mark a significant progress milestone in the development of digital solutions**. The new regulation will uncover new possibilities, as well as challenges, for which financial institutions will have to create solutions, including for compliance with personal data protection requirements.

Digital transformation in the financial sector is an exciting process, but one that comes with a lot of responsibility, and one that we will inevitably experience!



Santa Purgaile

Deputy Governor at Latvijas Banka

Terms, abbreviations and definitions

AI – Artificial Intelligence

AML – Anti-Money-Laundering

AML Law – Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing

AMLA – Anti-Money Laundering Authority

AML/CFT/CFP – Prevention of money laundering and terrorism and proliferation financing

BREEAM – Building Research Establishment Environmental Assessment Method

EU – European Union

FATF – Financial Action Task Force

FIU – Financial Intelligence Unit

GCSE – General Certificate of Secondary Education

GDPR – General Data Protection Regulation

goALM – The goAML application is the UNODC Software Products for Member States' response to money laundering and terrorist financing

KNAB – Korupcijas novēršanas un apkarošanas birojs, *Corruption Prevention and Combating Bureau of Latvia*

Moneyval – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

OECD – Organisation for Economic Co-operation and Development

UNODC – United Nations Office on Drugs and Crime

STR – Suspicious Transaction report

UN – United Nations



Latvia continues to strengthen its financial sector

Continuous improvement in the area of detecting and combatting financial crime is a priority in Latvia. The country has now hit all the norms and standards set by the industry and has become an industry leader in its own right, with other countries and institutions looking to Latvia for support and guidance in their own AML processes.

OECD experts visit Latvia to kick off the KNAB-initiated project – “Strengthening the Corruption Prevention Framework”

OECD public sector integrity experts visited Latvia to launch the first phase of the “Strengthening the Corruption Prevention Framework” project, which was initiated by Latvia's Corruption Prevention and Combating Bureau (KNAB). The project aims to support Latvia in developing and implementing reforms in corruption prevention.

Though the country boasts – and regularly amends – a robust regulatory framework for conflict of interest prevention, neither the framework nor the related internal control systems have undergone comprehensive assessments of their compliance with international best practices.

To ensure Latvia's corruption prevention efforts meet international standards, KNAB enlisted the participation of the European Commission and OECD.

On their visit, the OECD experts met with more than 20 representatives of public and non-governmental institutions to learn how the regulation of conflict of interest is applied in practice, kicking off the framework review phase of the project. The 18-month project will also conduct a qualitative assessment of the internal anti-corruption control systems and prepare a methodology for assessing corruption risks on a national level tailored specifically to Latvia.

Latvia takes steps to improve GDPR compliance in AML/CFT information sharing

The Latvian financial sector has implemented self-regulatory principles to ensure that information sharing for AML/CFT needs complies with GDPR.

Latvia is one of the first countries where the exchange of information for AML/CFT purposes is allowed at the level of regulatory acts. This has helped the Latvian financial sector build an efficient system for countering global money laundering networks and has resulted in compliance with all 40 FATF Recommendations.

The newly introduced approach to data gathering and use will ensure that AML/CFT information-sharing is compliant with GDPR. Additionally, it will also support Latvia's efforts in developing a framework for information exchange about customers with whom business relations were terminated or refused based on AML Law consideration.

Principles of AML/CFT information sharing

Lawfulness

No direct or indirect indication of the incident's reporting to FIU, incl. formulations such as *suspicious transactions, submitted to FIU, STR, or others.*

Fairness

Data is processed fairly and interpreted in a proportional manner. Comments on incidents are fact-based and not discriminative.

Transparency

Data subjects are provided with information about the processing of their personal data to the extent that it complies with the AML Law.

Purpose limitation

Data is collected for specified, explicit and legitimate purposes and not further processed in a manner incompatible with those principles.

Data minimization

Data is adequate, relevant, and limited to what is necessary in relation to the purpose of processing.

Data accuracy

The database is accurate, concise, and up-to-date.

Data storage limitation

Data is collected in a form that permits the identification of data subjects for no longer than five years. (Exceptions apply!)

Integrity and confidentiality

Data is handled securely and protected against unauthorized or unlawful processing, accidental loss, destruction, or damage.

Reciprocity

The database relies on the data provided by the users. Only users that have provided data are eligible to use the database.



9 reasons why the **AMLA** office should be in Riga

In July 2021, the European Commission tabled a proposal to establish a new EU authority to counter money laundering and the financing of terrorism (AMLA). This was welcomed and supported by Latvia.

Latvia has submitted a strong bid to host the new agency. This would serve not only as an acknowledgment of the country's Europe-leading progress in its fight against financial crime but it would also tie Latvia ever-closer to Europe in these geopolitically uncertain times.

By offering **AML/CFT excellence and expertise, convenient and modern infrastructure, and an elevated way to live**, Latvia presents itself as the ideal destination for AMLA.



1. Ambitious financial sector reform

Latvia has implemented one of the **most ambitious financial sector reforms in Europe** in recent years and sets an example with its zero-tolerance policy on financial crime with full buy-in from political and institutional stakeholders. In the process, the country went from risking being grey-listed in 2018 to attaining the **highest MONEYVAL evaluation in 2020**.



2. Demonstrable commitment to AML

Between a selection of highly targeted AML regulations, a crackdown on offenders, the implementation of advanced monitoring systems, new cross-border partnerships, and future-oriented technical innovation (AI for AML), the reform has set a **brand new quality standard**.



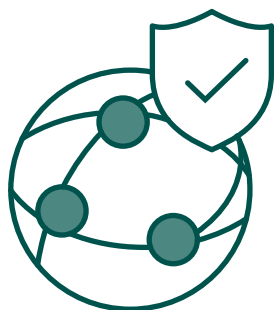
3. Leading the charge in Europe and beyond

Latvia became **the first Moneyval member state and the second country in the world** with an AML/CFT regime compliant with all 40 FATF recommendations. The Exporting Corruption 2022 report named Latvia as **the only EU Member State** to have improved its performance in combating bribery of foreign public officials. Latvia is **one of only three EU countries** where the Beneficial Owner registry is publicly accessible and free of charge.



4. Everything's a stone's throw away

With the **Baltics' best-connected airport**, you can reach virtually any EU capital in under 3 hours. Excellent bus and ferry service connects Riga to the Baltic capitals, Scandinavia, and beyond. Rail Baltica – a high-speed railway connecting the Baltics with continental Europe is under construction and is set to be launched by 2026.



5. Unmatched digital connectivity

Latvia is in the 1st place in the EU for **fiber-optic internet coverage** at 87.8%, but it also ensures that all alternative connectivity options are available. **5G is available publicly** throughout Riga and a growing number of other cities in Latvia, with **Starlink satellite internet** also available since 2022.



6. World-class education and healthcare

The number of **international schools** in Riga has doubled over the past 5 years. **Private language schools** allow GCSE, French Baccalauréat, or Abitur studies to continue uninterrupted. University life is dynamic, inclusive, and diverse – **13% of all students in Latvia are international**. Latvia's healthcare system is a mix of private and publicly funded services – with **state-of-the-art facilities**, and **newly renovated regular and children's hospitals**, healthcare is easily accessible and affordable.



7. Serene nature to get lost in

With 54% of its territory covered in forest, 496 km of white sandy beaches, 2256 lakes, and 12,500 rivers of different sizes, Latvia is a land where proximity to nature is dearly appreciated. Even the capital city, **Riga, is located within a 20-minute drive of both forest and seaside.**

8. Endless culture to absorb

Latvia has the **second-highest spending on culture in the EU**, and it's a core part of our identity. From the unique Art Nouveau architecture in Riga to the Song and Dance Festival, this Baltic country loves culture in any form.

9. A modern office to call home

Riga has identified two superb potential office spaces for AMLA selected for location, logistics, modernity, safety and security, with flexible expansion opportunities at short notice – **Talejas street 1**, located nearby a lake in one of the greenest neighborhoods of Riga with exquisite connectivity; and **Preses Nama Kwartāls** – a new riverfront, near-zero energy, BREEAM Excellent certified A-class business center in the heart of Riga that sits only a 15-minute drive away from the airport.



[View full proposal](#)



Riga – the thriving central hub of the Baltic States

Riga offers an ideal location for establishing your presence in state-of-the-art Class A offices, conveniently situated within a short walk from the city center. The Riga International Airport is just a quick 15-minute drive away, providing excellent connectivity to a wide array of destinations, making international travel a breeze. The city takes pride in its abundant talent pool and highly skilled workforce, backed by a deep educational and knowledge base in the financial sector.

With an abundance of premium housing options and a welcoming education system, relocating to Riga with your family promises a seamless transition while preserving your European lifestyle and exceptional quality of life. Embracing a green and eco-conscious mindset, the city is renowned for its well-developed ecosystem and convenient micro-mobility solutions, making it an enchanting place to relish both professional pursuits and leisurely moments.

Riga lives in harmony with its inhabitants – the city awakens alongside you and bids a warm goodnight, encompassing an invigorating and dynamic spirit throughout the day!

Fredis Bikovs

Managing Director at the Investment and Tourism Agency of Riga

Conference

Future of AML: Building Resilience in the Evolving Financial Crime Environment

The conference will gather financial industry experts and representatives of regulatory bodies to discuss the future of AML – from new ideas to best practices for managing and mitigating AML risks.

November 6-7, 2023
Riga, Latvia



Key topics

digital transformation

crypto assets

asset recovery

sanctions

Speakers



T. Raja Kumar
FATF President



Elżbieta Frankow-Jaśkiewicz
Chairperson, Moneyval

Other speakers TBA

Organized by **FIU Latvia**



Digital transformation is not just about the implementation of digital solutions – **it's an ongoing, neverending process**

As technology advances, criminal schemes become increasingly complex and harder to trace. It's no longer possible to rely on the old approaches to tackle future crimes. That's why the Financial Intelligence Unit (FIU) of Latvia is keeping up with the changing times and integrating modern technologies into its daily activities.

Interview

We spoke to the **Acting Head at FIU Latvia, Toms Platacis**, about the institution's digital transformation and how it will help the organization do its job more effectively, safeguarding the country and its citizens from criminal exploitation of the financial system.

This interview has been shortened and edited for readability.



Digital transformation – what exactly does it mean, and why is it important in the first place?

Digital transformation is a process. It involves both the digitization of information and resources, as well as integrating these resources into a single flow, thus allowing FIU to process incoming reports and other information with maximum quality and speed and then pass it on to partner authorities in Latvia and abroad.

Why is digital transformation necessary? **Because it changes and improves both the flow of information within the institution and the culture of the organization as a whole.** It ensures that the institution invests its most important resource – human expertise – into the most complex tasks. Technology, in the meantime, plays a supporting role, mainly for information verification, enhancement, and initial analysis purposes.

We have to understand that the speed of financial flows and the volume of transactions are increasing every day. As a result, the amount of information that FIU Latvia has to process also grows. For instance, imagine having more than 60,000 threshold declarations and a massive amount of information resources in different formats and locations that need to be checked. Clearly, this cannot be done manually, not to mention with any degree of quality and speed. However, with the appropriate technological solutions, it becomes possible.

How far along is FIU Latvia in this digitization process?

FIU Latvia's IT infrastructure and used technologies have already undergone a major transformation. One of the biggest steps was the migration to goAML, the internationally recognized financial intelligence system for providing information on suspicious financial transactions and threshold declarations.

goAML was developed by the United Nations Office on Drugs and Crime (UNODC) and is a recognized standard in the anti-money laundering and counter-terrorism financing (AML/CFT) environment. The system is widely used by FIU Latvia to receive information digitally from the AML/CFT obliged entities and to pass it on to law enforcement authorities.

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We're talking about significant improvement in efficiency – **digitization allows us to do more with the same resources.**

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FIU Latvia receives far more information than it's capable of manually passing on to law enforcement authorities. **Nevertheless, every piece of information is important.** It often fits into complex schemes or can help identify information of national importance.

Beyond moving to goALM, other initiatives are also underway. For example, **this autumn, information received from law-obliged entities will be accessible through the "Black Box" data search engine developed by FIU Latvia**, which will be available to representatives of law enforcement authorities for the purpose of initial verification. This project will make it possible to retrieve initial information from FIU Latvia using the fewest possible resources.

Read more about the Black Box initiative on page 13!

And how will FIU Latvia's digital transformation benefit us as a society?

The digitization of processes helps FIU Latvia safeguard public security interests. By working more efficiently, we're able to identify more complex, larger-scale money-laundering schemes, which can hide both tax crime and corruption. Identifying and preventing such financial crimes is, in my opinion, in the interest of every member of society.

Finally, when do you think we'll be able to say that FIU's digital transformation is complete?

I don't think such a day will ever come. We need to understand that this process doesn't end with the implementation of digitalized solutions and the alignment of processes.

For example, **our key focus right now is to ensure that appropriate technologies are applied to routine data acquisition, verification in official resources, and following processing activities**. Like most FIUs, we are still at this stage – that is, at the beginning of the digital transformation journey. The next step would be to enrich the data and information generated, which in the future could be supported by AI solutions.

Then again, I'd like to stress that this is an ongoing process with no explicit endpoint.

“

Digital transformation is more than just information and resource digitization. **We're talking holistic institutional changes** where different processes become digital, manageable, measurable, and applicable beyond the boundaries of FIU Latvia.

“

Digital transformation is about continuous improvements, ensuring that government processes are up-to-date, organized, and adapted to the needs of the user.

FIU Latvia completes the development of its **Black Box initiative** to facilitate information exchange in crime prevention

Started in February 2023, with development completed in July, the Black Box initiative is a prime example of FIU Latvia's pursuit of digital transformation. The **Black Box is a tool that enables authorized users from law enforcement agencies to partially access the FIU database.** Data privacy and security are ensured through innovative use of pseudonymisation.

Previously, if an agency required information from FIU Latvia, they would submit a detailed request, justifying their reason for it, as well as specifying exactly what information they sought. Sometimes, it turned out that such information didn't exist, leading to wasted time on the side of the agency.

Now, by leveraging the Black Box tool, **agencies will have remote and limited access to the FIU Latvia database**, meaning that agencies will be required to submit detailed requests if the information is available in the FID database.

For example, by entering a bank account number in the Black Box tool, law enforcement agencies will see if and when this account has appeared in FID returns or threshold declarations. This will significantly reduce bureaucracy and ensure that requesting information is not only easier but also more efficient.

Currently in the testing phase, the Black Box is expected to go live in September of 2023.

49% of Latvians are aware of the **potential introduction of the digital euro**

As the digital euro's two-year investigation phase nears its end, Latvians' awareness of the digital euro is on the rise. According to a survey by Latvijas Fakti in February 2023, nearly half (49%) of the population has already heard about the potential introduction of the digital euro in the future.

This is a 14 percentage point increase from August 2022.

Familiarity with and interest in the digital euro is pronounced among the tech-savvy and more economically active part of the population, namely:

- People who live in Riga (61%),
- Have a university education (60%), and
- Have higher incomes (64%).

While insight is higher (58%) among young people (15-24), a relatively high 38% of those aged 65-74

also reported awareness of the potential digital currency.

Latvijas Banka continues to proactively collaborate with Eurosystem colleagues in the digital euro investigation phase and, should the decision be made to proceed to the experimental phase, Latvijas Banka is keen to continue its role in ushering in this transformative progression within Europe's financial landscape safely and effectively.

In April this year, FIU Latvia conducted a study on the impact of the digital euro on AML. The study concluded that **digital currency can speed up and facilitate access to information about transactions.** At the same time, the digital euro might exacerbate existing supply channels, product and service, customer, and geographic risks.

[Read the study](#) 

FIU Latvia's training platform surpasses 1400 active users

The training platform, which includes **video lectures and other educational materials for professionals working in the field of AML/CFT/CFP**, has surpassed 1400 active users. The platform was launched in early 2022 by FIU Latvia.

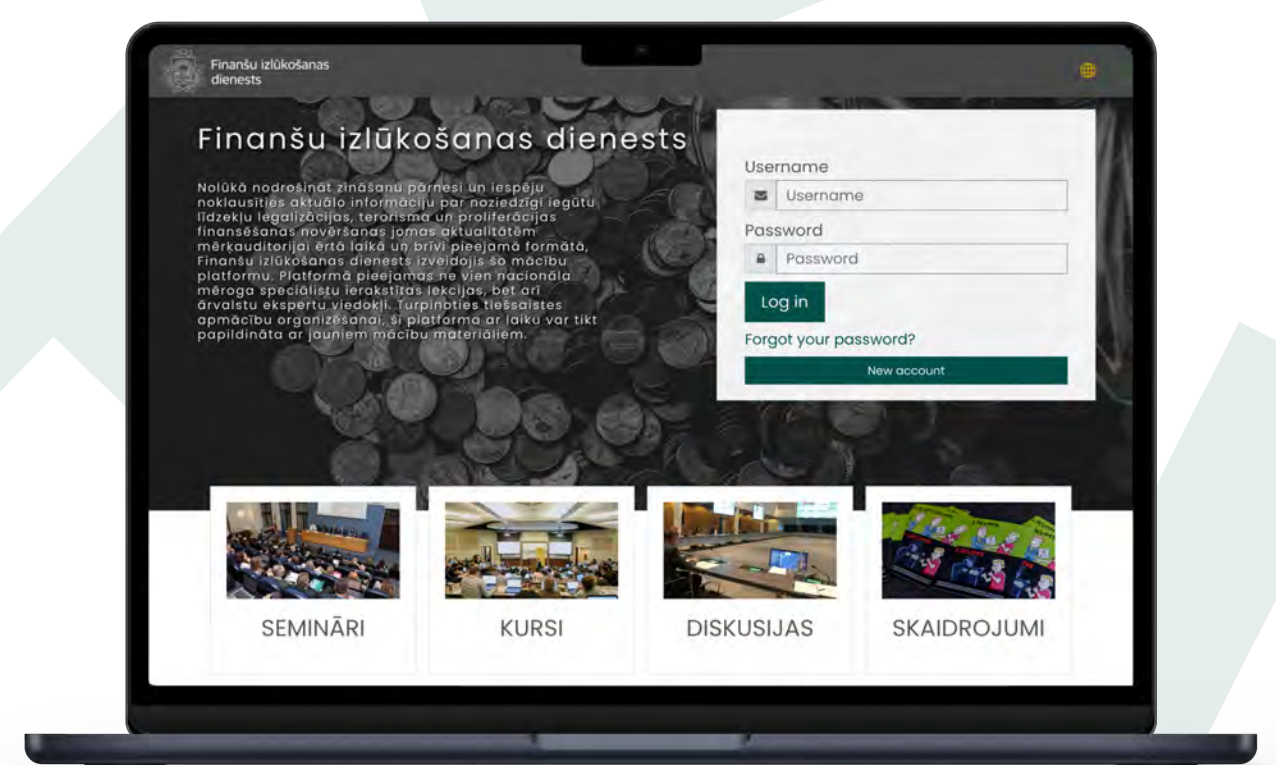
Registered users have access to a variety of video lectures on local and international issues related to AML/CFT/CFP – from practical guides for completing everyday tasks (e.g., how to use the goAML system) to in-depth lectures on crime in financial instrument markets. All materials are available free of charge.

Increasing number of lectures by international experts

Along with the number of active users, there's also a growing number of lectures in English. Led by international experts, these lectures provide valuable insights into a variety of globally important topics, including sanctions, the digital transformation of the AML/CFT/CFP sector, and more. In total, users have access to 130 educational materials – video lectures, presentations, and more – on a variety of industry-related topics.

The FIU Latvia training platform was designed for law enforcement institutions, supervisory and control institutions, and obliged institutions of the Law on Prevention of Terrorism and Proliferation Financing – outsourced accountants, lawyers, insolvency administrators, bank employees, and more. **Lecture topics are adjusted to the user's field of activity and are regularly updated.**

Registration is required to access the platform.



[Register now](#) 

