

Monitoring compliance with AML/CTPF Act 1/41/19

The State Revenue Service (SRS) is in the process of reviewing external accounting service providers and tax consultancies for compliance with the Anti Money Laundering and Counter Terrorism and Proliferation Financing (AML/CTPF) Act.

Latvia has not adopted any national document or policy to help companies meet the requirements of the AML/CTPF Act. The copy-and-paste method does not work here because each business has its own set of characteristics and customers.

The suggestions below could help you when the SRS comes to check you.

The responsible officer

Most subjects of the AML/CTPF Act have named their responsible officer on the SRS Electronic Declaration System, but this is not enough because they are required to comply with section 10 of the AML/CTPF Act by drawing up or adding to their policy on assessing their responsible officer and documenting the assessment. The assessment principles are clear – reputation criteria and criminal record checks. The person's criminal record is easily checked by obtaining a statement from the Penal Register. However, the person's reputation may prove to be more difficult to check, as we need to consider each company's ethics and other compliance standards.

Risk assessment

It is important to identify not only customer risks but also the company's risks. Being aware of your own risks makes it easier to identify industry risks. For example, cash-in-hand transactions are among the risks facing car dealers as subjects of the AML/CTPF Act because they might get involved in cash payment schemes and illegal third-party dealings. In this case it is important to set up a mechanism for controlling the movement of cash in hand.

Customer risks could include –

1. risks associated with services acquired by the customer and their supply channels;
2. risks associated with the customer's legal form and business activities;
3. the customer's residence (incorporation) country risk.

The Sanctions Act

Subjects of the Sanctions Act are required to set up a system of internal controls or integrate AML/CTPF mechanisms into their existing internal control system. One of the main tasks is to check whether any existing or potential customers are on the sanctions lists and conduct a customer due diligence review when entering into a business relationship, and to conduct a review of transactions and carry on monitoring during the business relationship.

Customer and ultimate beneficial owner (UBO) identification

Where UBO identification is difficult, one of the options is to identify -

- the individual that in fact owns the company and exercises its top management powers or its assets;
- the individual that actually controls the company regardless of whether they have an official role in the company.

UBO identification has many specific nuances. The AML/CTPF Act offers a solution that involves asking the customer for an approved UBO statement, along with documents supporting that information. This will result in much of the responsibility shifting onto to the customer, but we as a subject of the AML/CTPF Act will certainly have to verify such details by using public information for this purpose.

These suggestions are only a small part of the company's homework before an SRS review but they can help eliminate shortcomings that are capable of creating serious consequences.