

# What Businesses Need to Know about International Sanctions Policy

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FINANCE  
LATVIA  
ASSOCIATION

## 1. What are sanctions?

Sanctions are restrictive measures set in accordance with public international law. Sanctions are imposed by an international organisation or a country on another country or on other subjects of international law (such as terrorist organisations, groups facing allegations of war crimes).

Sanctions are foreign policy tools used to prevent the deterioration of a specific situation. Sanctions can be imposed against both natural and legal persons. The imposition of sanctions may only be motivated by foreign policy.

The purpose of sanctions is to change the conduct of a sanctioned country or group, to ensure or restore peace, safety and the rule of law in the country that is the target of these restrictions, whether they are aimed at a group or the region as a whole.

## 2. What sanctions are binding on Latvia?

Latvia is bound by international sanctions imposed by the UN Security Council and the European Union (EU). EU sanctions are directly applicable in Latvia. All sanctions imposed by the UN are implemented in EU legislation, and thus become directly applicable in Latvia.



On March 1, 2016, a new Law came into force: "The Law on International Sanctions and National Sanctions of the Republic of Latvia", allowing the Cabinet to, when necessary, impose restrictive measures against organisations and individuals by applying sanctions by the state of Latvia.

If such restrictions have been imposed, the subjects may be faced with, for example, the freezing of all their financial assets or a prohibition on acquiring and alienating tangible and intangible objects to which ownership rights must be published in public registers.



Violation of sanctions may warrant **criminal charges**. The competent authorities may also impose **administrative penalties**, including substantial fines.

## 3. Impact of sanctions imposed by individual countries

Latvia is not bound by sanctions imposed by individual countries or third countries, including sanctions imposed by the USA. However, it is important to consider the impact such sanctions might have on the commercial activity of Latvian businesses. Business owners must take into account the fact that US authorities often rely on the imposition of **extraterritorial** national requirements.



For example, failure to comply with sanctions set by OFAC (Office for Foreign Assets) may impact business relationships with US businesses and banks, create substantial risks to the reputation of the country and its financial sector, or provoke further actions by the US (additional sanctions, criminal liability). **These sanctions are commonly complied with in transactions in all currencies, but in transactions made in US dollars compliance is obligatory.**

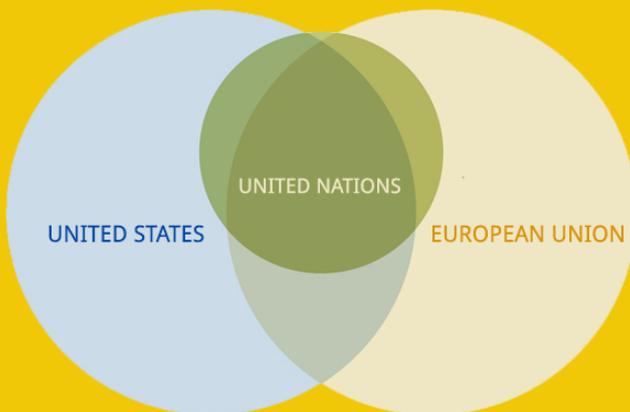
In Latvia, the US OFAC sanctions do not provide grounds to, for instance, freeze financial assets or prohibit the alienation of real estate; however, it is very likely that the settlement of transactions will not be possible.

Considering that compliance with sanctions imposed by the USA is a crucial prerequisite for banks to be able to ensure swift money transfers for all their

clients, the explanatory “[Policy Guidance and Guidelines on Anti-Money Laundering, Countering Terrorism Financing and Enforcement of Sanctions](#)”, published by the Finance Latvia Association in November 2017, urges Latvian commercial banks to comply with the aforementioned USA OFAC sanctions when transferring money in all currencies, not only the US dollar.

In collaboration with state and non-governmental partners, the goal of the “[Policy Guidance and Guidelines on Anti-Money Laundering, Countering Terrorism Financing and Enforcement of Sanctions \(2017\)](#)” is to improve the working environment of businesses and the financial sector in Latvia, as well as to improve the reputation of the Latvian financial sector and facilitate cooperation with international partners, including the USA.

## 4. Structure of sanctions



US, EU and UN sanctions do not apply equally to all sanctioned subjects; they may overlap.

For more details, see the information provided by The Council on Foreign Relations in “**What Are Economic Sanctions?**”

<https://www.cfr.org/backgrounder/what-are-economic-sanctions>

## 5. How should risk management be organised in a company?

Each company assesses the potential risks when involving themselves in transactions that they consider commercially consequential.

**As part of the risk assessment process, it is increasingly necessary for businesses to evaluate and implement the necessary compliance programmes for international financial and non-financial sanctions. Such programmes include:**

- ensuring that future or current deals or transactions do not contravene current international sanctions
- due diligence of partners and customers when entering into a business relationship, screening and control of transactions throughout the duration of the relationship
- timely risk assessment and management, and overall increased transparency with regards to transactions

## 6. Contact information

The coordinating body for sanctions in Latvia is the Ministry of Foreign Affairs. Information on sanctions that are binding in Latvia, as well as a comprehensive list of all countries subject to sanctions, and explanations of the reasons for these sanctions is available on the Ministry of Foreign Affairs' website, in the "Sanctions" section.

Further information on international and national sanctions is available upon request from the Ministry of Foreign Affairs, which is the coordinating body for sanctions in Latvia. Information may be requested by writing to [mfa.cha@mfa.gov.lv](mailto:mfa.cha@mfa.gov.lv).

## 7. Complaints

Companies may file a complaint about the actions of a financial institution to the Financial and Capital Market Commission (**email: [fktk@fktk.lv](mailto:fktk@fktk.lv)**), or to the ombudsman at the Finance Latvia Association, who also reviews complaints regarding the termination of business ties and other disputes between natural and legal persons and financial institutions.

<https://www.financelatvia.eu/en/ombudsman/>



## 8. Online resources

### Ministry of Foreign Affairs of the Republic of Latvia

<http://www.mfa.gov.lv/en/policy/sanctions>

### European Commission's interactive 'Sanctions Map' of the UN and EU sanction regimes

[www.sanctionsmap.eu](http://www.sanctionsmap.eu)

### U.S. Office of Foreign Assets Control (OFAC) (US Treasury)

[https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq\\_general.aspx](https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_general.aspx)

[https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq\\_other.aspx](https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx)

**To receive updates on USA OFAC sanctions and topical reports, we invite you to subscribe to the OFAC newsletter**

<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx>

### The Council on Foreign Relations. What Are Economic Sanctions?

<https://www.cfr.org/background/what-are-economic-sanctions>