

# Tackling *de-risking* in Latvia

Finance Latvia proposes to-do-list to tackle de-risking and fully facilitate risk-based approach instead of rules-based approach



# Commitments – unchanged



# Proposals




Compliance  
culture  
integrated  
throughout  
society

- No ungrounded and emotional communication which harms the reputation of Latvia as a developed open economy and jurisdiction. Identified reasons why banks de-risk. Evidence based assessment on the real impact of de-risking.




Compliance  
culture  
integrated  
throughout  
society

- Raise common understanding of the importance of culture of compliance regarding targeted financial sanctions and necessity to have sufficient internal controls for both – banks and businesses.
- More training on AML/CTF. Banks, businesses, law enforcement.



## Risk-based approach in practice

- Simplified due diligence below a certain threshold corresponding to the level of risk with emphasis on on-going proportionate monitoring rather than disproportionately on KYC.
- Repeal the rigorous requirements, thresholds, set by FCMC which clients are subject to EDD regardless of the risk and ease the cycle of ongoing EDD.
- Set a deadline in the past after which examination of origin of a person's source of funds and wealth is not required unless specific indicators are not in place.



## Risk-based approach in practice

- Repeal the requirement to obtain UBO's written affirmation as a common binding rule. Unnecessary red tape in case of generally recognized, well-known companies and international corporations.
- Provide the exemption to identify UBOs of state or municipal owned enterprises. Recording their members of the board – PEPs – as UBOs – instantly subjects the company to EDD.





## Risk-based approach in practice

- More advisories, less rigorous prescriptive regulations.
- Better cooperation between financial supervisory institution and data protection authority. Do not make banks to choose between less penalty.
- Introduce the special purpose line for foreign investors considered as higher risk customers. Involvement of law enforcement and other relevant state agencies in pre-assessment of the respective foreign investors.




Access to  
accurate and  
qualitative  
data

- National PEP register must be exhaustive, meanwhile compliant with FATF recommendations. The state should know its domestic PEPs and their family members.
- Access to public registries – meaningful, free of charge and within one communication channel.



Access to  
accurate and  
qualitative  
data


- More coordinated approach on new IT/automation solutions to populate/derive data to/from registers. Before introducing new solution, properly assess existing arrangements.
- Approve the regulation on shared KYC utilities. The draft is fully coordinated and finalized.



Effective  
disclosure of  
information


Entitle banks to disclose the information:

- with no prejudice to tipping-off, to facilitate meaningful dialog with a client and achieve better understanding among clients on bank information inquires to fulfill AML/CFT regulations;
- to defend itself in media when a client raises the matter concerned to AML/CFT in media or it threatens the financial stability.



Effective  
disclosure of  
information

- Consistent, transparent and accessible procedure of FCMC for handling customer complaint, especially when the bank has terminated business relationships.
- Boost up public-private partnership in information sharing, especially cross-border. The tool is not enough used, preventive measures to tackle crimes are less effective which ends by passing the buck on banks KYC.



Consistent  
and  
explained  
inspection  
process

- Understandable, pre-defined and published guidance on FCMC inspection approach.
- Break the never-ending auditing cycle. Banks are subject to AML/CFT audit almost all the time (inspections of FCMC, contractual etc.). New audit, new approach, new wave of de-risking.

KYC – get it from registries, KYC utilities, less from clients

Focus on effective transaction monitoring and PPP

Qualitative STRs results in fast and dissuasive convictions

Common sense and  
common responsibility

**FINANCE**   
**LATVIA**   
**ASSOCIATION** 