

7 December 2017

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
WORKING GROUP ON BRIBERY IN INTERNATIONAL BUSINESS TRANSACTIONS****LATVIA: FOLLOW-UP TO PHASE 2 REPORT AND RECOMMENDATIONS****Summary and Conclusions of the Working Group**

The Working Group approved this document by written procedure on 4 December 2017.

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I. Introduction

1. In October 2017, Latvia presented a Written Follow-Up Report on its implementation of the Recommendations and on developments concerning the Follow-Up Issues in the Working Group on Bribery's October 2015 Phase 2 Report. The Working Group considered that Latvia has taken substantial steps to implement the Recommendations. Overall, out of 44 Recommendations, 26 are fully implemented, 13 partially implemented and 5 not implemented. The Working Group regrets, however, that it was unable to fully assess important information on anti-money laundering measures that was provided only on the day before the Working Group met to discuss Latvia's Report.

2. Substantial efforts have been made in prevention and awareness-raising. Latvia amended the "Corruption Prevention and Combating Guidelines for 2015-2020" in August 2016 to specify that the Corruption Prevention and Combating Bureau (KNAB) should make additional efforts to increase its ability to detect and investigate foreign bribery, and to prevent, detect and comply with laws on corruption and related offences. The Cabinet of Ministers adopted Regulations on the recruitment and dismissal of the KNAB Director. As detailed below, KNAB has taken steps to enhance its enforcement capacity and increase the effectiveness of Latvia's foreign bribery offence. Latvia took several measures to raise awareness of foreign bribery in the private sector. Recommendations 1(a)-(b) are fully implemented.

3. Some efforts have also been made regarding reporting and whistleblowing. The Ministry of Foreign Affairs (MOFA) has issued Annual Action Plans to embassies. MOFA staff received training on foreign bribery. Overseas staff received guidance on reporting foreign bribery suspicions to KNAB and on assistance that should be given to Latvian companies about bribe solicitations. However, legislative amendments requiring all Latvian public officials to report suspected foreign bribery and protecting whistleblowers in the public and private sectors have yet to be enacted. Hence, Recommendation 2(a) is fully implemented but 2(b) and 3(a) are not implemented. Latvia took steps to encourage and facilitate whistleblowing by organising an international conference and promoting KNAB's reporting hotline. However, further measures that are more oriented towards the private sector and which relate directly to new whistleblowing legislation would be desirable. Recommendation 3(b) is partially implemented.

4. Regarding public advantages, Altum's Risk Management Department and other structural units involved in credit approval provide support to the Export Guarantee Division. KNAB trains Altum staff annually. However, Altum still conducts due diligence by checking debarment lists of multilateral development banks rather than independently assessing a party's corruption risk. When grounds for enhanced due diligence exist, Altum staff may – but are not required to – request more information for further evaluation. Altum staff are required to report suspicious money laundering transactions but not suspected bribery. Recommendations 4(a) and (c) are fully implemented but 4(b) is partially implemented. The MOFA adopted a policy to exclude entities convicted of foreign bribery from official development assistance (ODA) projects. ODA officials and funding beneficiaries received training. The Development Co-operation Policy Guidelines 2016-2020 describe "lines of action" such as to "systematically evaluate, prevent, and manage risks in all stages of assistance provision, particularly regarding corruption". The document does not, however, explain what actual measures are taken to prevent, detect and report foreign bribery. Recommendation 5 is partially implemented.

5. In the area of tax, the State Revenue Service (SRS) adopted Regulation 7 in 2016 which covers the detection of foreign bribery as defined in Criminal Law Section 323. Material from the OECD Bribery and Corruption Awareness Handbook supplements the Regulation. However, to identify taxpayers who are at risk of committing foreign bribery for tax audits, SRS relies on a European Union (EU) public procurement database. The database likely would not identify foreign bribery risks that are unrelated to public procurement or which involve bribery of non-EU officials. SRS commissioned a study on its ability to detect foreign bribery and implemented one recommendation on reporting arising from the study. A second recommendation that SRS assess the operational risks of its Tax Control Department appears unimplemented. Recommendation 6(a) is therefore partially implemented. The Prosecutor General issued a binding Informative Letter requiring prosecutors to ask SRS to assess the tax return of an alleged offender in foreign bribery investigations. Efforts were also made to raise awareness of foreign bribery among taxpayers and tax examiners, and to train tax examiners to detect foreign bribery. Recommendations 6(b) and 6(c) are fully implemented.

6. Concerning accounting, auditing and internal company controls, Latvia raised awareness within the private sector through the efforts described above under Recommendation 1. It disseminated leaflets on business integrity and prevention of foreign bribery. The Ministry of Economics published information on business integrity on its website. Training events were held for external auditors throughout 2016 and 2017. Recommendations 7(a) and (c) are fully implemented. However, guidelines on anti-corruption internal controls for state-owned enterprises have yet to be issued; Recommendation 7(b) is thus not implemented. 2017 legislative amendments require listed companies' audit committees to discuss certain matters with the external auditor. However, the provisions do not apply to non-listed companies that are externally audited. They also fall short of encouraging companies to actively and effectively respond to reports of suspected foreign bribery, e.g. by conducting an independent internal investigation, or considering reporting the matter to the authorities. Sworn auditors and audit firms are now required to report suspected bribery that is discovered during an audit to KNAB. But they are still not required to provide information to law enforcement upon demand. Recommendations 7(d) and (e) are only partially implemented.

7. Regarding money laundering, the Prevention of Money Laundering and Terrorism Financing Law (AMLTFL) was amended to cover all categories of politically exposed persons. Recommendation 8(a) is fully implemented. Regulated entities are now required to apply enhanced due diligence based on a risk-based methodology. Recommendation 8(b) is thus fully implemented. However, the Working Group will follow up this matter in Latvia's Phase 3 evaluation to determine whether enhanced due diligence is applied to an appropriate number of non-resident bank clients in practice. Latvia has taken some policy and institutional measures relating to the enforcement of the money laundering offence. It pointed out increases in seizure and confiscation for money laundering. There is no data, however, indicating increased enforcement and convictions. Recommendation 8(e) is partially implemented.

8. Concerning Latvia's Financial Intelligence Unit (FIU), the Unit's budget has been increased for 2017-2019. It has hired five new staff but one analyst position is vacant and two more analysts are expected to be hired in 2018. The FIU provided "methodological materials" and typology training to reporting entities. However, these efforts do not sufficiently focus on money laundering related to corruption and foreign bribery, especially by non-resident bank clients. The list of indicators of suspicious transactions is to be expanded but there remain no guidelines on interpreting these indicators. A new

provision requires reporting entities to identify not only suspicious transactions but also the predicate offence linked to the transaction. This could be challenging and may reduce the reporting of transactions that are in fact suspicious. Recommendation 8(c) is only partially implemented.

9. Latvia has also only partially implemented Recommendation 8(d) regarding the Financial and Capital Market Commission (FCMC). According to the Written Follow-Up Report submitted by Latvia, the FCMC has created a new Compliance Control Department (CCD). However, the Report did not explain how many of the 18 CCD employees are involved in AMLTFL enforcement as opposed to other anti-money laundering-related functions. A new Regulation 196/2016 regulates customer due diligence (CDD) and the use of agents to conduct this task. There was no information on how the Regulation is enforced or whether CDD is now adequately applied in practice to non-resident bank clients. The Report stated that FCMC had examined why it and/or reporting entities had failed to detect instances of money laundering that had been reported in the media. The Report did not explain, however, the causes of those failures and the remedial steps that have been taken.

10. The assessment of the FCMC's efforts was complicated by additional information provided only just before the Working Group assessed Latvia's Report. For example, since Phase 2 the FCMC has taken a risk-based approach to determine the frequency of on-site inspections of regulated entities, including their overseas offices. The initial Written Follow-Up Report indicated that on-site inspections have decreased since Phase 2. But on the eve of the Working Group meeting, the FCMC shared new data on inspections that were inconsistent with its earlier information. It provided details about AML audits of financial institutions by US consulting firms that were not previously mentioned. Other information questioned the accuracy of the data pertaining to on-site inspections in the Phase 2 Report. Likewise, Latvia's initial Written Follow-Up Report included information on increased fines imposed by FCMC for AMLTFL violations. But additional actions, such as the suspension of a bank's licence, emerged only the day before or during the Working Group meeting which did not allow time for proper consideration and evaluation. For these reasons, the Working Group will revisit the implementation of Recommendation 8(d) and assess the late information provided by the FCMC on a future occasion.

11. Concerning enforcement, a prosecutor supervising a foreign bribery case is now required to meet and discuss the investigation with KNAB investigators at least monthly. This procedure was followed in actual foreign bribery investigations. Recommendation 9(a) is fully implemented. Recommendation 9(c) is partially implemented since KNAB received substantial training but not on legal person liability, confiscation, and settlements. Training on foreign bribery for judges and prosecutors is only planned for 2018. Recommendation 9(e) is not implemented since legislation has not been amended to require the publication of all types of settlements. The Prosecutor's General Office issues press releases on plea agreements but not other types of settlements such as effective regret or release from liability.

12. Recommendations 9(b), (d) and (f) relating to enforcement are fully implemented but will be revisited in Phase 3 when there is more practice. To ensure that all foreign bribery allegations are systematically transmitted to KNAB, KNAB reminded other law enforcement bodies of its responsibility for investigating this crime. The Prosecutor General designated KNAB as the authority for executing all corruption-related incoming mutual legal assistance (MLA) requests. KNAB reminded its investigators to proactively

examine and verify all credible foreign bribery allegations and to use special investigative techniques where necessary and appropriate. Prosecutors and KNAB officers have been instructed to investigate and prosecute corruption-related false accounting, which led to charges of bribery and false accounting in an on-going case. To reduce delay, KNAB now requires preliminary examinations in foreign bribery cases (except large or complex cases) to be completed within a month. Multi-investigator teams may now conduct foreign bribery investigations and has done so in one case.

13. Regarding KNAB's capacity and independence, the KNAB Law was amended to clarify the grounds and procedure for dismissing KNAB Directors, which fully implements Recommendation 10(b). Steps were taken to raise awareness of Article 5 of the Convention among KNAB, prosecutors and Cabinet. Cabinet was also informed of the Working Group's recommendation to refrain from comments that risk creating a perception of political interference in KNAB. Recommendations 10(c) and (d) are fully implemented but the Working Group will monitor developments concerning the former in Phase 3. Since Phase 2, KNAB has hired senior managers with relevant experience but its Investigation Division has fewer staff and 25 out of 150 positions in KNAB were vacant on 29 September 2017. Recommendation 10(a) is partially implemented.

14. Concerning enforcement actions, Latvia has opened two foreign bribery investigations since Phase 2. After KNAB completed an investigation in the *Law Enforcement Agency / Ports Case*, Latvian prosecutors transferred the proceedings against a Latvian individual to Lithuania where the bribed official is being prosecuted. Proceedings in Latvia against a company remain on-going. Latvia clarified that the *Information from Diplomat Case* and *Information from Media Case* are the same case. Investigation into this matter is on-going. On a less positive note, the high profile and much delayed *Oligarch* domestic corruption case described in the Phase 2 Report has been terminated without charges. The media subsequently reported incriminating evidence that KNAB had failed to forward to the prosecutor for consideration, prompting a parliamentary inquiry that is on-going.

15. Latvia has not amended its foreign bribery offence to address Working Group concerns about the issue of direct intent. Instead, it issued guidance and held meetings as well as conferences to urge prosecutors and judges to interpret direct intent in a manner that would comply with the Convention. Commentaries were also written and published in an academic book for the same purpose. However, judges and prosecutors are not bound by such measures. There is also no appellate jurisprudence supporting the new interpretation of direct intent. Recommendation 13(a) is not implemented.

16. Recommendation 13(b) concerning the foreign bribery offence is also only partially implemented. The offence now covers bribery of a public official of "any territory outside the Republic of Latvia". This would include officials of organised foreign areas or entities that are not a state, such as autonomous territory or a separate customs territory. However, the offence only covers a promise of a bribe that has been *requested*. Article 1 of the Convention does not contain such a qualification. Latvia argued that its foreign bribery offence covers an "offer" to bribe, which includes a promise of a bribe that is not requested by an official. However, some participants at the Phase 2 on-site visit disagreed with this view and did not believe that the term "offer" includes a "promise".

17. Latvia has implemented several other recommendations. The Criminal Procedure Law was amended to provide MLA in non-criminal proceedings against a legal person and to expressly require the prosecution of Latvian individuals whose extradition is

refused solely on grounds of nationality. A further amendment ensured that a legal person can be prosecuted even when the natural person who committed the alleged offence is deceased or has been convicted in another jurisdiction. Recommendations were issued to prosecutors regarding corporate liability, and training on the topic for KNAB and other officials began in 2017. Statistics are now available on MLA and extradition requests; delay in proceedings and cases that are time-barred; and KNAB's enforcement record. Recommendations 11(a)-(b), 12(a)-(b) and 14(a)-(b) are fully implemented.

18. Concerning sanctions, Latvia raised the maximum prison sentence for intermediaries to five years and increased the maximum monetary fine for foreign bribery, false accounting, and money laundering. A binding Informative Letter instructed prosecutors to assess the grounds for seeking confiscation. Recommendations 15(a) and (c) are fully implemented. The Informative Letter also required head prosecutors to exercise enhanced supervision over the type and amount of penalty requested by public prosecutors in bribery cases. But otherwise training for prosecutors and judges relating to sanctions and confiscation are scheduled only for 2018. Recommendation 15(b) is thus partially implemented.

II. Conclusions

19. Based on the above findings, the Working Group concludes that Recommendations 1(a)-(b), 2(a), 4(a), 4(c), 6(b)-(c), 7(a), 7(c), 8(a)-(b), 9(a)-(b), 9(d), 9(f), 10(b)-(d), 11(a)-(b), 12(a)-(b), 14(a)-(b), 15(a) and 15(c) are fully implemented; Recommendations 3(b), 4(b), 5, 6(a), 7(d)-(e), 8(c)-(e), 9(c), 10(a), 13(b) and 15(b) are partially implemented; and Recommendations 2(b), 3(a), 7(b), 9(e) and 13(a) are not implemented. The Working Group will revisit Recommendations 8(b), 9(b), 9(d), 9(f) and 10(c) in Phase 3. Follow-Up Issues 16(a)-(h) remain outstanding. Latvia is invited to report to the Working Group in writing by October 2018 on the implementation of Recommendations 3(a)-(b), 8(c)-(e), 10(a), 13(a)-(b) and on all foreign bribery enforcement actions.

PHASE 2 EVALUATION OF LATVIA: WRITTEN FOLLOW-UP REPORT

Date of approval of Phase 2 evaluation report: 14 October 2015
Date of information: 20 September 2017

PART I: RECOMMENDATIONS FOR ACTION

Recommendations for ensuring effective investigation, prosecution and sanctioning of foreign bribery

Text of recommendation:

1. With respect to prevention and awareness-raising, the Working Group recommends that Latvia: (a) ensure that the implementation of the Corruption Prevention and Combating Guidelines for 2015-2020 gives priority to addressing (i) KNAB's efforts and capacity to detect and investigate foreign bribery allegations; (ii) the process for appointing and dismissing the Director of KNAB; (iii) the prevention, detection and enforcement of corruption-related money laundering and false accounting; and (iv) the effectiveness of Latvia's foreign bribery offence (2009 Recommendation III);

Action taken as of the date of the follow-up report to implement this recommendation:

On 18 August 2016, following amendments to the Corruption Prevention and Combating Guidelines for 2015-2020 entered into force prioritising foreign bribery offence:

Chapter 5.5. Fulfilment of International Commitments

“To successfully continue KNAB's initiated actions in relation to disclosure of foreign officials' bribery offences, KNAB shall put additional efforts to increase its ability to detect and investigate foreign bribery cases. Additionally, to current priorities KNAB shall pay increased attention to prevention, detection and compliance with the law of such offences as corruption related money laundering, false accounting, as well as bribery of foreign officials in accordance to OECD 2009 Recommendation III.”

On 2 August 2016, Regulations of the Cabinet of Ministers No 516 On application provisions and recruitment of the Corruption Prevention and Combating Bureau's (KNAB) Director position as well as selection and evaluation of applicants entered into force.

On 4 July 2017, Regulations of the Cabinet of Ministers No 386 setting Procedure on how committee evaluating reasons for the Corruption Prevention and Combating Bureau's (KNAB) Director's dismissal shall be composed entered into force.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

1. With respect to prevention and awareness-raising, the Working Group recommends that Latvia: (b) continue to significantly raise awareness of foreign bribery in the private sector, including among business associations and in important sectors such as SMEs and SOEs (2009 Recommendation III).

Action taken as of the date of the follow-up report to implement this recommendation:

In 2016 and 2017, the Corruption Prevention and Combating Bureau (KNAB) has enhanced its activities to continue raising awareness of foreign bribery along with encouraging companies to develop, adopt and effectively implement adequate internal control, compliance and ethical measures for the purpose of preventing corruption, including foreign bribery.

Awareness-raising activities by KNAB:

1. On 30 March 2017, a seminar for SOE *Augstsprieguma tīkli*, topics: conflict of interest, corruption risks, including foreign bribery, ethics – 76 participants;
2. On 16 May 2017 and 23 February 2016, seminars for SOE *Elektroniskie sakari*, topics: conflict of interest and internal control with special attention to gifts, corruption prevention – 146 participants.
3. On 27 March 2017, a seminar for SOE *Latvijas Jūras administrācija*, topics: mechanisms of internal control, corruption prevention, including foreign bribery) – 25 participants;
4. On 16 February a seminar for board and council members of SOEs supervised by the Ministry of Transport (*Air Baltic Corporation, Ceļu satiksmes drošības direkcija, Latvijas autoceļu uzturētājs, Pasažieru vilciens, Autotransporta direkcija, Latvijas Jūras administrācija, International Airport Riga, Latvijas Pasts, Latvijas Valsts radio un televīzijas centrs, Latvijas dzelzceļš, Latvijas gaisa satiksme, Latvijas Valsts ceļi* and Ltd. *Eiropas Dzelzceļa līnijas*), topics: conflict of interest, the role of internal control, corruption prevention, including foreign bribery) – 45 participants;
5. On 12 January 2017, a seminar for SOE *Latvenergo*, topics: the role of internal control; ethics; corruption prevention, including foreign bribery – 114 participants;
6. On 12 May 2016, a seminar for ABLV Bank, topics: international corruption, its signs, detection and methods, the role of credit institution – 38 participants;
7. On 5 April 2016, a seminar for Scientific institute BIOR, topics: corruption risks, including corruption prevention and foreign bribery – 26 participants;
8. In 2016, three seminars (in April, September and November) were conducted in Riga Central Prison as a part of KNAB's social awareness-raising activities. Such venue has been chosen with purpose to demonstrate negative consequences of corruption. Participants in these seminars were representatives of public sector and SOEs. In total 57 representatives of SOEs took part in these seminars. Topics covered, inter alia, psychological aspects of illegal actions and the value of freedom, criminal liability, prevention of bribery, including foreign bribery.
9. To mark the International Anti-Corruption Day on 9 December 2015 KNAB arranged a discussion on the future standards and regulation set by the government regarding the internal control, anti-corruption measures and prevention of conflict of interest in SOEs. The aim of the discussion was to promote the role of the business integrity in anti-corruption activities. 42 participants of public sector, SOEs, SMEs and NGOs took part in the event.

Publications:

10. In December 2016, the business magazine *Kapitāls* published an article *Fair Business – Foundation of Success*, prepared by KNAB, concerning the role of internal control mechanisms in private companies and corruption prevention with special attention to foreign bribery. Similar

article, prepared by KNAB, was published in the largest business newspaper in Latvia *Dienas Bizness* in December 2015.

11. In December 2016, KNAB made infographics about cornerstones of internal control and a reminder that corruption and conflict of interest issues are of the equal importance in both public and private sector. More on: https://www.knab.gov.lv/upload/free/izglitosanas_materiali_un_rekomendacijas/iekseja_kontrol_e.jpg
12. In December 2015, KNAB made leaflets on *Business Integrity* and infographics about identification of corruption risks, bribery of foreign officials, and legal liability for corruption offences. Since December 2016, leaflets are available in Latvian, English and Russian. https://www.knab.gov.lv/upload/free/uznemeju_izglitosana/knab_buklets_en.pdf

Cooperation with business associations:

1. On 4 April 2017, a working level meeting of KNAB official and start-up Export Cluster for SMEs took place. During the meeting, a conceptual agreement was made concerning the inclusion of foreign bribery topic in the agenda of future events.
2. On 10 May 2017, Deputy Director on Prevention participated at the annual conference *Informal Economy in Latvia* organized by the Latvian Chamber of Commerce and Industry, and in her statement referred to corruption problems in Latvia, including foreign bribery, and highlighted the role of internal control.
3. On 1 February 2017, KNAB Deputy Director on Prevention invited to a joint meeting with the Deputy State Secretary of the Ministry of Justice. Meeting was attended by the Chairman of the Board of Latvian Chamber of Commerce and Industry, a representative of Employees' Confederation of Latvia and the Director of the Entrepreneurship Competitiveness Department of Ministry of Economics. The aim of the meeting was discussion on the implementation of WGB recommendations by creating common comprehension of the implementation activities.
4. From 15 November until 17 November 2016, KNAB organized an annual European Partners against Corruption (EPAC) and European contact-point network against corruption (EACN) conference in Riga. Participants from 33 countries took part in this international event. On 15 November 2016, the Board Member of Latvian Chamber of Commerce and Industry made a presentation devoted to the role of private sector in the fight against corruption. More on: https://www.knab.gov.lv/upload/epac/epac_eacn_2016_programme.pdf
5. On 30 September and on 14 October 2015, KNAB officials attended meetings with the Latvian Association of SMEs. During discussion, KNAB officials highlighted the role of code of ethics as well as internal control measures, corruption risks in preventing foreign bribery.

Cooperation with other institutions:

1. On 10 February 2017, KNAB's Acting Director and the Director of Investment and Development Agency of Latvia (LIAA) agreed to enhance cooperation between the two institutions. Based on the enhanced cooperation agreement following activities have been carried out yet and scheduled for the remainder of 2017:

- 1.1. During LIAA training *Support to export, Promotion of International Competitiveness* arranged for SMEs searching for export markets KNAB's presentation is included on such topics as the role of internal control mechanisms, corruption prevention with special focus on foreign bribery. The first training was conducted in Valmiera on 18 May 2017 (30 participants), the next will be held in Riga on 28 September 2017, and one more is scheduled in November 2017. More on: <http://eksports.liaa.gov.lv/seminars-sagatavojies-eksportam-riga>
- 1.2. On 6 June 2017, KNAB officials made a presentation and encouraged a discussion on issues related to foreign bribery with LIAA officials abroad. Following topics were covered: challenge of implementation of the OECD Convention on Foreign Bribery, risk prone sectors, domestic

regulation of criminal liability and sanctions, channels and contacts of reporting foreign bribery. The role of LIAA`s representatives abroad in awareness raising of Latvian companies on bribe solicitation was highlighted.

1.3. On 8 June 2017, KNAB officials participated in LIAA`s export forum Magnetic Latvia. More than 50 participants were approached to disseminate information on business integrity.

1.4. KNAB is invited to participate in annual Business Forum arranged by the LIAA on 7 December 2017.

2. On 21 April 2017, conceptual agreement was made between KNAB and Foreign Trade and Foreign Economic Relations Promotion Department of the Ministry of Foreign Affairs on inclusion of KNAB`s presentation about internal control measures and prevention of corruption, including foreign bribery, on schedule of events to be held for private sector.

3. KNAB in cooperation with the Competition Council and the Public Procurement Bureau launched a joint initiative for officials of municipalities and local SMEs. Seminars *In Favour of Fair Business* are organized in largest cities of Latvia. Namely, on 5 April 2017, in Bauska, on 23 May 2017, in Liepāja, on 19 September 2017, in Daugavpils, on 12 October 2017, in Jelgava, on 24 October, in Jēkabpils. Presentations are provided by experts of all three institutions. KNAB`s presentation cover such topics as prevention of corruption, corruption risks in public procurement procedures, and the role of internal control mechanisms in relation to bribery prevention. More on: <http://www.kp.gov.lv/lv/seminars-par-godigu-uznemejdarbibu>

4. On 27 October 2016, KNAB Deputy Director on Prevention took part in the seminar *Anti-corruption Control System in Public Institutions*. The event was arranged by NGO Institute for Corporate Sustainability and Responsibility. KNAB presentation covered such topics as the OECD Convention on Foreign Bribery, internal control measures and corruption prevention.

5. On 19 February 2016, KNAB Deputy Director on Prevention provided the presentation *The role of Anti-corruption Measures in Effective Management of SOEs* at the national conference on promoting good governance organized by the Cross-Sectoral Coordination Centre. Following topics were covered in the presentation: tasks included in the Corruption Prevention and Combating Guidelines 2015-2020, cornerstones of internal control and corruption risks. More than 100 participants took part in this event.

6. In January 2016, KNAB handed over 450 information leaflets on *Business Integrity* to the State Revenue Service for distribution in its client service centers. The State Revenue Service contact list was used to send electronic version (infographics also made by KNAB) to all largest tax payers in Latvia.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

2. With respect to reporting of foreign bribery, the Working Group recommends that:

(a) the Ministry of Foreign Affairs (MOFA) continue to provide written guidance and training to MOFA staff on their obligation to detect and report foreign bribery (including through media monitoring), and on the assistance that foreign missions should give to Latvian companies about bribe solicitation (2009 Recommendation III, IX(ii) and Annex I.A);

Action taken as of the date of the follow-up report to implement this recommendation:

1. In 2014 and 2015, the Ministry of Foreign Affairs (MOFA) instructed all Latvian embassies and Latvian Investment and Development Agency's missions abroad to raise awareness and consult with Latvian companies operating abroad.

In 2016 and 2017 tasks regarding the obligation to detect and report foreign bribery, as well as to raise awareness of foreign bribery were incorporated into the Latvian embassies' Annual Action Plans. The Annual Action Plan includes the priorities, tasks and obligations of diplomats; it is developed by the MOFA in cooperation with the respective embassy and approved by the State Secretary of the MOFA. Embassies have the obligation to report annually to the State Secretary on the implementation of this plan.

The abovementioned Instructions and Annual Plans include information on Latvia's obligations under the OECD Anti-Bribery Convention, providing guidance to staff posted abroad as to how: monitor, including through media, and notify cases of foreign bribery as well as inform KNAB; raise awareness of foreign bribery and the OECD Anti-Bribery Convention among Latvian companies operating (exporting and investing) abroad.

2. The MOFA and KNAB regularly inform Latvian diplomats about the OECD Anti-Bribery Convention. All study materials and presentations are available on the staff webpage of the MOFA. In 2017, the KNAB has elaborated a test, which includes several questions on foreign bribery to have feedback on effectiveness of the studies.

Young diplomats and new employees of the MOFA (including staff not in diplomatic service), all diplomats before departure to missions in Embassies and after returning from missions abroad are obliged to participate in the study courses, which include issues about the role and potential involvement of the embassies in foreign bribery countering. The study courses about the OECD Anti-Bribery Convention took place on 3 November 2015, 20 April 2016, 15 March 2017. The presentation included overview on OECD Convention on Foreign Bribery and highlighted channels of reporting and media monitoring abroad. The courses were conducted by KNAB. In addition to the abovementioned study course, from December 2016 all diplomats before departure to the Embassies with residence in states which are not the EU and NATO members are obliged to participate in the 8 hours training on corruption prevention measures, including foreign bribery issues, organized by the Latvian School of Public Administration in cooperation with the KNAB. 28 diplomats have received certificates of participation in this course from December 2016 till September 2017, and 6 diplomats are planning to participate from October till December 2017.

Hence, Latvian diplomats and Latvian Investment and Development Agency's staff posted abroad are well informed on their role in the implementation of the Anti-Bribery Convention. The MOFA is committed to further engage embassies in raising awareness of the foreign bribery offence. In terms of future planned initiatives, the MOFA will organize the annual meeting of Latvian diplomats responsible for economic affairs on 23 - 24 November 2017. The programme will include issues on the foreign bribery and the OECD Anti-Bribery Convention, as well as on the assistance that diplomats should give to Latvian companies about bribe solicitation.

3. KNAB additionally has sent to MOFA for publishing on Latvian embassies' web-pages the updated information regarding business integrity such as infographics and leaflets. Therefore, the Section on the

Anti-Bribery Convention and countering foreign bribery, including electronic version of the KNAB brochure for entrepreneurs is available at the website of the MOFA and all Embassies of Latvia.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

2. With respect to reporting of foreign bribery, the Working Group recommends that:
 (b) Latvia pursue its intention to put in place measures to require reporting by public officials, directly or indirectly through an internal mechanism, to law enforcement authorities of suspected acts of bribery of foreign public officials in international business transactions detected in the course of their work (2009 Recommendation III and IX(i)).

Action taken as of the date of the follow-up report to implement this recommendation:

KNAB has finalised the necessary draft amendments of the *Law On Prevention of Conflict of Interest in Activities of Public Officials* which aims at requiring public officials to report to KNAB of suspected acts of bribery. The draft amendments foresee that measures shall be in place to require public officials report directly or indirectly through an internal mechanism, to KNAB of suspected acts of bribery, including bribery of foreign public officials. The draft amendments stipulate to supplement Article 21 of the Law with following: “*if the public official, in the course of his/her work, obtain information concerning conflict of interest or alleged corruption cases, including bribery of foreign official s/he informs the head of institution or KNAB.*”

It is scheduled to submit the draft amendments to the Committee of Cabinet of Ministers in October 2017.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

3. Regarding whistleblowing, the Working Group recommends that Latvia:

(a) ensure that appropriate measures are in place to protect from discriminatory or disciplinary action public and private sector employees who report in good faith and on reasonable grounds to the competent authorities suspected acts of foreign bribery (2009 Recommendation III and IX(iii));

Action taken as of the date of the follow-up report to implement this recommendation:

The draft of Whistleblower protection Law was approved by the Cabinet of Ministers of Latvia on 7 March 2017, and was submitted to the Saeima (the Parliament). Currently, the draft law is with the Saeima's Public Administration and Local Government Committee. The draft law is a framework for whistleblowing and whistleblower protection measures covering public and private sector employees. It includes several whistleblowing channels, including to competent authorities. A procedure for consideration by the competent authorities of the whistleblower reports is set out.

Stating what is in the public interest to be reported, an explicit reference is made to corruption, including bribery of foreign public officials. The draft law provides for definition of the whistleblower as "a person who in good faith reports a possible violation, which may harm interests of the public or part of it, if the information is obtained in connection to performing the work duties and the person considers it is grounded".

The draft law provides for a prohibition to create adverse consequences to the whistleblower (protection against retaliation) and it relates to both public and private sector employees. In relation to the public service, the draft law provides that persons can be subject to disciplinary liability for the creation of adverse consequences to the whistleblower.

In developing the draft law, this OECD WGB recommendation was taken into account and reflected in the regulatory impact assessment accompanying the draft law. Moreover, the OECD Secretariat provided useful comments on the draft law. According to the protocol of the Cabinet of Ministers Committee meeting, which took place on 6 February 2017, the State Chancellery together with the Ministry of Justice revised the draft law, in line with OECD Secretariat comments.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

3. Regarding whistleblowing, the Working Group recommends that Latvia:

(b) take steps to encourage whistleblowing, including by conveying the importance of bona fide whistleblowing as a component of public and private integrity systems, raising awareness of the protections available to private sector whistleblowers, and ensuring that easily accessible channels are available for whistleblowers (2009 Recommendation III, IX(i) and (iii)).

Action taken as of the date of the follow-up report to implement this recommendation:

In 2016, the State Chancellery took steps to inform the public about whistleblowing, including through specially created part of the website of the Cabinet of Ministers <http://www.mk.gov.lv/lv/content/trauksmes-celeji> in Latvian; <http://www.mk.gov.lv/en/content/whistleblowers> in English), social media, articles (for example, <http://www.lvportals.lv/visi/viedokli/285003-trauksmes-celeju-aizsardzibas-mehanism-izveide-latvija/>).

An international conference On whistleblowing and whistleblower protection is organised by the Saeima (the Parliament), the State Chancellery and the Latvian School of Public Administration on 9 October 2017 at the Saeima. The conference will help raising awareness, discussing the importance of whistleblowing and creation of easily accessible reporting channels, as well as the role of whistleblowing as a component of integrity and governance systems in both public and private sector. Speakers from other OECD WGB countries will participate and share their experiences.

Enhancing the creation of an efficient whistleblowing mechanism is one out of twelve Latvia's commitments in the draft Latvia's Open Government Partnership 3rd National Action Plan, which is submitted to the Cabinet of Ministers for approval.

It should be noted that currently KNAB finalises the draft Regulations of Cabinet of Ministers defining basic requirements for internal control measures concerning prevention of conflict of interest and corruption. These regulations shall be observed by all public institutions including SOEs. Regulations stipulate to perform risk detection, analysis and prevention of corruption, stressing particular importance of awareness-raising in this area, and most important, in stipulating an obligation to ensure safe channels to report corruption cases, including bribery. It is planned to submit the draft of Regulations to the Committee of Cabinet of Ministers in October 2017.

In its social activities, as well as seminars and trainings KNAB constantly encourages whistleblowing in good faith and informing on available reporting channels. For example, KNAB maintains hot-line for reporting suspicions of corruption. With a view to take a joint action in 2016 KNAB sent electronic invitation to all state institutions and municipalities to publish on their web-page a banner with KNAB hot-line number. More than 100 institutions responded and published permanent banner on their web-pages. More on: <https://www.knab.gov.lv/lv/education/campaign/2016/>

Annual social survey "Attitude towards corruption in Latvia" was outsourced by KNAB in October 2016. Results reveal that the number of respondents who are ready to report on corruption has increased from 10% in 2014 to 14% in 2016. Slightly (2%) has increased the number of persons who would report corruption to KNAB. More on survey results: https://www.knab.gov.lv/upload/darbibas_rezultati/knab_strelcenoks_2011-2016.pdf

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

4. With respect to officially supported export credits, the Working Group recommends that Latvia (a) ensure that Altum has sufficient human and financial resources to systematically conduct adequate due diligence on all applicants for support, (b) ensure that Altum's anti-bribery policy and practice meet the 2006 Recommendation, and (c) train Altum's staff on preventing, detecting and reporting foreign bribery (2009 Recommendation IX(i), X.C, and XII).

Action taken as of the date of the follow-up report to implement this recommendation:

Altum has implemented the recommendations:

(a) As of 15 April 2015, when the Latvian Guarantee Agency Ltd (LGA) was merged with single development finance institution Altum, the risk management of the export credit guarantee projects has been improved gradually, including with respect to prevention of bribery. The previous procedure was drafted and applied taking into account LGA capacity and human resources. In the single development finance institution Altum there is a respective organisational framework established that provides adequate human and financial resources to carry out systemic due diligence on the aid beneficiaries/applicants and parties to the transaction. Altum has established Export Guarantee Division with 3 employees. In addition to that Altum has established Risk Management Department where 2 employees are tasked with conducting risk management and risk control functions in the process of granting export credit guarantees. There are 2 employees from other structural units involved in the aforementioned process. Altum has reviewed the previous procedure and drafted a new procedure on export credit guarantees that was adopted on 04.07.2016.

(b) Altum has established an internal control system that complies with the best practice for financial institutions. The internal control system is being improved on a regular basis. The internal control system manages all the material risks inherent in Altum's operations, including the risk of corruption (within the framework of operational risk management). As part of risk management, the risks are identified and detected occurrences – reported; the risks are assessed, and, if needed, preventive and/or corrective measures are implemented to avert the risk.

In Altum all the operational processes, *inter alia* servicing of export guarantees, have been developed in line with external regulatory enactments binding to Altum as well as best practice for financial institutions. All the recommendations ensuing from OECD Council's Recommendation on Bribery and Officially Supported Export Credits (C(2006)163 have been implemented. The operational processes are being developed so that to prevent, as much as possible, potential susceptibility of the employees to the corruption risk. Independent internal audits are performed to assess day to day application of the established requirements. In 2015, as part of improving the servicing of the export guarantees, all the thresholds imposed earlier have been lifted in line with OECD Council's C(2006)163 Recommendation of the Council on Bribery and Officially Supported Export Credits. All the recommendations ensuing from this document have been implemented:

Recommendation 1(a) - Altum informs the exporters and applicants about bribery risk through various measures, including by posting information on its home page. On Altum's webpage there is a special leaflet published informing the exporters and applicants that bribery of foreign public officials in international business transactions is prohibited and about the legal consequences of such bribery (https://www.altum.lv/files/godpratigas_uznemejdarbibas_principi_starptautiskos_biznesa_darijumos.pdf). Additionally it informs about the requirements of the Convention, as well as provides KNAB's recommendations encouraging them to develop, apply and ensure appropriate internal control system to prevent and combat bribery.

Recommendation 1(b) - When submitting an application for export credit guarantee, an applicant testifies in writing that:

- the representatives of the exporter/applicant named in the application and/or other legal or

natural persons acting on behalf or representing the interests of the exporter have not been engaged and will not engage in bribery in the transaction/s with buyers specified in the application;

- the representatives of the exporter/applicant named in the application and/or other legal or natural persons acting on behalf or representing the interests of the exporter have not been charged with criminal offence within a five-year-period preceding the application in a national court or court abroad with regard to bribing public officials.

Recommendation 1(c) - All the exporters, applicants and buyers specified in the applications are verified against the data bases of the said financial institutions.

Recommendation 1(d) - The applicant has to disclose whether, within a five-year-period preceding the application, the representatives of the exporter/applicant and/or other legal or natural persons acting on behalf or representing the interests of the exporter have been charged with criminal offence in a national court or court abroad with regard to bribing public officials.

Recommendation 1(e) - As part of assessment the risk underwriter summarises information about transaction's structure and parties involved. In the event there are intermediaries involved in the transaction, an appropriate check will be made on them as well.

Recommendation 1(f) - The enhanced due diligence is undertaken on the following occasions: 1) Altum has come into possession of negative information about any of the parties involved in the transaction, including information about being currently charged with criminal offence or being convicted within a five-year-period preceding the application of bribing foreign public officials; 2) any of the parties to the transaction has been included in the publicly available debarment lists; 3) suspected bribery.

As part of enhanced due diligence, the exporter and/or applicant may be requested to supply additional data in order to evaluate the acquired unfavourable information about any of the parties involved and decide on acceptance and/or rejection of the transaction.

Recommendation 1(g) - Should it be the case, Altum would request information on/proof of implementation of the corrective and preventive measures to prevent such situations from occurring.

Recommendations 1(h) - Altum has established a comprehensive risk management system that manages all the risks and ensures that identified occurrences are reported, including the cases that must be reported to the law enforcement institutions.

Recommendations 1(i) - See above.

Recommendations 1(j) - If bribery has been identified during the transaction or before conclusion of the transaction, the transaction is not approved or if the transaction has already been concluded, it is stopped.

Recommendation 1(k) - If bribery is identified after conclusion of the transaction, the transaction is terminated and/or indemnification is denied.

Altum has a number of regulatory documents governing the management of risks, including the bribery risk. These documents are: Risk Management Policy (approved on 31.05.2016.), List of Altum's Exposures (approved on 20.04.2016.), Operational, Compliance and Reputation Risk Occurrences Reporting Procedures (approved on 20.10.2016.), Disciplinary Regulations (approved on 13.05.2015), Altum's Rules of Order (approved on 15.04.2015.), Regulations for Preventing Conflict of Interest (approved on 09.11.2016.) and various other regulatory enactments governing the processes subject to bribery risk.

(c) Altum provides regular training for its employees. Altum and KNAB has made an agreement that KNAB would include in its annual training schedule at least one training of Altum's employees on bribery risks and their identification, as well as on the OECD Anti-Bribery Convention.

KNAB has provided two trainings to Altum's staff on preventing, detecting and reporting bribery, including foreign bribery – on 11 November 2015 and on 13 December 2016. The next training is scheduled for December 2017.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

5. With respect to official development assistance (ODA), the Working Group recommends that Latvia adopt adequate measures to prevent, detect and report foreign bribery, and consider excluding companies convicted of this crime from ODA projects, if Latvia engages the private sector in future ODA-funded projects (2009 Recommendation XI).

Action taken as of the date of the follow-up report to implement this recommendation:

The MOFA has adopted measures to prevent, detect and report foreign bribery in bilateral ODA-funded projects. Moreover, transparency is one of the guiding principles of the Latvian ODA. Latvia abides to the relevant OECD and EU commitments on transparency and accountability in providing development assistance.

Foreign bribery is addressed in the Development Cooperation Policy Guidelines 2016-2020 (Guidelines). The Guidelines include relevant measures to prevent, disclose and report foreign bribery. The Guidelines include specific lines of action:

to strengthen the transparency and coherence of the development cooperation of Latvia with the international reporting standards, which also includes such tasks as:

“To improve the assessment of the needs of partner countries by determining the priorities and aid instruments of Latvia in a transparent results-based manner”;

“When providing aid of Latvia, to systematically evaluate, prevent, and manage risks in all stages of assistance provision, particularly regarding corruption”;

“To ensure permanent and transparent monitoring of development cooperation policy projects and evaluation of the impact of results”

another line of action includes a task “to ensure the capacity and competence of the MOFA, including diplomatic representations of Latvia, to ensure the planning, implementation, coordination, monitoring, and evaluation of development cooperation policy of Latvia in a transparent, qualitative and responsible manner, by providing the necessary informative and political support to the implementers of development cooperation activities of Latvia”.

The Guidelines also give direct reference to the OECD DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement under the following policy targets “Latvia fulfils international commitments on development finance and its quality” and “Latvian development cooperation is transparent, coordinated and managed through good governance principles”.

Since 2016, the Grant Project Tender Regulation stipulates that private entities that have been sentenced for bribery, as well as officials, to whom coercive measures have been applied, are excluded from the implementation of the development cooperation projects. Project agreements on bilateral ODA-funded projects also comprise anti-corruption clauses.

The MOFA provides regular training to raise awareness of foreign bribery among its staff and project implementers before the implementation of projects. In 2016 and 2017, the MOFA and KNAB provided training on the recognition and avoidance of foreign bribery to ODA-funded project implementers. On 19 July 2017 and 26 September 2016, KNAB officials provided training to representatives of ODA funding beneficiaries. The training focused on prevention and detection of bribery, including foreign bribery as well as available reporting channels. Special attention was paid to the implementation of the OECD Convention. KNAB informed Latvian diplomats on the role and potential involvement of the

embassies in countering foreign bribery.

Additionally information on business integrity such as leaflets (in English and Russian language) has been sent to disseminate to those countries where ODA projects are implemented.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:

(a) enhance the detection of bribes by (i) amending SRS Internal Regulation 38 to ensure that it covers foreign bribery as defined in CL Section 323

Action taken as of the date of the follow-up report to implement this recommendation:

On 11 February 2016, the SRS approved the new version of Internal Regulations No. 7 “Procedures for Actions to be Taken by Officials of the State Revenue Service When Identifying Risks of Bribery Cases” and the annex “Report on Identified Risks Which Suggest Bribery Cases”, which substituted the SRS Internal Regulations No. 38 adopted on 27 May 2014 “Procedures for Actions to be Taken by Officials of the State Revenue Service When Identifying Risks of Bribery Cases”. The new version includes all offences of bribery listed in Article 323 of the Criminal Law.

The Internal Regulations have been supplemented in accordance with OECD recommendations based on facts established during the visit in May 2015 regarding the way Latvia implements the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

In accordance with the recommendations, the Internal Regulations have been supplemented, incorporating the following:

- the concept of foreign public officials determined in Article 316 of CL;
- criminal liability determined in Chapter XXIV of CL for misappropriation of bribes, intermediation in bribery and bribery of foreign public officials;

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:
 (a) enhance the detection of bribes by (ii) considering incorporating additional material from the OECD Bribery Awareness Handbook for Tax Examiners into the Regulation

Action taken as of the date of the follow-up report to implement this recommendation:

The SRS Internal Regulations No. 7 adopted on 11 February 2016 “Procedures for Actions to be Taken by Officials of the State Revenue Service When Identifying Risks of Bribery Cases” were supplemented with materials from the OECD Bribery and Corruption Awareness Handbook for Tax Examiners and Tax Auditors, providing extensive explanation on indicators of possible active bribery by taxpayers and on methods used by the taxpayer for obtaining and directing funds to public officials. The Internal Regulations and the OECD documents referred to therein are available in Latvian to the persons carrying out control in the SRS internal web (Intranet).

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:

(a) enhance the detection of bribes by (iii) taking steps to ensure that taxpayers who are at risk of committing foreign bribery are identified for tax audits

Action taken as of the date of the follow-up report to implement this recommendation:

TED database of the website of the annex to the “Official Journal of the European Union” is used for planning tax control measures taken by the SRS. If the database contains information on the participation of a taxpayer in public procurement competitions organised by the EU and foreign institutions, it is reported to tax auditors, indicating identified risks related to funds which can be used for bribing domestic or foreign public officials when companies provide services or supply goods in accordance with signed public procurement contracts.

From 2016 until now, one taxpayer who participated in public procurement competitions announced by the Republic of Lithuania was included in the work plan of tax audits because of the possible bribery of foreign public officials. Original documents seized within the framework of criminal investigation by KNAB were used in the audit. Close cooperation and information exchange with KNAB took place throughout entire course of the tax audit. Information on funds at the taxpayer’s disposal that could be used for bribing public officials or foreign public officials was verified during the tax audit. Conclusions were drawn that tax laws and regulations were not violated. The initiated criminal investigation is active yet.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:

(a) enhance the detection of bribes by (iv) assessing whether bribes are effectively detected by tax authorities as per the 2009 Tax Recommendation I(ii) (2009 Recommendation VIII and 2009 Tax Recommendation I(ii));

Action taken as of the date of the follow-up report to implement this recommendation:

In 2016, assessment on the fulfilment of the task “To implement recommendations provided to Latvia in the OECD report on the application of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Recommendations 2009” (included in the SRS Action Plan for 2016) was carried out by SRS Internal Audit Division. It was assessed whether the SRS work in revealing the bribery of foreign public officials was effective, and on 28 December 2016, a report was submitted to the SRS Director General with the following recommendations:

- to assess the necessity of revision of operational risks of the SRS Tax Control Department in order to supplement them with risks specifically useful for revealing bribery of foreign public officials in international business transactions;
- to enumerate reports sent in cases determined by the SRS Internal Regulations No. 7 “Procedures for Actions to be Taken by Officials of the State Revenue Service When Identifying Risks of Bribery Cases” to KNAB, separately indicating the number of reports on the alleged foreign bribery as well as on taxpayers subjected to tax audit, for whom a possible risk of bribery of public officials has been established, separately specifying foreign public officials, and received feedback, whether the established risk has proved itself, i.e. whether information has been obtained during the tax audit, which has been reported to KNAB. To include this information in the report of control work results for the relevant period.

By introducing these recommendations, the SRS Tax Information System (TIS) has been supplemented with the special features of a tax audit:

- “Report on Bribery of Foreign Public Officials”: specifies whether a report was sent to KNAB during the tax audit regarding the bribery of public officials of another country;
- “Report on Bribery of Public Officials”: specifies whether a report was sent to KNAB during the tax audit regarding the bribing of public officials of the State.

Within the period from 1 September 2014 to 1 September 2017, 3 reports were sent to KNAB regarding domestic bribery and no reports regarding foreign bribery.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:
(b) take steps to require that prosecutors request SRS to conduct an assessment of an alleged offender's tax return under Section 23(4¹) of the Law on Taxes and Fees in all foreign bribery cases (2009 Recommendation VIII);

Action taken as of the date of the follow-up report to implement this recommendation:

On 1 June 2016, The Head Prosecutor of Activity Analysis and Management Department of the Prosecutor General's Office issued an informative letter that public prosecutors must require the SRS to conduct an assessment of an alleged offender's tax return (tax calculation) under Section 23(4¹) of the Law on Taxes and Fees in all foreign bribery cases. The letter was communicated to all public prosecutors.

The tax calculations are carried out and opinions on losses caused to the budget by offenders in the foreign bribery cases are provided to the person directing the criminal proceedings upon request. The SRS has legal basis to carry out tax calculations and to provide opinions on losses caused to the budget due to the initiated criminal cases regarding the bribery of foreign public officials upon request of the person directing the criminal proceedings in accordance with Section 23(4¹) of the Law On Taxes and Fees.

In 2016 and by 1 September 2017, no such requests were received from the persons directing the criminal proceedings.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

6. Regarding taxation, the Working Group recommends that Latvia:
(c) continue to raise awareness of foreign bribery among tax officials and taxpayers, and provide additional training to tax examiners on bribe detection (2009 Recommendation III, VIII and 2009 Tax Recommendation II).

Action taken as of the date of the follow-up report to implement this recommendation:

1. Training activity for 140 SRS employees on the identification of bribery risks with participation of OECD experts was included in the SRS Training Plan for 2016. Due to the engagement of OECD experts the scheduled training was postponed.

2. Within the framework of European Social Fund project No. 3.4.2.0/15/I/002 “Professional Improvement of Human Resources of Public Administration in the Field of Corruption Prevention and Elimination of Informal Economy” implemented by the Latvian School of Public Administration, the SRS employees participated in the following training courses:

2.1. “Identification of Corruptive Activities in Inspections Performed by SRS as a Tool for Eliminating Informal Economy”:

– in 2016, in 5 groups: 112 participants;

– in 2017, in 21 group: 439 participants.

2.2. “Awareness of Money Laundering. Level 1” in 2017: 20 participants;

2.3. “Awareness of Money Laundering. Level 2” in 2017: 6 participants.

Training was conducted by the representatives of the Fiscal Information and Investigation Service (FIOD) of the Netherlands.

2.4. “Recovery of Funds”: 1 participant;

2.5. “Approach to Investigation of ML Cases”: 6 participants.

By the end of 2017, the following courses are scheduled within the framework of the said project:

- “FINTECH. Training on Investigation and Identification of Cyber Crimes, Bit Coins, Block Chain and Dark Web”: 2 participants;

- “Interviewing Technique in Investigating Money Laundering”: 1 participant;

- “Cross-border Cooperation in the Field of Corruption Prevention and Elimination of Informal Economy”: 45 participants.

Training will be conducted by teachers and experts from auditing company Pricewaterhouse Cooper;

3. In 2016, 14 participants studied within the framework of the course “Anti-Money Laundering” organised by PAC Agenda Ltd.

4. In 2016, 230 participants studied within the SRS internal course “Identification of Signs of Criminal Offences and Actions in These Cases”.

5. In 2016, 14 participants, and until 31.08.2017, another 14 participants studied within the framework of courses “Qualification and Identification of Fraud, Money Laundering and Evasion of Tax Payments and Payments Equivalent Thereto”. By the end of 2017, it is planned that this course will be mastered by another 20 participants.

6. On 13–18 March 2016, the SRS employees participated in OECD seminar “Taxes and Crimes”, wherein issues of fraud and bribery offences were examined.

Taxpayers` awareness raising:

1. Informative material “What Payers of Corporate Income Tax Have to Take Into Account With Regard to Giving Bribes” was placed on the SRS website;

2. KNAB informative booklets for taxpayers “Honest Business” and “Honest and Corruption-Free International Business” have been placed in the SRS Customer Service Centres;

3. The said informative materials were electronically sent to 1,265 largest taxpayers.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

7. With respect to accounting requirements, external audit and internal company controls, the Working Group recommends that Latvia:

(a) take steps to encourage companies to develop, adopt and effectively implement adequate internal controls, ethics and compliance programmes or measures for the purpose of preventing and detecting foreign bribery; and encourage business and professional associations to develop similar programmes or measures in their efforts to assist companies, particularly SMEs (2009 Recommendation III and X.C(i));

Action taken as of the date of the follow-up report to implement this recommendation:

KNAB has developed permanent cooperation with the Small and Medium Enterprises Support Division of Ministry of Economics and, since December 2016, leaflets on business integrity including information on prevention of foreign bribery has been disseminated during forums Support for Entrepreneurs organized by the Ministry. Additionally, KNAB has provided information regarding business integrity for publishing on the Ministry's website under section *Business Environment*. More on:

https://em.gov.lv/lv/nozares_politika/nacionala_industriala_politika/uznemejdarbibas_vidē_godpratiga_uznemejdarbiba/

Please, see also actions taken to implement the Recommendation 1 (b).

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

7. With respect to accounting requirements, external audit and internal company controls, the Working Group recommends that Latvia:

(b) ensure that guidance on internal controls for SOEs in the anti-corruption area explicitly deals with foreign bribery (2009 Recommendation III and X.C(i));

Action taken as of the date of the follow-up report to implement this recommendation:

With a view to take a joint initiative in March 2017 KNAB established inter-institutional working group for drafting specific guidelines on internal control's anti-corruption measures. It is planned to elaborate guidelines suitable for both public, including SOEs, and private institutions. Inter alia these guidelines shall provide guidance on requirements for SOEs regarding internal control's anti-corruption measures, setting clear measures against bribery of foreign public officials and requirements for municipalities regarding internal control system preventing corruption, fraud and conflict of interest suitable to their functions.

It is scheduled to present above-mentioned guidelines in the beginning of 2018.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

7. With respect to accounting requirements, external audit and internal company controls, the Working Group recommends that Latvia:

(c) take further steps to raise awareness of foreign bribery among external auditors, including by providing training on detecting foreign bribery (2009 Recommendation III(i));

Action taken as of the date of the follow-up report to implement this recommendation:

On 22 March 2016, to raise awareness among external auditors KNAB official conducted training on detecting foreign bribery. On 10 May 2016 and on 15 July 2016, Education Centre of Latvian Association of Sworn Auditors (thereafter – LASA) organized two seminars on "Identification of bribery during the provision of audit services and during carrying out specialist's tasks or entrusted tasks". During the seminars, sworn auditors have been introduced with the document prepared and approved by the LASA "The procedures by which sworn auditor and commercial company of sworn auditors carry out the detection of bribery during the provision of audit services and during carrying out specialist's tasks or entrusted tasks and report the suspected bribery to KNAB". The Procedures are applicable to statutory audits of financial year starting on or after 2016. KNAB official took part in the drafting of detailed guidelines on detecting bribery, including foreign bribery. These guidelines were approved in December 2015 and highlight the role of external auditors in detecting bribery, as well as provide practical information on risk assessment, inspection of business activities and explanation of reporting channels.

More on: <http://www.lzra.lv/zi%C5%86as-k2/item/12-lzra-izstr%C4%81d%C4%81t%C4%81s-metodikas.html>. The application of the Training on procedures and its explanation with the practical examples took place during the seminars. The seminars covered issues such as the definition of bribery and its forms, audit procedures to detect bribery, indicators of internal and external risk factors, examples of operation with high risk industries and in high risk states, risk analyses, bribery case-study, form and content of the auditor's written report to KNAB. These seminars were attended by 67 sworn auditors. On 13 January, 2017 LASA organized the seminar on legalization of proceeds of money laundering, corruption, the suspicious transactions and fraud in the context of the audit process, which were attended by 86 sworn auditors.

In June 2017, the LASA established an internal Expert group to review its Regulation of Auditing Services Quality Control and the Quality assurance checklist in order to ensure consistency of the Regulation and checklist with the new requirements of the Law on Audit Services. It is planned that the quality assurance checklist will be improved with the new requirement that will oblige the LASA quality reviewers to take necessary steps in order to check whether the reviewed sworn auditor has detected the risk of bribery during the provision of audit service and submitted the written report to KNAB. It is planned that the new form of Quality assurance checklist will be applied for the LASA quality controls the next year.

On 10 August 2017, the newly appointed KNAB Director participated at the Summer Conference of Latvian Association of Certified Auditors. In the speech he highlighted the role of external auditors in the fight against informal economy, fraud and corruption, the duty of external auditors to report bribery, as well as Latvia's obligations to implement the OECD Convention. 100 sworn auditors participated at the Summer conference.

More on: https://www.knab.gov.lv/upload/knab_prieksnieka_uzruna_latvijas_zverinatu_revidentu_asociacijas_vas_aras_konference.pdf.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and

the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

7. With respect to accounting requirements, external audit and internal company controls, the Working Group recommends that Latvia:

(d) take effective steps to encourage companies that receive reports of suspected acts of foreign bribery from an external auditor to actively and effectively respond to such reports (2009 Recommendation III(iv) and X.B(iv));

Action taken as of the date of the follow-up report to implement this recommendation:

The Ministry of Finance has posted on its website information on the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and steps taken to implement the Convention as well as the link to the to the Corruption Prevention and Combating Bureau's homepage where information on the reporting on corruption is placed.

http://www.fm.gov.lv/lv/sadala/gramatvedibas_un_revizijas_politika/gramatvedibas_politika/arvalstu_a_matpersonu_kukulosanas_apkarosana/

On 1 January, 2017 the Law "Amendments to the Financial Instrument Market Law" (thereafter – amendments to the FIML) came into force. The amendments to the FIML strengthen the role, composition, and responsibilities of audit committees of listed companies. The amendments to the FIML also introduced the requirement that the audit committee has to inform the supervisory board (council) (if it is established) of the company or the meeting of shareholders (or members) of the company about the conclusions (audit judgments) made by the sworn auditor or the commercial company of sworn auditors following the audit of the annual or consolidated financial statement and explain how the external audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process. The supervisory board (council) of the listed company (if it is established) and the meeting of shareholders (or members) of the listed company have duty as honest and careful managers to evaluate the report of the audit committee and decide on further actions.

To fulfil these amendments to the FIML the company's audit committee has to discuss with the external auditor the audit findings and conclusions and the letter of the auditor to the company's management before its signing. Within the oversight process of the external audit the audit committee has to: (1) discuss with the external auditor main conclusions which arose during the audit and are possible to resolve already now, and those issues which are not possible to resolve and which will affect the audit report; (2) review key audit judgments; and (3) review the errors identified by the auditor during the audit, obtain explanation from management regarding these errors, and where necessary - the opinion of the external auditor on why certain errors are considered as essential and do not allow to issue positive audit report. In course of doing so, the audit committee has to report to the supervisory board (council) of the listed company and the meeting of shareholders (or members) of the listed company on the conclusions made by the external auditor and on effectiveness of the external audit process. The company's supervisory board and shareholders have duty as honest and careful managers to evaluate received information from the audit committee and decide on further actions.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

7. With respect to accounting requirements, external audit and internal company controls, the Working Group recommends that Latvia:

(e) enact the legislative amendment to require external auditors to report foreign bribery to competent authorities as soon as possible; and further amend its legislation to clarify that courts, prosecutors and investigators may require an auditor to provide information for use in foreign bribery investigations (2009 Recommendation III(iv) and X.B(v)).

Action taken as of the date of the follow-up report to implement this recommendation:

On 1 January 2016, the amendments to the Article 33(3²) of the Law on Audit Services came into force. According to the amendments the sworn auditor has an obligation to submit a written report to KNAB regarding the facts which have been discovered during the provision of audit services and during carrying out specialist's task or entrusted task and might be related to transfer of financial values, property benefits, or benefits of other nature to a public official in the form of a bribe or related to intermediation in transfer of such financial values, property benefits, or benefits of other nature.

Section 33. Provision of Information to the Management of a Client, the Financial and Capital Market Commission, and the Corruption Prevention and Combating Bureau

(1) A sworn auditor or a commercial company of sworn auditors shall notify the management (executive board or its responsible members) of a client or an audit committee (if such committee has been established) of the issues not included in the opinion (for example, shortcomings, errors and violations of the internal control system), which shall not affect the opinion delivered.

(2) A sworn auditor or a commercial company of sworn auditors has a duty to, without delay, submit a report in writing to the Financial and Capital Market Commission on facts, which have been established during the provision of audit services and performance of a specialist's task or an entrusted task in a financial institution, electronic money institution or payment institution and which are violations of the laws and regulations governing the establishment of the financial institution, electronic money institution, as well as payment institution or its operations, or on other facts due to which the fulfilment of the obligations of the financial institution, electronic money institution or payment institution or its further operation is jeopardised, or due to which the sworn auditor refuses to submit an opinion.

(3) A sworn auditor or a commercial company of sworn auditors has a duty to, without delay, submit a report in writing to the Financial and Capital Market Commission on facts referred to in Paragraph two of this Section, which have been established while providing audit services to a client who is in decisive influence relations or in close relations in the form of control with the financial institution, electronic money institution or payment institution, or while performing a specialist's task or an entrusted task assigned by such a client.

(3¹) A sworn auditor or a commercial company of sworn auditors has a duty to submit information and documents to the Financial and Capital Market Commission it has requested in writing, in accordance with the laws and regulations governing the finance and capital market, to ensure the performance of its functions.

(3²) A sworn auditor or a commercial company of sworn auditors has an obligation to submit a written report to the Corruption Prevention and Combating Bureau regarding the facts which have been discovered during the provision of audit services and during carrying out of

specialist's task or entrusted task and might be related to transfer of financial values, property benefits, or benefits of other nature to a public official in the form of a bribe or related to intermediation in transfer of such financial values, property benefits, or benefits of other nature. A sworn auditor or a commercial company of sworn auditors shall submit a report not later than within three working days after the discovery of such facts. The Latvian Association of Certified Auditors shall determine the procedures in which a set of measures is included which have to be performed by sworn auditors and commercial companies of sworn auditors in order to meet with the requirements of this Paragraph. Within the meaning of this Section, the term "a public official" shall have the same meaning as the term "a public official" in the Criminal Law.

(4) The reporting of information specified in this Section and the submittal of documents shall not be regarded as a violation of any contracts, provisions, laws and regulations or laws, and shall not create a civil legal liability for the sworn auditor or the commercial company of sworn auditors.

On 2 December 2015, Latvian Association of Sworn Auditors (LASA) has prepared procedures (regulation), including a set of measures to be performed by sworn auditors and commercial companies of sworn auditors in order to fulfil above-mentioned requirements of Article These procedures are available for public in Latvian on the LASA website: <http://www.lzra.lv/ziņas-k2/item/12-lzra-izstrādātās-metodikas.html> .

On 1 January 2017, the amendment to Article 25 of the Law on Audit Services came into force. The amendment stipulates that illegal activity of the sworn auditor in the client's interests, and his or her activity in promoting illegal commitment of the client shall not be regarded to as a professional activity under concept of an audit service. In addition, Article 38¹(1) of the Law on Audit Services already foresees that the sworn auditor has criminal-law liability for his or her professional activity as prescribed by laws and regulations.

Section 25. Independence and Objectivity of a Sworn Auditor

(1) A sworn auditor (also a responsible sworn auditor appointed by a commercial company of sworn auditors) shall be independent and impartial in his or her professional activity.

(2) State and local government institutions, courts, prosecutors and pre-trial investigation institutions shall guarantee the independence of the professional activity of sworn auditors. In order to guarantee the independence of the professional activity of sworn auditors, it is prohibited:

1) to interfere with the professional activities of sworn auditors, to exert influence or pressure upon them;

2) to require information and explanations from sworn auditors, except in cases referred to in Section 33 of this Law, as well as to question them as witnesses regarding facts that have become known to them while providing professional services;

3) to control the mail, telegraph and other means of correspondence, as well as the documents which sworn auditors have received while providing professional services, to perform inspection and withdrawal of correspondence and documents, or to perform searches in order to find and withdraw correspondence and documents;

4) to control, also by the procedural measures referred to in Clause 3 of this Section, the information systems and means of communication necessary for the provision of professional services of sworn auditors, including electronic means of communication, to obtain information from them and to interfere with their functioning;

5) to require information from clients regarding the content of the professional services provided by sworn auditors;

6) to subject sworn auditors to any sanctions or threats in respect of the professional services they provide, in compliance with law, to clients;

7) to bring sworn auditors to any type of liability for announcements made in writing or orally, which they have made, pursuant to law and in good faith, while fulfilling their professional duties.

(3) Members, shareholders or participants, manager, members of the board of directors and council (if the council is established) of the commercial company of sworn auditors and other persons are prohibited to interfere in the professional activity of the sworn auditor (also a responsible sworn auditor appointed by the commercial company of sworn auditors) or affect him or her with a view to influence independence and objectivity of this auditor, his or her view or opinion as an independent expert.

(4) Illegal activity of the sworn auditor in the client's interests, and also his or her activity in promoting illegal commitment of the client shall not be regarded to be a professional activity which expresses as an audit service.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:

(a) amend the AMLTFL to ensure that all categories of politically exposed persons (PEPs) are covered (Convention Article 7; 2009 Recommendation III(ii));

Action taken as of the date of the follow-up report to implement this recommendation:

The recommendation has been implemented with the 29.02.2016. amendments to the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments are expanding definition of politically exposed persons (PEP). The scope of the definition now also covers domestic PEP (according to the AML IV Directive), the criteria also include management bodies of international organization (according to the AML IV Directive) and grandparents (according to the Financial Action Task Force (FATF) Recommendations).

Section 1

18) politically exposed person – a person who in the Republic of Latvia, other Member State or third country holds or has held a prominent public position, including a higher official of the public authority, a head of the State administrative unit (local government), the Head of the government, the Minister (the Deputy Minister or the Deputy of the Deputy Minister if there is such an office in the relevant country), the State Secretary or other official of high level in the government or State administrative unit (local government), a Member of Parliament or a member of similar legislation entity, a member of the management entity (board) of the political party, a Judge of the Constitutional Court, a Judge of the Supreme Court or of the court of other level (a member of the court authority), a council or board member of Supreme revision (audit) authority, a council or board member of the Central Bank, an ambassador, a chargé d'affaires, a high-ranking officer of the armed forces, a council or board member of a State capital company, a head (a director, a deputy director) and a board member of an international organisation, or a person who holds equal position in such organisation;

18¹) family member of a politically exposed person – a person who is the following for a person referred to Paragraph 18 of this Section:

a) a spouse or a person equivalent to a spouse. A person shall be considered a person equivalent to a spouse only if such status exists in the legislation of the country concerned;

b) a child or a child of a spouse or a person equivalent to a spouse of a politically exposed person, his or her spouse or a person equivalent to a spouse;

c) a parent, grandparent or grandchildren;

d) a brother or a sister;

18²) person close associate to a politically exposed person – a natural person regarding whom it is known that he or she has business or other close relations with any of the persons referred to in Clause 18 of this Section or he or she is a stockholder or shareholder in the same commercial company with any of the persons referred to in Clause 18 of this Section, and also a natural person who is the only owner of a legal entity regarding whom it is known that it has been actually established in the favour of the person referred to in Clause 18 of this Section;

In addition to the broadened PEP definition, the Finance and capital market commission (FCMC) has issued “Recommendations for Credit Institutions and Financial Institutions to Establish and Research Politically Exposed Persons, their Family Members, and Closely-related Persons and to Monitor Transactions”. These guidelines provide a detailed set of requirements in identification of PEP’s, their relatives and associates, as well as necessary research procedures to be performed within the enhanced due diligence (EDD) process of these customers, as well as monitoring of their deals and associated

risks. The text of these guidelines are available on FCMC's website <http://www.fktk.lv/en/law/credit-institutions/fcmc-regulations/5652-recommendations-for-credit-institutions-and-financial-institutions-to-establish-and-research-politically-exposed-persons-their-family-members-and-closely-related-persons-and-to-monitor-transactions.html>.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:
(b) require all regulated entities to apply enhanced due diligence and other additional anti-money laundering measures when evaluating non-residents who pose money laundering risks (Convention Article 7; 2009 Recommendation II);

Action taken as of the date of the follow-up report to implement this recommendation:

In line with the amendments to Latvian AML Law (February 2016), FCMC has received authorization to issue regulations of customer EDD requirements. "Regulatory provisions for credit institutions and licensed payment and electronic money institutions on enhanced customer due diligence" (issued in December, 2015). These regulations are mandatory for credit institutions, as well as licensed payment and electronic money institutions. They define the rules for mandatory ML/TF risk categorization of the customer base in line with clearly defined 8 categories, which also stipulates features for identification of group of customers, who pose elevated risks - shell companies, PEP persons, customers, subjected to EDD etc. The categorization process is required to be performed automatically (using specialized IT solution) and in line with the risk features defined in FCMC's regulations. Additionally 4 main risk factors are to be used for risk scoring of the customers – these include – the customer, geography, financial services and their delivery channels. The regulations define scope of EDD measures to be performed, results being documented in customer file and the decision to cease cooperation with the customer to be taken within a set period of time (45 days), if the EDD process does not ensure adequate understanding of the customers' business and associated risks, that the financial institution regards to be acceptable. Automated risk-scoring of the customer base is mandatory. The text of these guidelines are available on FCMC's website <http://www.fktk.lv/en/law/credit-institutions/fcmc-regulations/5574-regulatory-provisions-for-credit-institutions-and-licensed-payment-and-electronic-money-institutions-on-enhanced-customer-due-diligence.html>.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:

(c) enhance the detection of money laundering by (i) ensuring that the FIU has sufficient resources to analyse all STRs and UTRs and forward information related to foreign bribery to KNAB, and (ii) providing additional guidance, typologies and training to regulated entities that specifically address the reporting of money laundering related to corruption and foreign bribery, especially money laundering by non-resident bank clients (Convention Article 7; 2009 Recommendation III(i));

Action taken as of the date of the follow-up report to implement this recommendation:

The Amendments to the Regulations of the Cabinet of Ministers No 1071 (adopted on 22.12.2008) on the list of unusual transaction indications and the procedures for submitting reports on unusual or suspicious transactions were adopted on 06.12.2016. The amendments establish a specific feature for reporting on the information from the mass media on possible corruptive activities related to AML.

Amendments to the Cabinet of Ministers Regulation Nr.1071 Regulations Regarding the List of Unusual Transaction Indicators and the Procedures for Submitting Reports on Unusual or Suspicious Transactions adopted on 06.12.2016 added a new indicator

8.2.5. pursuant to which in relation to credit institutions a transaction shall be deemed an unusual transaction if the credit institution, within the scope of the customer due diligence, has established publicly accessible information of negative nature which attests to a potential relation to proceeds of crime or their laundering or to terrorism or financing thereof regarding a customer or the beneficial owner of the customer and their transaction performed.

Indicator 8.2.5. came into force on 01.01.2017; however, already on 29.11.2016 the FIU prepared guidelines Nr.3-8/2031 providing explanations on how this indicator shall be applied and distributed the guidelines to all the credit institutions in Latvia in order to ensure unified understanding of the indicator.

FIU prepared **Comprehensive review of the Regulation of the Cabinet of Ministers No 1071** on the list of unusual transactions and procedure for the unusual and suspicious transactions reporting to enhance effectiveness of the reporting system and to revise the reporting criteria for all subjects of the Regulations.

The above-mentioned Cabinet of Ministers Regulations Nr.1071 has been revised and a new reporting system has been introduced. The new reporting system consists of two parts: 1) unusual transactions reporting and 2) suspicious transactions reporting.

Unusual transactions reporting means mandatory reporting on all the transactions the indicators of which are exhaustively listed in a relevant normative act.

Suspicious transactions reporting means voluntary reporting on transactions the indicators of which in accordance with international requirements are not listed in any normative acts, and thus the range of such indicators is not exhaustive, and therefore, the efficiency of reporting depends on the subject of the Law's ability to identify a suspicious transaction and the quality of its evaluation procedure;

Changes to the reporting system provide for updating the list of unusual transaction indicators (including reducing reporting thresholds thus increasing the volume of information in the FIU database) promptly available information will be at the disposal of the FIU which under the circumstances when the speed at which financial funds flow has greatly increased, will be readily available to facilitate activities for prevention and combat of laundering of proceeds derived from criminal activity and terrorism financing (providing immediate replies to requests received from law enforcement authorities and other countries FIUs, freezing of funds derived from criminal activity etc.).

The speed of information exchange with LEAs will increase by application of the FIU.net tool Ma3tch which will provide LEAs with a possibility to check in online mode in a short period of time whether any information on the subject person is available in the database of the FIU, and in case of a match LEAs pursuant to the Law will be able to immediately request the information necessary. Please refer to

Recommendation 8(e).

Furthermore, the changes to the reporting system foresee a requirement for direct or indirect linking of suspicious transactions with a criminal activity; thus, encouraging the subject of the Law to perform the initial analysis and forward to the FIU information of high quality that can be further used more efficiently. By applying the changes to the reporting system in practice the FIU would receive well-grounded suspicious transaction reports of better quality the subsequent analysis of which would require less resources of the FIU; thus, the efficiency of reviewing suspicious transactions would be greatly improved (expected much less number of so called defensive reports without reasonable information).

For the subject of the Law to be able to link a suspicious transaction with a specific criminal activity, the FIU has compiled relevant methodological guidelines for justification of suspiciousness of a transaction. The guidelines will be distributed to the subjects of the Law as soon as the amendments are approved. For instance, the FIU has established the following typologies of suspicious transactions: evasion from tax payments, fraud in electronic environment, fraud related to receiving public financing, criminal activity with the involvement of a politically exposed person, criminal activity executed while performing the duties of a state official of the Republic of Latvia, corruptive activities, financing of terrorism, legalization of funds of unknown origin etc.

Indicator 8.2.5 was applied also to other subjects of the Law (in the previous wording of the Law it was applied only to credit institutions).

The review of the Regulation of the Cabinet of Ministers No 1071 has been announced on State Secretary Meeting on 03.08.2017. (VSS-811) and is planned to be submitted to the Cabinet of Ministers in October 2017.

Providing the FIU with sufficient resources

While working on the draft amendments to the Cabinet of Ministers Regulation, the National Risk Assessment (NRA), and the subsequent action plan stemming from the NRA, it has been concluded that the FIU still lacks sufficient resources, especially for strategic analysis. Therefore, in 2017 the capacity of the FIU has been increased by five staff positions: one security specialist and four analysts (there is one more vacancy for an analyst currently available since in two announcements for the vacancy a suitable candidate was not found; currently the vacancy has been announced once again).

In addition, the capacity of the FIU is planned to be increased by an additional two analysts in 2018.

Guidelines, trainings

In 2015, the FIU compiled 3 methodological materials concerning recognizing foreign corruption and conducted several trainings. In 2016-2017, the FIU has continued training of the subjects of the Law in application of typologies, including typologies concerning corruption. In 2016-2017, the following typologies trainings have been conducted by the FIU:

Notaries – 2 trainings with a total of 103 people trained;

Insolvency administrators – 3 trainings with a total of 43 people trained;

Credit institutions – 2 trainings with a total of 26 people trained;

Tax consultants – 1 training with a total of 38 people trained;

Lawyers – 1 training with a total of 47 people trained;

Alternative creditors – 1 training with a total of 13 people trained.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:
(d) take steps to ensure compliance with the AMLTFL by (i) increasing the FCMC's resources

Action taken as of the date of the follow-up report to implement this recommendation:

Raising the capacity of AML/CFT supervision of the banking entities, as well as that of the other participants of the financial markets, stands for the main direction of FCMC's compliance efforts, which have already resulted in an increased capacity of the restructured FCMC's Compliance Control department. This includes the increase in both number of employees and their professional capability. Currently, the department staff consists of 18 employees, half of them with more than 10 years of practical work experience in AML and compliance, including 3 - with ACAMS certification. The basic supervisory functions are provided by:

- 1) Banking supervision division, mainly engaged in on-site inspections,
- 2) Transaction analyses division, performing off-site analyses,
- 3) Sanctions and normative compliance division, monitoring execution of sanctions, as well as the requirements, set for the financial institutions within the scope of corrective measures and remediation plans, assigned by the regulator,
- 4) Non-banking supervision division, dealing with AML compliance supervision of other participants of the financial market.

Legal support division, provides regulatory bases and internal procedures.

Based on the FCMC Regulation "Order of submission of data about customers and transactions", currently undergoing process of approval, FCMC is strengthening its IT provision of AML compliance supervisory function. This large and complex project has been given a top priority, as it will allow Compliance Control Department to raise the efficiency of analytical work during on-site, as well as off-site inspections.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:
 (d) take steps to ensure compliance with the AMLTFL by (ii) ensuring that on-site inspections of regulated entities, including their overseas offices, are conducted at a frequency that is commensurate with an entity's risk of assisting or facilitating money laundering;

Action taken as of the date of the follow-up report to implement this recommendation:

Within the scope of on-site examination of the banking institutions, FCMC is evaluating the normative compliance (policies, procedures, the decision taking authorization, etc.) of the financial entities, as well as their organizational structure. This provides a detailed picture of the AML/CTF compliance control process and role of each structural unit in it. After issuance of the FCMC's regulations on "Regulations for Cooperation with Third Parties and Requirements for Business Relations with the Customers whose Identification or Due Diligence is Performed Using Third Party's Services" (<http://www.fktk.lv/en/law/credit-institutions/fcmc-regulations/6163-regulations-for-cooperation-with-third-parties-and-requirements-for-business-relations-with-the-customers-whose-identification-or-due-diligence-is-performed-using-third-party-s-services.html>) the majority of Latvian non-resident banks have ceased to use agents for customer identification and due diligence, therefore the role of overseas offices, including their ability to take decisions on cooperation, thus influencing the risk exposure, has decreased substantially. For this reason, FCMC has not concentrated on performing on-site inspections to over-seas offices. Such approach is "risk-based" and is necessary to ensure efficient usage of the resources of Compliance Control Department, which, given the substantial amount of supervisory actions executed and planned, is not excessive.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:
(d) take steps to ensure compliance with the AMLTFL by (iii) giving greater priority to inspecting banks that specialise in non-resident deposits;

Action taken as of the date of the follow-up report to implement this recommendation:

AML/CTF supervision, is performed by Compliance Control department using “risk-based –approach” principle. It is a complex of activities, the main elements of which are precise and well-grounded assessment of the risk profile of the business model of the bank and sufficiency of its internal AML controls. It includes the following main components;

The banks have elaborated and submitted to FCMC their AML strategies, indicating qualitative and quantitative characteristics of the risk exposure. Thus, besides the principles of customer – on-boarding, de-risking and likely qualitative criteria, the limits are defined for the main risk indicators (for details see FCMC regulations on “Money Laundering and Terrorist Financing Risk Management Regulations” <http://www.fktk.lv/en/law/credit-institutions/fcmc-regulations/6143-money-laundering-and-terrorist-financing-risk-management-regulations-2.html>).

All banks are expected to submit quarterly reports on their money - laundering risk exposure starting from 1 January 2017, and notify FCMC on any deviations from the principles of their AML strategy and limits defined there. FCMC will perform the analyses of dynamics and evaluate the capability of the bank’s internal controls to manage these risks based on the results of the Compliance Control Department’s overall and targeted inspections, performed on-site and/or off-site. Additionally reports of external auditors, as assigned by FCMC, also serve as bases for risk assessment.

Currently, the banks are classified into 4 risk categories (Low, Standard, High and Critical), and these are updated based on the results of FCMC’s inspections and also external audit examinations, included the audit examinations performed by foreign (USA) consulting companies. The risk category determines the Compliance Control Department’s plans of inspections on banks for each up-coming year, as well as the scope of the inquiries for off-site examinations. None of the non-resident banks are categorized as “Low” or “Standard” risk. Thus, for banks, with elevated exposure to non-resident business the regulatory pressure is substantially higher, and it motivates these banks to either undertake de-risking through change of business model, ensuring, that non-resident flows, that are served are transparent, or raise substantially their standards of compliance, including efforts and additional investment to implement efficient AML programs, based of sufficient IT support, hire highly professional staff and insure regular training.

For instance, out of all 6 examinations performed by FCMC during the period from 01.01.2017 until 10.09.2017 only one examination was in a resident-oriented bank while others – in non-resident banking sector, including 2 banks have been examined repeatedly. Currently, 2 more examinations have been finished (in decision - taking process) and 3 examinations are on-going, out of them – one examination takes place in a resident bank).

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia:
(d) take steps to ensure compliance with the AMLTFL by (iv) examining why the FCMC and/or reporting entities failed to detect the instances of alleged money laundering that have been reported in the media and taking appropriate remedial action; and

Action taken as of the date of the follow-up report to implement this recommendation:

Based on thorough analyses of the typologies of deals, that were used in large alleged money laundering schemes with involvement of Latvian financial institutions, FCMC has elaborated its “Guidelines for credit institutions for identification of features of suspicious deals”. This normative act scheduled for adoption by the Council of FCMC in October. The guidelines define the features of potentially illicit deals and their schemes, and require mandatory EDD measures to be performed and documented in customer file, kept at the bank. Besides, FCMC is using regular information from FIU to assess the efficiency of the compliance efforts. Still, it must be noted, that a very important factor for identification of large alleged money laundering schemes, are that of close international cooperation with regulators and competent authorities in other countries, that have been broadened substantially over the last two years. The efficiency of data accumulation and analyses has been raised substantially via international exchange of information.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia: (d) take steps to ensure compliance with the AMLTFL by (v) commencing proceedings against the relevant natural and legal persons when breaches of the AMLTFL are detected (Convention Article 7; 2009 Recommendation II);

Action taken as of the date of the follow-up report to implement this recommendation:

The following legislative measures to increase the efficiency of bank compliance with the anti-money laundering (AML) requirements have been enforced:

- 1) Amendments to the Law on Payment Services and Electronic Money Institutions to ensure that the banks are equipped with effective resources in the AML area, the new requirements will establish professional qualification requirements (such as experience in the anti-money laundering area) for the anti-money laundering compliance officials in banks and licensed payment or electronic money institutions. The compliance officials now have to be approved by the Financial and Capital Markets Commission (FCMC), same as it is for the board members. Enforced from 20.06.2016;
- 2) Amendments to the Law on the Financial and Capital Markets Commission empower the FCMC to adopt administrative measures obliging any financial and capital market participant to carry out an independent review of its activities. Enforced from 20.06.2016;
- 3) Amendments to the AML/CFT Law require the banks, payment and electronic money institutions to develop compliance policy for individuals (compliance officers) and board members responsible for compliance with the AML/CFT Law. Enforced from 29.06.2016;
- 4) Amendments to the Credit Institution Law on the increase monetary fines for bank activities that result in breaching regulatory requirements for prevention of money laundering and combating terrorist financing. The compliance officials now must be approved by the FCMC, same as it is for the board members. Enforced from 01.07.2016.
- 5) On 01.03.2016, the Law on International Sanctions and National Sanctions of the Republic of Latvia was enforced, which provides delegation to the Cabinet of Ministers to adopt national sanctions in addition to the sanctions of international organizations that are being implemented in the Republic of Latvia. The Law also includes procedure for listing and de-listing, as well as procedure for appeal and review of sanctions. A proposal to adopt national sanctions can be based upon: Cabinet of Ministers' own initiative or, proposal of foreign minister or Recommendation of the National Security Council.

Increasing the efficiency of the co-operation between LEAs and the FIU

To enhance the cooperation with law enforcement agencies (LEAs) and for the information at the disposal of the FIU to be requested more often, it was decided to apply the FIU.net tool Ma3tch in the information exchange with LEAs. Essentially Ma3tch tool will allow LEAs to check whether the FIU has any information available on a specific subject (though without seeing the actual information available to the FIU); thus, in case the LEA establishes that the FIU does indeed possess information on the subject, the LEA should request it by the usual official procedure pursuant to the Law. However, in case the LEA establishes that no information on the subject is available to the FIU, the LEA will not compile the official request to the FIU, thus saving its own, the Prosecutors' Offices', and the FIU's resources.

The relevant amendments to Section 56 Satisfaction of Information Requests of the Law on the Prevention of Money Laundering and Terrorism Financing have already come into force on 01.08.2017., and currently the practical aspects are being handled – conclusion of contracts, trainings have been conducted; please refer to the October Follow-Up Report.

Since in accordance with the latest amendments the reporting system the number of reports on unusual transactions will greatly increase, the possibility of a match with information available in the database of the FIU will be high, thus making cooperation between LEAs and the FIU more efficient. (Please refer

to Recommendation 8c)

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

8. With regards to money laundering, the Working Group recommends that Latvia: (e) take immediate steps to increase enforcement of its money laundering offence (Convention Article 7; 2009 Recommendation III(ii)).

Action taken as of the date of the follow-up report to implement this recommendation:

1. To increase enforcement of money laundering offence the Ministry of Justice initiated amendments to the AML/CTF Law which provides for a lower level of the mental element of an offence. On 1 August 2017, the amendments to Section 5 of the AML/CFT Law came into force.

Since 1 August 2017, the amended Section 5 (1) of the AML/CFT Law stipulates:

“(1) The following actions are money laundering:

- 1) the conversion of proceeds of crime into other valuables, transfer of their location or ownership, being aware that that these funds are proceeds of crime and if such actions are carried out for the purpose of concealing or disguising the illicit origin of funds or assisting any person who is involved in committing of a criminal offence in evading the legal liability;
- 2) the concealment or disguise of the true nature, origin, location, disposition, movement, ownership of proceeds of crime, being aware that these funds are proceeds of crime;
- 3) the acquisition, possession, use or disposal of the proceeds of crime of another person, while being aware that these funds are the proceeds of crime.

(1¹) The actions referred to in Paragraph one, Clauses 1, 2, and 3 of this Section, when a person deliberately assumed the funds to be proceeds of crime, shall also be regarded as money laundering.”

2. In addition legislative amendments to the AML/CTF Law transposing the AML IV Directive will inter alia include provisions obliging the Company Register to register information on the beneficial ownership information of companies and provide this information to the competent authorities. Legislative amendments to the AML/CTF Law were approved by the Parliament on first reading on 28.07.2017. The proposals for the amendments to the AML/CTF Law have been submitted to Parliament for the second reading on 11.09.2017. It is planned that amendments to the AML/CTF Law will be approved by the Parliament by the end of October 2017.

3. Law on Bank Account Register was enforced on 01.07.2017. creating a centralized bank account register, which will include data on accounts of both resident/non-resident legal and physical entities, and will be aimed at enhancing the work of the competent authorities. Regulations of the Cabinet of Ministers on Bank Account Register are prepared by the Ministry of Finance and are undergoing consultation with involved parties. Regulations of the Cabinet of Ministers on Bank Account Register prescribes:

- 1.1. procedures and a form by which credit institutions, savings and loan associations and payment service providers (hereinafter – the information providers) provide information for inclusion in the account register (hereinafter – the Register) regarding demand deposit and payment accounts;
- 1.2. procedures by which users of the Register information (hereinafter – the users of the Register) request and receive and a manager of the Register refuses to provide the information contained in the Register;

1.3. procedures by which a manager of the Register verifies compliance of activities of the users of the Register information with the requirements of laws and regulations governing operation of the Register;
 1.4. scope of the electronic information to be received by the user of the Register information, and storage procedures thereof.

Regulations of the Cabinet of Ministers on Bank Account Register are planned to be approved by the end of 2017.

Inclusion of information in the account register was started on 31 July 2017. In accordance with Paragraph 6 of Transitional Provisions of the Account Register Law, a credit institution, savings and loan association or provider of payment services shall start to provide the data laid down in Section 5 Paragraph three of this Law regarding a beneficial owner for inclusion in the Register on the following day after coming into force of the amendments to AMLCTFL, by which the requirements laid down in the amendment proposal 2016/0208 (COD) to Directive (EU) 2015/849 of the European Parliament and of the Council adopted on 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC are transposed. Taking into account the amendments to the AMLCTFL have not entered into force yet, information on a beneficial owner has not been received by the SRS .

4. On 3 January 2017, the Head Prosecutor of Criminal Law Department of the Prosecutor General's Office issued an instruction on categories of topical investigations for first six months of 2017, bribery offences and money laundering offence being among them. On 3 July 2017, identical instruction was issued covering the second half of 2017. The mentioned categories of investigation fall upon enhanced supervision by the prosecutors and head prosecutors.

5. On 7 December 2015, the Head Prosecutor of International Cooperation Division of Activity Analysis and Management Department of the Prosecutor General's Office issued an instruction that KNAB had to be designated institution for execution of all incoming MLA requests related to corruptive offences, regardless of other competitive criminal offences indicated in the MLA request. Thus, it ensured that KNAB would receive all corruption-related MLA requests, and KNAB could react effectively on suspected foreign bribery and related money laundering offences. 27 incoming MLA requests were forwarded to KNAB for execution in 2016, while 22 MLA requests were forwarded to KNAB in first eight months of 2017.

6. To increase the cooperation with law enforcement agencies (LEAs) and in order for the information at the disposal of the FIU to be requested more often, it was decided to apply the FIU.net tool *Ma3tch* in the information exchange with LEAs. Essentially *Ma3tch* tool will allow LEAs to check whether the FIU has any information available on a specific subject (though without seeing the actual information available to the FIU); thus, in case the LEA establishes that the FIU does indeed possess information on the subject, the LEA will have to request it by the usual official procedure pursuant to the Law. However, in case the LEA establishes that no information on the subject is available to the FIU, the LEA will not compile the official request to the FIU, thus saving its own, the Prosecutors' Offices', and the FIU's resources.

The necessary legal amendments to Section 56 AMLCTFL have already come into force on 01.08.2017., and currently the practical aspects are being handled – conclusion of contracts, trainings have been conducted.

7. Economic Police has prepared the methodology materials, i.e. a presentation with an aim to explain officials of the State Police about issues related to laundering of the proceeds of crime, to provide methodological support during the pre-trial investigation of the criminal proceedings and for a recognition of laundering of the proceeds of crime. An analysis on a recovery and seizure in case of laundering of the proceeds of crime. The materials comprise information about the current regulatory framework, tactics and sequence of procedural, incl. investigational actions, practical recommendations to ensure a more effective pre-trial investigation of these criminal offences, as well as information about a verification of reports of the FIU sent to competent investigation institutions regarding suspicious

transactions related to potential laundering of the proceeds of crime, and also contact information of employees of the Economic Police. During the trainings the problematic issues related to laundering of the proceeds of crime are discussed, doctrinal conclusions regarding this subject are provided, as well as practical recommendations, considering the experience acquired by employees of this institution.

8. The establishment and gradual strengthening of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity are provided by the Cabinet Ordinance No. 248 of April 6, 2016 “The State Police Development Conception” and by the Cabinet Ordinance No. 276 of June 5, 2014 “About the prevention and combating of the organised crime in 2014-2016” with an aim within two years to establish the Office for Recovery of Proceeds Derived from Criminal Activity consisting of 10 officials. As the funding for the first five officials has been allocated starting from the year 2017, on 31 December 2016 within the State Police Central Criminal Police Authority Criminal Intelligence Supervision Authority Division 2 (Division for Recovery of Proceeds Derived from Criminal Activity and for Information Analysis) the Office for Recovery of Proceeds from Criminal Activity was established.

The main tasks of the new Division for Recovery of Proceeds Derived from Criminal Activity and for Information Analysis can be divided into two main directions (functions) – to establish and to ensure the activity of the Office for Recovery of Proceeds Derived from Criminal Activity and to develop the criminal intelligence model, and to ensure the activity of the national criminal intelligence model.

To ensure the activity of the Office for Recovery of Proceeds Derived from Criminal Activity five full-time positions were created. This division started its work on the basis of the Council Decision 2007/845/TI (December 6, 2007) concerning cooperation between Asset Recovery Offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime to ensure functions of the international cooperation (until now these functions were carried out by the Economic Police). This division has also started to consult investigators regarding national and international opportunities in identification and examination of the proceeds of crime. Also, this division has started to process and to transfer for execution requests of divisions of the State Police to other offices for recovery of proceeds derived from criminal activity in other member states and to provide support for national investigations. The division during 8 months has provided support to 18 national investigations.

5. With an aim to provide more efficient investigation and to better evaluate the situation, since 2017 all materials received from the FIU are examined only by Economic Police (Anti-money laundering Division - ECCA). A new measure was implemented, i.e. to organise meetings once per month with the participation of the FIU, the Prosecutor’s Office, ECCA and the SRS to discuss all topical cooperation issues.

Starting from December 31, 2016 the work of ECCA has been reinforced (the fight against laundering of the proceeds of crime and against financial crime), by reducing the number of inferior positions (inspectors and junior inspectors) and by increasing the number of senior positions (leading and senior inspectors and deputy manager of the division) that allows to recruit qualified specialists and to facilitate the work of regional divisions of the State Police.

Several experienced investigators and an experienced analyst joined ECCA in 2017.

- In 2016, because of activities of ECCA and other divisions of the State Police 58 172 527, 35 EUR were declared proceeds from crime:

- On the basis of the decision made by the investigation judge, it was decided to transfer into the State budget 47 540 363, 74 EUR (incl. ECCA – 47 358 456,09 EUR and other divisions of the State Police – 181 907,65 EUR);

- On the basis of the decisions made by investigators or investigation judge, it was decided to return to the legal possessors 10 632 163,61 EUR (incl. ECCA – 10 627 630 EUR and other divisions of the State Police – 4 533,0 EUR);

The property arrested by ECCA: (incl. money, immovable property and cars) the total value of 23 719 534 EUR.

- During 7 months of 2017, as a result of activities of the State Police 31 537 807,42 EUR were

declared proceeds of crime, including:

- On the basis of the decision made by the investigation judge it was decided to transfer into the State budget 30 697 394,65 EUR; and to return to the legal possessors 840 412,77 EUR .

• During 8 months of 2017, as a result of activities of ECCA 31 500 140, 99 EUR were recognised as proceeds of crime, including:

- On the basis of the decision made by the investigation judge it was decided to transfer into the State budget 30 953 599, 61 EUR; and to return to the legal possessors 546 541,38 EUR .

The total value of property arrested by ECCA: (incl. money, immovable property, corporate equity and cars) is 58 508 704,21 EUR.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Recommendations for ensuring effective investigation, prosecution and sanctioning of foreign bribery and related offences

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(a) take steps to ensure that KNAB investigators systematically have in-depth discussions with the supervising prosecutor in all foreign bribery cases (Convention Article 5 and Commentary 27; 2009 Recommendation V and Annex I.D)

Action taken as of the date of the follow-up report to implement this recommendation:

On 1 June 2016, the Head Prosecutor of Criminal Law Department of the Prosecutor General's Office issued an instruction providing that, in foreign bribery cases, supervising prosecutors have to ensure regular meetings (at least once a month) with KNAB investigators to discuss the course and direction of investigation, as well as scheduled investigative activities.

In 2015 and 2017, trainings were organized for investigators of KNAB. Within these trainings investigators were informed and reminded about importance of close and systematic cooperation with supervising prosecutor in all foreign bribery cases. It was emphasized that close cooperation with supervising prosecutor would benefit investigation of criminal cases. Additionally, in 2017 recommendations for investigators of KNAB regarding detection and investigation of foreign bribery were adopted by KNAB. In recommendations, it is explicitly stated that investigators must systematically cooperate with supervising prosecutors and exchange information with them about ongoing investigation, problems and future steps.

It should be noted that until now KNAB has opened two foreign bribery investigations and within both criminal proceedings close and regular cooperation with supervising prosecutor took place. Within the first criminal proceeding investigator met personally and exchanged information with supervising prosecutor at least 4 times in the period from June 2016 until December 2016 when the investigation regarding foreign bribery was successfully finished. Within the second criminal proceeding investigator met personally and exchanged information with supervising prosecutor at least 5 times in the period from April 2016 until September 2017. During these meetings aspects of criminal cases were discussed in detail and future investigative steps were planned and coordinated among investigator and prosecutor. Besides meetings in person there has been regular contact between investigator and supervising prosecutor via telephone and e-mail which happen more often than meetings in person.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(b) (i) establish clear rules to ensure that all allegations of foreign bribery are systematically transmitted to KNAB for investigation,

Action taken as of the date of the follow-up report to implement this recommendation:

On 7 December 2015, the Head Prosecutor of International Cooperation Division of Activity Analysis and Management Department of the Prosecutor General's Office issued an instruction that KNAB had to be designated institution for execution of all incoming MLA requests related to corruptive offences, regardless of other competitive criminal offences indicated in the MLA request. Thus, it ensured that KNAB would receive all corruption-related MLA requests, and KNAB could react effectively on suspected foreign bribery and related money laundering offences.

On 28 July 2017, KNAB sent an official letter to Security Police, State Police, State Boarder Guard, Prosecutor's General Office, Customs Police Department and Financial Police of the State Revenue Service, Constitution Protection Bureau, Defense Intelligence and Security Service and Internal Security Bureau to inform and remind that according to CPL Section 387(6) KNAB is the responsible body to investigate foreign bribery and therefore all information which contains allegations or signs of foreign bribery should be forwarded to KNAB. CPL Section 387(6) explicitly states that KNAB has responsibility to investigate criminal offences in public service if they are related to corruption which thereby covers not only domestic bribery, but foreign bribery as well. Similar informative letter was sent on 11 December 2015.

It should be also noted that within trainings which KNAB organizes for different groups on detection of foreign bribery, i.e., sworn auditors, entrepreneurs, diplomats and other public officials, KNAB provides information that according to the CPL KNAB is the responsible body for investigation of foreign bribery and requires its audience to report to KNAB on all known allegations or signs of foreign bribery. Therefore both law enforcement agencies and target audiences which might detect possible signs of foreign bribery had been informed that information should be transmitted to KNAB.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(b) (ii) ensure that all credible foreign bribery allegations are proactively investigated,

Action taken as of the date of the follow-up report to implement this recommendation:

To ensure collection of all credible domestic and foreign bribery allegations KNAB in 2017 has started to conduct monitoring of mass media. Monitoring includes collection, evaluation and analysis of publicly available information which contain allegations of bribery. Monitoring was started recently and there are no detected new foreign bribery allegations yet.

Adopted recommendations for KNAB investigators stipulate that an official has a duty to proactively examine and verify all credible allegations which might indicate to foreign bribery. It is therefore aimed to raise awareness among investigators that they have to be attentive towards any information which might be related to foreign bribery and have to act in a proper manner in every occasion when they find out such kind of information.

Foreign bribery cases investigated by KNAB indicate that investigators have taken active and purposive steps within these investigations. In 2016 KNAB has commenced two criminal proceedings after examination of credible foreign bribery allegations. One criminal proceeding was opened after evaluation of information from incoming MLA request and allegations in mass media. Fact that Latvian entrepreneur transferred money to companies allegedly related to foreign public officials after winning public procurement and obtaining contract is still under investigation in this criminal proceeding. The second investigation was opened after evaluation of information which was obtained in cooperation with Lithuania's Special Investigative Service (STT) which indicated that the Latvian entrepreneur had bribed public official of Directorate of Klaipeda port. Investigation of KNAB was conducted in a close cooperation with STT and investigation in this part was finished in December 2016 when KNAB sent criminal case regarding foreign bribery to Lithuania where it shall be tried in court. Decision to transfer this criminal case to Lithuania was made by prosecutors taking into account considerations of *ne bis in idem* and efficiency regarding trial.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(b) (iii) make full use of the broad range of investigative measures available, as appropriate (Convention Article 5 and Commentary 27; 2009 Recommendation II, V and Annex I.D)

Action taken as of the date of the follow-up report to implement this recommendation:

KNAB investigators can exploit all investigative measures and techniques, including special investigative techniques, which are set in Chapters 10 and 11 CPL to investigate foreign bribery offence which is set in Section 323 CL. Recommendations in particular raise awareness of KNAB investigators to use special investigative techniques in foreign bribery investigation if necessary and appropriate. Practice indicates that KNAB investigators have used wide spectrum of investigative techniques in two investigated foreign bribery criminal cases including searches, forensics and special investigative techniques. This approves that all reasonable options for searching evidence can be and exploited in foreign bribery investigations.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(c) provide regular training to KNAB, the PPO and the judiciary on (i) the foreign bribery offence and related offences, (ii) legal person liability; (iii) confiscation measures; (iv) investigative techniques, including forensic accounting and information technology and (v) the application of settlements in foreign bribery cases, including on the 2014 guidance on effective regret (Convention Article 5 and Commentary 27; 2009 Recommendation II, V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

The Latvian School of Public Administration implements a large European Social Fund project "State administration human resource professional capacity building to reduce corruption and combat shadow economy" from 2016 to 2022. A key objective of this project is to build capacity of bodies responsible for investigating bribery and related offences, in particular, KNAB and prosecutors, actively participating in this project. OECD Anti-Bribery Convention and Phase 2 recommendations are taken into account in the implementation of this project.

In April 2017, KNAB sent an official letter to the School of Public Administration with a request to include following training in the agenda of European Union's funded project *Professional Development of Human Resources in Public Administration for Preventing Corruption and Reducing Shadow Economy* implemented by the School of Public Administration: the foreign bribery offence and related offences, legal person liability; confiscation measures; investigative techniques, including forensic accounting and information technology as well as awareness raising of the OECD Convention. Additionally, in all discussions and meetings between both institutions above-mentioned topics are set as a top-priority.

In the framework of above-mentioned project during the September 2017 almost all KNAB investigators and intelligence officers will have an in-depth training on accounting, including accounting related crimes, audit, forensics, money flows in companies and other. In the beginning of 2017 all investigators received training on improvement of legal technique and psychology. Additionally, KNAB's IT officials received training on information technology forensics, including data recovery from electronic data storage and PIN protected mobile devices thus facilitating and speeding up recovery and preparation of information obtained during KNAB's investigative and intelligence activities.

In May and June 2017, KNAB investigators and intelligence officers received training on money laundering awareness (9 persons); asset recovery (13 persons); anti-money laundering approach (9 persons). This training was organised with the support from the European Commission's Structural Reform Support Service and the Dutch anti-fraud agency Fiscal Information and Investigation Service in cooperation with the Ministry of Finance of Latvia. This training also was attended by prosecutors (20 prosecutors) and judges (10 judges).

From 31 July until 4 August 2017, two representatives of KNAB took part in the Joint Vienna Institute Course on Using the International anti-money laundering (AML) and combating the financing of terrorism (CFT) Standards in Combating Corruption. This course was organised for officials involved in undertaking national money laundering and terrorist financing risk assessments, preparing for their countries' mutual evaluations and the implementation of AML and CFT laws in their respective countries.

In 2015-2016, in cooperation with the Estonian Ministry of Justice, Prosecution Office in Denmark and

Anti-Fraud Office of Catalonia a project on tackling private sector corruption, including issue of foreign bribery, was implemented by KNAB. In the framework of the project two study visits were organized to Denmark and Spain on issues of detecting bribery. The closing conference of the project took place in Estonia from 10 until 12 February 2016.

In January 2016, four investigators participated in the conference “National consistency of legitimate expectations and the principle of legal certainty” organized by the Law Science Research Institute. In May 2016 five investigators participated in the training course *Organized crime and corruption in Baltics* provided by the Embassy of the US.

It is planned that from the end of 2018 until beginning of 2019, there will be comprehensive training of involved LEA and prosecutors on such topics as: the foreign bribery offence and related offences, legal person liability; confiscation measures; investigative techniques, including forensic accounting and information technology, as well as awareness raising of the OECD Convention.

Regarding training of prosecutors and judiciary a comprehensive training plan has been developed within the European Social Fund funded project “Justice for Development” implemented by the Court Administration in cooperation with the Ministry of Justice. The project timeframe is 1 June 2017 to 31 May 2021. It contains a special sub-programme F “Bribery of Foreign Public Officials and related offences: investigation, prosecution and sanctioning”. In September 2017 the tender for implementation of this training sub-programme will be announced and it is planned that the training will start in 2018.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(d) take steps to ensure that false accounting related to foreign bribery is fully investigated and prosecuted where appropriate (Convention Article 5 and Commentary 27; 2009 Recommendation Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

On 1 June 2016, the Head Prosecutor of Criminal Law Department of the Prosecutor General's Office issued an instruction stipulating that in order to ensure prosecution in foreign bribery cases supervising prosecutors have to guarantee pro-active disclosure and investigation of accounting offences that made bribing of foreign public officials possible, or disguised or concealed the act of bribing.

On 1 June 2016, The Head Prosecutor of Activity Analysis and Management Department of the Prosecutor General's Office issued an informative letter that public prosecutors had to require the State Revenue Service to conduct an assessment of an alleged offender's tax return under Section 23(4¹) of the Law on Taxes and Fees in all foreign bribery cases, thus, enhancing the possibility of disclosing accounting offences.

Adopted recommendations for KNAB investigators stipulate responsibility of investigator to carry out comprehensive investigation and examine whether related criminal offences haven't been committed which includes false accounting. This raises awareness of investigator to ensure that false accounting is fully investigated.

In September 2017, an accounting training for KNAB investigators and other law enforcement officials is organized to improve knowledge and understanding of accounting. It must be noted that better understanding and knowledge of accounting and operation in practice would benefit detection and investigation of false accounting offence when it is committed in relation to bribery or other criminal offence.

Statistics indicate that KNAB investigators in recent years have started to enforce false accounting offence more often than before. In 2016, false accounting offence was investigated by KNAB in one criminal proceeding regarding domestic bribery within local public procurement procedure. Investigation of this criminal case was successfully finished and KNAB investigator in May 2016 initiated prosecutor to start prosecution not only for bribery, but false accounting as well. It should be noted that within foreign bribery investigation which concerns bribing of Lithuanian public official false accounting and tax evasion offences also were detected by KNAB investigators. Information regarding tax evasion has been sent for further investigation to the SRS which is the competent authority in tax issues. Investigation regarding above mentioned criminal offences is ongoing.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:

(e) make public, where appropriate and in conformity with applicable rules, available information about the settlements in foreign bribery cases, including the facts, the reason for settlement, the terms of the settlement, and any sanctions imposed (Convention Article 5 and Commentary 27; 2009 Recommendation V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

In the absence of foreign bribery cases there is nothing to report so far.

In the meantime, according to Section 19 “Openness” of the Law on Judicial Power in all courts in the Republic of Latvia, matters shall be adjudicated openly. The adjudication of a matter in a closed sitting of a court shall be permitted only in cases provided for by law, observing all other provisions of judicial proceedings. Judgments and decisions of a court shall always be pronounced publicly. Chapter 3¹ of the said law prescribes provisions on availability of information. Section 28² of the Law on Judicial Power ensures that judgments of court taken during open court shall be published on the Internet homepage (judgments are available on <https://manas.tiesas.lv/eTiesasMvc/nolemumi>). Additionally, the Prosecutor’s General Office on its webpage published press releases in regard to plea agreements reached by the prosecutors (<http://lrp.gov.lv/lv/jaunumi/2017/pazinojumi-presei>). According to the Implementation Plan of the Phase 2 Recommendations adopted by the Cabinet of Ministers (the Government) on 21 June 2016 Ministry of Justice and Prosecutor’s General Office are responsible institutions for making public information about the settlements in foreign bribery cases. Therefore, in case if there will be a settlement in foreign bribery case both institutions will ensure publication of the necessary information.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

9. With respect to the investigation and prosecution of foreign bribery and related offences, the Working Group recommends that Latvia:
 (f) take steps to ensure that KNAB's investigations proceed without undue delay (Convention Article 6 and 2009 Recommendation V).

Action taken as of the date of the follow-up report to implement this recommendation:

On 6 September 2016, amendments of the internal procedure of KNAB entered into force stipulating the preliminary investigation of alleged foreign bribery acts. According to the new order, preliminary examination on foreign bribery must be finished within a month. If that is not possible because of extent or complexity, examination can be prolonged up to year, but once per every month a report in writing must be presented to the Director of KNAB stating facts and progress of particular preliminary examination. Therefore, control over progress of preliminary examinations on foreign bribery is stricter which prevents risk of undue delay.

Recommendations for KNAB investigators determine that in each occasion when foreign bribery is under investigation necessity of setting up an investigative group has to be evaluated. Setting an investigative team would enhance time efficiency of investigation and prevent risk of undue delay as there are more specialists directly involved in process of investigation. It must be also noted that in both criminal proceedings where foreign bribery was under investigation investigative teams which composed of several investigators were set up. As result of that investigation in one criminal proceeding was started in June 2016 and finished in December 2016 when criminal proceeding was sent to Lithuania to be prosecuted and tried in court.

Recommendations for KNAB investigators also raise awareness about benefits of international agencies and networks (such as Europol, Interpol and *Eurojust*) which could enhance international assistance which is essential when transnational crimes are investigated.

Please see also actions taken to implement the Recommendation 10 (a).

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

10. With respect to the capacity and independence of KNAB, the Working Group recommends that Latvia:

(a) ensure that personnel issues do not interfere with KNAB's ability to investigate foreign bribery (Convention Article 5 and Commentary 27; 2009 Recommendation II, III(i), V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

During the last few years KNAB has undergone internal and external tensions harming its reputation in the society and aggravating its internal microclimate. Therefore, among the most important tasks of newly appointed Director is firstly to increase KNAB's ability to effectively combat corruption by resolving personnel issues, including recruitment and salary increase, secondly to enhance KNAB's overall competency by improvement of staff's professional skills and competences with focus on analytical capacity's development, thirdly to elaborate a long-term public relations plan.

In 2018, one of KNAB's priorities is to resolve recruitment issues, including increase of monthly salary for investigators and intelligence officers and enhance their professional skills and knowledge. KNAB has submitted to the Ministry of Finance relevant financial appropriation requests for next three years highlighting both increased security needs for the performance of KNAB's functions as well as necessity to increase salaries. Since 1 August 2017 salary was increased for 86% of KNAB employees. Additionally in line with available financial resources it is planned to introduce a special expertise bonus payment – every three months a committee shall review performance of every employee and pertinent bonus shall be applied.

Since 1 September 2017, a new Head of Criminal Intelligence Division has been appointed. The newly appointed Head of Division with Master degree in Law and lawyer qualification has served 11 years in KNAB and has 19 years' experience of criminal intelligence. In July 2016 Deputy Director on Enforcement was appointed – he has more than 15 years' experience in criminal intelligence and serves in KNAB since 2014. As a result of internal competition in October 2016 Head of Investigation Division was appointed – she has 25 years' experience in pre-trial investigation including corruption and financial crimes and serves in KNAB since 2006.

There are two vacancies in the Investigation Division and one candidate is currently undergoing the scrutiny procedures by competent authority carried out by the Constitution Protection Bureau. After recruitment process in 2016 two new investigators have started to perform their duties in 2017 one of them having Customs Police background and the other has work experience at Finance Police and Public Procurement Bureau.

In addition, a large attention has been devoted to training of investigators and operational officers of KNAB. For example, the training modules under the European Union's funded project *Professional Development of Human Resources in Public Administration for Preventing Corruption and Reducing Shadow Economy* implemented by the School of Public Administration were modified and adjusted to cover both domestic and foreign bribery, as well as related crimes – money laundering and false accounting. The content of training modules was developed during the fall 2015, and the implementation of the first project activities have been started. In the framework of the training modules it is intended to invite lecturers from the OECD countries. Please find more actions related to training taken to implement the Recommendation 9 (c).

One of KNAB's strategic goals is to develop appropriate analytical capability. This will cause some internal reorganisations in the structure of KNAB. In the fall of 2017, it is planned to unite Information Analysis Division and Policy Planning Division. The new Division shall be in charge of providing wide scope of analytical expertise including strategic, statistical and tactical analysis. The mandate of this Division shall be to set both enforcement and prevention long-term and short-term goals. With a view of improving efficiency of detection of bribery of foreign officials one of the tasks entrusted to this

Division in cooperation with other units shall be to intensify analytical as well as operational measures in relation to activities of Latvian companies abroad.

Until the end of 2017, KNAB shall develop and adopt a new public relations strategy focusing on various awareness raising activities, including foreign bribery and social activities in order to increase the reputation in the society and public's trust in KNAB as central anti-corruption agency. The strategy will define long and short term goals, target audiences, communication channels and types, specific tasks and measures, as well as expected results.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

10. With respect to the capacity and independence of KNAB, the Working Group recommends that Latvia:

(b) amend its legislation to (i) clarify the statutory grounds for dismissal of KNAB Director; and (ii) specify the composition of the committee on dismissal and (iii) permit dismissal only where the committee finds grounds (Convention Article 5 and Commentary 27; and 2009 Recommendation V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

On 5 April 2016, the amendments to the Law on KNAB came into force. The said amendments stipulate the functional independence of KNAB thus ensuring that the government do not have possibilities to exercise the supervision over the core functions of the KNAB and do not create possibilities for political interference in KNAB's work, clarify the statutory grounds for dismissal of KNAB Director, specify the composition of the committee on dismissal and permit dismissal only where the committee finds grounds. Official translation the Law on KNAB: <https://likumi.lv/doc.php?id=61679>

On 2 August 2016, Regulations of the Cabinet of Ministers No 516 *On application provisions and recruitment of the KNAB's Director position as well as selection and evaluation of applicants* entered into force.

On 4 July 2017, Regulations of the Cabinet of Ministers No 386 stipulating a *Procedure on how committee evaluating reasons for KNAB Director's dismissal shall be composed* entered into force.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

10. With respect to the capacity and independence of KNAB, the Working Group recommends that Latvia:

(c) take steps to ensure that the government continues to refrain from comments that risk creating the perception of political interference in KNAB (Convention Article 5 and Commentary 27; 2009 Recommendation V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

On 6 September 2016, members of the Cabinet of Ministers were informed about the OECD Anti-Bribery Convention and Article 5 of the Convention and a written note was made available, outlining the WGB recommendation 10(c), the relevant requirements of the OECD Anti-Bribery Convention, the role of the WGB and its Phase 2 report.

In addition, at the Cabinet of Ministers meetings on 21 June 2016 and 6 September 2016 when the Government reviewed the informative report on Latvia's Phase 2 report and recommendations and report on implementation of recommendations submitted by the Ministry of Justice it was also specifically informed about the about provisions of Article 5 of the Convention and about the Working Group's recommendation 10(c), which requires the government to continue to refrain from comments that risk creating the perception of political interference in KNAB.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

10. With respect to the capacity and independence of KNAB, the Working Group recommends that Latvia:

(d) raise awareness of Article 5 of the Convention among KNAB and other relevant government officials (Convention Article 5 and Commentary 27; 2009 Recommendation V and Annex I.D).

Action taken as of the date of the follow-up report to implement this recommendation:

On several occasions during weekly meetings of prosecutors of Division for Investigation of Very Important Cases of Criminal Law Department of the Prosecutor General's Office, the head prosecutor and prosecutors that are members to Latvian delegation to OECD WGB have informed the colleague prosecutors on the scope of Article 5 of the Convention. The Division for Investigation of Very Important Cases is the only structural unit within Public Prosecutor Office that prosecutes foreign bribery offences.

Recommendations for KNAB investigators explicitly state that foreign bribery investigation cannot be affected by assumptions which are related to national interests of particular country, impact on relations with other countries or identity of involved natural and legal persons. When possible foreign bribery offence is under investigation, national law and principles should be applied in the same way as when domestic bribery is investigated. All investigators of KNAB are informed and aware of specific recommendation. It should be also noted that according to legal principles of Latvian law investigator must be impartial and result of investigation cannot be influenced by such unrelated factors as identity of person or impact of person on national economy as such actions would constitute breach of principle of equality.

On 15 September 2017, a joint expert level meeting was arranged in KNAB with participation of experts from the Ministry of Justice and Prosecutor's General Office in order to raise awareness of OECD Convention, including the Article 5 among KNAB investigators and intelligence officers.

Awareness of Article 5 of the OECD Convention on Foreign Bribery was raised among KNAB officials who are directly involved in disclosure and investigation of criminal offences related to corruption during training on foreign bribery which was held in November of 2015.

Additionally, awareness of Article 5 is included within trainings which KNAB has organized for different groups on detection of foreign bribery, i.e., diplomats and other public officials.

Additionally, on 1 June 2016, the Prosecutor's General Office distributed the informative letter to all prosecutors' stressing the particular importance of the Article 5 of the Convention and urging to follow the requirements of the said Article in investigation and prosecution of foreign bribery offences.

On 21 June and 6 September 2016, members of the Cabinet of Ministers were informed about the OECD Anti-Bribery Convention and Article 5 of the Convention and a written note was made available, outlining the WGB recommendation 10(c), the relevant requirements of the OECD Anti-Bribery Convention, the role of the WGB and its Phase 2 report.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

11. Regarding statistics, the Working Group recommends that Latvia:

(a) provide detailed enforcement data on KNAB's enforcement record, including on the number of complex cases and successfully concluded cases (Convention Article 5 and Commentary 27; and 2009 Recommendation V and Annex I.D);

Action taken as of the date of the follow-up report to implement this recommendation:

In 2016, KNAB commenced in total 19 criminal proceedings, 14 criminal cases were sent to start prosecution and 15 criminal proceedings were terminated. In 2017 (up to 01.09.2017.), KNAB commenced in total 22 criminal proceedings, 9 criminal cases were sent for prosecution and 8 criminal proceedings were terminated. Within this time period officials of KNAB had successfully investigated and concluded several complex criminal cases:

a) Criminal case was submitted for prosecution in January 2016 against judge of Riga Regional court and entrepreneur for bribery and misappropriation of bribe. Within investigation evidence were collected that entrepreneur passed bribes in total amount of 45 000 *euro* for influencing court decisions regarding legal proceedings in his favor.

b) Criminal case sent for prosecution in May 2016 against 7 employees of Riga hospital for soliciting and accepting illegal benefits from patients for medical services. Within investigation it was established that employees of hospital systematically required illegal payments from patients for bypassing queue to receive medical services.

c) Criminal case sent for prosecution in June 2016 against former president of SOE "Latvian Railway" and Estonian entrepreneur for bribery. Within investigation it was established that Latvian public official and Estonian entrepreneur agreed upon bribe for obtaining a contract in interests of Estonian enterprise and entrepreneur passed bribe in amount of 499 500 *euro* to public official. As it was concluded that bribery was committed in interests of Estonian company a proceeding against legal person was commenced as well.

d) Criminal case sent for prosecution in June 2016 against two officials of Prosecution Office for Investigation of Financial and Economic crime and two officials of Forensic Service Department. During investigation it was determined that officials abused authority, conducted illegal activities with personal data and committed attempt of bribery.

e) Criminal case sent for prosecution in November 2016 against two officials of Department for Economic Crime Investigation of State police for bribery, forgery and misappropriation. Within investigation it was established that policeman of Department for Economic Crime Investigation has committed bribery for refraining from acting, forgery of official documents, misappropriation and failure to act. It was also established that head of Department for Economic Crime Investigation has committed forgery of official documents.

f) Criminal case sent for prosecution in January 2017 against seven persons for giving and accepting illegal benefit and forgery of documents. Within investigation evidence were collected that illegal payments were made to medical staff for forging medical documents in order to delay court session on extradition in the interests of foreign citizen.

g) Criminal case sent for prosecution in June 2017 against two public officials and three employees of municipal enterprise "Riga Central Market" for misappropriation of funds and abuse of their authority. During investigation it was established that two public officials and employees systematically have committed misappropriation of municipality's funds in total amount of 29 587 *euros*. Public officials had also committed abuse of their authority.

h) Criminal case sent for prosecution in June 2017 against Riga district court judge and entrepreneur for bribery and disclosure of non-disclosable information. During investigation evidence were collected that entrepreneur offered a bribe and judge agreed to receive bribe for influencing court

decision in interests of friend of entrepreneur.

Additionally in 2016 two criminal proceedings related to foreign bribery were commenced and investigated by KNAB (see report on foreign bribery cases).

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

11. Regarding statistics, the Working Group recommends that Latvia:
(b) maintain comprehensive statistics on (i) delay in proceedings and cases that are time-barred; and (ii) incoming and outgoing MLA and extradition requests, including on the offences involved, assistance requested, and time required for execution; (Convention Articles 5, 6, 9; 10 and Commentary 27; 2009 Recommendation V and Annex I.D).

Action taken as of the date of the follow-up report to implement this recommendation:

Comprehensive statistics on delayed and time-barred criminal proceedings as well as incoming and outgoing MLA requests is systematically maintained by KNAB.

Statistics indicate that none criminal proceeding in 2016 was terminated because statute of limitations had expired, but in 2017 one criminal proceeding was terminated because statute of limitations had expired. Statistics on delays in criminal proceedings is maintained; time of investigation within criminal proceedings and progress of criminal proceedings is monitored on regular basis. Statistics indicate that in average process of investigation in criminal proceedings which were successfully finished by KNAB and were afterwards sent for prosecution in 2016 took 371 days.

In 2016 KNAB has received 27 incoming MLA requests from Germany, Italy, USA, Kirgizstan, Ukraine, Belarus, Estonia, Lithuania, and France. In 2017 (until 01.09.2017) KNAB has received 22 incomings MLA requests from Russia, Ukraine, France, Czech Republic, Germany, Lithuania, Belarus, and Romania.

In 2016 KNAB has sent 10 outgoing MLA requests to Lithuania, Czech Republic, Estonia, Austria, Russia, Azerbaijan, Ukraine and Belarus. In 2017 (until 01.09.2017.) KNAB has sent 5 outgoing MLA requests to Ukraine, Russia, Turkey, Lichtenstein, and Singapore.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

12. With respect to MLA and extradition, the Working Group recommends that Latvia:
 (a) take all necessary measures to ensure that MLA can be provided in foreign bribery-related non-criminal proceedings against a legal person (Convention Article 9; 2009 Recommendation III(ix) and XIII(iv));

Action taken as of the date of the follow-up report to implement this recommendation:

On 30 March 2017, the Parliament (Saeima) adopted the amendment to Section 847 of the Criminal Procedure Law which added Paragraph 4 ensuring that MLA can be provided regardless of the proceedings in which it is requested in regard to legal persons and the offence which is criminally punishable in a foreign state. The amendment entered into force on 26 April 2017.

Section 847. Procedures for the Fulfilment of a Request of a Foreign State

(1) A request of a foreign state regarding the provision of assistance in the performance of a procedural action shall be fulfilled in accordance with the procedures laid down in this Law.

(2) A request may be fulfilled in accordance with other procedures if so requested by a foreign state and if such execution is not in contradiction with the basic principles of the criminal procedure of Latvia.

(3) Upon request of a foreign state, the competent authority may permit a representative of a foreign state to participate in the performance of a procedural action, or to personally perform such operation in the presence of a representative of the institution fulfilling the request.

(4) A request regarding the provision of assistance in the performance of a procedural action in proceedings against a legal person, if the request is submitted regarding the offence which is criminally punishable in a foreign state, shall be executed regardless of the proceedings in which it is requested in the foreign state.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

12. With respect to MLA and extradition, the Working Group recommends that Latvia:
 (b) amend its legislation to expressly require the prosecution of Latvian individuals whose extradition has been refused solely on grounds of nationality, such as by revising the draft amendment of the CPL currently being considered by Parliament (Convention Article 10; 2009 Recommendation III(ix) and XIII(iv)).

Action taken as of the date of the follow-up report to implement this recommendation:

The amendment to Article 705 “Completion of an Examination” of the Criminal Procedure Law with the purpose of ensuring compliance with Article 10(3) of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was adopted by the Parliament (Saeima) on 18 February 2016 and came into force on 23 March 2016. The amendment adds Paragraph 5 to Section 705 of the Criminal Procedure Law stipulating that after completion of an examination of the grounds and admissibility for the extradition of a person and taking a reasoned decision on a refusal to extradite the person based on the fact that the person is a Latvian citizen, a public prosecutor shall submit the extradition request to the competent investigating institution for initiation of criminal proceedings.

Article 705. Completion of an Examination

(1) Having assessed the grounds and admissibility for the extradition of a person, a public prosecutor shall take a reasoned decision on following:

- 1) the admissibility of the extradition of the person;*
- 2) a refusal to extradite the person.*

(2) If a decision has been taken on admissibility of the extradition of a person, a copy of the decision shall be issued to such person.

(3) The decision on admissibility of the extradition shall not be subject to appeal.

(3¹) A public prosecutor shall submit the decision on admissibility of the extradition to the Prosecutor General together with examination materials.

(4) The Prosecutor General’s Office shall notify the relevant person and foreign state regarding a decision on refusal to extradite a person. The public prosecutor shall release such person, without delay, from temporary or extradition arrest, but if the person has been applied a security measure not related to deprivation of liberty – it shall be revoked.

(5) If a decision to refuse to extradite a person has been taken on the basis of the fact that the person is a citizen of Latvia, a public prosecutor shall hand over the extradition request to a competent investigating institution for initiating criminal proceedings.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

13. With respect to the foreign bribery offence, the Working Group recommends that Latvia amend its legislation to ensure that:

(a) the requirement of direct intent as defined in Latvian law is consistent with Article 1 of the Convention (Convention Article 1);

Action taken as of the date of the follow-up report to implement this recommendation:

Latvia has already informed the Working Group during its Accession Assessment that the issue of forms of guilt and intent are the cornerstones of the Latvian criminal justice system. Therefore, the possible impact on other criminal offences with the formal composition which could be effected with such amendments should be very carefully analyzed prior to a required amendment. Therefore, the Ministry of Justice has organized various discussions, including a conference on the issues of direct intent and possibilities to implement the recommendation.

The discussions were attended by the representatives of the Ministry of Justice, the Prosecutor's General Office, Corruption Prevention and Combating Bureau, judges and representatives of the academia. The discussions were based on the material which was elaborated by the Ministry of Justice on the said subject including the description of 13(a) recommendation, findings of the lead examiners during the on-site visit, conclusions made by the Working Group within the Latvia's Phase 2 Report regarding "direct intent" issue and analysis of the Latvian Criminal Law theory regarding the "intent" issue. The material also included the analysis of the Article 1 of the Convention and respective parts of the OECD Convention on Bribery: A Commentary by Mark Pieth, Lucinda A. Low, Nicola Bonucci and the 9 October 2009 Report by the Working Group's on Bribery on Typologies on the role of intermediaries in international business transactions.

During the discussions, the participants concluded that there are differences in the understanding among academia and practitioners of the requirement of "direct intent" and possibilities to apply indirect intent to bribery as criminal offence with formal composition. Therefore, the Ministry of Justice on 10 February 2016 organized a high level meeting which was attended by the Chair of the Department of Criminal Cases of the Supreme Court of Latvia, the Prosecutor General, Head of the Division of Investigations of the Corruption Prevention and Combating Bureau, Head of Latvian Delegation to the Working Group on Bribery, leading representatives of the academia (Criminal Law professors of the Faculty of Law of University of Latvia), as well as investigators of the Corruption Prevention and Combating Bureau, chief prosecutor and prosecutors of the Prosecutor's General Office, Director of Criminal Law Department of the Ministry of Justice and its legal advisors.

During the high level meeting the issue of the requirement of "direct intent" in bribery was discussed based on the above-mentioned material elaborated by the Ministry of Justice. It was concluded that bribery is a criminal offence with formal composition, which can be committed only with direct intent in accordance to the Section 9 of the Criminal Law. In Latvian Criminal Law theory direct intent refers to those criminal offences which have formal composition (without requirement of material consequences). The intent describes psychological attitude (level of knowledge) of a person regarding actions of such person; and in cases of direct intent a person should have at least some level of knowledge that his/ her actions may involve an illegal act. Therefore, in situations in which a person representing a company transfers money to an intermediary for performing a certain task, it is an action which is performed with direct intent. However, the psychological attitude (level of knowledge) of such person does not need to be concrete and/or specific, and it may cover also presumption or acceptance of illegality of the activities of an intermediary and this can be proved by circumstantial evidence. The participants also discussed the possible amendments of the Section 9(2) of the Criminal Law by ensuring that a criminal offence shall be considered to have been committed with a direct intent if the person at least accepts the harm caused by his or her act or failure to act.

In order to evaluate whether the current requirements of direct intent as defined in the Section 9(2) of the Criminal Law are consistent with the Article 1 of the Convention it was agreed that the summary of the above mentioned discussion will be published in the Latvian leading legal magazine “Jurista Vārds” which will be followed up by a scientific conference on the intent as it is defined in the Criminal Law within which the possible amendments to Section 9(2) of the Criminal Law would be discussed.

Following the above mentioned discussions and recognition that there are differences in the understanding among academia and practitioners of the requirement of “direct intent” and possibilities to apply indirect intent to bribery as criminal offence with formal composition on 10th of March 2016 the Prosecutor’s General together with the Minister of Justice and the Director of the Corruption Prevention and Combating Bureau (KNAB) signed the Guidance on the Scope of Direct Intent in Applying the OECD Typology on the Role of intermediaries in International Business Transactions in order to rectify this situation. The Guidance is intended to ensure that the requirement of direct intent as currently defined in the Criminal Law does not exclude the application of criminal liability in foreign bribery cases which involve intermediaries. The guidance provides the practical examples of foreign bribery with intermediaries and explanations how the concept of direct intent has to be applied in order to successfully prosecute such complex cases. It has been distributed among investigators of KNAB, prosecutors and judges, as well as it was published in the Latvian leading legal magazine “Jurista Vārds”.

On 27 September 2016, the Ministry of Justice organized the conference on the direct intent which was attended by the representative of the WGB Secretariat and one of the lead examiners of Phase 2, as well as investigators of KNAB, prosecutors, judges, lawyers and academia. The objective of the conference was to have an in-depth discussion on the interpretation of a direct intent in the Criminal Law of Latvia, to provide the explanation of the requirements of the Anti-Bribery Convention and to discuss possible amendments to the Criminal Law in order to ensure the compliance with the Anti-Bribery Convention. During the conference it was concluded that there are mixed views on the interpretation of Section 9(2) CL which defines a direct intent. It was concluded that there is need of more detailed commentaries to the said Section of the Criminal Law with the special emphasis on application of this legal provision in cases of bribery of foreign public official with intermediaries.

On 28 February 2017, Ministry of Justice together with the University of Latvia and the Courthouse Agency organized an event on occasion of publishing a book by professor Uldis Krastiņš “Direct Intent in Criminal Law” (Tieša nodoma tvērumš krimināltiesībās). It is an extended commentary to the Section 9(2) CL with theoretical guidelines. It contains a chapter “Theoretical guidelines on form of guilt in bribery with intermediary”. The chapter assesses whether the definition of direct intent given in the Criminal Law includes *dolus eventualis*. It concludes firstly that *dolus eventualis* is not defined in Latvian criminal law theory, nor in Criminal Law and secondly the indirect intent stipulated in Section 9(3) CL is not equivalent to *dolus eventualis*. It clearly stipulates that the word use in the legal provision “knowingly” (in Latvian – apzinoties) covers three levels of knowledge: “zināt” (knowing), “apzināties” (being aware) and pieļaut (assume). Therefore, it is concluded that being aware or assuming something as manifestation of intent’s intellectual side together with a person’s actual actions (action or omission) which always is executed intentionally, indicates that the offence is committed with direct intent.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

13. With respect to the foreign bribery offence, the Working Group recommends that Latvia amend its legislation to ensure that:

(b) the offence explicitly covers (i) the promise of a bribe, and (ii) bribery of officials of any organised foreign area or entity, such as an autonomous territory or a separate customs territory (Convention Article 1; 2009 Recommendation III(ii) and V).

Action taken as of the date of the follow-up report to implement this recommendation:

The necessary amendments to the Criminal Law explicitly covering the promise of a bribe (Article 323 (1) of the Criminal Law) and bribery of officials of any organised foreign area or entity, such as an autonomous territory or a separate customs territory (Article 316 (3) of the Criminal Law) were adopted by the Parliament (Saeima) on 10 March 2016. The amendments came into force on 7 April 2016.

Article 323. Giving of Bribes

(1) For a person who commits giving or offering or promising if requested of bribes, that is, material values, properties or benefits of other nature in person or through intermediaries to a public official in order that he or she, using his or her official position, performs or fails to perform some act in the interests of the giver or person offering or promising the bribe, or in the interests of other persons, irrespective of whether the bribe promised, offered or given is for this public official or for any other person,

the applicable punishment is deprivation of liberty for a period up to five years or temporary deprivation of liberty, or community service, or a fine.

(2) For a person who commits the same acts, if they have been committed on a large scale or if they have been committed by a public official, or also if they have been committed in a group of persons according to a prior agreement,

the applicable punishment is deprivation of liberty for a period up to eight years, with or without the confiscation of property and with deprivation of the right to engage in specific employment or to take up a specific office for a period up to five years.

(3) For the acts provided for in Paragraph one of this Section, if they have been committed by an organised group,

the applicable punishment is deprivation of liberty for a period of two and up to ten years, with or without confiscation of property, with deprivation of the right to engage in specific employment or to take up a specific office for a period up to five years and with probationary supervision for a period up to three years.

Article 316. Concept of a Public Official

(1) Representatives of State authority, as well as every person who permanently or temporarily performs his or her duties in the State or local government service, including in a State or local government capital company, and who has the right to make decisions binding upon other persons, or who has the right to perform any functions regarding supervision, control, investigation, or punishment or to deal with the property or financial resources of a public person or its capital company, shall be considered to be public officials.

(2) The President, members of the Saeima, the Prime Minister and members of the Cabinet as well as officials of State institutions who are elected, appointed or confirmed by the Saeima or

the Cabinet, heads of local government, their deputies and executive directors shall be considered to be public officials holding a responsible position.

(3) Officials or agents of international organisations, international parliamentary assemblies and international courts, as well as any person holding a legislative, administrative or judicial office of a foreign state or of any its administrative unit, whether such appointed or elected, as well as any person exercising a public function for a foreign state, including for any of its administrative units or public agency or public enterprise shall also be considered a public official.

(4) Within the meaning of this Section a foreign state is any territory outside the Republic of Latvia.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

14. With respect to the liability of legal persons, the Working Group recommends that Latvia:
(a) provide guidance to practitioners on the interpretation of the corporate liability regime in CL Article 70¹, including through interpretive manuals and training (Convention Article 2; 2009 Recommendation Annex I.B);

Action taken as of the date of the follow-up report to implement this recommendation:

According to the Work Plan of the Public Prosecutor Office for the first half of 2017 the analysis was conducted to identify the difficulties in implementation of CL provisions regarding corporate liability (including Article 70¹ of CL). The analysis was conducted from March to June of 2017 and covered all processes against legal persons initiated in 2016. On 5 July 2017 the Prosecutor General's Council discussed the results of analysis that resulted in drawing conclusions and recommendations. The body text of the analysis was communicated to all prosecutors.

In addition the training on the liability of legal persons has been included in two comprehensive training projects implemented by the Latvian School of Administration and the Court Administration. It is planned that the training will start in the fall of 2017 and continue until 2020.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

14. With respect to the liability of legal persons, the Working Group recommends that Latvia:
 (b) amend the CPL to ensure that proceedings against a legal person for foreign bribery can be initiated where the natural person who committed the bribery has died or has been convicted (Convention Articles 2 and 3; 2009 Recommendation III(ii) and Annex I.B).

Action taken as of the date of the follow-up report to implement this recommendation:

On 18 February 2016, the Parliament adopted the necessary amendments to the Criminal Procedure Law ensuring that proceedings against a legal person can be initiated where the natural person who committed the offence, including foreign bribery has died or has been convicted. The amendments came into force on 23 March 2016.

Section 439. Procedures for Criminal Proceedings

(1) If it has been ascertained during the course of criminal proceedings that, most likely, there are grounds for the application of a coercive measure, a person directing the proceedings shall take a reasoned decision that proceedings are initiated for the application of a coercive measure to a legal person. The person directing the proceedings shall notify the relevant legal person by sending a copy of the decision, as well as informing regarding the rights and duties thereof.

(2) Proceedings for the application of a coercive measure to a legal person shall take place within the framework of the criminal proceedings initiated in accordance with the procedures laid down in this Law.

(3) The person directing the proceedings may, by means of a decision, isolate the proceedings regarding the application of a coercive measure to a legal person in separate records in the following cases:

1) the criminal proceedings against a natural person are terminated on the basis of reasons other than exoneration;

2) circumstances have been established that prevent clarifying whether a particular natural person should be held criminally liable, or transfer of the criminal case to the court is not possible in the nearest future (within a reasonable period of time) due to objective reasons;

3) in order to settle criminal legal relations in a timely manner with a natural person who has the right to defence;

4) it is requested by the representative of the legal person.

(3¹) A procedurally authorised official may initiate proceedings for the application of a coercive measure to a legal person also in cases when it has been refused to initiate criminal proceedings or they have been terminated on the basis of non-exonerating circumstances, and the grounds for initiating the proceedings against a legal person laid down in Paragraph one of this Section have been ascertained.

(4) The decision by means the proceedings regarding the application of a coercive measure to a legal person are isolated in separate records shall be attached the copies of the materials of the separated criminal case and their list.

(5) The decision by means of which the proceedings regarding the application of a coercive measure to a legal person are isolated in separate records shall not be subject to appeal.

(6) Proceedings isolated in separate records regarding the application of a coercive measure to a legal person or proceedings regarding the application of a coercive measure to a legal

person in the cases laid down in Paragraph 3.¹ of this Section shall take place in conformity with the general procedures laid down in this Law, unless it has been laid down otherwise in this Law.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

15. With respect to sanctions and confiscation for foreign bribery and related offences, the Working Group recommends that Latvia:

(a) enact the draft amendment to (i) CL Article 322 and raise the maximum prison sentence for intermediaries to five years and (ii) raise maximum monetary sanctions for foreign bribery, false accounting and money laundering (Convention Article 3(1));

Action taken as of the date of the follow-up report to implement this recommendation:

On 29 October 2015, the Parliament (the Saeima) adopted the amendments to the Criminal Law increasing the imprisonment term to 5 years for the criminal offence of intermediation in bribery stipulated in Section 322 (1) of the Criminal Law. The amendments came into force on 3 December 2015.

Article 322. Intermediation in Bribery

(1) For a person who commits intermediation in bribery, that is, acts manifested as the handing over of a bribe or the promising or the offering thereof from the giver of the bribe to a person accepting the bribe,

the applicable punishment is deprivation of liberty for a period up to five years or temporary deprivation of liberty, or community service, or a fine.

(2) For a person who commits the same acts, if they have been committed by a public official,

the applicable punishment is deprivation of liberty for a period of two and up to ten years, with or without confiscation of property.

On 29 October 2015, the Parliament (Saeima) adopted the amendments to the Criminal Law increasing the maximum monetary fines stipulated in the Section 41 of the Criminal Law for the criminal offences, including foreign bribery (Article 323 of the Criminal Law), money laundering (Article 195 of the Criminal Law) and false accounting (Article 217 of the Criminal Law). The said amendments increase the maximum monetary fine for a less serious offence up to 1 000 minimum monthly wages prescribed in the Republic of Latvia, for a serious crime up to 2 000 minimum monthly wages prescribed in the Republic of Latvia and for such serious crime, for which deprivation of liberty for a term up to five years is provided for in the Criminal Law, and the commission of an especially serious crime, if the crime has not resulted in death of a human being, has not caused serious bodily injuries or disorders of psychical nature to at least one person or less serious bodily injuries or disorders of psychical nature to several persons, is not related to violence or threat of violence, is not related to illegal handling of narcotic and psychotropic substances and has not been committed in an organised group, for an amount of 300 and up to 10 000 minimum monthly wages prescribed in the Republic of Latvia. The amendments came into

force on 3 December 2015.

Article 41. Fines

(1) A fine is a monetary amount imposed for payment by a court or a public prosecutor in favour of the State within 30 days in the amount set out in this Section as a basic punishment, but the court – also as an additional punishment.

(2) A fine as a basic punishment proportionate to the harmfulness of the criminal offence and the financial status of the offender shall be determined:

1) for a criminal violation – in the amount of three and up to one hundred minimum monthly wages specified in the Republic of Latvia;

2) for a less serious crime – in the amount of five and up to one thousand minimum monthly wages specified in the Republic of Latvia;

3) for a serious crime for which deprivation of liberty for a period not exceeding five years is provided for in this Law – in the amount of ten and up to two thousand minimum monthly wages specified in the Republic of Latvia.

(2¹) A fine shall be determined in the amount of the minimum monthly wage specified in the Republic of Latvia at the time of preparing the judgment, indicating the amount of the fine in the monetary units of the Republic of Latvia in the judgement. A public prosecutor may impose a fine in the amount of not more than a half of the amount of the maximum fine provided for in Paragraph two of this Section, taking into account the minimum monthly wage specified in the Republic of Latvia at the time, when the penal order is drawn up, and indicating the amount of this fine in the monetary units of the Republic of Latvia in the penal order.

(2²) According to the harmfulness of the criminal offence and the financial status of the offender a court may determine a fine as a basic punishment also for the commission of such serious crime for which deprivation of liberty for a period of up to five years is provided for in this Law, and the commission of an especially serious crime, if the crime has not resulted in death of a human being, has not caused serious bodily injuries or disorders of psychical nature to at least one person or less serious bodily injuries or disorders of psychical nature to several persons, is not related to violence or threat of violence, is not related to illegal handling of narcotic and psychotropic substances and has not been committed in an organised group, in the amount of three hundred and one and up to ten thousand minimum monthly wages specified in the Republic of Latvia.

(3) A fine as an additional punishment proportionate to the harmfulness of the criminal offence and the financial status of the offender shall be determined in the amount of not less than one and up to one hundred times of the minimum monthly wage specified in the Republic of Latvia at the time of preparing the judgement, indicating the amount of the fine in the monetary units of the Republic of Latvia in the judgment.

(4) The financial status of the offender shall be determined by evaluating his or her possibilities to pay the fine without delay or to acquire foreseeable income which could provide the possibility for him or her to pay the fine imposed within the time period specified in the Law.

(5) A court or public prosecutor as appropriate may divide the payment of the fine into terms or suspend the payment for a time period which does not exceed a year from the day when a judgement or the penal order has entered into legal effect. If the fine exceeds the amount of three hundred minimum monthly wages, a court or the public prosecutor as appropriate may divide the payment of the fine into terms or suspend the payment for a time period which does not exceed three years from the day when a judgement or the penal order has entered into legal

effect.

(6) The amount of the fine not paid in due time, if it does not exceed the amount of thirty minimum monthly wages, shall be substituted with temporary deprivation of liberty, calculating one minimum monthly wage as four days of temporary deprivation of liberty, however, not exceeding three months; the unpaid fine, if it does not exceed the amount two hundred minimum monthly wages, shall be substituted with deprivation of liberty, calculating one minimum monthly wage as four days of deprivation of liberty, however, not exceeding one year; the unpaid fine, if it exceeds two hundred minimum monthly wages, shall be substituted with deprivation of liberty, calculating one minimum monthly wage as five days of deprivation of liberty, however, not exceeding five years.

(7) If a fine or a part thereof is paid during the time a convicted person is serving a punishment of deprivation of liberty instead of a fine, the convicted person shall be released, or the period of deprivation of liberty shall be reduced, according to the portion of the fine paid. In reducing the period of the punishment as indicated, the time of deprivation of liberty shall be included according the proportions determined by a court.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

15. With respect to sanctions and confiscation for foreign bribery and related offences, the Working Group recommends that Latvia:

(b) take steps to ensure that the sanctions imposed in practice for (i) false accounting, (ii) foreign bribery against natural and legal persons, including in plea agreements, are effective, proportionate and dissuasive (Convention Articles 3 and 8);

Action taken as of the date of the follow-up report to implement this recommendation:

The Latvian School of Public Administration implements a large European Social Fund project "State administration human resource professional capacity building to reduce corruption and combat shadow economy" from 2016 to 2022. It is planned that during the time period starting from the end of 2018 till beginning of 2019 there will be comprehensive training of prosecutors on various topics including: the foreign bribery offence and related offences, legal person liability; sanctions, as well as awareness raising of the OECD Convention.

In addition, the training of prosecutors and judiciary (judges) a comprehensive training plan has been developed within the European Social Fund funded project "Justice for Development" implemented by the Court Administration in cooperation with the Ministry of Justice. The project timeframe is 1 June 2017 to 31 May 2021. It contains a special underprogramme F "Bribery of Foreign Public Officials and related offences: investigation, prosecution and sanctioning". In September 2017 the tender for implementation of this training sub-programme will be announced and it is planned that the training will start in 2018.

The Ministry of Justice has proposed in 2016 and 2017 as one of the subject of training for judges to be included in the training plan implemented by the Latvian Judicial Training Centre: the foreign bribery offence and related offences, legal person liability and sanctions. Unfortunately, these subjects were not selected by judges for the training programme.

The subject of effective, proportionate and dissuasive sanctions will be also addressed by the Ministry of Justice during the planned annual conference of judges on 3 November 2017.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

Text of recommendation:

15. With respect to sanctions and confiscation for foreign bribery and related offences, the Working Group recommends that Latvia:

(c) take steps to ensure that law enforcement authorities and prosecutors routinely seek confiscation in corruption cases (Convention Article 3(3)).

Action taken as of the date of the follow-up report to implement this recommendation:

On 1 June 2016, The Head Prosecutor of Activity Analysis and Management Department of the Prosecutor General's Office issued an informative letter that in foreign bribery cases public prosecutors had to assess with scrutiny the grounds for implementation of legal provisions of Chapter 27 "Actions with proceeds from crime" and Chapter 28 "Ensuring solution to property matters" of CPL to employ the full set of legal tools to secure confiscation of proceeds from crime or its equivalent.

On 29 June 2017, the Prosecutor General issued an instruction "On execution of assignment incorporated in the 2016 – 2020 Plan on fighting shadow economy". The instruction provides for enhanced supervision by the head prosecutors over the type and amount of penalty requested by public prosecutors for, *inter alia*, bribery offences in the court. The instruction is intended, in longer period, to ensure proportionate and, when applicable, homogeneous sanctioning for bribery offences.

To ensure confiscation of assets KNAB investigators have frozen assets within commenced criminal proceedings on foreign bribery. In criminal proceeding regarding bribery of Lithuanian public official KNAB investigator had frozen 3 real estate properties, 1 automobile and 8 wrist watches. These assets were frozen with a purpose to ensure possible confiscation as a form of punishment. In second criminal proceeding regarding bribery of Ukrainian public officials KNAB investigator attempted to freeze money in total amount of USD 1 600 000 based on suspicion that money could have been obtained from illegal activities, however, investigative judge declined this proposal of investigator.

If no action has been taken to implement this recommendation, please specify in the space below the measures you intend to take to comply with the recommendation and the timing of such measures or the reasons why no action will be taken:

PART II: FOLLOW-UP BY THE WORKING GROUP

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
(a) The provision of tax information to foreign authorities for use in foreign bribery investigations (2009 Recommendation III(iii); 2009 Tax Recommendation I);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

Since the adoption of the report, the Central Liaison Office of the State Revenue Service has not received any requests for information for use in foreign bribery investigations. However, there were several cases when the foreign tax authority requested consent to use the information for non-tax purposes, e.g. concerning the suspected tax crimes, offence as a debtor and accounting offences, and the State Revenue Service has given its consent.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
(b) Whether future appointments of the Director of KNAB are based on competence and without any real or perceived political interference (Convention Article 5);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

The law on Corruption Prevention and Combating Bureau was amended twice since the Phase 2 report, both times including amendments related to the selection of the Director.

Amendments of the law, which entered into force on 5 April 2016, slightly changed the composition of the selection commission. According to the amended law, the selection of the candidate of the Director of KNAB is done by a commission headed by the Director of the State Chancellery and including the General Prosecutor, the Head of Constitution Protection Bureau and the head of the Security Police. Up to three members of the Public Consultative Council of KNAB can participate as advisors. As before, the Secretariat is provided by the State Chancellery. With amendments of the law, which entered into force on 2 February 2017, the requirement of 3 years' experience was changed to experience "adequate for the position", in order to enlarge the number of possible applicants.

Until 1 June 2016 the procedure for selecting candidates for the position of the Director of KNAB was provided in the Cabinet of Ministers 2 October 2012 regulation Nr. 671 "Procedure for selecting the candidate for the position of the Director of the Corruption Prevention and Combating Bureau".

On 2 August 2016 the Cabinet of Ministers regulation Nr. 516 "Rules and conditions for application of candidate for the position of the Director of the Corruption Prevention and Combating Bureau and procedure for selection and evaluation" entered into force.

The changes in the selection procedure of the Director of KNAB reflect the general change in the selection of top level managers in Latvia since 2015, entrusting the process to a central, competent authority (the State Chancellery) and focusing on competences and management skills assessment. The goal is to ensure efficient, professional and results-oriented top level managers in the public sector.

On 16 August 2016, the Cabinet of Ministers took a decision to announce the competition for the position of the Director of KNAB. As a result, 10 candidates applied. The first round selection commission meeting took place on 19 September 2016 and the second round – on 28 October. At the 28 October 2016 meeting the selection commission unanimously took decision not to select any of the candidates.

On 3 March 2017, the Cabinet of Ministers decision was taken to repeatedly announce the competition for the position of the Director of KNAB. As a result, 9 candidates applied. The second round included 2 candidates. During the second round the selection commission assessed competencies of the two candidates such as result-orientation, ability to make decisions, ability to take responsibility, team management. The commission also assessed their professional knowledge. Moreover, the commission listened to their vision about the priorities and future developments of KNAB.

As a result, at the end of the second round the selection commission proposed as suitable candidate Mr. Jēkabs Straume. It was subsequently approved by the Cabinet of Ministers and - the Director was then endorsed in his position by the Saeima (the Parliament). Mr. Straume's selection was based on competence. A lawyer by education, he has a long standing professional experience working for 15 years in the Defence Intelligence and Security Service of Latvia and 3 years in the State Police, with significant international experience and also 10 years management experience. Mr. Straume started to work as Director of KNAB on 15 June 2017.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:

(c) Whether Latvia can provide confiscation as MLA in foreign bribery cases (Convention Articles 3(3) and 9);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

Since 2014 when a full accounting system for MLA requests was introduced there is information on 13 cases of confiscation based on MLA requests from EU member states, as well as 3 requests from non-EU countries. The latest MLA requests on confiscation implemented are:

On 15 April 2016 the request was received from the Serious Fraud Office (UK) and executed on 20 May 2016.

On 12 January 2017 the request was received from the USA (non-conviction based confiscation) and executed on 10 March 2017.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
 (d) Whether factors listed in Article 5 of the Convention influence the granting of MLA or extradition by Latvia in foreign bribery cases (Convention Articles 5, 9 and 10);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

In 2015 - 2017 there have been no MLA or extradition requests refused in foreign bribery cases.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
 (e) Whether Latvia's foreign bribery offence covers bribes paid in return for any use of the public official's position, whether or not within the official's authorised competence (Convention Article 1);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

There are no significant developments in case law or doctrinal developments in this regard.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
 (f) The interpretation of the term "in the interest of the giver or person offering the bribe, or in the interest of other persons" in CL Section 323 (Convention Article 1);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

There are no significant case law or doctrinal developments since the adoption of the report on the interpretation of the term "in the interest of the giver or person offering the bribe, or in the interest of other persons" in CL Section 323. The case law of this time period mostly contains cases of petty bribery in the interests of a bribe giver (bribery of Traffic Police).

Latvia would like to reiterate its previous position that there have been no problems with interpretation with the term "in the interest of the giver or person offering the bribe, or in the interest of other persons" as it is considered to be broad and it includes any interests. In the case law compilation of 2015 in regard to the term "in the interest of the giver or person offering the bribe, or in the interest of other persons" it is also stated that mostly bribes are given in the own interests of briber.

Additionally Latvia would like to inform that on 1 January 2018 the amendments to Section 320 of the Criminal Law will enter into force. With these amendments the term "in the interests of the giver of the bribe, the person offering the bribe or other persons" will be deleted from Section 320 CL. Ministry of Justice is planning to submit the respective amendments to the Parliament in order to delete the term also

from Section 323 CL in order to ensure the harmonisation of legal norms.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
(g) The application of the corporate liability provisions in CL Section 70¹ (Convention Article 2);

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

Regarding case law, it is worth noting the Decision of Ogre District Court (Ogres rajona tiesa) of 24 May 2017 in a criminal case No 11816007114 on application of coercive measures (punishment) to a legal person. Based on evidences gathered in the course of pre-trial investigation it was established that a criminal offence stipulated in Section 148(3) of the Criminal Law (Infringement of Copyright and Neighbouring Rights) has been committed as a result of insufficient supervision or control of a legal person by a natural person which was not identified by investigation. The decision was not appealed and has entered into force. The said decision proves the application of the legal norms of the Criminal Procedure Law which allows to have proceedings against legal person without a natural person, as well that there are no problems with the interpretation and application of the term “as a result of insufficient supervision or control of a legal person”. This example demonstrates that sanctioning of a legal person can be independent from sanctioning or even identifying the natural person.

From 2015, there is a steady growth in number of cases against legal persons that have been submitted to court for imposition of coercive measures. In 2015, 10 cases have been sent to court, 25 cases in 2016, and 16 cases in first 7 months of 2017. Most employed coercive measure against legal persons is a monetary levy (i.e. fine), while liquidation of a legal entity is becoming more widespread.

The case law of 2017 demonstrates that legal persons are held liable on every possible grounds stipulated by the Article 701 of CL, i.e. for criminal offences committed in the interests or for the benefit of the legal person, or as a result of a lack of supervision or control. On two occasions, the legal persons were held liable for criminal offences committed in its interest as a result of a lack of supervision and control. In September 2017, the court proceedings started in a case against Estonian citizen for bribing public official (President) of Latvian State owned company “Latvijas Dzelzceļš” (Latvian Railway). It was established that bribery have been committed in the interests of the Estonian company, therefore a public prosecutor seeks the imposition of coercive measures against it.

In 2017, processes against ten legal persons were started in the investigation (a part of so called “Latvenergo” investigation) on bribery of public officials of Latvian state owned company by foreign citizens.

The statistical data on decisions of courts which have entered into force in regard to application of coercive measures to legal persons indicated that:

Year	Number of legal persons which have been applied a coercive measure				
	Liquidation	Restriction of Rights	Confiscation *	Fine	Total number

				Number	Amount, EUR	
2015	2	0	1	4	55440,00	7
2016	4	0	0	5	304889,00	9
2017 (till 18 Sept.)	3	0	0	5	29060,00	8

In years 2016-2017 KNAB has commenced and sent to Prosecutors' Office two proceedings for application of coercive measures to legal person within two criminal cases where bribery was committed by representative of company for the benefit and interests of the company. In the first case it was established that bribe was given to a public official by head of company for obtaining a contract with SOE "Latvian Railway" on selling locomotives. In the second criminal case it was established that board member of company had bribed public official for obtaining a contract with municipal enterprise "Riga Central Market" on providing deratization services. In both cases evidence indicated that bribery was committed by representative of company for the benefit of legal person which meant that grounds set by Section 70¹ CL were met and proceedings for application of coercive measures towards particular legal person were accordingly commenced by KNAB investigators.

In addition Latvia would like to inform the Working Group that according to the Work Plan of the Public Prosecutor Office for the first half of 2017 the analysis was conducted to identify the difficulties in implementation of CL provisions regarding corporate liability (including Statute 701 of CL). The analysis was conducted from March to June of 2017 and covered all processes against legal persons initiated in 2016. On 5 July 2017 the Prosecutor General's Council discussed the results of analysis that resulted in drawing conclusions and recommendations. It was concluded that there are no particular difficulties in application of the respective provisions of CL and CPL. It was concluded that investigators have to initiate proceedings against legal persons more actively in cases where it is detected that there are grounds to initiate proceedings against legal persons. Therefore, prosecutors are required during their functions of supervision and prosecution regularly check if issues related to initiation of proceedings against legal person are solved in timely manner.

The body text of the analysis was communicated to all prosecutors.

Text of issue for follow-up:

16. The Working Group will follow up the issues below, as practice develops, in order to assess:
 (h) The sanctions imposed in practice against natural persons for money laundering and breaches of the AMLTFL (Convention Articles 3, 7 and 8; 2009 Recommendation III(ii)).

With regard to the issue identified above, describe any new case law, legislative, administrative, doctrinal or other relevant developments since the adoption of the report. Please provide relevant statistics as appropriate:

Latvia has started 231 money laundering investigations in 2015, and 120 investigations in 2016. 9 investigations against 24 persons for money laundering have been finished and submitted to court in 2015, while in 2016, the numbers are 10 and 20 respectively. Until now, there are no convictions for foreign bribery in Latvia, therefore there are no convictions for bribery associated money laundering offence.

The following tables provides data on the penalties imposed against natural persons for money laundering offence.

Type of sentence imposed following a conviction for a money laundering offence by a court of competent jurisdiction

Year	Non custodial sentences			Custodial sentences			
	Fines (average in EUR)	Other than fines	Total number	Imposed prison sentence (average in months)	Suspended prison sentence (average in months)	Other measures	Total number
2013	0	4 ¹	1	3 (99)	12 (38)	2 ²	15
2014	5 600	1 ³	3	0	10 (29,8)	0	10
2015	2 400	4 ⁴	6	4 (31,75)	12 (38,3)	2 ⁵	17
2016	9 328	9 ⁶	8	0	7 (40,3)	0	7
2017 1/2	17 100	2 ⁷	2	0	4 (36,75)	0	4

¹ 1 prohibition to conduct business, 3 property confiscations

² 2 police control

³ 1 community service

⁴ 4 prohibition to conduct business

⁵ 2 police control,

⁶ 3 prohibition to conduct business, 2 community service, 2 property confiscations, 2 prohibition to be a board member in a corporation

⁷ defrauded 6 000 000 EUR were returned voluntarily, 132 831.51 EUR to be recovered as a damage

Regarding the sanctions imposed by FCMC for breaches of the AMLTFL for natural persons since the adoption of the Phase 2 Report:

JSC "PrivatBank" in 2015: suspension of the Chairman of the Board and Board member and request to fully replace the Bank's Board; individual fine for Board members: 96 449 euro; 25 869 euro, 15 411 euro and 7 607 euro.

JSC "Baltic International Banka" in 2016: individual fine for Chairwoman - 25 000 euro

ABLV Bank in 2016: reprimand issued to the board member

JSC "Reģionālā investīciju banka" in 2017: warnings, issued to the AML/CTF responsible officials of the bank

JSC "Rietumu banka" in 2017: warnings, issued to the AML/CTF responsible officials of the bank

AS "NORVIK BANKA" in 2017: warnings, issued to the AML/CTF responsible officials of the bank

More detailed information can be found in the link below:

<http://www.fktk.lv/en/market/credit-institutions/2014-10-23-sanctions-imposed-by-fcmc.html?highlight=WyJub3J2aWsiLCInbm9ydmlrIl0=>

Report on foreign bribery-Related enforcement Actions

Please provide information on all ongoing investigations and prosecutions of cases of bribery of foreign public officials by Latvian nationals and/or companies, including those referred to in the Phase 2 Report.

Phase 2 Report Case #5 Information from Law Enforcement Agency / Ports Case

In June 2016 criminal proceeding was opened by KNAB based upon suspicions that entrepreneur of Latvian construction company has bribed public official of Lithuania for favorable decisions regarding execution of reconstruction works according to the contract with Directorate of Klaipeda Seaport. Within investigation it was established that Latvian entrepreneur passed a bribe to foreign public official twice: in February 2016 and in June 2016 for favorable decisions in relation to reconstruction works and execution of contract. Parallel investigation regarding bribery was ongoing in Lithuania and close information exchange between KNAB and STT was carried out over the process. In order to comply with principle *ne bis in idem* and taking into account principle of efficiency, decision was made between prosecutors of Latvia and Lithuania to transfer this case on foreign bribery from Latvia to Lithuania, therefore both suspects for bribery could be tried in Lithuanian court. Decision to transfer a case was made because the investigation carried out by KNAB was broader and in addition to foreign bribery other criminal offences were also under investigation in Latvia. In December 2016 KNAB had sent criminal case against Latvian entrepreneur for committed foreign bribery to competent authority of Lithuania.

Telecom Case

In March 2017 criminal proceeding was commenced by KNAB based upon suspicions that illegally obtained money which was paid as bribe to public officials of Uzbekistan was laundered through Latvian bank accounts. Taking into account possibility that criminal offence which is set in Section 195 of Criminal Law was committed in jurisdiction of Latvia and this information cannot be verified otherwise than within criminal proceeding; a decision was made to open criminal investigation and to send criminal case to Prosecutor's Office to establish which authority is responsible for investigation. The criminal proceeding was afterwards sent to Department of Economic Crime Investigation of State police which shall be the responsible agency for investigation of this criminal case.

Phase 2 Report Case #1 Information Technology Contract Case

As reported in the Phase 2 Report the Latvian Public Prosecutor's Office for Financial and Economic crimes executed mutual legal assistance requests in 2009. However no further investigative steps have been taken and the matter has been closed.

Phase 2 Report Case #2 Gold Mining Case

Preliminary investigation regarding this case was commenced, but in May 2016 it was terminated. During the preliminary investigation no information was obtained regarding the involvement of Latvian nationals in alleged bribery of Kyrgyz officials, except possible money transfer through a bank in Latvia. Considering that there were no grounds to initiate a criminal proceeding as information on predicate offence was insufficient and uncertain this case had been closed. During the preliminary investigation all available measures have been used including communication with Kyrgyz prosecutors, Royal Canadian Mounted Police, the US Justice Department as well as mass media monitoring was conducted. Taking into consideration alleged money laundering through Latvian bank relevant information for suspicious transaction was forwarded to the national FIU.

Phase 2 Report Case #3 Information from Diplomat Case

In 2014 information was provided to KNAB on alleged bribery case, though these allegations have not been confirmed. As mentioned in the Phase 2 Report KNAB did make inquiries with other national law-enforcement agencies, but no particular investigative steps were taken. The matter was closed.

Phase 2 Report Case #4 Information from Media Case

In April 2016 criminal proceedings were commenced by KNAB based upon suspicions that entrepreneur of Latvian company allegedly paid bribe to public officials of SOE of Ukraine in relation to winning public procurement and obtaining contract in energy industry. Criminal proceedings were started after examination of incoming MLA request and suspicious allegations in mass media. Investigation is still ongoing.