



Finanšu izlūkošanas dienests

Raiņa bulvāris 15, Rīga, LV-1050; Ph. +371 67044430; e-mail: fid@fid.gov.lv;
www.fid.gov.lv

TYOLOGIES AND INDICATORS OF MONEY LAUNDERING

METHODOLOGICAL MATERIAL

2nd revised edition

2021



Contents

Use of the document.....	4
Definition, stages and types of money laundering	5
Money laundering typologies	7
Indicators of money laundering typologies	11
A. Indicators relating to the customer or its partners, related parties or other parties involved in the transactions.....	11
B. Indicators relating to transactions (payments and other services).....	12
C. Indicators relating to the person’s account	15
D. Indicators relating to documentation supporting transactions, etc.	15
E. Indicators relating to politically exposed persons (PEP), public officials and persons associated with them.....	16
F. Indicators implying the operation of laundromats	17



Introduction

The identification of the typologies of money laundering, hereinafter the 'ML', provides a comprehensive study of the ML methods, techniques, schemes, and instruments to understand the ML environment, both international and domestic. Studying typologies is an effective tool in the fight against financial crime, as it enables an understanding of methods used by criminals to conceal, disguise or transfer proceeds from crime. The identification of the typologies and their indicators in transactions provides reasonable grounds to suspect ML.

This material summarises the current ML typologies and indicators that are typical of ML schemes implemented in Latvia (or using the Latvian financial system). The material comprises the typologies and indicators of ML identified by the Financial Intelligence Unit and law enforcement authorities, based on the information and conclusions gained by foreign financial intelligence units, other competent authorities, as well as international anti-money laundering and countering the financing of terrorism AML/CFT institutions (such as FATF,¹ and others).

The methodological material is designed to promote a common understanding mainly between law enforcement authorities, the prosecutor's office and the court of suspicious transactions and the indicators of criminal activities, with a stronger focus on the ML typologies specific to Latvia's risk profile for criminal offences, as well as stand-alone ML and laundromat typologies (*laundromat is a multi-functional financial infrastructure or a tool typically created by professional money launderers to help clients launder assets acquired by criminal means, to hide property rights, avoid tax or currency restrictions, transfer money offshore. Often, offshore shell arrangements are used for this purpose. Within a laundromat, a person interested in committing criminal offences is directing money to the shell arrangement on the basis of a fictitious explanation, such as purchase and sale of goods or services, loan or loan repayment. Subsequently, money on the account of a shell arrangement is further transferred to other accounts, which in turn is substantiated with fictitious transactions. As a result, the origin and ownership of the money are lost (disguised) through mixing of funds and creating long chains of fictitious transactions, whereby after the funds are returned to the customer as an allegedly legitimate income*).

The typologies summarised in this document may be used separately or in combination with other typologies. It is important to note that the indicators linked to the typologies are indicative and may differ in each individual case, or only a part of them can be identified; please note that the list of indicators in the present document cannot be considered comprehensive or exhaustive. The identification of an individual indicator may not always lead to reasonable grounds to suspect a criminal activity and the indicators cannot be viewed separately from ML characterising typologies, as well as facts and circumstances that characterise specific transactions or activities.

Considering the above, it is important to point out that the typologies and indicators of ML are ever-evolving and changing, as criminals find new ways and methods to pursue criminal activities.

¹ FATF – The Financial Action Task Force. Available: <https://www.fatf-gafi.org/>



Use of the document

The typologies compiled in this document have been complemented by indicators that may be specific to the activities and methods implemented by the relevant typology; the most common identified predicate offences committed in parallel to the ML described in the typology (using one of the types or methods described in the typologies) and an indication to a specific phase of ML.

In order to facilitate the use of this methodological material, the following instructions for use are provided:

1. The Chapter 'Money Laundering Typologies' includes a list of common indicators, designated with a combination of a letter and a number, to each typology. The description of the indicator is contained in the Chapter 'Indicators of Money Laundering Typologies', where the indicators are divided into sub-divisions according to the letter contained in the designation;
2. In the Chapter 'Money Laundering Typologies', an indication is attached to each typology of the possible relationship between the types of implementation of the ML described in the particular typology and other criminal offences;
3. In the Chapter 'Money Laundering Typologies', an indication of the corresponding ML stage is added to each typology, which are further described in a sequence in the Chapter entitled 'Definition, stages and types of money laundering'.

It is important to note that the listed set of indicators and hints of the relevant stage of ML and the predicate criminal offence specific to a particular typology shall not be deemed exhaustive and comprehensive. The indicators and hints included in this document are exemplary / simulative, which have been identified and compiled on the basis of actual experience gained by national and foreign institutions.

When analysing transactions and activities, the indicators included in this document should be viewed as resulting from the ML typology that they are related to. The indicators cannot be viewed separately from ML characterising typologies, as well as facts and circumstances that characterise specific transactions or activities.

Definition, stages and types of money laundering

The correct understanding of the concept of ML serves as a prerequisite for the timely identification of actual criminal offences that may be related to ML. ML can be described as any activity or attempt to conceal or change the identity of proceeds from crime aiming to grant them the status of apparently legally acquired assets.

In general ML is viewed as conversion of proceeds from crime aiming to mislead third parties of the origin of the assets, thereby concealing or disguising the source of the assets. The essence of the ML is to create an illusion of a seemingly legal origin of funds or assets.

In turn, according to Article 5(1) of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (*Noziedzīgi iegūtu līdzekļu legalizācijas, terorisma un proliferācijas finansēšanas novēršanas likums*), hereinafter – AML Law, ML constitutes following:

1. According to Article 5(1)(1)1 of the AML Law, **conversion of proceeds of crime into other valuables** (for example, cash exchange to another currency, conversion of cash to property, conversion of property to funds), **change of location thereof** (for example, transfers of funds between own accounts, depositing in a safe), **change of ownership thereof** (for example, the registration of a criminal asset in the name of a third party), if such actions have been carried out for the purpose of **concealing or disguising** the illicit origin of funds (to create an impression that the funds are legal or any action with these funds is lawful) or assisting another person who is involved in committing a (predicate) criminal offence in the evasion of legal liability;
2. According to Article 5(1)(2) of the AML Law, the **concealment or disguise** of the true nature, origin, location, disposition, movement, ownership of the proceeds of crime (any action which makes it difficult to identify the source of the assets or creates the impression of their legal origin), while being aware that these funds are the proceeds of crime;
3. According to Article 5(1)(3) of the AML Law, 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.²

Depending on the situation, the criminal activities under Article 5 of the AML Law can be committed by both a person who has committed a predicate criminal offence and carries on with the laundering of the funds itself (in the criminal law theory such forms of laundering are referred to as self-laundering) and a person, who launders funds acquired by another person as a result of a criminal offence (in the criminal law theory such forms of laundering are referred to as third-party laundering), including a person who exercises so-called professional laundering.

Furthermore, the above-mentioned activities when a person deliberately assumes the funds to be criminally acquired are also regarded as ML (e.g., a person (employee of the obliged entity) who performs his/her professional duties ignores signs indicating the possible illicit origin of the funds).

According to Article 124(7) of the Criminal Procedure Law, ML investigations may be conducted autonomously, namely, to prove ML it is not necessary to prove from which particular crime the funds have been acquired.³ Namely, the criminal offence according to Article 195 of the Criminal Law can be investigated as a *stand-alone* or autonomous ML, based on circumstantial evidence pointing to the criminal origin of the assets, the typologies and the indicators of the ML act, as well as the person's inability to prove the legal origin of the assets.⁴

² According to Article 5(1¹) of the AML Law, criminal activities referred to in Article 5(1), when a person deliberately assumed the funds to be criminally acquired, shall also be regarded as money laundering. <https://likumi.lv/ta/id/178987-noziedzīgi-iegutu-lidzeklu-legalizācijas-un-terorisma-un-proliferācijas-finansēšanas-novēršanas-likums>

³ This corresponds to Article 3(3) of the Directive (EU) 2018/1673 (23 of October of 2018) of the European Parliament and of the Council on combating money laundering by criminal law:

Member States shall take the necessary measures to ensure that:

- a) a prior or simultaneous conviction for the criminal activity from which the property was derived is not a prerequisite for a conviction for the offences referred to in paragraphs 1 and 2;
- b) a conviction for the offences referred to in paragraphs 1 and 2 is possible where it is established that the property was derived from a criminal activity, without it being necessary to establish all the factual elements or all circumstances relating to that criminal activity, including the identity of the perpetrator.

Available: <https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=CELEX:32018L1673&from=lv>

⁴ For more information, see: Noziedzīgu nodarījumu izmeklēšanas prioritātes noziedzīgi iegūtu līdzekļu legalizācijas jomā (ENG: Priorities of investigation of criminal offences in the area of money laundering), Riga, 2020. The document is not publicly available.



The ML as a set of defined activities, including those defined in Article 5 of the AML Law, is a single process which can be further sub-divided into three main stages:

1. **The placement phase:** proceeds from crime are initially placed, introduced into the legitimate financial system, such as:
 - 1.2. the introduction of proceeds from crime through a legal person receiving cash payments;
 - 1.3. the transfer of funds (below the reporting threshold) on financial institutions' accounts.
2. **The layering or structuring phase:** the proceeds from crime in simulating different transactions are (a) transferred and structured with the aim of moving them further away from the source of the funds and (b) creating an impression of performing civil transactions, such as:
 - 2.1. Transfers of funds between countries, transfers of funds between a large number of credit institutions or other financial institutions;
 - 2.2. Transfers of funds between different accounts within one financial institution;
 - 2.3. Conversion of funds into financial instruments;
 - 2.4. Resale of exclusive goods (jewellery, art items);
 - 2.5. Use of shell arrangements;
 - 2.6. Actions are based on allegedly legal civil transactions – payment for goods, services, receipt of loans, repayment thereof, investments.
3. **The integration phase:** the proceeds from crime are integrated into the legitimate financial system and criminals can use them as seemingly legally received, in the form of dividends, property revenues, revenues from sales of financial instruments, fees for advisory services provided, they can be used for any purpose, such as self-consumption, acquisition of real estate, purchase of vehicles, investments in financial instruments, etc.⁵

All or only one of the ML phases can be identified in investigating ML. For example, in simple ML cases, only the integration phase is identified, namely when a perpetrator of a criminal offence or a related person buys a car from the proceeds directly derived from the crime. Or in the case of a predicate offence abroad, only the layering phase can be identified in Latvia, when funds are transferred through accounts in Latvia.

The ML phases can have both common and individual typologies and indicators, however their purposes for which specific actions are implemented differ:

- 3.1. during the placement phase – direct proceeds from crime are intended to be secretly introduced into the financial system;
- 3.2. during the layering phase – the purpose is to hide the origin, source of the original funds and create the impression of funds being acquired by means of seemingly legal civil transactions;
- 3.3. during the integration stage – the purpose is to use the funds as legally obtained.

⁵ See: About Business Crime Solutions Inc. Money laundering: a three-stage process. Available: https://www.moneylaundering.ca/public/law/3_stages_ML.php

Money laundering typologies

1. Funds are transferred through accounts of various financial institutions in different jurisdictions, where the accounts are opened for shell arrangements under a complex scheme.⁶ The implementation of these schemes involves (the schemes are organised by) professional providers of this service, such as persons with in-depth knowledge of accounting, law, finance or financial services, thus ensuring professional ML.⁷
 - The typology is most often related to indicators No. A1, A6, A10, A13, A14, A15, A16, A20, B1, B2, B4, B5, B17, B19, B24, B25, B43, C1, C4, C6, C7, D10, D14, F2, F3.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering stage.
2. Funds are transferred through accounts of various financial institutions in different jurisdictions, which have been opened for shell arrangements involved in a complex scheme. Within the framework of a professional ML service (or laundromat), the employees of the financial service provider ensure the opening of accounts with financial institutions.⁸
 - The typology is most often related to indicators No. A1, A6, A10, A13, A14, A15, A16, B1, B2, B3, B4, B5, B17, B19, B24, B25, B43, C1, C4, C6, C7, D14, F1, F2, F3.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering stage.
3. Funds are transferred through accounts of various financial institutions in different jurisdictions, which have been opened for shell arrangements involved in a complex scheme. Within the framework of a professional ML service (or laundromat), employees of the financial service provider and related entities ensure the registration of shell arrangements and the opening of accounts with financial institutions.⁹
 - The typology is most often related to indicators No. A1, A6, A10, A13, A14, A15, A16, B1, B2, B3, B4, B5, B17, B19, B24, B25, B43, C1, C4, C6, C7, D14, F1, F2, F3, F4.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering stage.
4. Legal persons carrying out economic activity transfer funds via 'legal arrangements'¹⁰ established in Latvia, including newly established companies, and such funds are transferred to both local and foreign companies acting as intermediaries (and such companies are fictitious). Transfers are substantiated as payments for goods or service. Following a series of subsequent fictitious transactions, money from the account of the last entity in the payment chain is withdrawn in cash. Cash withdrawals from the account take place abroad.¹¹

⁶ According to Article 1(15¹) of the AML Law, a shell arrangement is a legal person characterised by one or several of the following indicators:

a) has no affiliation of a legal person to an actual economic activity or the operation of a legal person forms a minor economic value or no economic value at all, and the obliged entity has no documentary information at its disposal that would prove the contrary;
b) laws and regulations of the country where the legal person is registered do not provide for an obligation to prepare and submit financial statements for its activities to the supervisory institutions of the relevant state, including annual financial statements;
c) the legal person has no place (premises) for the performance of economic activity in the country where the relevant legal person is registered.

<https://likumi.lv/ta/id/178987-noziedzigi-iegutu-lidzeklu-legalizacijas-un-terorisma-un-proliferacijas-finansesanas-noversanas-likums>

⁷ FATF Report. Professional Money Laundering. Box 18-19, pages 39-40. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

⁸ FATF Report. Professional Money Laundering. Box 18-19, pg. 39-40. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf> and Egmont Group Bulletin. Professional Money Laundering Facilitators. Available: https://egmontgroup.org/en/filedepot_download/1661/72

⁹ FATF Report. Professional Money Laundering. Box 18-19, pages 39-40. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

¹⁰ They can be fictitious companies that do not carry out economic activity, as well as companies carrying out economic activity who agree to ensure the transit of such funds through their accounts on the basis of fictitious transactions.

¹¹ FATF Report. Laundering the Proceeds of VAT Carousel Fraud. Example 5, pg. 9. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20VAT%20Carrousel%20Fraud.pdf> and The Eurasian Group on Combating Money Laundering and Financing of Terrorism Report. Tax Crimes and Money Laundering Typology Research Chapter 2.2., page 13. Available: https://eurasiangroup.org/files/Typologii%20EAG/Nalagovyje_prestupleniya_Eng.pdf

- The typology is most often related to indicators No. A1, A5, A6, A8, A10, A11, A12, A16, B4, B24, B32, B45, B48, C2, D8, D14.
 - The ML typology is most often related to tax evasion.
 - The typology corresponds to the placement, layering and integration phases.
- 5.** The accounts of legal persons (such as online shops, providers of logistics and transport services) are used to obtain proceeds from crime under the cover of the fictitious purchase/sale of goods.¹²
- The typology is most often related to indicators No. A2, A5, A6, A16, B1, B24, D1, D10, D19.
 - The ML typology is most often related to the following criminal offences: tax evasion, movement of illicit goods, objects and substances, illicit movement of excise goods.
 - The typology corresponds to the layering stage.
- 6.** In trade transactions, including transactions at a significantly increased or lowered price, or in which the quantity of goods is falsified, proceeds from crime are disguised and/or mixed with legal funds.¹³
- The typology is most often related to indicators No. A1, A22, B2, B23, B42, B43, C1, D16, D19.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering and integration stage.
- 7.** Accounts of shell arrangements are used to transfer funds from the original place of origin under cover of a fictitious transaction, with the aim of moving them further away from the source of the funds.¹⁴
- The typology is most often related to indicators No. A1, A4, A13, A14, A15, A16, B2, B3, B4, B19, B20, B21, B22, B23, B24, B25, B48, C1, C2, D10, D12.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering stage.
- 8.** The accounts of local and foreign legal persons which do not formally qualify as a shell arrangement are used to transfer funds from the original place of origin under cover of a fictitious transaction, with the aim of moving them further away from the source of the funds.¹⁵
- The typology is most often related to indicators No. A5, A6, A16, B2, B3, B4, C2, D1, D10.
 - The ML typology is most often related to tax evasion and crimes committed abroad.
 - The typology corresponds to the layering phase.
- 9.** Funds, while simulating seemingly legitimate transactions, are transferred to accounts of legal persons with foreign payment institutions (or electronic money institutions), which are later used to purchase various goods, services and real estate.¹⁶
- The typology is most often related to indicators No. A9, B18, B45, D1, D2, D3.
 - The ML typology is most often related to tax evasion.
 - The typology corresponds to the layering and integration phases.

¹² The Eurasian Group on Combating Money Laundering and Financing of Terrorism Report. Tax Crimes and Money Laundering Typology Research. Case 1, page 45. Available: https://eurasiangroup.org/files/Typologii%20EAG/Nalogovye_prestupleniya_Eng.pdf and Moneyval Report. Research of Typologies. Case Study 3.1., page 42. Available: <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680714f58>

¹³ FATF Report. Professional Money Laundering. Box 10-11, page 30-32. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

¹⁴ FATF Report. Professional Money Laundering. Box 8, 9 and 22, page 43. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

¹⁵ FATF Report. Professional Money Laundering. Box 8, 9 and 22, page 43. Available: <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>

¹⁶ The Eurasian Group on Combating Money Laundering and Financing of Terrorism Report. Tax Crimes and Money Laundering Typology Research, Chapter 1.3 (Ukraine), page 9, Chapter 2.4., page 24. Available: https://eurasiangroup.org/files/Typologii%20EAG/Nalogovye_prestupleniya_Eng.pdf

- 10.** Funds are transferred from their original place of origin through non-governmental organisations (associations, foundations), hereinafter NGOs while simulating seemingly legitimate transactions.¹⁷
- The typology is most often related to indicators No. A4, A20, A21, B14, B15, B16, C3, E6, E10, E15.
 - The ML typology is most often related to corruption.
 - The typology corresponds to the layering phase.
- 11.** Funds are transferred and structured with the aim of moving them further away from their origin by simulating seemingly legal transactions, and part or all of the funds are then invested, for example, in financial instruments, precious metals, real estate and other property, or used for personal needs, including by payment card.¹⁸
- The typology is most often related to indicators No. A1, A3, A5, A6, B2, B3, B12, B27, B28, B29, B33, B34, B41, B43, B45, C4, C5, D1, D6, D7, D10, E4, E8, E9, E10, E12, E14, E15.
 - The ML typology is most often related to tax evasion and crimes committed abroad.
 - The typology corresponds to the layering and integration phases.
- 12.** Funds (in the form of financial instruments) are being moved from the place they originated (remotely) by using fictitious transactions with the aim to move them further away from the source of the funds.¹⁹
- The typology is most often related to indicators No. B33, B34, B35, B36, B44, D1, D15.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the layering phase.
- 13.** In the event of the issuance and/or repayment of fictitious loans, funds are transferred from their initial place of origin with the aim of moving them further away from the source of the funds.²⁰
- The typology is most often related to indicators No. A4, A7, A20, B5, B8, B9, B10, B11, C2, D3, D4.
 - The ML typology is most often related to corruption.
 - The typology corresponds to the layering phase.
- 14.** A person receives funds through a fictitious loan agreement and subsequently uses them for self-consumption, for the purchase of property (e.g. real estate, vehicles), loan is not repaid.²¹
- The typology is most often related to indicators No. A4, A7, A20, B9, B37, B38, B39, B40, D18, E16.
 - The ML typology is most often related to corruption.
 - The typology corresponds to the integration phase.
- 15.** A natural person establishes a business company and soon after that sells shares to a third party (a shell arrangement) at a price which clearly does not correspond to the business value of the business company, thus generating seemingly legitimate income from a fictitious transaction.²²
- The typology is most often related to indicators No. A4, A20, A23, B6, B7, C8, D1, D5.
 - The ML typology is most often related to corruption.

¹⁷ OECD Report. Report on Abuse of Charities for Money-Laundering and Tax Evasion. Case Study 1-7, pages 59-65. Available: <https://www.oecd.org/tax/exchange-of-tax-information/42232037.pdf>

¹⁸ UNODC Report. Risk of Money Laundering through Financial Instruments 2nd Edition. Chapter 1.2.6.1, pg. 27. Available: https://www.unodc.org/documents/colombia/2013/diciembre/Risk_of_Money_Laundering_Version_2_completo.pdf

¹⁹ UNODC Report. Risk of Money Laundering through Financial Instruments 2nd Edition. Chapter 1.2.6.1, pg. 27. Available: https://www.unodc.org/documents/colombia/2013/diciembre/Risk_of_Money_Laundering_Version_2_completo.pdf un Asia-Pacific regional office called the "FATF-Asia Secretariat" Methods & Trends. Available: <http://www.apgml.org/methods-and-trends/page.aspx?p=a4a11dca-75f2-4dae-9c25-6215103e56da>

²⁰ Moneyval Report. Research of Typologies. Case Study 3.3., page 45. Available: <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680714f58> and FATF Report. Research on Money Laundering Typologies. Case No 9 and 10. Available: <https://www.cbr.ru/StaticHtml/File/36805/Typ-99-00.pdf>

²¹ FATF Report. Laundering the Proceeds of Corruption. Points No 12, page 9. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf>

²² Moneyval Report. Research of Typologies. Case Study 3.3., page 46. Available: <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680714f58>

- The typology corresponds to the layering and integration phases.
- 16.** The proceeds from crime in cash are imported across the border of Latvia and placed in the Latvian financial system or used for the purchase of goods, services, regardless of whether or not the funds are declared at the border.²³
- The typology is most often related to indicators No. A1, B12, B47, D2, D6, D7, D11, D17, E14.
 - The ML typology is most often related to crimes committed abroad.
 - The typology corresponds to the placement phase.
- 17.** The accounts and/or safes of natural persons in Latvia are used to conceal funds and to move them away from their source.²⁴
- The typology is most often related to indicators No. A17, A18, A19, A24, A25, B4, B13, B26, B27, D2, D9, D13.
 - The ML typology is most often related to crimes committed abroad (misappropriation, corruption etc.).
 - The typology corresponds to the layering phase.
- 18.** Unexplained wealth or income of a person.²⁵
- The typology is most often related to indicators No. A1, A7, A25, B8, B9, B10, B11, B40, B45, B47, B48, D2, D7, D11, D13, E1 – E16.
 - The ML typology is most often related to the following criminal offences: Corruption, misappropriation, movement of illicit goods, objects and substances, illicit movement of excise goods, human trafficking.
 - The typology corresponds to the placement and integration phases.
- 19.** The proceeds from crime are transferred through shell arrangements, nominee persons for corruption, illegal financing of political parties or other illegal actions.²⁶
- The typology is most often related to indicators No. A17, A18, A19, A25, B4, B20, B26, B28, B29, B30, B31, B45, B46, B48, D2, D9, D12, D13.
 - The ML typology is most often related to corruption, misappropriation.
 - The typology corresponds to the layering and integration phases.

²³ FATF Report. Research on Money Laundering Typologies. Case No 1. Available: <https://www.cbr.ru/StaticHtml/File/36805/Typ-99-00.pdf> and FATF Report. Money Laundering Through the Physical Transportation of Cash. Box 1 page 34. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/money-laundering-through-transportation-cash.pdf>

²⁴ FATF Report. Laundering the Proceeds of Corruption. Point No 65, 69 and 82, page 21,22 and 25. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf>

²⁵ FATF Report. Laundering the Proceeds of Corruption. Points No 106-110, page 30. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf>

²⁶ FATF Report. Laundering the Proceeds of Corruption. Point No 119, page 34. Available: <https://www.fatf-gafi.org/media/fatf/documents/reports/Laundering%20the%20Proceeds%20of%20Corruption.pdf>

Indicators of money laundering typologies

A. Indicators relating to the customer or its partners, related parties or other parties involved in the transactions

- A1. Negative information is publicly available about the parties involved in the transaction (e.g., ultimate beneficial owners (UBOs), authorised persons, board members, legal persons).
- A2. The company's website indicates that no economic activity is being carried out, e.g. the homepage has not been updated for a long time or the goods shown on the website are not sold, don't exist or the services are not provided.
- A3. The legal persons involved in the transactions (in the scheme) or their UBOs are registered in/linked to high-risk jurisdictions or their neighbouring countries with strategic deficiencies in the systems to combat money laundering and terrorist financing.
- A4. Transactions are carried out by shell arrangements established in jurisdictions with simplified legal person registration procedures, high risk of corruption and/or weak effectiveness in preventing ML.²⁷
- A5. A legal person does not have the facilities to ensure the declared economic activity, or the facilities at the disposal of the legal person do not correspond to the essence of the declared activity.
- A6. The number of employees declared by the legal person appears to be inadequate to cover the declared economic activity.
- A7. The level of wealth of the lender or beneficiary is disproportionate to the loan granted or is not verifiable.
- A8. The economic activity of a legal person with an accrued tax debt is formally terminated (thereby causing a loss in the form of unpaid taxes to the state budget), but in fact the economic activity is continued by another legal person through the business model, resources, and employees of the former legal person (which is in debt to the state).
- A9. The scheme involves a number of legal persons in the role of subcontractors, who, following the implementation of the relevant transactions, have ceased their economic activity without paying tax to the state.
- A10. The nature of the activities of the legal persons involved (fictitious companies) varies from time to time, for example by using newly created legal persons or legal persons which have changed ownership structure shortly before the transactions are carried out; legal persons whose owners (shareholders/stockholders) have a criminal record, homeless people, or nationals of other countries.
- A11. Schemes often involve newly-established legal persons and deal with significant amounts of money already in the first year or even the first month of operation.
- A12. Legal persons which are used as intermediaries for the implementation of the schemes and which besides their actual transfers declare also transactions with a fictitious company which have not actually taken place, do not pay tax by accumulating significant tax debts. The State Revenue Service excludes the relevant legal persons from the VAT Register after a certain period of time.

²⁷ See Financial Action Task Force. High-risk and other monitored jurisdictions. Available: <http://www.fatf-gafi.org/countries/#other-monitored-jurisdictions>; "European Commission adopts new list of third countries with weak anti-money laundering and terrorist financing regimes". Available: https://ec.europa.eu/commission/presscorner/detail/lv/IP_19_781

- A13. The ownership (shareholders/stockholders) structure of the legal person with an account in Latvia is not transparent.²⁸
- A14. The legal person holding an account in Latvia is controlled by natural persons from a country with high corruption risk.²⁹
- A15. The legal person holding an account in Latvia is controlled by a person who is most likely a nominee person, because he/she is registered – holds similar positions – in many other (foreign) companies.
- A16. There is no information available which would indicate the actual operation of the legal person, for example, there is no information available on the website of the legal person or there is no website at all, and the legal person cannot submit transaction documents, agreements, acceptance deeds, account statements and other evidence that would indicate the actual operation of the legal person.
- A17. There is publicly available information that individuals are linked to companies that regularly win public procurements.
- A18. There is publicly available information from Latvian/foreign institutions or publicly available information that a person is linked to a legal person/arrangement used in fraudulent or corruptive procurement schemes.
- A19. The country of residence and/or the country of origin of the funds is a country with a high risk of corruption.³⁰
- A20. The registered addresses of the shell arrangements involved in the scheme are identical to the registered office of the professional service provider, such as the registered office of the outsourced accountant or the entity providing legal services.
- A21. NGO has a status of a public benefit organisation that provides tax relief for both the NGO and its sponsors, although the transactions carried out in NGO accounts do not provide assurance that the NGO would comply with the requirements of the Public Benefit Organisation Law to qualify for this status.
- A22. The name of the legal person is identical or is clearly similar to the name of a company widely recognised with aiming to create a quasi-link of the legal person concerned with the company being widely recognised.
- A23. No tax payments are made by a legal person.
- A24. The level of well-being of the customer does not indicate the need to use a safe (for example, the customer is a student, the level of income declared by the customer is low compared to the rent of a safe).
- A25. A person's knowledge seems insufficient to carry out the respective transactions, provide services.

B. Indicators relating to transactions (payments and other services)

- B1. Payments are received from legal persons established in tax-free or low-tax countries and/or in high-risk jurisdictions.
- B2. Payments between legal persons registered in one country involve foreign legal persons without a clear reason.

²⁸ For example, an undertaking is owned by other legal establishments at various levels, or its legal structure includes shell arrangements or undertakings that are registered in jurisdictions with a simplified procedure for registration of undertakings, high corruption risk, and/or weak efficiency of controlling the laundering of proceeds derived from criminal activity.

²⁹ <https://www.transparency.org/en/cpi#>

³⁰ See: <https://www.transparency.org/en/cpi#>

- 
- B3. The same parties of a transaction receive payments for differing groups of commodities (untypical for standard economic operation).
 - B4. Payments are of a transit nature – funds are transferred from accounts shortly after they have been debited.
 - B5. The chain of transactions is artificially prolonged (complex) without a clear reason.
 - B6. Payment for shares is made by a shell arrangement, which does not do any economic activity.
 - B7. The purchase price of the shares significantly exceeds their actual value.
 - B8. Loans are provided without collateral and are not understandable (e.g., family, friendship).
 - B9. Loans are provided without interest or loan interest rates are very low which is obviously disadvantageous for the lender.
 - B10. The loan is used for purposes other than what the loan was intended for.
 - B11. The funds are received as repayments of loans from various natural or legal persons for loans allegedly granted in cash.
 - B12. Real estate transaction price significantly differs from the market value.
 - B13. After visiting the safe deposit box, the customer regularly makes cash payments to the current account (a safe deposit may hold a significant amount of cash that the customer places in a structured way in the financial system).
 - B14. Only a small part of the funds received on the NGO accounts are assigned for the fulfilment of the objectives set out in the NGO's articles of association, which gives rise to suspicion of a fictitious cover and concealing the real operational objectives of the NGO.
 - B15. Transactions carried out in NGO accounts do not meet the objectives set out in its articles of association and do not have any logical explanation.
 - B16. An NGO grants loans.
 - B17. Transfers to accounts of legal persons for allegedly provided services (such as consultations, documentation preparation, etc.), the (non-)provision of which is difficult or impossible to prove.
 - B18. The funds obtained as a result of the scheme have been partly transferred to related natural and/or legal persons and have been partly withdrawn in cash. Part of the funds has been transferred to an account of a company registered in Latvia and invested in real estate previously owned by a person affiliated to a scheme member.
 - B19. A legal person holding an account in Latvia makes unusual transfers to an account of other legal or natural persons for provision of consultations, representation, or lobbying services in relations with foreign institutions or undertakings.
 - B20. A legal person holding an account in Latvia covers the costs of representation or hospitality that might be related to promotion of their economic activity abroad especially in relations with officials of foreign institutions and undertakings.³¹

³¹ For example, a bribe can be any benefit to an official or his/her relatives, including covering of the costs for travelling, visiting culture and sports events, catering services, gift cards, and other benefits.

- B21. Before or after receiving assignments from foreign institutions and undertakings, a legal person holding an account in Latvia has performed unusual and unclear transactions with atypical transaction partners that do not carry out economic activity or are registered in offshore jurisdictions.
- B22. A legal person holding an account in Latvia receives payment for goods or services that is higher than the actual market prices for equivalent goods and services or at a price paid by the respective person to the manufacturer or supplier of the goods.
- B23. The transaction involves intermediaries that do not produce or deliver anything, but only play the role of an agent at a higher price.
- B24. The transactions take place between legal persons which have a unifying element (e.g. board member, address, telephone number, IP address, etc.).
- B25. Transactions constitute a complex structure which is not economically or logically viable.
- B26. The use of accounts with a Latvian credit institution does not constitute a clear economic justification, i.e. the accounts are opened in a country other than the country of residence or economic activity of the said persons.
- B27. The funds are accumulated; there are no transactions (e.g., purchases) on the account that would suggest an active use of the account.
- B28. Persons receive payments from governmental, municipal business companies or enterprises that are selected winners in public procurements.
- B29. Through legal persons, real estate is purchased abroad and third-party invoices are paid.
- B30. Payments made by a legal person do not correspond to the registered type of business.
- B31. Credit cards attached to the accounts of a legal person are used by third parties for the payment of their daily expenses.
- B32. Large sums of cash are withdrawn from the accounts of a legal person.
- B33. Incoming transfers free of payment are debited by a third party on the client's securities account or an outgoing transfer in favour of a third party is credited from the client's securities account, and there is no logical explanation for these transfers.
- B34. Rapid growth of the client's portfolio of financial instruments, transactions made without additional funding from the bank or client and there is no logical explanation.
- B35. Reverse transactions in financial instruments within a short period of time.
- B36. The price of a financial instrument differs significantly from the market value of a financial instrument.
- B37. The loan received from legal person established in an offshore jurisdiction, established in a country with simplified business registration procedures, of which information is not available that its business would be credit services.
- B38. A financial pledge (collateral) is removed before the loan is repaid.
- B39. Payments that should be linked to the repayment of the loan are not made at all or are made partly (not in line with the contractual terms).
- B40. The person has other funds at its disposal which render the loan economically unjustified.

- B41. The origin of the funds consists of payments from shell arrangements received in the form of loans or transfers of securities free of payment. The loan is not repaid or is partially repaid.
- B42. Goods are bought at a disproportionately high price, which does not correspond to the actual market value of the goods for which the goods are resold in other countries.
- B43. Payment is made for seemingly fictitious transactions.
- B44. A person transfers financial instruments to a third party free of charge.
- B45. Cash transactions are carried out.
- B46. A transfer or cash deposit is received in a natural person's account, which is immediately donated to a political party, and it lacks a clear explanation.
- B47. High-denomination banknotes are used in the transaction.
- B48. A legal person with an account in Latvia makes disproportionate, increased commission payments and service payments in comparison to the transactions to be implemented.

C. Indicators relating to the person's account

- C1. The accounts of the parties involved are opened abroad (including far from the country of residence or economic activity) and there is a lack of clear explanation for that.
- C2. The accounts of the legal persons do not reveal any transactions that would indicate an active business operation, such as payments for premises, salaries, payments to transport service providers, etc.; there are only payments for legal services and bank charges.
- C3. The UBOs of accounts of NGOs opened in Latvian credit institutions are persons other than those, who have the power of signature of the respective NGO.
- C4. For a part of the legal persons involved in the scheme, accounts have been opened at intervals of few days; accounts have been opened abroad (including far from the country of residence or place of economic activity) for which there is no logical explanation.
- C5. The accounts of the involved legal persons are opened in a country other than the country of economic activity of the respective legal person, and UBOs are not Latvian citizens and residents.
- C6. Financial transactions are made from one IP address via various bank accounts.
- C7. One natural or legal person opens or manages several bank accounts in a coordinated manner.
- C8. The account of a shell arrangement acquiring shares is opened abroad.

D. Indicators relating to documentation supporting transactions, etc.

- D1. Supporting documents of the transactions have not been submitted to the extent to verify the legality of the funds and the actual execution of the transactions, the documents submitted contain flaws implying they might be fictitious.
- D2. A client provides incorrect or incomplete information on the source of funds (or uses a justification for the source of funds that cannot be verified).
- D3. The documents submitted on the source of funds lent and the circumstances of the loan are incomplete and questionable – the documents contain signs of fraud.

- 
- D4. There are no documents proving the issue or repayment of the loan.
 - D5. After the acquisition, the business company does not actively carry out economic activity.
 - D6. At the crossing of the border, the funds are not declared, are partially declared or information on the declared funds does not correspond to what is declared in another jurisdiction.
 - D7. The source of funds is explained by donation, heritage, savings or a loan, but no or incomplete documents supporting the source of funds are provided.
 - D8. The purpose of payment reads as follows: 'according to invoices or bills of lading', etc., but there are no business transactions on the account showing actual economic activity of the company.
 - D9. The safe is mainly or fully used by the customer's authorised person.
 - D10. The comments section (purpose of payment) contains general descriptions, such as 'Non-cash transfers', 'Commodity transactions', 'Textiles', 'Computer parts', 'Construction materials', 'Mobile phones', 'Electrical goods' or descriptions of similar content.
 - D11. When asked to justify the source of funds, it is stated that the funds were declared at the crossing of the border.
 - D12. The funds are used for purposes other than provided for in the contract.
 - D13. The person does not respond to requests from an obliged entity under the AML Law to submit documents, explanations to support the source of payments received in the account, and the payments do not correspond to the explanation provided at the opening of the account.
 - D14. Legal persons involved in the scheme showing indications of a shell arrangement are regularly making cross-border transfers, stating the purpose of payment as 'Transactions with goods' or 'Payments for services', without explaining in detail for which goods and services the payments are made, etc.
 - D15. The explanations and/or documents submitted by the persons do not explain the reasons why a person transfers funds to a third party free of charge.
 - D16. Falsifying the number and/or value of goods to be shipped, so that they are greater or less than the corresponding charge.
 - D17. The banknotes have sequential serial numbers.
 - D18. The funds received are not used or are only partially used for the purpose of the loan.
 - D19. A legal person does not keep books or does it carelessly, or the bookkeeping documents are fictitious.

E. Indicators relating to politically exposed persons (PEP), public officials and persons associated with them, as well as persons with unexplained wealth or income

- E1. Local or foreign PEP, his/her family member, a person closely related thereto, or another official receives and/or transfers abnormally huge amounts, incl. in different currencies.
- E2. To hide the UBO, a PEP involves his/her or other state officials' employees (a maid, gardener, driver, etc.) in transactions as "money mules"; on their accounts, large-scale (disproportionate to their financial status) payments (transactions) are received and made.

- 
- E3. A PEP, his/her family members, closely related persons, or other officials receive or acquire shares or stocks:
 - a) in exchange of services;
 - b) the purchase is financed by the seller;
 - c) the purchase price is lower than the actual value of the shares or stocks.
 - E4. Persons (including a PEP, his/her family members, closely related persons or other officials) perform transactions with financial instruments such as "Penny Stock" or implement transactions over the counter with shares of unlisted undertakings.
 - E5. A PEP, their family members, closely related persons, or other officials perform transactions in financial instruments during short periods of time.
 - E6. A PEP, his/her family members, closely related persons, or other officials receive unreasonably huge money sums for participation in seminars, conferences or as a project advisers.
 - E7. A PEP, his/her family members, closely related persons, or other officials have their debt liabilities cleared or a request to pay a loan is cancelled.
 - E8. Declared welfare level of persons (including a PEP, his/her family members, closely related persons, or other officials) does not conform to the volume of transactions made on their bank accounts, value of financial instruments at their possession, or their contributions to deposit instruments (life insurance and others).
 - E9. Persons (including a PEP, his/her family members, closely related persons, or other officials) have made investment (incl. purchase of a virtual currency) for an amount which exceeds their declared income.
 - E10. A PEP, his/her family members, or closely related persons, or other officials purchase luxury goods at an unreasonably low price, receive high-cost services or other advantages from a contracting company or its officials shortly after completion of a procurement tender.
 - E11. On accounts of persons (including a PEP, his/her family members, closely related persons, or other officials), cash transactions (incoming payments or pay-outs) are carried out on a regular basis.
 - E12. On accounts of persons (including a PEP, his/her family members, closely related persons, or other officials), payments from foreign jurisdictions (especially when the payment is made from a jurisdiction with a simplified procedure for registration of undertakings) are made for purchasing a real estate or high-value or luxury goods. In such cases, usually additional information about the substance of the transaction is not indicated and the payment purpose is unclear (e.g., "payment for consultations", etc.).
 - E13. Winnings from online gambling sites (or other providers of similar services) are debited on accounts of PEP, their family members or closely related persons or other officials often or in large amounts.
 - E14. Persons (including a PEP, his/her family members, closely related persons, or other officials) have made cash transactions of huge amounts (e.g., currency exchange, expensive items have been bought, etc.).
 - E15. Persons (including a PEP, his/her family members, closely related persons, or other officials) make payments to lawyers, accountants, or other professional service providers in amounts that lack any logical explanation.
 - E16. The beneficiary of the loan is a PEP, his/her family member or a person closely linked to PEP.

F. Indicators implying the operation of laundromats

- F1. The bank's employees involved in the scheme carry out the following activities:
- a) monitoring of cash flows (or insufficient monitoring) in accounts controlled by interested persons/criminals;
 - b) coordination of financial transactions to avoid reporting suspicious transactions;
 - c) accepting fictitious documents which serve as a basis for certain transactions without requiring additional information;
 - d) execution of fictitious transactions in client accounts (transactions are carried out without substantially altering the net balance at the beginning and end of a business day).
- F2. Publicly available information indicates that the funds (or part thereof) used in transactions are involved in a large network of persons and companies, including shell arrangements (laundromat).
- F3. According to publicly available information, the persons involved in the transaction and/or their affiliated persons are involved in a large network of persons and companies, including shell arrangements (laundromat), such as the laundromats listed on the site <https://www.occrp.org/en/laundromats/>.
- F4. A link has been identified between the companies involved in the scheme (shell arrangements) and the bank-related companies and persons involved in the scheme, including former employees of the bank. The related companies and persons take care of the registration of the companies, are the authorised persons of the companies or are otherwise related to the companies involved in the scheme.

List of changes

Changes in the 2nd revised edition:

- The sections "Introduction" and "Use of the document" have been updated in relation to the use of indicators included in the document.
- The typologies No. 4, 6, 8, 10, 11, 14, 17, and 19 have been updated.
- The indicators have been updated and other editorial amendments have been made.