Annex No. 2

(in the version approved by the Decision of the Latvian Council of Sworn Advocates of No. 206 of 4 October 2022 (Minutes No. 12))

**Client Risk Assessment Form**

**Client:** [name / name, surname]

 [registration number / personal number / date of birth]

**Given assignment:** [client transaction]

**Responsible person:** [name, surname]

**Risk level:** [high/medium/low]

**Reliability check of** [High UB reliability /UB reliability gives raise to suspect /UB is the client management]

**ownership title of the**

**ultimate beneficiary:**

**Summary of the given
assignment:** [summary of the given assignment and risks]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item No.** | **Money laundering and terrorism and proliferation financing risk** | **Risk category** | **Risk assessment** | **Comment** |
| **1.** | **Client risk** |
|  | *Risk related to the client or their ultimate beneficiary*  |
| **1.1.** | The client is a politically exposed person, family member of a politically exposed person or a person closely related to a politically exposed person. | **High** | Yes [ ]  No [ ]  |  |
| **1.2.** | There are reasonable grounds to suspect eventual relation to the client or their ultimate beneficiary to money laundering, terrorism financing or financing of mass destruction weapons distribution (proliferation) even if no information about the client is received from the Financial Intelligence Unit of Latvia. | **High** | Yes [ ]  No [ ]  |  |
| **1.3.** | Criminal proceedings are instituted against and/or the client is convicted for money laundering, terrorism financing or financing of mass destruction weapons distribution (proliferation). | **High** | Yes [ ]  No [ ]  |  |
| **1.4.** | According to the data received from the Financial Intelligence Unit of Latvia or other law enforcement authority, the client or their ultimate beneficiary is suspected for money laundering, terrorism financing or financing of mass destruction weapons (proliferation) and international or national sanctions are imposed on them (sankcijas.fid.gov.lv). | **High** | Yes [ ]  No [ ]  |  |
| **1.5.** | The clients attempts to avoid provision of information or to conceal their economic activity. | **High** | Yes [ ]  No [ ]  |  |
| **1.6.**  | The client is a shell formation. | **High** | Yes [ ]  No [ ]  |  |
|  | *Risk related to the legal form, ownership structure and behavior of the client*  |
| **1.7.** | The client is the Republic of Latvia, a derived public entity, direct governmental authority or indirect governmental authority, or a share company controlled by the State or municipality. | **Risk decreasing** | Yes [ ]  No [ ]  |  |
| **1.8.** | The client is a merchant who has their shares listed in a regulated market in one or more Member States. | **Risk decreasing** | Yes [ ]  No [ ]  |  |
| **1.9.** | The client is a legal formation – a company that manages private assets (a trust). | **Risk increasing** | Yes [ ]  No [ ]  |  |
| **1.10.** | The client is a legal entity that meets one of the below-listed conditions:1. the client is a legal entity that emits, or is authorized to emit bearer shares (equity securities), or is owned by registered owners of equity shares held on behalf of the ultimate beneficiary;
2. ownership or shareholding structure of a client – legal entity or legal formation is complicated or non-typical to the client’s economic activities;
3. the client is an association, establishment or an equivalent legal formation without profit-gaining nature;
4. the client is a provider of legal formation establishment and operation services and has opened opens in their own name an account for handling of financial transactions on behalf of their clients;
5. commercial or private activities of the client are not related to the Republic of Latvia except where the client establishes business relations with a branch or representative office of a financial institution registered in the Republic of Latvia, or a parent/daughter company abroad, and commercial or private activities of the client are related to the country where such branch or representative office, parent or daughter company is situated (except where the client acquires certificates of an investment fund registered in the Republic of Latvia);
6. the client is making large cash transactions;
7. the client’s transactions are made in unusual conditions;
8. the client is receiving payments from an unidentified third party
9. the client regularly makes outgoing payments from payment accounts opened in unlicensed foreign payment institutions or foreign electronic money institutions established in countries identified by the European Commission as having strategic deficiencies in the AML/TF regimes that pose a significant threat to the financial system of the European Union (see: <https://finance.ec.europa.eu/financial-crime/high-risk-third-countries-and-international-context-content-anti-money-laundering-and-countering_en>).
 | **Risk increasing** | Yes [ ]  No [ ]  |  |
|  | *Risks related to economic or personal activities of the Client of their ultimate beneficiary* |
| **1.11.** | The client is engaged in commercial activities that present increased risk including:1. arrangement of gambling;
2. provision of encashment services;
3. brokerage in real estate transactions;
4. trade in precious metals and precious stones;
5. trade in weapons and ammunition;
6. provision of reinsurance services unless the service provider is appropriately licensed and subject to supervision, or rated in the category of investments by the international rating agencies;
7. provision of monetary services (such as cashier offices, currency exchange outlets, wire transfer agents or other service providers offering wire transfer possibilities);
8. provision of investment services and auxiliary services unless the service provider is appropriately licensed in a Member State or a third country where the requirements of regulatory acts in the field of prevention of money laundering and terrorism and proliferation financing are equivalent to those of legal acts of the European Union, and the service provider is subject to supervision;
9. using of new services, products or channels of their supply, or new technologies that are not typical to the industry;
10. provision of all types of consulting (such as finance, marketing, etc.) unless the service provider is appropriately licensed in a Member State or a third country where the requirements of regulatory acts in the field of prevention of money laundering and terrorism and proliferation financing are equivalent to those of legal acts of the European Union, and the service provider is subject to supervision.
 | **Risk increasing**  | Yes [ ]  No [ ]  |  |
| **2.**  | **Country and geographic risk**  |
| **2.1.** | The client or their ultimate beneficiary or the client's main cooperation partners are related to a high risk residence or registration country or territory, namely:1. a country of territory listed in the list of low tax or tax free countries and territories in accordance with the Cabinet Regulations No. 819 of 17 December 2020 “Regulations Concerning Low Risk or Tax Free Countries and Territories” (cf. [*https://likumi.lv/ta/id/319726-noteikumi-par-zemu-nodoklu-vai-beznodoklu-valstim-un-teritorijam*](https://likumi.lv/ta/id/319726-noteikumi-par-zemu-nodoklu-vai-beznodoklu-valstim-un-teritorijam));
2. a country or territory subject to international or national sanctions or sanctions imposed by an individual Member State of the North Atlantic Treaty Organization, such as OFAC (cf. <https://www.sanctionsmap.eu/#/main> <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>);
3. a country or territory classified by the Financial Action Task Force as a high risk and other monitored territories (cf. <http://www.fatf-gafi.org/countries/#high-risk>);
4. a country or territory classified by the European Commission as characterized by strategic shortcomings in their ML/TF/PF prevention regimes thus posing significant threat to the financial system of the European Union (<https://ec.europa.eu/info/policies/justice-and-fundamental-rights/criminal-justice/anti-money-laundering-and-counter-terrorist-financing_en>);
5. a country or territory characterized by high corruption risk (cf. <https://www.transparency.org/en/cpi/2021>);
6. a country or territory characterized by high level of criminal offences likely to result in money laundering, terrorism financing or (cf. [anti-money laundering and terrorism financing prevention index by Basel Institute of Governance)](https://index.baselgovernance.org/) financing of mass destruction weapons distribution (proliferation));
7. a country or territory subject to international or national sanctions or sanctions imposed by an individual Member State of the European Union or North Atlantic Treaty Organization, such as OFAC;
8. a country or territory that provides funding or support to terrorist activities, or have terrorist organizations operating on their territories where such organizations are listed in the list of countries compiled by the countries or international organizations approved by the Cabinet that have compiled the lists of persons suspected for involvement of terrorist activities or production, storage, handling, use or distribution of mass destruction weapons;
9. a country or territory that refuses to cooperate with the international organizations in the field of prevention of money laundering, terrorism financing or financing of mass destruction weapons distribution (proliferation).
 | **Risk increasing**  | Yes [ ]  No [ ]  |  |
| **2.2.** | The country of residence or registration of the Client is a Member State of the European Union or a country:1. where the requirements of regulatory acts in the field of prevention of money laundering, terrorism financing and financing of mass destruction weapons distribution (proliferation) are equivalent to those of legal acts of the European Union and such requirements are complied with by the State;
2. where effective systems for prevention of money laundering, terrorism financing and financing of mass destruction weapons distribution (proliferation) are in place;
3. where the corruption risk is low;
4. where the level of criminal offences likely to result in money laundering is low.
 | **Risk decreasing** | Yes [ ]  No [ ]  |  |
| **3.**  | **Risk of services and products used by the Client**  |
| **3.1.** | The Client is using the following services and products:1. reliance on services of a private banker in communication with the Advocate;
2. services, products or channels of their supply that facilitate anonymity;
3. services, products or channels of their supply that limit the investigation or awareness of their personal and economic activities;
4. new services, products or channels of their supply, or new technologies that are not typical to the industry.
 | **Risk increasing**  | Yes [ ]  No [ ]  |  |
| **4.**  | **Risk of supply channels of services and products**  |
| **4.1.** | The client has not been identified in person unless remote identification is conducted in accordance with the procedure prescribed by the Law.  | **High** | Yes [ ]  No [ ]  |  |
| **4.2.** | Provision of services by the Client is based on technological solutions that limit the investigation or awareness of their personal and economic activities. | **Risk increasing** | Yes [ ]  No [ ]  |  |
| **4.4.** | The Client is new services, products or channels of their supply, or new technologies that are not typical to the industry  | **Risk increasing** | Yes [ ]  No [ ]  |  |