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VEF BANKA

Riga. May 23, 2005

Financial Crimes Enforcement Network
US Department of the Treasury

Financial and capital market
commission of Latvian Republic

LR Office of the Prevention of Laundering
of Proceeds Derived from Criminal Activity

On measures taken for the prevention
of using the JSC "VEF banka" for
attempts of money laundering

In order to prevent the use of the joint stock company "VEF Banka" (VEF bank) for attempts of money laundering and taking to account the announcement of the Financial Crimes Enforcement Network of the Department of the Treasury (FinCEN) on April 26, 2005 (RIN 1506-AA82), the following measure were taken in VEF bank, based on the assignment of the VEF bank Supervisory Council:

1. The "*Client Policy*" and "*Procedure of opening the client's account*" as well as "*Identification Procedure of Suspicious Financial Transactions*" were completely revised and amended, in compliance with the "*Transactions and Customer Identification Programs for Banks, Savings Associations, and Credit Unions*" by US Department of Treasury on July 23, 2002.

2. VEF bank terminated all the contractual relations with the agents, which rendered the VEF bank services aimed at the attraction and servicing of clients, have been terminated.

3. VEF bank initiated the process of closing the accounts of all those clients, who are not residents of the Republic of Latvia, identification of whom was not carried out by the VEF bank personnel.

Besides, the accounts of the companies, which may be connected in any way with the system of electronic payments WEB-MONEY, are been closed, as well as accounts of all the clients non-residents, the activities of which, in the opinion of the FinCEN, were not fully transparent.

4. At the moment, the opening of accounts for all those who are not residents of the Republic of Latvia is interrupted until the moment when the version of the Procedure of opening the client's account is endorsed by the Financial and capital market commission of Latvian Republic (FCMC) and FinCEN.

5. In order to make the necessary strategic decisions, an Extraordinary Meeting of the VEF' banks shareholders was announced for May 26, 2005.

6. As of today, the following changes have been made among the officials in the VEF bank's management:

- Head of Department for the Supervision of Clients was displaced.
- Chief Manager for Remote Attraction of Clients was displaced.
- The Council on meeting in May 12, 2005 made a decision to change members of Board of the VEF bank. This decision takes effect during 3 months after candidatures of new members of Board will be adjust with FCMC.

7. The Board was ordered to inform the Council regularly about all the cases when there is suspicion that the VEF bank could be used for attempts of money laundering and measures taken for the prevention of such attempts.

8. The VEF bank's officials were ordered to check all the relevant internal procedures without delay in order to prevent the possibilities of using the VEF bank for attempts of money laundering.

Moreover, the Council indicated at the necessity of introducing compliance of the internal procedures with the Latvian legislation, as well as that USA in the sphere of prevention of legalisation of funds obtained by criminal means.

9. The Board was asking the FCMC for making the on-site audit in VEF bank, to establish a fact that VEF bank was fulfilled the demands of Latvian and US authorities in prevention of legalisation of funds obtained by criminal means.

FCMC was starting audit on May 23, 2005.

The Council of the VEF bank will welcome suggestions from FCMC of Latvia and FinCEN on further development of procedures and measures to prevent the possibility of using the VEF for attempts of money laundering and enhancing cooperation in this area.

Attachments: 1. Procedure of opening the client's account.
2. Client Policy.
3. Procedure of identifying of suspicious financial transactions.
4. JSC "VEF banka" letter No.1.15/886 from May 17, 2005.
5. FCMC letter No.05.01.01.021/1423 from May 18, 2005.

Aleksejs Durandins
Chairman of the Supervisory Council
of the JSC "VEF banka"