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FinCENnews

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**FinCEN Withdraws Finding on Latvia's Multibanka and
Issues Final Rule Against Latvia's VEF Banka**

The Financial Crimes Enforcement Network (FinCEN) today withdrew its finding of April 26, 2005 which determined that Multibanka was a financial institution of primary money laundering concern and also withdrew the notice of proposed rulemaking against Multibanka. In a separate action today, FinCEN issued a final rule which imposed a special measure against VEF Banka as an institution of primary money laundering concern. U.S. financial institutions are prohibited from opening or maintaining correspondent accounts for or on behalf of VEF Banka.

"The two FinCEN actions taken today demonstrate case-by-case assessments of specific risks to the financial system and our discretion to take action based on those assessments to defend the U.S. financial system," said Robert W. Werner, Director of FinCEN.

Multibanka is headquartered in Riga and is the oldest commercial bank in Latvia. VEF is also headquartered in Riga and is one of the smallest of Latvia's 23 banks. It has one branch in Riga and one representative office in the Czech Republic. VEF maintains correspondent accounts in countries worldwide but currently reports none in the U.S.

U.S. financial institutions, however, should be aware that VEF may still attempt to gain indirect access to the U.S. financial system through nested correspondent accounts.

FinCEN had previously found reasonable grounds for concluding that Multibanka was used by criminals to facilitate or promote money laundering. Since that finding, Multibanka has taken a number of important steps to address the reported money laundering risks highlighted in the previous notice of proposed rulemaking. Specifically, Multibanka has revised its policies, procedures and internal controls; reviewed the entire portfolio of its accounts; retained an international accounting firm; and made organizational changes in the hiring of additional employees to assist with compliance.

In addition to institutional reforms at Multibanka, the U.S. is encouraged by the efforts of the Latvian government in addressing the concerns highlighted last April. Latvia has made important strides in strengthening its anti-money laundering/counter-financing of

terrorism (AML/CFT) regime, including passing legislation to significantly tighten controls and increase penalties on money laundering activity. Latvia has also banned the establishment of shell banks; introduced criminal liability for providing false information to banks; clarified the authority of Latvian financial institutions to demand customer disclosure regarding the source of funds; and allowed for the sharing of information between financial institutions on suspicious activities. These legislative, regulatory and law enforcement efforts over the last year demonstrate Latvia's commitment to combating illicit finance.

FinCEN had also previously found VEF to be of primary money laundering concern, pursuant to Section 311 of the USA PATRIOT Act, and issued a notice of proposed rulemaking. FinCEN determined that VEF was a banking resource for illicit shell companies in financial fraud rings. VEF permitted ATM withdrawals in significant amounts, which is an essential component of the execution of large financial fraud schemes. Since then, VEF has revised its policies and procedures, closed approximately 600 questionable accounts, and changed its management.

"Despite the steps VEF already has taken, we have continued concern with reported links between the bank's ownership and organized crime groups that are suspected of facilitating money laundering," Mr. Werner said.

For more information on these actions regarding VEF and Multibanka, see [[Withdrawal of the notice of proposed rulemaking against JSC Multibanka](#)] and [[Final Rule on Imposition of Special Measure Against VEF Banka.](#)]