

North Korea Sanctions Violations Trigger Latvian Bank Fines

By Aaron Eglitis

June 27, 2017, 8:56 AM GMT+1

Updated on June 27, 2017, 3:15 PM GMT+1

-
- ▶ Breaches uncovered with help from FBI, U.S. Treasury
 - ▶ Regulator to probe other banks over potential wrongdoing
-

Latvian banking regulators fined three lenders over involvement in attempts to dodge international sanctions on North Korea.

Baltikums Bank and Privatbank each agreed to pay 35,575 euros (\$40,000), while Regionāla Investīciju Banka agreed to pay 570,364 euros, the Financial and Capital Market Commission said Tuesday in a [statement <http://www.fktk.lv/en/media-room/press-releases/6429-fcmc-in-collaboration-with-u-s-law-enforcement-authorities-identifies-weaknesses-and-imposes-monetary-fines-on-three-banks.html>](http://www.fktk.lv/en/media-room/press-releases/6429-fcmc-in-collaboration-with-u-s-law-enforcement-authorities-identifies-weaknesses-and-imposes-monetary-fines-on-three-banks.html). The breaches, between 2009 and 2015, relate to carrying out due diligence on clients and failure to gather sufficient information on transactions and beneficiaries

“Several customers of those banks, making use of offshore companies and complicated chain transactions, transferred the funds from their bank accounts to circumvent international sanctions requirements imposed against North Korea,” the regulator said.

Latvia, a Baltic country of 2 million people with historic financial ties to the former Soviet Union, has been [criticized <https://www.bloomberg.com/news/articles/2016-01-25/latvian-banking-regulator-quits-after-u-s-criticizes-oversight>](https://www.bloomberg.com/news/articles/2016-01-25/latvian-banking-regulator-quits-after-u-s-criticizes-oversight) in the past following money-laundering allegations relating to Russia, Moldova and other ex-communist nations. More recently, regulators have been [cracking down <https://www.bloomberg.com/news/articles/2017-02-22/ex-soviet-cash-drain-to-deepen-as-baltic-bank-hub-tightens-rules>](https://www.bloomberg.com/news/articles/2017-02-22/ex-soviet-cash-drain-to-deepen-as-baltic-bank-hub-tightens-rules) on illicit banking activities, handing out record fines and tightening rules on foreign cash.

The regulator said the North Korea violations were uncovered with help from the Federal Bureau of Investigation and the U.S. Treasury. It’s looking into whether more Latvian lenders handled transactions related to the case.

“Examinations are taking place, requests for information are happening,” Peters Putnins, head of the the Financial and Capital Market Commission, told a news conference Tuesday in the capital, Riga.

Privatbank has ended relationships with counterparties involved in the transactions and other high-risk clients, the lender said Tuesday in a [statement <https://www.privatbank.lv/en/news/as-privatbank-nosl-dz-administrat-vo-l-gumu-ar-finanan-u-un-kapit-la-tirgus-komisiju/>](https://www.privatbank.lv/en/news/as-privatbank-nosl-dz-administrat-vo-l-gumu-ar-finanan-u-un-kapit-la-tirgus-komisiju/). Baltikums said in a [statement <https://www.blueorangebank.com/en/baltikums-bank-as-announcement-on-its-administrative-agreement-with-the-fcmc>](https://www.blueorangebank.com/en/baltikums-bank-as-announcement-on-its-administrative-agreement-with-the-fcmc) that three of its clients “engaged in several payments possibly related to evading international sanctions” between 2011 and 2013. It said it’s improved its internal control systems since 2013 and added compliance staff.

Regionāla Investīciju Banka said in a [statement <http://ribbank.com/lv/par_banku/jaunumi/banka_un_fktk_ir_noslegusas_administrativo_ligumu.html>](http://ribbank.com/lv/par_banku/jaunumi/banka_un_fktk_ir_noslegusas_administrativo_ligumu.html) that it’s invested in its information-technology systems and hired new staff while reevaluating its clients.

(Updates with bank comment in final paragraph.)

