



Izložu un azartspēļu uzraudzības inspekcija

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INTERNAL RULES

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Guidelines on the Imposition of Sanctions on Lottery and Gambling Organisers for Violations of the Law on the Prevention of Money Laundering and Terrorism Financing

*Issued in accordance with
State Administration Structure Law
Section 72, Paragraph one, Clause 2*

I Purpose and Scope

1. The purpose of the guidelines on the imposition of sanctions on lottery and gambling organisers for violations of the Law on the Prevention of Money Laundering and Terrorism Financing (hereinafter - the provisions) is to ensure:
 - 1.1. the uniform and equal imposition of sanctions set out in the Law on the Prevention of Money Laundering and Terrorism Financing (hereinafter - the Law) for violations in the area of money laundering and terrorism financing prevention (hereinafter - MLTFP) against subjects of the law referred to in Clause 7 of Paragraph one in Section 3 of the Law and supervised by the

Lotteries and Gambling Supervision Inspection (hereinafter - the subjects of the law);

- 1.2. the proportionate adoption of decisions in accordance with the factual circumstances or the character and severity of the violation committed in order to rectify the activities of the subjects of the law or to prevent the violation through uniform imposition of the sanctions of the Law;
- 1.3. the adherence to fundamental principles when imposing sanctions.
2. The provisions establish the actions of the Lotteries and Gambling Supervision Inspection (hereinafter - the Inspection) when imposing sanctions if the subjects of the law have violated regulations within the area of money laundering and terrorism financing prevention.
3. A sanction can be imposed for a committed (completed or ongoing) violation.
4. Exceptional cases, constituting a derogation from the principles described within these provisions, shall be explicitly justified by the Inspection in its decision.
5. When imposing a sanction no one shall be sanctioned twice for the same violation.
6. The liability of the subjects of the law for failure to comply with the requirements specified for the prevention of money laundering and terrorism financing is laid down in Section 78 of the Law.
7. The provisions consist of four parts: the first part describes the evaluation of violations; the second part considers expediency assessment; the third part deals with the imposition of fines; the fourth part describes the imposition of operating restrictions and legal obligations.

II Evaluation of Violations

8. The Inspection shall consider a violation within the money laundering and terrorism financing prevention area to be systematic if it is found repeatedly in an Inspection check within the year preceding the initiation of administrative proceedings.
9. If a subject of the law has committed several violations the penal sanction for the most serious violation within the money laundering and terrorism financing prevention area is taken into account and, upon the imposition of the penalty, the lighter penalty is included with the sanction foreseen for the more serious violation.

III Expediency assessment

10. Regarding sanctions and supervision measures set down in Paragraph one of Section 78 of the Law the legislator has entrusted the authority with the decision on the size of the penalty to be imposed (within the limits of the sanction), as well as with the choice of whether or not to apply any supervision measures, meaning that the Inspection shall act in accordance with Paragraph one of Section 66 of the Administrative Procedure Law and perform an expediency assessment.
11. The purpose of expediency considerations is to make sure that the Inspection, acting within its discretion, selects among several possible legal consequences the most appropriate legal consequences for the specific case.

IV Imposition of fines

12. The amount of the fine is set, and the supervision measures are imposed in proportion to the violation and after a successive evaluation of the following criteria set down in Paragraph three of Section 77 of the Law:
 - 12.1. the severity, duration and regularity of the violation;
 - 12.2. the degree of liability of the subject of the law;
 - 12.3. the financial situation of the subject of the law (the total annual turnover and other factors affecting their financial situation);
 - 12.4. the profit obtained by the subject of the law, insofar as it can be calculated;
 - 12.5. the losses caused to third parties by the violation, insofar as they can be established;
 - 12.6. the extent to which the subject of the law held liable is cooperating with the Inspection;
 - 12.7. the violations which the subject of the law has previously committed in the field of prevention of money laundering and terrorism financing, and international or national sanctions.
13. When calculating the amount of the fine, the total annual turnover shall be established on the basis of the amount of “Net turnover” as described in the Law on Annual Accounts and Consolidated Annual Accounts.
14. The size of the fine can be increased to its maximum amount, if at least one of the following aggravating circumstances is present:
 - 14.1. the subject of the law does not cooperate with the Inspection during the administrative proceedings, delays the submission of requested information beyond the set deadline, does not provide facts about the violation or in any other way hampers the Inspection during the administrative proceedings;
 - 14.2. the subject of the law does not stop the violation even after receiving information from the Inspection on a possible violation of laws and

regulations or has not prevented it within the time limit specified by the Inspection.

15. When establishing the final amount of the fine, an evaluation shall be done whether the calculated fine is proportional, corresponds to the specific factual conditions and how it will affect the financial situation of the subject of the law. The financial situation shall only be assessed to make sure that the imposed fine does not create an insolvency situation. If the possibility of such a situation arising is found, the fine shall be decreased accordingly.

V Imposition of operating restrictions and legal obligations

16. When a violation of laws and regulations within the MLTFP area is found, the Inspection can impose on the subject of the law one of the sanctions set down in Paragraph one of Section 78 of the Law and/or impose an additional supervision measure in proportion to the severity and the specific circumstances of the found violation.
17. After evaluating the circumstances of the administrative case and in accordance with Paragraph one of Section 78 of the Law the Inspection can:
 - 17.1. express a public announcement by indicating the person liable for the violation and the nature of the violation (After the inspection the Inspection shall immediately publish on its website information on the sanctions imposed on the subject of the law, as well as information on appeal of the decision on the imposition of sanctions, the outcome of the appeal, and the decision on revoking the sanctions; information posted on the website of the Inspection shall be available for five years from the day of posting it);
 - 17.2. express a warning;
 - 17.3. to suspend or discontinue the activity (including to suspend or cancel the licence);
 - 17.4. set a temporary prohibition on the official of the subject of law to fulfil the obligations set for him or her (immediately after the inspection and the decision the Inspection shall inform the Register of Enterprises of the Republic of Latvia about the prohibition on the official of the subject of the law to fulfil certain obligations);
 - 17.5. impose an obligation to perform a certain action or refrain therefrom (the Inspection shall set for the subject of the law a deadline by which the found violations of legal requirements should be eliminated and the Inspection shall control the performance of this work; the Inspection shall provide recommendations to the subject of the law on how to comply with obligations set down by the Law);

- 17.6. impose an obligation on the subject of the law to dismiss the person liable for the violation from the position held (immediately after the inspection and the decision shall impose an obligation on the subject of the law to dismiss the person liable for the violation from the position held).
18. Information about the decision to impose sanctions and supervision measures in case violations of the money laundering and terrorism financing prevention requirements are found shall be published by the Inspection on its web site immediately after the person on which the sanction or supervision measure has been imposed has been informed of the decision.

VII Final Provisions

19. These provisions shall enter into force on 14 August 2019.
20. From the entry into force of these internal rules the Guidelines on the Imposition of Sanctions on Lottery and Gambling Organisers for Violations of the Law on the Prevention of Money Laundering and Terrorism Financing adopted in 28 December 2018 are not in force.

Director

S.Birne