



Izložu un azartspēļu uzraudzības inspekcija

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Guidelines for the Establishment of Internal Control and International and National Sanctions Risk Management System for Gambling and Lottery Operators

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I. Introduction

The purpose of these guidelines (hereinafter – Guidelines) is to inform gambling and lottery operators (hereinafter – Operators) on how to comply with the obligation they incur from Section 13.¹ in the Law on International and National Sanctions of the Republic of Latvia (hereinafter – the Sanctions Law) to make and document the assessment of international and national sanctions risk (hereinafter – Sanctions risk) and to set up an Internal control system for sanctions risk management.

These guidelines describe the actions the Lotteries and Gambling Supervisory Inspection (hereinafter – the Inspection) as the supervisory body expects from the Operators as it supervises the implementation of the obligation described in Section 13.¹ of the Sanctions Law.

These guidelines were drafted by the Inspection and they supersede “Guidelines for the establishment of an internal control system for risk management of international and national sanctions for gambling and lottery operators” adopted by Inspection Order No. 31 of 30 December 2022.

II. Terms used in these guidelines

The following terms are used in these guidelines:

- 1) sanctions — restrictions imposed on the subject of sanctions in accordance with the requirements in the Sanctions Law;
- 2) internal control system for Sanctions risk management — a set of measures that includes actions necessary to comply with legal requirements in the field of sanctions, by providing adequate resources and an organizational structure enabling their implementation, a regulatory and technological structure, as well as staff and its training in order to prevent, as far as possible, that Operators are involved in violation, circumvention of international and national sanctions or evade the enforcement of sanctions.

III. Sanctions risk assessment

1. The Operators shall perform and document a Sanctions risk assessment within their type of activity, in order to identify, assess, understand and manage the Sanctions risk inherent in their activities.
2. When performing the Sanctions risk assessment, the Operator shall consider at least the following factors that affect their Sanctions risk:
 - 1) regarding the Operator's activities:
 - The region where the Operator is active and provides services;
 - The services and products offered by the Operator.
 - 2) regarding the Operator's customers and the Operator's cooperation partners – the risk-related factors given in the Law on Prevention of Money Laundering and Terrorism and Proliferation Financing, assessing them in the context of Sanctions risk:
 - risk associated with a customer and the Operator's cooperation partner;
 - country and geographical risk;
 - risk arising from the services and products used by the customer;
 - services and products delivery channel risk.
3. The Operator shall perform a Sanctions risk assessment of all international and national sanctions. The Sanctions risk assessment shall be approved by the Operator's board.

4. The Operator shall, in accordance with the Sanctions risk inherent in its activities, review and update the Sanctions risk assessment on a regular basis, but at least every three years.

IV. Establishment of Internal control system for sanctions risk management

1. Using the Sanctions risk assessment as a basis the Operator shall establish an internal control system for Sanctions risk management, which includes relevant policies and procedures approved by the Operator's board.
2. When establishing an internal control system for Sanctions risk management, the Operator shall consider at least the following Sanctions-risk-enhancing features:
 - 1) The customer, the Operator's cooperation partner, its beneficial owners (hereinafter – BO) or the transactions of the Operator's cooperation partner are linked with a territory or country under sanctions¹ or with the borderland of such an area or country;
 - 2) The economic or personal activity of the Operator's customer, the cooperation partner or its BO is related to the military sector, to the trade, production, export or import of dual use goods or goods subject to sectoral sanctions, or to specialized foreign agencies (military design offices, space technology research agencies, etc.);
 - 3) The activity and transactions of the customer do not correspond to their declared economic or personal activity, or the information about the Operator's cooperation partner does not correspond to their economic or personal activity;
 - 4) The Operator's cooperation partner often works with companies that have features of actual economic activity and that act to conceal an illegal financial activity, including the BO or economic activity, (*front company*), or works with companies which do not engage in active economic activity for lengthy periods of time and whose

¹ <https://www.sanctionsmap.eu>, <https://sankcijas.fid.gov.lv>, <https://sanctionssearch.ofac.treas.gov>

participants are inactive companies (*shell company*);

- 5) The payment on behalf of the Operator's cooperation partner is made by a third party that is a resident of a territory or country under sanctions;
- 6) The Operator's cooperation partner cooperates with a service provider regarding which there is public knowledge that it provides services to companies operating in the territory or country under sanctions;
- 7) The underlying transaction documents submitted by the Operator's cooperation partner cause suspicion of falsification that could indicate a possible evasion of sanctions enforcement;
- 8) The Operator's cooperation partner is indirectly controlled by a person that is a subject of sanctions or is linked to a subject of sanctions.

Signs indicating that an Operator's cooperation partner is indirectly controlled by another person:

- the information an Operator's cooperation partner has provided on its owners and BO does not correspond with information in state registers; BO gains no benefit from the company (cooperation partner), or the benefits do not measure up to the company's turnover;
- BO's previous experience (economic or personal) does not correspond with the activity of an Operator's cooperation partner;
- the person has unilateral rights or authority to appoint or dismiss members of administrative, management or supervision bodies in an Operator's cooperation partner;
- the person, using only its voting rights, has appointed in this and the previous financial year the majority of members of administrative, management or supervision bodies in an Operator's cooperation partner;

- the person has made agreements with other shareholders and participants of an Operator's cooperation partner that grant it unilateral control over the majority of shareholder and participant voting rights in an Operator's cooperation partner;
 - the person is entitled to have dominant influence over an Operator's cooperation partner in accordance with an agreement concluded with the Operator's cooperation partner or according to a provision in the Operator's statutes, as well as in cases when the person itself does not hold such rights and is using a front company as a proxy;
 - the person is entitled to make full or partial use of financial assets of an Operator's cooperation partner;
 - the person has unified management over an Operator's cooperation partner's economic activity by publishing consolidated annual statements;
 - the person has joint liability for the financial commitments of an Operator's cooperation partner or it acts as a guarantor of such rights.
3. When establishing an internal control system for Sanctions risk management, the Operator shall, as a minimum, establish the following procedures:
- 1) The procedure for the assessment, documentation and review of Sanctions risk that relates to the customer, its country of residence (registration), its economic or personal activity, services and products used and the delivery channels thereof, as well as to transactions conducted;
 - 2) The procedure for the assessment, documentation and review of the Sanctions risk related to an Operator's cooperation partner, its country of residence (registration), its economic or personal activity, services and products used and transactions conducted;

- 3) The procedure for the enforcement of and compliance with sanctions, and Sanctions risk management measures in accordance with the Sanctions risk assessment, including Sanctions risk mitigation measures;
 - 4) The procedure for detection and investigation of potential violations or circumvention of sanctions, including the timely identification of Sanctions risk before an occasional transaction, before the establishment of a business relationship and during the business relationship, as well as at the conclusion of contracts with the Operator's counterparties;
 - 5) The procedure for reporting any breach or attempted breach of sanctions and frozen assets of a customer or an Operator's cooperation partner to the State Security Service;
 - 6) The procedure for informing the Inspection of any breach or attempted breach of sanctions, including circumvention of sanctions;
 - 7) The procedure for reporting to the Financial Intelligence Unit any suspected circumvention or attempted circumvention of sanctions when enforcing financial restrictions;
 - 8) The procedure that describes the rights, obligations and responsibilities of employees, as well as the standards of professional qualifications and conformity of employees, in accordance with their obligations and powers when implementing Sanctions risk management measures.
4. The Operator shall regularly and in accordance with amendments in legal acts or because of changes in the Operator's structure, activity and services provided, but at least every 18 months, assess and document the effectiveness of the internal control system for Sanctions risk management and, where appropriate, take measures to improve its effectiveness, including a review and update of the Sanctions risk management policies and procedures. The Operator may provide an independent assessment of the effectiveness of the internal control system for Sanctions risk management by employing a professional external assessor.

V. Appointment of Sanctions risk management officer and their duties

1. The Operator shall appoint a Sanctions risk management officer who shall be entitled to take decisions in respect to Sanctions risk management and shall be directly responsible for the compliance with and enforcement of regulations in the field of sanctions, as well as for ensuring the reporting of violations or possible violations of sanctions and circumvention of sanctions to the Financial Intelligence Unit and to the Inspection.
2. The Operator shall provide the Sanctions risk management officer with appropriate authority and access to the information necessary for the performance of their duties.
3. The Operator shall notify the Inspection in writing within 30 days after the appointment or replacement of the Sanctions risk management officer.
4. The Operator shall ensure that employees involved in Sanctions risk management are aware of duties foreseen in the Internal control system for sanctions risk management.
5. The Operator shall ensure the Sanctions risk management officer is aware of the Operator's risks related to Sanctions risk management, as well as of the risks identified at national and international level and the regulations in the field of sanctions.
6. The Operator shall provide regular training to its employees involved in Sanctions risk management to improve their knowledge and skills in the management of Sanctions risk.

Director

(signature*)

S.Birne

*This document has been signed with a secure electronic signature and contains a time stamp