

NJORD Latvia: Companies failed to disclose their beneficiaries will be excluded from Latvian Register of Enterprises

On 29 June 2019, amendments to the law “On the Prevention of Money Laundering and Terrorism Financing” (the Law) came into effect in Latvia. Under these amendments, the Register of Enterprises of the Republic of Latvia (the Register) was granted the right to liquidate a commercial company, if it failed to submit to information on beneficial owners (beneficiaries) to the Register.

Legal persons registered in the Commercial Register of the Republic of Latvia before 1 December 2017, had to determine their beneficiaries and submit the information for registration with the Register of Enterprises of the Republic of Latvia before 1 March 2018. According to information published on the website of the Latvian Register of Enterprises on 17 June 2019, “...approximately 900 SIA have not disclosed their beneficial owners yet...”

Under the new procedure, having established that a commercial company has failed to submit information on its beneficiary owners, the Register will send a written notice to the legal address of the commercial company and give the company one month to rectify the violation. If upon expiration of the one-month, the violation continues, the Register will decide on discontinuation of the activity of the commercial company, by “launching” a procedure of exclusion from the Register. Such decision of the Register shall enter into force within one month after the decision was notified to the commercial company if the decision has not been challenged or appealed.

The Register has already selected the first group to be reviewed – SIA (limited liability companies) where shareholders are foreign legal persons who have failed to submit information about beneficial owners. The “offenders” are expected to receive warnings from the Register in the near future.

Brief information on some other novelties of the Law:

- “The Office for Prevention of Laundering of Proceeds Derived from Criminal Activity”, or in short:–“the Control Service” is now called the “Financial Intelligence Unit”).
- As of 1 January 2020, information from all registered in the Register must be available free of charge.
- As of 1 July 2020, “foreign subjects”, who have branches and representative offices in Latvia (inter alia, those registered only in the register of taxpayers of Latvian State Revenue Service) shall disclose their beneficial owners and notify the Register of these before 1 January 2021. Those who fail to comply with the provisions of the Law will be excluded from the respective Register.
- Subjects of the Law (i.e., banks, financial institutions, notaries, attorneys-at-law, tax advisers, auditors, etc.), as well as controlling and supervisory authorities, having established that information on a beneficial owners specified during auditing of the client does not comply with data in the Register, shall inform the Register about such discrepancy. The Register, upon receipt of such notification, will register the warning that registered information on a beneficiary is, possibly, false.
- When having reasonable doubts concerning information submitted by the legal person, the Register has the right to request from the legal person documentary justification of the review performed, as well as the document confirming compliance with information identifying a beneficial owner and a document justifying confirmation concerning impossibility to determine a beneficial owner (if such information has already been filed).
- When having doubts regarding information filed by a shareholder/owner regarding absence of a beneficial owner, or if the foregoing information has not been filed at all, and the legal person has a reason to believe that there is a beneficial owner, the legal person must on its own initiative specify and identify its beneficial owners.
- The following sanctions are set forth for failure to comply with provisions of the Law: suspension or termination of activity, including suspension or termination of a license (certificate) or annulment of entry in respective register, suspension of economic activity, prohibition of registration of changes in the Commercial Register concerning reorganisation of a commercial company and changes in composition of shareholders, instruction to credit institutions or payment service providers regarding partial or complete suspension of payment operations.



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