



Financial Crimes Enforcement Network

A bureau of the U.S. Department of the Treasury

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FinCEN Withdraws Section 311 Actions Against Latvia's VEF Banka

The Financial Crimes Enforcement Network (FinCEN) has submitted a [document](#) to the Federal Register that withdraws its April 2005 finding under [Section 311](#) of the USA PATRIOT ACT, which determined VEF Banka to be a financial institution of primary money laundering concern. FinCEN is also withdrawing the [final rule](#) against VEF Banka that imposed a special measure that prohibited U.S. financial institutions from—directly or indirectly—opening or maintaining correspondent accounts in the U.S. for VEF Banka.

At the time of the final rule issuance in July 2006, FinCEN had then determined that VEF, one of the smallest of Latvia's 23 banks, was a banking resource for illicit shell companies in financial fraud rings. VEF had permitted ATM withdrawals in significant amounts, which is an essential component of the execution of large financial fraud schemes.

Since that time, there have been significant steps taken by Latvian authorities to liquidate the bank that have led FinCEN to determine that VEF no longer poses a significant money laundering threat to the United States. In May 2010, VEF Banka's operating license was revoked by the Latvian banking regulator. The revocation of VEF Banka's license was later confirmed by the Senate of Latvia's Supreme Court, resulting in the termination of the bank's ability to operate as a financial institution under Latvian law. In November 2010, the Riga District Court issued a non-appealable order to begin liquidating the bank. The liquidation process is expected to be complete in one to two years and will result in the disposition of all of VEF Banka's assets, including its subsidiary, Veiksmes lizings.

The U.S. Department of State's most recent [International Narcotics Control Strategy Report](#) describes Latvia as a growing regional financial center that has a large number of commercial banks with a sizeable nonresident deposit base. Sources of laundered money in Latvia primarily involve tax evasion, but also include counterfeiting, corruption, and other illicit activity. Since 2008, Latvia has made important strides in strengthening its anti-money laundering/counter-financing of terrorism (AML/CFT) regime, including passing legislation and adopting regulations to significantly tighten controls, establishing an national AML/CFT coordination body chaired by the Prime Minister, and increasing penalties on money laundering activity.

The withdrawal of these actions will be effective upon publication in the Federal Register.

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