

# Ultimate Beneficial Owners of legal formations

March 2024

Effective from 1 January 2024, Latvia has implemented significant changes to the Law on Prevention of Money Laundering and Terrorism and Proliferation Financing (LPMLTPF). Aligned with Directive 2018/843, these amendments mandate the creation of an Ultimate Beneficial Owners register for legal formations. Key features also include a clarified definition of ultimate beneficial owners, specifying obligations for identification and disclosure. The amendments also detail the information to be submitted to the Ultimate Beneficial Owners Register, enhancing Latvia's commitment to financial transparency and regulatory compliance.

## Clarifying Ultimate Beneficial Ownership in Legal Entities

As a result of the amendments, in legal formations, the term 'ultimate beneficial owner' refers to the natural person who possesses direct or indirect ownership or control over the entity. This includes individuals acting as founders, trustees (managers), or those for whose benefit the entity is established or operates. The scope extends to encompass trustees (if applicable), beneficiaries, or, in cases where specific individuals haven't been identified as beneficiaries, the group of persons for whom the legal formation operates. Additionally, any other natural person exercising direct or indirect control over the legal formation is considered a beneficial owner.

## Trustee Obligations: Maintaining Ultimate Beneficial Owner Information

The law also adds articles on the obligation of the trustee of a legal formation to maintain and update information on the ultimate beneficial owner of the legal formation. The trustee or equivalent position holder within a legal formation is obligated to maintain and regularly update comprehensive information regarding ultimate beneficial owners. This encompasses essential details such as the founder, trustee, supervisor (if applicable), beneficiaries, and individuals exercising control over the legal entity. The trustee's responsibilities go beyond mere data collection - they are required to maintain and update documentary evidence confirming

the control exercised over the beneficial owners. This involves retaining supporting documents that validate control through natural persons, legal entities, partnerships, and foreign entities.

## Legal Formations: Establishing Beneficial Owner Register

The amendments also provide for the establishment of a register of beneficial owners of legal formations, which will be kept by the Register of Enterprises. This registry will encompass crucial details, including the entity's name, the identification number assigned by the Register of Enterprises, the contact address, the country under whose laws the legal entity is established and other details. Significantly, details regarding the beneficial owners of legal formations will remain accessible in this register for a duration of five years following the registration date of the conclusion of beneficial ownership for the legal entity. This systematic documentation ensures transparency and accountability, providing a comprehensive record of essential data for regulatory and oversight purposes.

These recent amendments to anti-money laundering laws demonstrate a robust commitment to reinforcing financial transparency and regulatory adherence. Aligned with Directive 2018/843, the introduction of an Ultimate Beneficial Owners register for legal formations signifies a significant stride towards combating illicit financial activities. The amendments, encapsulating a clear definition of ultimate beneficial owners and specific obligations for identification, empower trustees to play a pivotal role in maintaining accurate and updated records. The creation of a register of beneficial owners, overseen by the Register of Enterprises, further ensures a comprehensive and accessible repository of entity information, fostering transparency and regulatory oversight.