

## *From Rules to Reality: Criminal Liability for Sanctions Violations in Latvia*

As already indicated in the previous publications of one of the authors, J. Ciguzis, since Russia's invasion of Ukraine, the public has increasingly heard about the sanctions imposed by the European Union and the Republic of Latvia against Russia and Belarus. In practice, businesses and individuals often have questions about the liability and risks that may arise in cases of sanctions violations. Sanctions must be observed by all persons, both natural and legal, regardless of whether they are explicitly mentioned in Latvian or international sanctions legislation.

At the EU level, the sanctions regime is constantly being expanded – new restrictions are introduced, lists of sanctioned individuals are updated, and business rules regarding sanctioned entities are clarified. Article 84 of the Criminal Law provides for criminal liability for violations of these sanctions.

Since 10 June 2025, amendments to Article 84 of the Criminal Law came into force, providing for increasingly severe penalties, including imprisonment for up to twelve years if a sanctions violation is committed on a large scale or within an organized group. If the violation is committed in the interests of a company or a public official, the maximum penalty may reach ten years. Probation, community service, and fines remain as alternatives, but the law clearly states that the severity and scale of the violation significantly influence the applicable penalty.

In view of this regulatory framework and the rapid expansion of the EU sanctions regime since 24 February 2022, i.e., since Russia's invasion of Ukraine, it is essential, from the authors' perspective, to examine the penalties and coercive measures applied in criminal proceedings.

The publication analyzes both statistical data and the content of court judgments in order to better understand the nature of sanctions violations, their severity, and trends in the penalties imposed.

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## AUTHORS' COMMENTS (1/2)

This is the third annual publication on criminal liability for violations of EU sanctions in Latvia. The first two publications reviewed judgments from 2022-2023 and statistics on initiated criminal proceedings. This time, we present a full four-year review, which allows us to draw several key conclusions.

In the first publication, we predicted that penalties would become more severe. This prediction has been convincingly fulfilled. The judgment of the Court of Economic Affairs of 7 November 2025 is one of the most severe penalties known in Latvia for EU sanctions violations: a natural person was sentenced to a fine of 500 minimum monthly wages (EUR 370,000), three years' probation, and confiscation of property, while a legal person received an identical fine. By comparison, in the *Bentley* case discussed in the first publication, the penalty imposed on the legal person was 180 minimum monthly wages (EUR 111,600), representing an increase of more than threefold.

The judgments analyzed reveal clear patterns of violations. Of the five judgments, three main patterns stand out: (1) import of goods subject to sanctions, masked with false Combined Nomenclature codes (Latgale District Court cases); (2) provision of services to persons registered in Russia, including IT services (Riga City Court case); and (3) complex financial flow schemes using third-country companies to circumvent financial restrictions and launder illicit funds (Court of Economic Affairs case).

The nature and extent of the violation have a significant impact on the determination of penalties. The analyzed cases clearly confirm this. On the one hand, relatively small penalties (15-20 minimum monthly wages) were imposed for timber imports. On the other hand, when a person knowingly supported a sanctioned individual and laundered large amounts of funds, the court imposed a penalty tens of times higher. From the authors' perspective, this distinction is logical and predictable—the courts have clearly signaled that deliberate and systematic circumvention of sanctions is treated far more severely.

The judgment of the Latgale District Court of 16 December 2024, in which the person was acquitted, deserves special attention. This is one of the rare cases in which a court in Latvia has issued an acquittal in a sanctions violation case. The court concluded that the prosecution had failed to prove that the goods corresponded to a specific Combined Nomenclature code and noted that the interpretation of EU law falls within the competence of the Court of Justice of the European Union. From the authors' perspective, this judgment is significant in several respects. First, it confirms that Latvian courts are prepared to critically assess the quality of the prosecution's case and the position of the prosecutor's office. Second, as noted in previous publications, ensuring the effective exercise of rights by private individuals requires further referral to the Court of Justice of the European Union for a preliminary ruling on the interpretation of sanctions law.

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## AUTHORS' COMMENTS (2/2)

It is important to note that in 2025 Latvia has strengthened its position as one of the most active EU Member States in the enforcement of sanctions. On 10 June 2025, Latvia completed the transposition of Directive (EU) 2024/1226 by amending the Criminal Law, the Law on the Entry into Force and Application of the Criminal Law, and the International and National Sanctions Law of the Republic of Latvia. While in July 2025 the European Commission launched infringement proceedings against 18 Member States, including Italy, France, and Germany, for late implementation of the Directive, Latvia was not among them. For more details on these amendments and their impact, see the previous publication of one of the authors, J. Ciguzis, "*Penalties for Sanctions Violations Become More Severe*" (iFinances, 8 August 2025).

The number of pending criminal cases (69) far exceeds the number of judgments that have entered into force (11). This shows that current statistics reflect only the visible part of the iceberg. Most judgments are yet to be handed down, and the authors expects the total number of judgments to rise significantly in 2026-2027.

The Latvian State Security Service (VDD) has become increasingly active. In 2022, the VDD initiated seven criminal proceedings; by 2025, the number had grown to 22. The VDD focuses particularly on violations in the provision of services, including IT and other services to companies registered in Russia. This represents a different pattern from the Latvian State Revenue Service (SRS), which primarily focuses on violations related to the movement of goods. This trend is expected to continue and intensify.

Looking ahead, the authors expects court workloads to continue rising in 2026. First, following the ruling of the Court of Economic Affairs, the prosecutor's office is likely to request harsher penalties in future cases, especially where money laundering elements are involved. Second, an actual custodial sentence may be imposed in an upcoming case. To date, no one in Latvia has been imprisoned for sanctions violations, but the tougher penalties (up to 12 years) introduced in 2025 and the stricter approach in case law make this increasingly possible.

Compliance with sanctions is no longer an abstract legal concept. It has become a concrete criminal law risk that requires an active and systematic approach from every market participant.

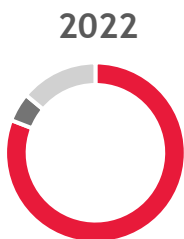
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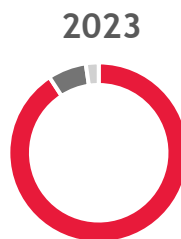
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Statistics show that since 2022 there has been a significant increase in criminal proceedings for offences under Article 84 of the Criminal Law. Sanctions compliance monitoring has intensified, and the number of detected violations has risen accordingly.

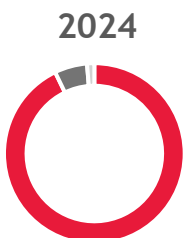
### NUMBER OF CRIMINAL PROCEEDINGS INITIATED



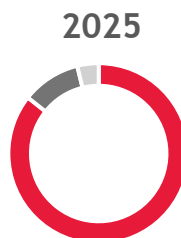
■ SRS - 110 ■ VDD - 7 ■ Prosecutor's Office - 19



■ SRS - 158 ■ VDD - 12 ■ Prosecutor's Office - 4



■ SRS - 143 ■ VDD - 9 ■ Prosecutor's Office - 2



■ SRS - 179 ■ VDD - 22 ■ Prosecutor's Office - 8

Source: Statistical data provided by the Criminal Offense Records Division of the Information Center of the Ministry of the Interior at the authors' request.

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**NUMBER OF CASES  
BROUGHT BEFORE FIRST  
INSTANCE COURTS**

Year	Number of Cases Initiated
2022	4
2023	18
2024	10
2025	15
<b>Total</b>	<b>47</b>

**NUMBER OF PENDING CRIMINAL CASES  
WITH CHARGES UNDER ARTICLE 84 OF  
THE CRIMINAL LAW**

Year	Number of Pending Cases
2022	5
2023	16
2024	19
2025	29
<b>Total</b>	<b>69</b>

**NUMBER OF  
JUDGMENTS ENTERING  
INTO FORCE**

Year	Number of Judgments
2022	1
2023	6
2024	0
2025	4
<b>Total</b>	<b>11</b>

A total of 47 cases have been brought before the courts over a four-year period. At the same time, a pronounced increase in pending criminal cases is evident. The number of these cases rises each year, which may indicate both the complexity of the cases and practical challenges in investigations - difficulties in obtaining evidence, the need for international legal assistance, and the workload of investigative authorities.

The progression of sanctions violation cases to a final judgment is time-consuming, and a significant portion of proceedings remains pending. This trend highlights the question of whether institutional resources are sufficient to respond effectively to the growing caseload.

*Source: Statistical data provided by the International Cooperation and Analytics Division of the Court Administration at the authors' request*

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## OVERVIEW OF JUDGMENTS

### ▶ Judgment of the Latgale District Court of 15 August 2024 (Case File No. K88-0121-24)

The defendant was the director of a company registered in Lithuania. Aware that the timber (birch boards) regularly imported by the company was subject to sanctions and that its import from Russia into the European Union was prohibited, on 20 July 2022, he concluded a contract with a Russian individual entrepreneur for prefabricated building structures. In practice, however, sawn boards were purchased, while the accompanying documents stated that the goods were prefabricated building structures (EU CN code 940610).

On 30 July 2022, the shipment was sent to Latvia under customs control, and the vehicle driver was not informed that the shipment contained goods that did not correspond to the accompanying documents. A customs inspection revealed that the imported boards corresponded to CN code 4407 - "sawn timber" - which is considered a goods subject to sanctions under EU Council Regulation No. 833/2014. The information in the accompanying documents did not match the actual goods, thereby violating EU sanctions.

The defendant argued in court that the shipment was intended as a sample - a wooden shed without a roof - for assembly and demonstration to clients. He further stated that he had no intention of importing goods subject to sanctions and that he had previously consulted Lithuanian and Latvian brokers who confirmed that the documents were in order. The court, however, rejected these arguments and found him guilty of violating EU sanctions.

### PENALTIES IMPOSED:

- ▶ The natural person (the accused) was fined 15 minimum monthly wages (EUR 10 500)
- ▶ Property was confiscated - a semi-trailer used as an instrument for committing the offence, together with the timber contained therein

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## OVERVIEW OF JUDGMENTS

### ▶ Latgale District Court judgment of 16 December 2024 (Case File No. K88-0310-24)

In January 2023, Person A, the owner and board member of a company, purchased and attempted to import 128 tunnel greenhouse frame kits made of galvanized steel from Belarus. Council Regulation No. 765/2006 (Regulation 765/2006) prohibits the direct or indirect import of iron and steel products specified therein if they originate in Belarus or are exported from Belarus.

To circumvent the sanctions, the greenhouse frame kits were declared as “prefabricated building structures” (CN code 9406 90 31) instead of other iron or steel products (CN code 7326 90 98). Each kit included polyethylene film cut and packaged to the size of the greenhouse, as well as fasteners (metal screws with seals). Thus, a composite product was imported, the essential characteristics of which are determined by the metal frame.

The carrier was not informed of the true nature of the goods, and the documentation did not correspond to the actual cargo. Customs and expert inspections concluded that the greenhouse frames did not correspond to the declared classification and were, in fact, goods subject to sanctions. Criminal proceedings were initiated against Person A. Within the proceedings, coercive measures were also applied to the company, as the defendant’s actions were carried out in the interests of the enterprise.

The court analyzed the conformity of the goods with the relevant Combined Nomenclature code and, after evaluating EU law and the Court of Justice of the EU’s interpretations, concluded that the indictment was unfounded. Specifically, the goods’ classification under CN code 9406 provides a precise product description - “greenhouses” - whereas CN code 7326 describes the goods in general terms - “other iron or steel products”, and therefore preference must be given to the former. The court further noted that the indictment had misinterpreted EU law, which is exclusively within the competence of the Court of Justice of the EU.

As a result, the court found that the alleged offence lacked the necessary object of the crime, as the correspondence of the goods to a specific Combined Nomenclature code was not proven. Consequently, the essential elements of a criminal offence were not fulfilled, and there were no grounds for criminal liability. Likewise, there was no basis for imposing coercive measures on the company.

### **PENALTIES IMPOSED:**

- ▶ No penalties were imposed. The natural person was acquitted, and the proceedings regarding the application of coercive measures to the legal person were discontinued

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## OVERVIEW OF JUDGMENTS

### ▶ Kurzeme District Court judgment of 27 January 2025 (Case File No. K69-0168-25)

The case established that Person D, being the sole officer, shareholder, and ultimate beneficial owner of a company, organized the purchase and import of timber originating from Russia into the Republic of Latvia. These timber products fall within the category of goods subject to EU Council Regulation No. 833/2014 (Regulation 833/2014), which prohibits the import or acquisition in any form of wood and wood products originating in or exported from Russia.

To obtain the timber, on 15 December 2021 a contract was concluded with a company registered in Singapore, followed in August 2022 by several annexes to the contract regarding the delivery of components and kits for prefabricated houses. A company registered in Lithuania was engaged to organize the transport of the shipments, which in turn involved several other subcontractors. Between 6 and 9 September 2022, the timber was delivered in four separate shipments to customs authorities in Latvia and Estonia under transit procedures.

Aware that the goods were subject to sanctions and that their import was prohibited, Person D approached the accused to ensure that import declarations would be submitted with incorrectly stated commodity codes. On 30 August 2022, the accused was granted a power of attorney to represent the company before customs.

During the period from 12 to 14 September 2022, acting on the instructions of Person D, the accused submitted four import customs declarations in the Electronic Customs System of the State Revenue Service, indicating that prefabricated wooden structures (EU CN code 9406 10 0000) were being imported, whereas in fact glued laminated timber (EU CN code 4418 81 00), which is subject to the sanctions prohibition, was imported.

During physical customs inspection, it was found that the information in the declarations did not correspond to the actual goods and that the imported timber was subject to sanctions. By these actions, the accused knowingly supported the violation of EU sanctions and was held criminally liable. On 27 January 2025, a plea agreement was reached between the prosecutor and the accused regarding acknowledgment of guilt and the penalty to be imposed.

### PENALTIES IMPOSED:

- ▶ The natural person (the accused) was fined 20 minimum monthly wages (EUR 14 800)
- ▶ A precautionary measure was applied - notification of change of residence
- ▶ An additional precautionary measure - prohibition to leave the country - remained in force until the judgment entered into force

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## OVERVIEW OF JUDGMENTS

- ▶ Riga City Court judgment of 22 May 2025 (Case File No. K77-2609-25)

The accused, a Latvian citizen, on 17 February 2023, concluded an employment contract with a legal person registered in the Russian Federation. According to the contract, the accused was employed as a lead software engineer in the engineering data management system development department of the company, receiving remuneration in the amount specified in the case. By performing this work, the accused violated the prohibition established by EU Council Regulation No. 833/2014, which prohibits citizens of EU Member States from directly or indirectly providing IT consulting services to legal persons, entities, or structures established in Russia, including as employees. Due to the systematic performance of the work and the remuneration received, significant harm was caused to the EU sanctions regime.

The case was considered under a written plea agreement procedure, as the accused concluded an agreement with the prosecutor on 29 April 2025.

### PENALTIES IMPOSED:

- ▶ The natural person (the accused) was fined 13 minimum monthly wages (EUR 9 620)
- ▶ Seized assets - funds in the amount of EUR 37 787.05 - were recognized as proceeds of crime and confiscated, including transfer to the state budget

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## OVERVIEW OF JUDGMENTS

### ▶ Court of Economic Affairs judgment of 7 November 2025 (Case File No. K75-0467-25) (1/2)

The case established that Person B violated EU sanctions. Under Council Regulation No. 833/2014 (Regulation 833/2014), it is prohibited to provide information technology consulting services to the Government of the Russian Federation or to legal persons, entities, or bodies established in the Russian Federation.

Council Regulation No. 269/2014 (Regulation 269/2014) includes several sanctioned persons, including Vladimir Sergeevich Kiriyyenko, the Chief Executive Officer of “VK Company Limited”. The company in which Person B was a member of the management board was under the control of a sanctioned person. Therefore, Person B decided to establish another company to enable the provision of information technology services to the Russian company “VK Company Limited”.

On 10 October 2022, the spouse of Person B registered the new company in the Register of Enterprises of the Republic of Latvia. In practice, the management of the company was carried out by Person B, who gave instructions regarding all operational activities. The company concluded a contract with a Polish company for the provision of personnel leasing services, whereby the employees formally employed by the Polish company provided workforce for projects related to “VK Company Limited”. For these services, namely workforce provision services, the Latvian company received 2 057 617 EUR.

Through these actions, Person B ensured the provision of information technology services to “VK Company Limited”, which is under the control of a sanctioned person. By doing so, Person B violated EU sanctions by committing a criminal offence in the interests of a legal person registered in Latvia.

In addition, Person B laundered criminally obtained financial assets on a large scale. By referring to deposits made under the workforce provision agreement concluded between the Latvian and Polish companies, the true nature and origin of the funds were concealed. The proceeds of crime related to the violation of EU sanctions were laundered on a large scale, amounting to 1 405 315.72 EUR. This offence was also committed in the interests of a legal person registered in Latvia.

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## OVERVIEW OF JUDGMENTS

- ▶ Court of Economic Affairs judgment of 7 November 2025 (Case File No. K75-0467-25) (2/2)

The case was examined under a written plea agreement procedure, as Person B concluded an agreement with the prosecutor regarding the acknowledgment of guilt and the penalty to be imposed. The legal person also concluded a written agreement with the prosecutor regarding the application of a coercive measure.

### PENALTIES IMPOSED:

- ▶ The natural person was fined 500 minimum monthly wages (EUR 370 000)
- ▶ The natural person was also subject to probation supervision for 3 years and partial confiscation of property, including confiscation of two vehicles
- ▶ The legal person was subject to a coercive measure - monetary recovery of 500 minimum monthly wages (EUR 370 000)

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Jānis has conducted independent assessments of internal control systems for local credit and payment institutions, aiming to identify non-compliance risks. Additionally, he has undertaken assessments for various purposes, such as facilitating the opening of correspondent accounts in the US.

Since the onset of the Ukraine war, Jānis has been actively involved in addressing EU and OFAC sanctions issues. This includes drafting opinions on the applicability of sanctions to specific counterparties. He also offers expert opinions in litigation cases related to anti-money laundering and sanctions violations.

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- ▶ Energy
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