

## **Greylisting: Punishment or Opportunity?**

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### **Abstract**

**Introduction:** Reputation damage, restricted access to the international financial markets, and increased costs are just some of the consequences of country's greylisting.

**Aim:** The purpose of this research is to analyze the measures that can be taken to reduce the risk of greylisting and improve country's financial system based on the analysis of the experience of Latvia.

**Methodology:** The research is based on the analysis of the legislation, reports of the Moneyval and FATF, and the measures taken by the supervisors, the banking sector and other market participants in Latvia.

**Findings:** The study reveals how in less than two years Latvia managed to comply with the recommendations of FATF regarding the AML/CFT. The threat of greylisting has become an opportunity to enhance the supervision, regulation and monitoring of the financial system. It has contributed to the "renovation" of the banking sector as well as to the reduction of economic and reputational risks of the country.

**Originality and value:** The results of the analysis are important for the policy makers, supervisory authorities, and the banking sector of other European countries as some countries are currently facing the risk of greylisting.

**Keywords:** AML/CFT, FATF, Greylisting, Moneyval, risk

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