



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

No. 15 27 June 2019



Ināra Mūrniece
Speaker of the Latvian Parliament (Saeima)

Message from the Latvian Parliament (Saeima) speaker

I am pleased to note that on 13 June legislators in the Saeima have completed an important phase of our financial reform programme, implementing reforms which conclude an essential cycle of the overhaul of Latvia's financial regulatory architecture. Such reforms provide a legal framework through which to facilitate implementation of the "Moneyval" recommendations that will harmonize and strengthen our financial sector.

Several Saeima Committees actively worked on the amendments to strengthen our financial sector, including: the Budget and Finance (Taxation) Committee; the Defence, Internal Affairs and Corruption Prevention Committee; and the Foreign Affairs Committee.

On 13 June, the Parliament adopted amendments to the Law on the Prevention of Money Laundering and Terrorism Financing that will provide a more effective framework for the prevention of money laundering, terrorism financing and proliferation. In addition, significant amendments to the Law on the Financial and Capital Market Commission (FCMC) were adopted, extending the functions and objectives of the FCMC, as well as its responsibility and role. The Latvian Parliament also passed several amendments to laws on sanctions, the regulation of credit institutions, and financial checks, in line with Moneyval committee recommendations.

Latvia's Parliament and Government remain committed to work together and in conjunction with international partners to enforce the highest standards in Latvia's financial sector.

In This Issue

- Latvian Parliament adopts financial sector regulation package
- European Central Bank: expansion of the FCMC's functions will strengthen the institution's ability to monitor financial crimes
- Amendments to legislation create a stronger legal framework for Latvia to implement sanctions effectively in Latvia
- Amendments to AML/CFT Law will extend Register of Enterprises functions regarding beneficial owners
- Ministry of Justice encourages a comprehensive audit of financial crime investigation and prosecution
- FIU Latvia publishes a summary report on the risk assessment of sectoral money laundering and terrorist financing for 2017-2018
- Q1 2019: Operating Results of Latvian Banks - total loan portfolio increased
- In April, Latvia's foreign trade turnover saw a year-on-year increase of 9.5%

Financial Sector Transformation

Latvia passes ambitious reforms to fight financial crime

On 13 June, Latvian parliament adopted a comprehensive legislative package, furthering the overhaul of financial sector regulation. Furthermore, Prime Minister Krišjānis Kariņš commended the Latvian Parliament's decisive vote to pass landmark reforms to strengthen financial sector supervision into law.

"These ambitious reforms are a big step forward in our fight against money laundering, the financing of terrorism, and arms proliferation. These measures demonstrate our unbending political will to make further changes in the financial sector as quickly as possible, and to become a leader in transparency and governance in EU. I call on all EU Member States to strengthen our mutual cooperation in dealing with financial crime and to work more closely and effectively together in the future," said Mr. Kariņš.

With these measures, Latvia will have implemented the EU's 5th Anti-Money Laundering Directive six months ahead of the deadline for Member States. The government will complete the remaining measures in its overhaul of financial sector regulation by the end of 2019.

The reform package will strengthen the independence, governance, and democratic accountability of the governance structure of the Latvian financial and capital watchdog FCMC, as all Members of the FCMC board – including the chairman – will be appointed by the Latvian Parliament. These changes are in line with international standards and in compliance with the Basel Committee's banking supervision principles, in that they further improve the transparency of the candidate selection process.

The measures will also enable Latvia to impose sanctions approved by the United Nations Security Council more rapidly. Latvian authorities will no longer have to wait for EU mechanisms to transpose sanctions.

The new set of measures take into account advisory directions from leading international bodies, including the European Central Bank, OECD and the Egmont Group; and demonstrate the Government's determination to impose and maintain robust standards for the financial sector.

[Learn more](#)

European Central Bank supports expansion of FCMC's functions

According to the European Central Bank (ECB) on amendments to the Financial and Capital Market Commission (FCMC) law, the expansion of the functions of the FCMC will strengthen the institution's ability to oversee and monitor financial crimes.

The ECB notes that it understands that changes to the FCMC governance envisaged in the draft law will have no impact on the FCMC's responsibilities to the ECB.

Legal framework will allow for the effective implementation of sanctions in Latvia

On 13 June, the Latvian Parliament (Saeima) approved amendments to the Law on International Sanctions and National Sanctions of the Republic of Latvia. These amendments will come into force on July 4, 2019.

The amendments create a legal framework for Latvia to effectively implement sanctions in Latvia, including the implementation of United Nations Security Council resolutions without delay, as Latvian authorities will no longer have to wait for the EU mechanisms to transpose sanctions.

To stabilize the business sector and the financial sector, new authorities have been added as "competent institutions" and will be tasked with supervising their subjects in relation to internal sanction control systems, and to control the effectiveness of these systems. These authorities include the Latvian Council of Sworn Advocates; the Latvian Council of Sworn Notaries; the Latvian Association of Sworn

Auditors; the Lotteries and Gambling Supervisory Inspection; the National Cultural Heritage Board; and the Bank of Latvia.

Additionally, the Cabinet of Ministers will create a Sanctions Coordination Council for all competent authorities to share their knowledge, and to unify the implementation of sanctions regimes. personal income taxation more progressive and improving corporate sector competitiveness.

AML Risk Management & Compliance

Amendments to AML/CFT law will extend the competence of the Register of Enterprises

Furthermore, amendments to AML/CFT law have been recently implemented with a view to extending the competence of the Register of Enterprises. Such amendments establish the right for the Register to conduct more comprehensive checks of information submitted regarding beneficial owners (BO), while also ensuring the accuracy, correctness, and topicality of the registered information on beneficial owners.

- The Register has the right to request all the necessary documents confirming the compliance of information detailing BOs; the control exercised by the BO in the legal entity; or the fact that it is not possible to identify the BO. In addition, as of July 1 2019, the Register will also introduce a risk-based approach to the filing of information on BOs, ensuring the active monitoring and reporting of suspicious cases.
- Capital companies that will not have disclosed their BOs will be excluded from the Commercial Register under simplified liquidation. Such companies will be alerted after the amendments come into force and – if they fail to disclose their BOs within one month of receiving a warning – their listing on the Register will be terminated.
- Along with the corresponding amendment to the Law on the Register of Enterprises of the Republic of Latvia, starting January 1, 2020, the provision of information to any person from registers under the Register of Enterprises will be provided free of charge. This will increase the accessibility and use of such information, and will promote the adequacy, accuracy and topicality of BO information.

Ministry of Justice encourages a comprehensive audit of financial crime investigation and prosecution

On 25 June, the Cabinet of Ministers supported a report from the Ministry of Justice, calling for an audit to assess the factors that may have a negative impact on effective criminal proceedings on economic and financial crime - and prevent them.

The Ministry of Justice invited the Cabinet of Ministers to decide on sending an invitation to the State Audit Office, asking it to carry out an appropriate audit and make recommendations for improving the situation. The Ministry has already consulted the State Audit Office, and has reached a consensus with the Ministry of the Interior and the Ministry of Finance regarding the need for such an audit.

FIU Latvia publishes a summary report of sectoral AML/CFT risks

On 17 June, the Latvian Financial Intelligence Unit (FIU) published a summary report on the risk assessment of sectoral money laundering and terrorist financing risks for 2017-2018.

In cooperation with the FIU Latvia, AML/CFT monitoring and control institutions have reassessed the risks for sectors under their supervision, and have developed sectoral risk assessment reports for the period from 2017 to 2018. In total, ten supervisory and control institutions have conducted 28 sector-wide AML/CFT risk assessments.

The summary report outlines money laundering threats, vulnerabilities and ML/FT risk levels assessed for all sectors, as well as a concise reflection of the circumstances behind the assessment.

The report demonstrates a significant increase in the capacity and awareness of money laundering, terrorism financing and proliferation risks in supervisory and control institutions.

Financial Sector Development

Q1 2019: Operating Results of Latvian Banks

The banking sector in Latvia continues to focus on serving domestic customers, implementing changes in business models and actively using new technologies to provide financial services.

In Q1 2019, the sector's total loan portfolio increased by EUR 0.2 billion or 1%, totaling EUR 13.8 billion. This increase was predominantly observed in the private and corporate segments. Additionally, the loan portfolio of seven banks increased in the 1st quarter of 2019.

As of March 31 2019, total deposits in the Latvian banking sector were valued at EUR 16.7 billion. According to our latest data, the value of the portfolio increased by EUR 0.35 billion or 2% in Q1 2019. This increase was mainly observed in the deposits of private individuals, which now constitute 53% of the deposit portfolio.

As a further point of note, eight Latvian banks exceeded the average return on equity of the European banking sector, which was 5% in 2018.

[Learn more](#)

Latvian foreign trade turnover up 9.5% in April, year-on-year

In April 2019, according to the Latvian Central Statistical Bureau, the foreign trade turnover of Latvia amounted to EUR 2.4 billion, representing a year-on-year rise of 9.5%.

Over the first four months of this year, the foreign trade turnover of Latvia at current prices reached EUR 9.12 billion – EUR 479.5 million, or 5.5%, greater than in the corresponding period of 2018.

[Learn more](#)

Contributing Institutions



Cabinet of Ministers
Republic of Latvia



State Chancellery
Republic of Latvia



Ministry of Finance
Republic of Latvia



Ministry of
Foreign Affairs
Republic of Latvia



Ministry of the Interior
Republic of Latvia



Register of Enterprises
Republic of Latvia



Office for Prevention of
Laundering of Proceeds
Derived from Criminal Activity



Financial and Capital
Market Commission



[See archive of all news here](#)