



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

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Chairman of the
Finance Latvia Association
Chairman of the Management
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Message from Finance Latvia Association

We strongly believe that the fundamental changes achieved in the Latvian financial sector in a record short time will support our long-term development. Our task now is to remain vigilant and embed a new culture of compliance in our financial sector. Members of Finance Latvia Association are fully committed to working together with the government to disrupt financial crime and are devoting all resources needed to achieve the highest anti-money laundering and combating the financing of terrorism (AML/CFT) compliance standards. Now, the Latvian finance sector is embracing digital innovation and collaboration with European partners, as we build markets within the EU.

In This Issue

- Fitch Ratings affirms Latvia's 'A-' long-term foreign and local currency sovereign credit ratings, noting country's success in reducing non-resident deposits in the banking sector.
- The Baltic states confirmed commitment to creating a pan-Baltic capital market through harmonization regulations and dismantling investment barriers.
- FCMC imposes EUR 2.2 million and EUR 14.2 thousand fines to banks for non-compliance.

Financial Sector Transformation

Fitch Ratings affirms Latvia at 'A-', outlook stable

The credit rating agency Fitch Ratings on 26 October affirmed Latvia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A-' with a Stable Outlook. Latvia's ratings are supported by solid public finances, as well as institutional strengths and a credible policy framework that come with EU and eurozone membership.

The fallout from the closure of the largest of Latvia's non-resident serving banks in February 2018 has so far been contained. The liquidity and capital ratios of the banks serving the sector remain high, even as non-resident deposits have continued to fall. Latvian authorities have successfully tightened regulation of the sector, and Fitch has assumed that the non-residential sector will be wound down in an orderly fashion. The resident sector has not been greatly affected by these changes, since it is primarily serviced by subsidiaries of Scandinavian banks and has few links to the non-resident sector.

[Learn more](#)

“Pan-Baltic Capital Market” conference at EBRD takes stock and confirms commitment to join forces

The Baltic states – Latvia, Estonia and Lithuania – have reaffirmed their commitment to creating a pan-Baltic capital market to attract inward investment. At the “Pan-Baltic Capital Market” conference at the European Bank for Reconstruction and Development (EBRD) in London on 18 October, they endorsed harmonizing capital market regulations and dismantling investment barriers. The countries hope the initiative will overcome constraints they often face due to their limited individual sizes. At the same time, the representatives of the three countries reiterated their commitment to meet all regulatory obligations, according to the highest international standards and best practice.

The three countries first signed a Memorandum of Understanding (MoU) to create a capital market in November 2017 with active support of the EU and the EBRD.

[Learn more](#)

AML Risk Management & Compliance

FCMC applies sanctions and fines

The Financial and Capital Markets Commission (FCMC) has sanctioned two banks and two other financial institutions for breaches of AML/CFT standards this year. EU legislation provides that member states can levy a maximum fine of up to 10% of a legal person’s total annual turnover. The FCMC has levied the fines in accordance with those legislative requirements and the gravity of each violation, so the size of the fines varies depending on the turnover of the banks in question.

Below are the sanctions that have been applied this year, in chronological order:

25 May – Meridian Trade Bank, a joint stock company, was fined with EUR 455 822 for deficiencies in its internal control system ([see more](#)).

22 August – SEMFOPAY LLC was fined with EUR 25 000 for deficiencies in customer research and transaction monitoring. The company’s ability to operate in Latvia has been temporarily suspended, and two board members, G. Zālītis and A. Gailis, have been dismissed.

5 October – LatCard, a joint stock company was fined with EUR 9 825.26 for not paying enough attention to complicated, interconnected transactions made by customers, as well as failure to obtain documents and information on the economic / personal activities of its clients in a timely manner and failure to submit reports to Financial Intelligence Unit about unusual and suspicious transactions. In addition, a warning was issued to the board member N. Junele.

16 October – Meridian Trade Bank, a joint stock company was fined with EUR 14 200 for failure to draw up and submit to the FCMC an audited annual report for 2017, as well as publish it by the deadline set out in the Credit Institution Law ([see more](#)).

16 October – LPB Bank, a joint stock company, was fined with EUR 2 205 282 for deficiencies in the functioning of its internal control system, namely insufficient customer research and transaction tracking. In addition, LPB Bank was instructed to dismiss Member of the Board A. Kalveršs from the field of the AML/CFT compliance and issued a warning to the above person ([see more](#)).

FCMC will continue to apply the strongest regulatory standards to ensure the further development of the Latvian financial sector, in line with the government’s vision and new regulatory requirements.

FCMC sanctions applied in AML/CFT field since 2003



11 years (2003 – 2014)



3 years (Since H2 2014)

Source: FCMC

Financial Sector Development

Latvia's economy continues to grow at a fast pace

Latvia's economy continued to show very rapid growth in Q3 2018, as gross domestic product (GDP) rose by 4.8% year-on-year. This increase was due to output growth in construction, retail, and industrial trades. Compared to the previous quarter, GDP has grown by 1.8%, which is the fastest quarterly growth rate since Q4 2016.

[Learn more](#)

Second fintech accelerator "Wise Guys Fintech" has started in collaboration with Swedbank

On 29 October, the leading B2B accelerator Startup Wise Guys launched the second fintech startup accelerator program "Wise Guys Fintech" in collaboration with Swedbank. The program has received around 200 applications – double the number of the first accelerator. The organizers have selected nine strong teams to compete to develop their business idea in a three-month intensive program. Each team will receive an initial funding of up to EUR 30 000, with the possibility of additional investment for further development of EUR 200 000, should they continue cooperation with Swedbank.

[Learn more](#)

Intrum, Microsoft Latvia and Mintos join Finance Latvia Association

Finance Latvia Association welcomed three new associate members that joined in mid-October:

- Intrum – one of the industry-leaders of Credit Management Services in Europe;
- Microsoft Latvia – representation in Latvia for Microsoft;
- Mintos Marketplace – global online marketplace for loans.

The expansion is part of Finance Latvia Association's development strategy, to become a platform for cooperation across finance, technology and related industries to represent their interests in Latvia, the Baltic States and Europe.

[Learn more](#)

Finance Latvia Association and Finance Finland in partnership with European Commission are organizing a conference on “Sustainable Finance in Nordic-Baltic”

The conference will happen in Helsinki, Finland on 9 November and more than 100 public and private sector representatives from the Baltic-Nordic region and the broader responsible finance and investment community will be attending.

The goal of the event is to foster an action-focused dialogue between industry and public sector experts regarding an EU strategy for sustainable finance, how to implement that strategy, and both traditional and innovative approaches to financing sustainable investments in the region.

[Learn more](#)

High – Level Technical Workshops: “RegTech and Operational Solutions for Effective Public – Private Partnerships to Disrupt National and Cross – Border Financial Crime”

On 23 November, Finance Latvia Association and ACAMS Baltics Chapter, in partnership with Microsoft Baltics and Citadele in Riga, will organize a full-day event with two workshops focused on National and Regional Know Your Customer (KYC) Utilities – from concept to implementation and Anti-Financial Crime Partnerships. The event will feature speakers and panelists from Parliament, the Ministry of Justice, FIU, Nordic KYC Utility project, the Latvian Chamber of Commerce, COBALT, PWC International, Thomson Reuters, the Ministry of Environmental Protection and Regional Development, Microsoft, ACAMS Baltics Chapter Board, Swedbank, the Company Register of Latvia, the Lithuanian Registers Centre, among others.

[Learn More and Register](#)

Contributing Institutions



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State Chancellery
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Ministry of Finance
Republic of Latvia



Ministry of
Foreign Affairs
Republic of Latvia



Financial and Capital
Market Commission



LATVIJAS BANKA
EIROSISTĒMA

Office for Prevention
of Laundering of Proceeds
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