



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

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Message from Latvijas Banka

It is essential for the Latvian economy to reduce risks in the financial sector. The work the government has initiated to implement the recommendations of the MONEYVAL report, is critically important. Determined action from all involved institutions will increase the international credibility of the Latvian financial sector. We have seen our initial progress confirmed already by S&P Global Ratings decision to upgrade Latvia's credit rating.

In order to strengthen the reputation of Latvia further, the actions taken must be determined and consistent. Consequently, these reforms will have a positive long-term impact not only on the financial sector, but also on overall economic growth.

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- The government's full MONEYVAL action plan in English
- The Ministry of Foreign Affairs on "Effective implementation of the Sanctions Law in Latvia"
- Latvijas Banka's Economic Conference 2018 – "Payments of 22nd Century: Future Starts Today"

Financial Sector Transformation

Assessment process of new bank business models

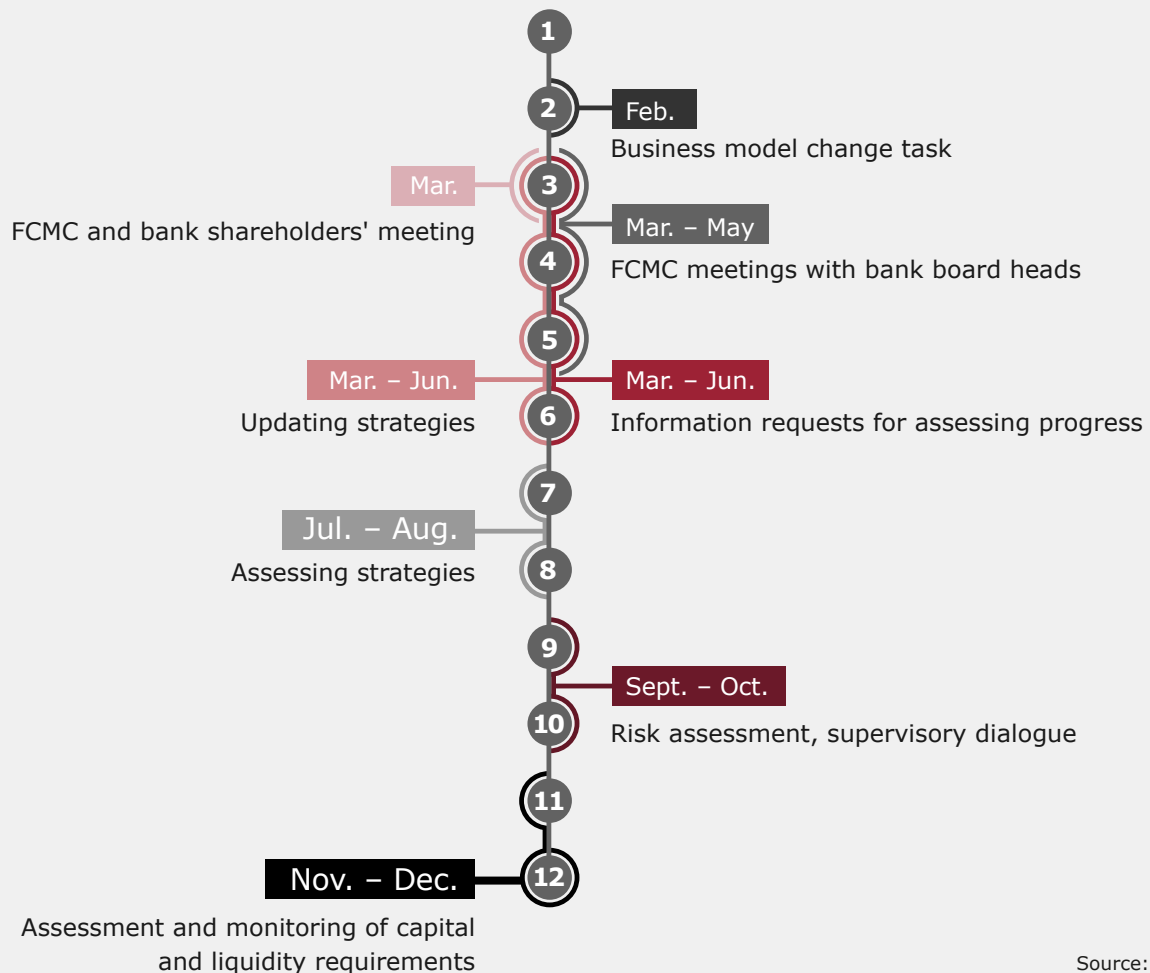
Foreign customers' deposits in Latvia have fallen by more than half from 55% in 2016 to 20% in 2018. This has been a major achievement in the process of financial sector reform. The next step in this process is to change the business models and operating strategies of Latvian banks.

In February this year, the government asked banks mainly servicing foreign customers to update their business development strategies and submit them to the FCMC for evaluation. During the process, the FCMC met with shareholders and board members of the banks. In July this year, all banks submitted their new business plans for the evaluation. The FCMC has reached the final stage of its evaluation. Its assessments have been carried out in accordance with the following criteria:

- Bank viability – ability to generate sufficient income over the next 12 months
- Sustainability – ability to generate sufficient income over the next 3 years
- Compliance with regulatory requirements
- Change of target market and target customers
- Revised financing structure
- Alternative business lines and services

The FCMC focused in particular on the banks' ability to manage change and their plans to diversify their businesses. The FCMC is continuing the dialogue and will determine capital and liquidity requirements for Latvian banks at the end of the year. The FCMC is optimistic that the banks will be able to demonstrate progress.

Steps and deadlines 2018



Source: FCMC

AML Risk Management & Compliance

MONEYVAL action plan

The objective of government's plan concerning AML/CFT measures for the period of time till 31 December 2019 is to strengthen Latvia's ability to disrupt financial crime by enforcing conformity with international AML/CFT standards. The government also intends to create a competitive economic environment and instil confidence in Latvian jurisdiction. The full plan is now available in English, together with explanatory infographic.

[See the Plan and Infographic](#)

The Ministry of Foreign Affairs has completed a series of lectures on the effective implementation of Sanctions' Law

From 12 to 28 September 2018, the Ministry of Foreign Affairs, in association with the Ministry of Finance, the Financial and Capital Market Commission, the State Revenue Service, the Procurement Monitoring Bureau and the Consumer Rights Protection Centre, presented a series of lectures to improve public and private sector understanding on sanctions' implementation.

The Ministry of Foreign Affairs provided the overall political context of sanctions, as well as their role in Latvia's foreign policy. At all lectures, speakers stressed the necessity of ensuring full compliance with international and national requirements.

The Ministry of Foreign Affairs is currently considering a broader strategy to further inform both the public and private sector about sanctions, in line with the FATF standards and MONEYVAL recommendations. The Ministry is also developing a set of measures including issuing written guidance on different sanctions regimes and sector-specific communication about emerging threats and risks.

[Learn more](#)

Finance Latvia Association Confirms Zero Tolerance Policy on Evasion of International Financial Sanctions

Every member of the Finance Latvia Association has committed to ensuring full compliance with applicable targeted international financial sanctions (TFS), including OFAC sanctions in all currencies, as laid down in the industry guidelines adopted by the Association in October 2017. Any new sanctions designation requires members to conduct an immediate in-depth analysis of their implications, including a comprehensive analysis of their past activities, in collaboration with the regulator and the law enforcement agencies.

Recent amendments to the AML/CFT Law have expanded the safe harbour provisions to enable more effective co-operation and intelligence sharing between law enforcement and the financial sector concerning financial crime risks and specific cases. The association believes these changes have already significantly strengthened Latvia's ability to combat national and cross-border financial crime. Latvian banks have fully supported the appointment of the new head of the FIU and enhancing the FIU's operational independence and capability. The sector will continue to collaborate with FIU and whole law enforcement community to fight financial crime.

[Learn more](#)

Fifth report on card fraud - cards issued in Latvia rarely used in fraudulent transactions

Latvian Finance Minister Dana Reizniece-Ozola, interviewed on CNBC's Squawk Box Europe, said recent money laundering scandals involving Latvian and Baltic banks had demonstrated that the European countries were not prepared to tackle money laundering and that action had to be taken at the national and European level. She said that such actions should include strengthening the European Banking Authority.

[Learn more](#)

Financial Sector Development

Latvijas Banka's Economic Conference 2018 – "Payments of 22nd Century: Future Starts Today"

Latvijas Banka's economic conference on 3 October was dedicated to the development of modern payment services. Policy makers from Latvia and the euro area representing the field of interbank payments and business leaders from the international and Latvian financial technology sectors, as well as financial sector experts, discussed global trends in payment changes. Yves Mersch, Member of the Executive Board and Member of the Governing Council of the ECB, gave a keynote speech on instant payments in mobile devices.

[Learn more](#)

Practitioner's roundtable on Open Banking, organized by Finance Latvia Association and SEB

On 10 October, Finance Latvia Association and SEB organized a roundtable for financial services practitioners on the "Current status and future challenges for Digital Finance Development and Open Banking in Latvia". The goal of this event was to understand what it takes for the industry to achieve broad Open Banking roll-out for the benefit of consumers.

Experts from public and private organizations working on digital finance development actively discussed the partnerships and industry wide collaboration for Open Banking provision and increasing consumer literacy about services enabled by the Payment Services Directive II. They also considered next steps necessary to improve the regulatory environment and set strong standards. mechanisms for the fight against financial crime.

[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



Financial and Capital
Market Commission



LATVIJAS BANKA
EIROSISTĒMA

Office for Prevention
of Laundering of Proceeds
Derived from Criminal Activity

FINANCE
LATVIA
ASSOCIATION

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