



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

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Jānis Bordāns
Deputy Prime Minister / Minister of Justice

Message from the Deputy Prime Minister / Minister of Justice

Financial sector reform also means a new approach to the justice system, strengthening our supervisory and enforcement institutions to fight corruption and money laundering. To that end, the Government has submitted to Parliament a series of amendments to our laws against money laundering and the financing of terrorism. Investigators and prosecutors need the powers and resources to apply the law and bring cases speedily to trial. Rapid, inevitable and dissuasive punishment for financial crime is essential to uphold the rule of law in our society.

An effective justice system is a also prerequisite for sustainable economic growth and the foundation for the people's welfare.

In This Issue

- Government submits proposals to overhaul financial sector regulation to parliament
- US Treasury welcomes Latvia's progress and future plans to reform the financial sector
- S&P agency keeps Latvia's long-term foreign long-term foreign currency sovereign credit rating at "A-", with a stable outlook
- Fitch Ratings affirms Latvia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A-' with a Stable Outlook
- Finance Latvia Association publishes Q4 2018 operating results of Latvian banks
- Financial Intelligence Unit of Latvia to organize international conference on combatting of financing of proliferation
- New proposals to grant Register of Enterprises greater powers to assess and report beneficial ownership information about beneficial owners
- Latvijas Banka updates rules for purchasing and selling cash foreign currency

Financial Sector Transformation

Financial sector regulation package proceeds its way to the parliament

On 26 March, the government of Prime Minister Krišjānis Kariņš submitted a package of legislative amendments governing banks and other credit institutions, the Financial and Capital Market Commission (FCMC), and procedures for prosecuting financial crime cases. The amendments are currently being considered by the parliament and should be adopted shortly.

Watch the Government's press conference on the proposed reforms here:



[Learn more](#)

The US Treasury welcomes Latvia's efforts to improve the financial sector

On 10 April, Latvia's Minister of Finance Jānis Reirs met with Marshall Billingslea, Assistant Secretary for Terrorist Financing U.S. Department of the Treasury. Mr. Reirs outlined the Latvian government's reforms to the architecture of financial sector regulation. Mr. Billingslea welcomed the progress Latvia has made thus far and the government's further plans to reform the financial sector.

[Learn more](#)

S&P affirms Latvia's credit rating

On 22 March, the credit rating agency S&P Global Ratings reaffirmed Latvia's 'A' long-term foreign currency sovereign credit rating with a stable outlook.

S&P cited Latvia's balanced growth, forecast to stay at 3% in the coming years, and its strong finances and balanced fiscal policy. Latvia has one of the lowest government debt ratios in the EU.

S&P also noted that ABLV Bank's liquidation, and reduction in foreign deposits had not jeopardised financial stability or fiscal effort and had in fact reduced Latvia's exposure to short-term external debt.

[Learn more](#)

Fitch Affirms Latvia at 'A-' with a stable outlook

On 12 April Fitch Ratings 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.

[Learn more](#)

FCMC publishes financial and capital market review for 2018

On 29 March, the FCMC published its financial and capital market review for 2018, which showed the continue shift away from high-risk foreign customers. In 2018, foreign deposits fell by 37.4% or EUR 2.4 billion, including EUR 1.7 billion from non-EU foreign deposits.

Domestic deposits, however, grew by 7.2% or EUR 869 million in 2018, sustained by Latvia's strong economic growth.

Q4 2018: Operating Results of Latvian Banks

On 25 March, the Finance Latvia Association announced their Q4 statistics that reflected the continued realignment of banks' business models. The total assets of Latvian commercial banks fell EUR 5.5 billion, or 19%, since the beginning of 2018. This was driven by changing business models, optimization of capital expenses, and the liquidation of ABLV. Eight banks saw their loan portfolio and retail deposits increase.

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AML Risk Management & Compliance

FIU Latvia international conference on combatting proliferation financing

On 27 – 28 May, the Financial Intelligence Unit of Latvia (FIU Latvia) will organize an international conference on "How to improve effectiveness in IO.11?" on combatting of financing of proliferation. Financial Action Task Force (FATF), Immediate Outcome 11 is targeted on ensuring financial sanctions to prevent proliferation are adequately enforced. The conference will bring together relevant authorities, high level experts and senior practitioners from public sector worldwide to share their experience and relevant information relating to effective implementation of FATF standards on proliferation.

The MONEYVAL Committee currently evaluates 62 countries on their compliance with these FATF standards. Latvia, along with half of the countries assessed, is currently rated "low", and the Government has prioritized improving its rating and has proposed a targeted system of financial sanctions. The FIU is intending to take advantage of global expertise on the subject to share best practice and improve performance.

Register of Enterprises asks for new powers on beneficial ownership

The Register of Enterprises has asked for greater powers to assess the information companies submit about their beneficial owners, and speed up the process of informing law enforcement agencies about potentially false information submitted to the register.

The proposed amendments oblige financial institutions (FIs) and designated non-financial businesses

and professions (DNFBPs) to notify the Register of Enterprises if the information they have obtained during customer research on beneficial owners differs from the information listed in the register. The Register of Enterprises will then be obliged to inform law enforcement authorities of a possible criminal offense. In addition, a record will be made in the register that will alert other FIs and DNFBPs on possible mismatch of information.

The Saeima is expected to adopt the amendments by June 2019.

Latvijas Banka refines the regulatory framework for companies purchasing and selling cash foreign currency

On 28 March the Council of Latvijas Banka has updated its regulatory framework for companies purchasing and selling cash foreign currency, in line with a recommendation of the MONEYVAL committee.

Companies will now be required to disclose information on their beneficial owners to Latvijas Banka and to make specific checks to ensure that the sales are not being used to evade AML/CTF standards. Companies will be required to account for new methods of money laundering and take the requisite steps to guard against that in future transactions. Latvijas Banka has made further changes to disrupt and detect counterfeiting and to enable the better use of technology.

The adoption of these new rules marks another step forward for Latvian financial sector reform.

[Learn more](#)

Finance Latvia workshop on reporting of suspicious transactions

On 4 April, the Finance Latvia organized a full-day, workshop, led by international experts from Navigant, a specialized, global professional services firm, dedicated to Suspicious Transactions Investigations and Reporting.

Navigant experts - Anna Angotti and Anne Marie Minogue - provided training on the legal basis for researching possible "red flags" that indicate suspicious transactions. They also described ways to identify and document potentially illegal transactions. The experts further outlined how to develop research and investigation plans from information on suspicious transactions.

The workshop was attended by 72 participants – Finance Latvia members, participants from the Ministry of Foreign Affairs, Latvijas Banka, the FCMC, the State Revenue Service, FIU Latvia, the State Police, the State Security Service, the Constitution Protection Bureau and the Register of Enterprises.

[See video from the workshop](#)

Financial Sector Development Latvijas Banka introduces the "Payment Radar"

Latvijas Banka has introduced "Payment Radar" - a new kind of instrument for analysing trends in the use of non-cash and cash. This report, which summarizes information about the habits of the Latvian population, entrepreneurs and the general public in the use of money, will come out every six months.

[Learn more](#)

Contributing Institutions



Cabinet of Ministers
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State Chancellery
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Ministry of Finance
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Ministry of
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Office for Prevention of
Laundering of Proceeds
Derived from Criminal Activity



Financial and Capital
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