



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

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Message from the Latvijas Banka

As the newly-appointed Governor of Latvijas Banka (the central bank of Latvia), I am delighted to outline some of the exciting changes the central bank and the financial sector will be enjoying in the near future. The purpose of these changes is to strengthen the reputation of Latvijas Banka, the financial sector, and Latvia as a whole – following a period of almost two years of uncertainty.

The changes we are undertaking are ambitious. Although central banks, traditionally, are conservative institutions, the world and the financial sector are undergoing significant transformation, and so will Latvijas Banka. We will endeavor to be transparent and open throughout this transformation, operating as a reliable partner serving the public. We have been actively co-operating with Latvian and international institutions, contributing to the economic analysis and modernisation of the financial sector.

The changes implemented at Latvijas Banka represent one of the final building blocks in a major reform of the Latvian financial sector. Over the past year, Latvian institutions have collaborated on multiple projects to improve national legislation and introduce practical measures for preventing money laundering and terrorism financing (ML/TF), and we intend to continue this impressive work. A transparent, sustainable, and sound financial sector is vital for the Latvian people, and should become the "new normal".

The sustainability of the financial sector is not only the number one priority for Latvia, but also the entirety of Europe, and will require powerful institutional regulation. My role will include promoting the initiative on a pan-European AML regulation and establishing the institutional framework. Latvia's experience demonstrates that, with significant coordinated effort, we can achieve much in a short period of time.

On December 12 2019, the Saeima of the Republic of Latvia appointed Mārtiņš Kazāks the Governor of Latvijas Banka for the period of the next five years, starting on December 21 2019.

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Financial Sector Transformation

Latvian Government adopts action plan to prevent ML/TF/PF in 2020-22

On December 17 2019, the Latvian Government adopted a series of measures to prevent money laundering, terrorism and proliferation financing (ML/TF/PF) for the period of 2020-22.

These measures are based on international, national, and sectoral risk assessments; recommendations from international organisations; and results and learnings taken from the previous plan. The plan aims to strengthen Latvia's capacity to fight ML/TF/PF, reduce various risks in order to promote public security, increase the competitiveness of the economic environment, and improve trust in Latvia's jurisdiction.

The plan is divided into 11 actions, which align with the effectiveness indicators used by the European Council's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) during the fifth round of evaluation.

FCMC signs administrative agreement with SEB Latvia for improvements to AML/CTF

The Financial and Capital Market Commission (FCMC) and AS SEB banka have signed an administrative agreement aimed at adopting common actions to make improvements to AML/CTF following an inspection of the Bank by the FCMC in 2017.

During the 2017 inspection, the FCMC concluded that further improvements of internal control systems were needed. The main discrepancies occurred because, on limited occasions, the documentation typically used to prove a client's economic activity possessed insufficient scope and quality to ascertain whether the client's transactions were suspicious or not. Additionally, in some cases, the client's beneficial owner was not sufficiently proved or documented.

The joint agreement between FCMC and AS SEB banka will address and rectify the issues and concerns raised during the 2017 inspection.

[Learn more](#)

Banks to be provided with all necessary support to meet OFAC sanctions

The Finance and Capital Market Commission (FCMC) has pledged to provide all the necessary methodical support required by Latvian financial institutions in order to meet new regulatory enactments introduced by OFAC sanctions.

While the FCMC will provide methodical support to Latvian financial institutions regarding the recent OFAC sanctions, it will not be making decisions on their behalf. Each bank should possess their own regulatory framework and, therefore, should evaluate the situation, make appropriate decisions and provide their clients with all the necessary information, emphasises Santa Purgaile, Chairman of the FCMC.

The FCMC also understands that, in such instances whereby a bank establishes a business relationship with persons or institutions under OFAC sanctions, the bank might have reinforced interest and additional questions. This may result in additional research of the persons or institutions in question, and could potentially have a significant impact on that company's activities.

Further information on the OFAC sanctions is available [here](#).

Register of Enterprises grants free access to information on more than 650,000 right holders

Effective immediately, the information relating to legal persons, including company officials and beneficial owners, stored in 14 registers on the Register of Enterprises will be available for free online at: <https://info.ur.gov.lv>. Descriptions of all services are available [here](#).

As a result of the opening of the registers, current and historical information on more than 650,000 right holders from 14 registers and lists is now publicly available. This includes details from JSC, LLC, associations, etc., as well as legal facts such as commercial pledges, marriage agreements, etc., from the Commercial Register, The Commercial Pledge Register, and the Register of Associations and Foundations.

"The leading European business registers, which already grant free public access to data, reap significant benefits. When information is freely available, more people use it and can report inconsistencies and mistakes, improving the overall quality and accuracy of the data," states Guna Paidere, Chief State Notary of the Register of Enterprises.

[Learn more](#)

AML Risk Management & Compliance

USA lifts sanctions against Freeport of Ventspils and Ventspils Freeport Authority

On December 18 2019, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) announced the lifting of sanctions on Freeport of Ventspils and Ventspils Freeport Authority. The USA took this decision following intensive talks with the Latvian Embassy in Washington, discussions with the Ministry of Foreign Affairs and other institutions, and review of the measures taken by Latvia to irrevocably curb the influence of the designated individual on the Freeport of Ventspils and Ventspils Freeport Authority.

As a result, Freeport of Ventspils, Ventspils Freeport Authority and companies operating in the port can carry out their work unhindered by sanctions.

[Learn more](#)

FIU commits to upskilling employees with anti-money laundering training

The Financial Intelligence Unit of Latvia (FIU) will organise seminars, training, and experience exchange visits to strengthen its employees' knowledge on anti-money laundering, countering of terrorism, and proliferation financing (AML/CTF/CPF).

Using funding from the European Economic Area Financial Mechanism (EEA FM) co-financed Program "International Police Cooperation and Combating Crime", the FIU will organise an expert workshop concerning the latest money laundering developments, including corruption, tax evasion, fraud, smuggling, TF/PF, as well as any new threats or modus operandi that may emerge in the future.

[Learn more](#)

Number of prosecutors trained in AML increases significantly

The number of prosecutors participating in specialised anti-money laundering (AML) training – including the identification and confiscation of criminally-derived property – has significantly increased over recent years. In 2019, 330 prosecutors participated in various AML training schemes, up from 193 in 2018. Workshops have particularly focused on the application of the latest legal framework, ensuring a minimum level of evidence is provided in ML cases.

The main part of the training was developed and introduced by the Prosecutor General's Office in December 2018, in accordance with the Plan of Measures approved by the Cabinet of Ministers in October 2018.

In December 2019, the General Prosecutor's Office, in co-operation with the State Police, also launched a new training cycle on the practical aspects of combating ML.

Financial Sector Development

Saeima appoints the new Governor of Latvijas Banka

On December 12 2019, the Saeima of the Republic of Latvia appointed Mārtiņš Kazāks the Governor of Latvijas Banka (the Bank of Latvia) for a period of five years starting on December 21 2019. A total of 76 MPs voted in favour of the decision, while a single MP abstained.

Kazāks has become a member of the General Council of the European Central Bank and of the Governing Council of the European Central Bank.

One of the top priorities for the new Governor will be strengthening the reputation of Latvijas Banka.

"Despite institutional challenges, when looking at separate functions, such as the quality of economic analysis, the bank's assessment is the highest one among institutions. We recognise that the bank's work is still highly valued and we will endeavour to do everything possible to earn our customers' trust and repair the reputational damage caused over the past few years," stresses Kazāks.

[Learn more](#)

Latvian banking sector records EUR 203.3 million profit in Q1-Q3 2019

During the first three quarters of 2019, the Latvian banking sector (excluding PNB banka) operated with a profit totaling EUR 203.3 million, as capital return rate (ROE) reached 10.7% at the end of the period (according to EBA Risk Dashboard Q2 2019, EU average – 7%). This is 20% less than during the same period last year.

With the profits operated by majority of the banks, and their ROE ranging from 0.4% to 21%, two of the banks currently implementing the changes in business model, ended the period with losses.

A third of Latvian residents see financial situation improves

For the first time since 2013, self-assessment of the financial situation of Latvian resident households has reached its highest result (when the number of positive responses exceeds negative ones).

According to a Swedbank survey, a third of Latvia's population feel they've experienced an improvement in their household's financial situation when compared to 2018 (27% experienced minor improvements, while 4% have seen significant improvements).

At the same time, 43% indicated their household's financial situation has not changed during the year. In general, the population acknowledges that their monthly income is slowly but steadily increasing, but the most negative impact on the overall budget is due to increased spending on food purchases.

Latvian businesses to increase productivity by developing innovations in 2020

The productivity of Latvian organisations is set to surge over the next 12 months, according to a survey of financial directors of large companies organised by AS SEB banka developing innovations.

Almost a quarter (24%) of enterprise-level Latvian companies cite the development of digital solutions, innovations, and process automation as a key priority for boosting productivity. The survey also shows that Latvian companies are ambitious – 20% would like to introduce new products and services next year. Moreover, 40% of those surveyed are confident that 2020 will be beneficial to their business. At the same time, big companies are feeling financially stable – with three-quarters (74%) of large Latvian companies ranking their financial position as ‘good’ or ‘very good’.

Contributing Institutions



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