



Cabinet of Ministers
Republic of Latvia

Latvian Financial Sector Update

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Message from the Prime Minister

Our Government's mission is to drive reform of the financial sector, so that it facilitates the investment our businesses and our country needs to thrive.

We want a financial sector that provides traditional and innovative financial services at competitive prices to support sustainable economic growth across this country. In light of this, the financial sector has a unique responsibility to protect the interests of investors, consumers and entrepreneurs.

The Latvian Government is committed to carrying out reforms that will strengthen our ability to tackle financial crime, fight money laundering and improve coordination between our regulatory institutions, including a renewed and expanded mandate for the Financial and Capital Market Commission. The Prime Minister has made this our top priority, and we intend to see it done. That is our promise to our international partners and to the Latvian people.

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Financial Sector Transformation

Government announces overhaul of financial sector regulation

Prime Minister Krišjānis Kariņš has announced major reforms to the architecture of financial sector regulation in Latvia and has tasked the Ministers for Finance, Justice and the Interior with drawing up a legislative package by 26 March to be put to the Cabinet of Ministers.

The goal of the reform is to strengthen the capacity of competent authorities, especially the Finance and Capital Market Commission (FCMC), to combat money laundering and terrorism financing more effectively.

Prime Minister Krišjānis Kariņš said: "I have been in my post for less than four weeks, but we have already come to the conclusion that in order to ensure a strong, stable and sustainable financial sector – the cornerstone for a dynamic economy – we need to undertake serious reform. We have to conduct an overhaul of the anti-money laundering system to ensure the highest standards of supervision, regulation and transparency".

[Learn more](#)

The Ministry of Finance Amendments to Financial and Capital Market Commission Remit

In line with the Prime Minister's instructions, the Ministry of Finance will propose amendments to the Law On the Financial and Capital Market Commission (FCMC).

The amendments will expand the FCMC's duty to regulate compliance with anti-money laundering, counter-terrorism financing, and international sanctions standards. At the same time, it will preserve the FCMC's responsibility for prudential supervision and financial stability of financial and capital market participants.

[Learn more](#)

OECD endorses overhaul of Latvian financial sector regulation

The OECD has published its assessment of Latvia's AML/CFT system. OECD experts found that Latvia needed to overhaul its regulatory architecture, as the Prime Minister has proposed, to improve system supervision and governance. The report is intended to help Latvian authorities implement recommendations by Moneyval, FATF (Financial Action Task Force) and the OECD Working Group on Bribery in International Business Transactions.

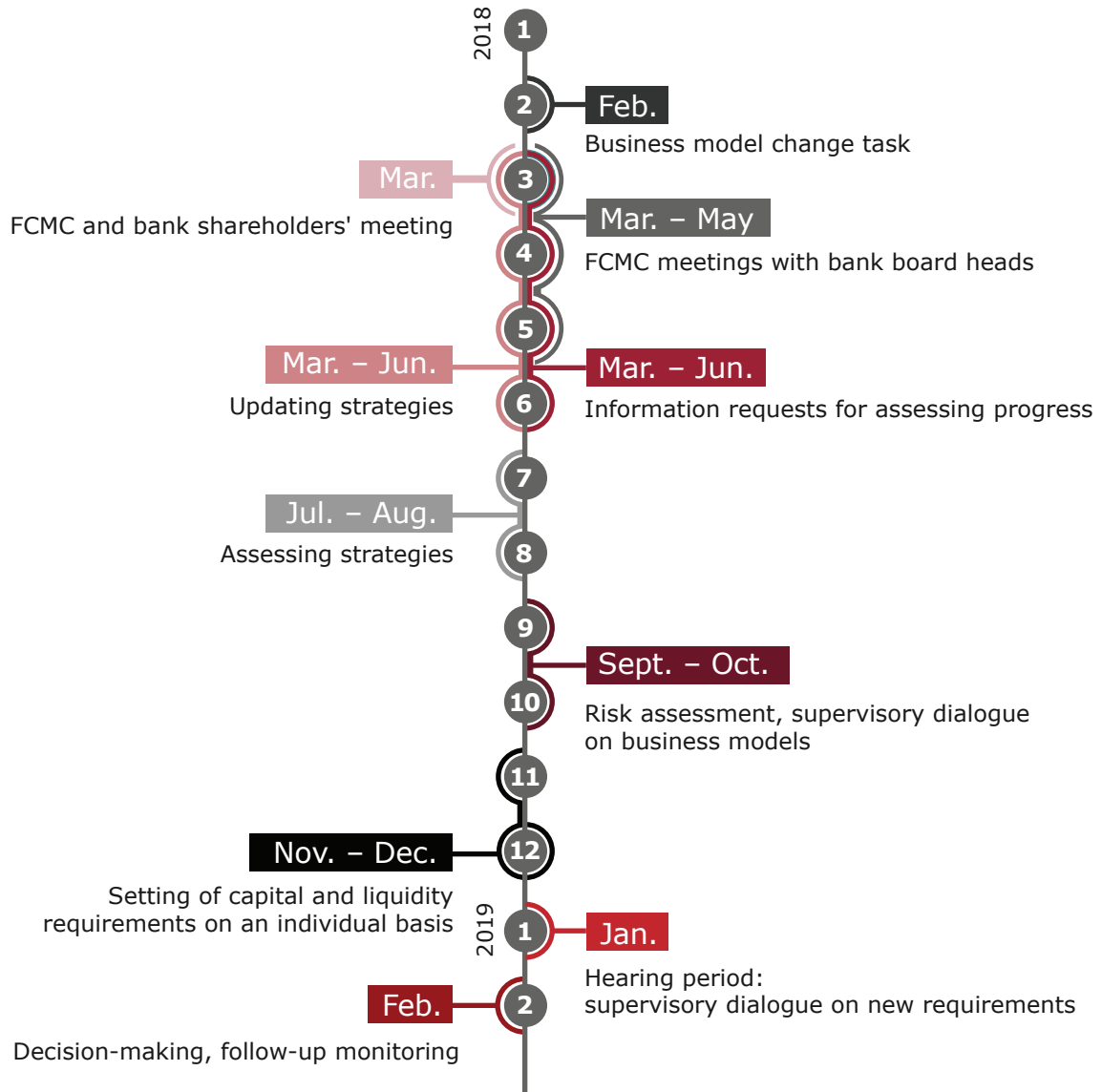
[Read the OECD Assessment Report](#)

FCMC completes assessment of new bank business models

The Financial and Capital Market Commission (FCMC) has completed its assessment of new business models for 12 Latvian banks. The FCMC gave particular consideration to the impact of the banks' future business strategies on the levels of risk they would generate. The assessment of banks' business models was carried out in line with the so-called Supervisory Review and Evaluation Process (SREP), formulated by the European Central Bank (ECB) and FCMC.

The Board of the FCMC has approved bank performance indicators on an individual basis, including capital and liquidity requirements, as well as supervisory measures for this year. Banks will also be required to provide more regular updates on their progress in implementing their new business models.

Steps and deadlines 2018/2019



[Learn more](#)

AML Risk Management & Compliance

FCMC Board adopts methodology for screening ABLV Bank customers

On 6 March, the Board of the Financial and Capital Market Commission (FCMC) approved a methodology for screening the customers of ABLV Bank in liquidation, submitted by the liquidators of the Bank and already approved by the FIU.

A team from EY developed the methodology to prevent possible money laundering and violation or circumvention of sanctions compliance provisions in the course of pay-outs to the ABLV Bank's customers.

A group of FCMC-authorized officials will soon carry out an on-site inspection of the ABLV Bank as part of the implementation of the methodology to ensure compliance with the new requirements laid down.

[More information about ABLV Bank's liquidation process](#)

FIU triples asset freezes during the second half of 2018

Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (FIU Latvia) has significantly improved its results during the H2 2018. According to the statistics compiled by FIU, the organization froze EUR 79.1 million from 1 June 2018 till 31 December 2018 – triple the amount frozen between 1 January 2018 and 31 May 2018 (EUR 22.8 million). This is due to a more streamlined internal process, intended to combat money laundering and terrorist financing in line with Latvia's risk profile.

In total, the FIU froze EUR 101.5 million in 2018, more than twice the amount frozen in 2017 (EUR 45.6 million).

The FIU's annual report will provide more detailed information shortly.

Police refer 36 cases of money laundering for prosecution in 2018

Pēteris Bauska, director of the Economic Crime Prevention Department of State Police, announced that his institution had referred 36 cases of money laundering for prosecution, 15 more than a year ago. Nine of these 36 cases were referred to foreign authorities for further investigation.

Bauska stressed that the Economic Crime Prevention Department is in the process of recruiting more analysts and investigators, to strengthen its capacity in line with the recommendations of the MONEYVAL report.

Disclosure of beneficial owners nears completion

Since 1 December 2017, all legal entities have had to register their beneficial owners in the Register of Enterprises. From that date, new legal entities, or entities who have changed ownership or board structure, cannot be registered if they do not provide information on their beneficial owners.

All legal entities who had registered before the new requirements came into force had to disclose their beneficial owners by 1 March 2018. According to the latest data, around 96% companies have complied with this requirement. As part of this activity, the Enterprise Register struck off 22,000 economically inactive companies. The Enterprise Register is issuing warnings to the remaining 1,800 limited liability companies, who have not disclosed their beneficial owners and whose legal owners are other legal entities established abroad. The companies that do not disclose their beneficial owners by 1 August 2019 will be terminated.

The Ministry of Foreign Affairs seminar on sanctions compliance

On 11 March 2019, the Ministry of Foreign Affairs held a public seminar for lawyers and regulators titled "Sanctions in Latvia: Application and Compliance". Representatives of the MFA presented new guidelines for sanctions compliance, which had been published on 8 March. They will be available in English shortly.

[Learn more](#)

