

Santa Purgaile, Chairwoman of the FCMC

14.01.2021



FM — Priorities of 2021



Covid-19

Uncertainty remains high

The deterioration in the loan portfolio quality in the future cannot be excluded



Sustainability

Embracing the future

Environment

Social

Governance



Capital market & FinTech

Development

Dialogue & Communication

Next steps



AML

Seeking a balance

Requirements

Risks

Business and Investments

FRI – Sustainability – greening the financial system

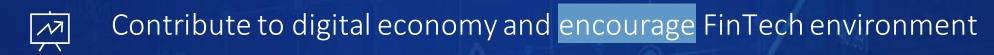
Role of Supervisor

- Active involvement in the development of financial sustainability of regulatory framework
- Open communication with an industry regarding supervisory expectations

Supervisor expectations

- Act proactively and include sustainability considerations into business strategy and processes
- Incorporate climate-related and environmental risks into risk strategy and risk management framework and use scenario analysis and stress tests as evaluation tools
- Properly enhance governance arrangements
- Promote climate-related disclosure that is both qualitative and quantitative
- Activity towards discussions on future regulatory framework

FM – Focus on Financial Innovations



Ensure infrastructure for innovation (FinTech, RegTech, SupTech)

Welcome payment institutions to apply for licence in Latvia

Promote Innovation Centre and Regulatory Sandbox

Ensure fair legal playground filling the gap between Innovations and Regulation (Investments, Crowdfunding, Crypto)

Implement new technologies in Supervision

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F(1 − Main challenges of Capital Market



Our priority is to develop

Capital Markets locally
and support the

European-level Capital

Markets Union



European capital market is fragmented, and therefore we are looking for measures to close this gap between most developed markets and those which are catching up



Setting up 10 step approach to energize the Latvian Capital Markets

FORUM 2021

TODAY'S DECISIONS = FUTURE OPPORTUNITIES

19.01.2021 | 10.00 - 14.00



FM — Development of AML/CFT system

The main focus of year 2020 in the financial sector was on seeking a balance and proportionality between requirements, risks and common sense.

F(1 – Further directions in AML/CFT field







GOAL

Effective risk based approach

PRIORITY

To limit distress in financial institutions

PRIORITY

To increase excellence in supervision

F(1 – Priority: to limit distress in financial institutions

Active dialogue with stakeholders

Development of guidelines

Improvement of regulatory framework

Regular and open communication with market participants







FM

Guidelines* for common understanding of the application of laws and regulations

Goal:

Common understanding on both the banks and regulator's side regarding the application of laws and regulations in the area of the prevention of financial crime, as well as introduction of risk-based approach.

Guidelines:

- Developed in cooperation with industry
- Guide for financial institutions
- Provide practical examples and recommendations
- Updated regularly

^{*} Recommendations for the Establishment of the Internal Control System for Countering Terrorism and Proliferation Financing and Sanctions Risk Management, and for Customer due Diligence

FM — Priority: to increase excellence in supervision



Revised examination approach

As of summer 2020 the AML monitoring process is based on a revised approach to inspections methodology, moving from a KYC focused approach to holistic evaluation of internal controls system.





10 elements included in the new methodology:

- Risk assessment
- AML/CFT strategy and tone at the top
- Structure, responsibilities, staff and training
- CDD and transaction monitoring
- Suspicious transaction identification and reporting
- IT systems, data storage
- Audit
- Agents and third parties services
- Whistleblowing
 - Revision of policies and procedures



Thank You!

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