

Supervisory **priorities** and framework in Latvia 2021

Santa Purgaile, Chairwoman of the FCMC

14.01.2021



FK
FINANŠU UN
KAPITĀLA
TIRGUS
KOMISIJA

The logo consists of a stylized white 'FK' monogram above the text 'FINANŠU UN KAPITĀLA TIRGUS KOMISIJA' in a white, sans-serif font. The text is arranged in four lines, with horizontal lines separating the words.



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



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



FFI – Focus on Financial **Innovations**



Contribute to digital economy and **encourage** FinTech environment



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





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

LATVIAN CAPITAL MARKET
FORUM 2021

**TODAY'S DECISIONS =
FUTURE OPPORTUNITIES**

19.01.2021 | 10.00 - 14.00





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.

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Further directions in AML/CFT field



GOAL

Effective risk based approach

PRIORITY

To limit distress in financial institutions

PRIORITY

To increase excellence in supervision



Priority: to limit distress in financial institutions

Active
dialogue with
stakeholders

Improvement of
regulatory framework

Development of
guidelines



Regular and open
communication with
market participants





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

Priority: to increase excellence in supervision

Change of audit approach & methodology



EU supervisory framework



Employee training & development



Exchange of experience with other countries



Efficient use of information technologies



Baltic & Nordic countries supervision platform





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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