

Financial Environment

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The central bank and the commercial banking sector

Latvia's central bank is the Bank of Latvia, an independent institution and a *Eurosystem* participant. The Bank of Latvia shares the primary objective of maintaining price stability with the central banks of other euro area countries and the European Central Bank (ECB). The Bank of Latvia participates in implementing and formulating the *Eurosystem's* monetary policy. The Bank of Latvia also manages foreign reserves, ensures the smooth operation of payment systems, issues cash in Latvia, compiles financial and monetary statistics, and maintains the Credit Register.

The Financial and Capital Markets Commission (FCMC) regulates and oversees the activities of all participants (investors, credit institutions, insurers, stock exchanges, depositaries, brokers, etc.) in the financial and capital markets. The FCMC promotes free competition and stability on financial markets and safeguards the interests of investors, depositors and insured persons.

Commercial Banks in Latvia

As the end of 2018, there were 15 banks in Latvia and seven branches of foreign banks. The Association of Latvian Commercial Banks exists to contribute to strengthening and developing Latvia's banking system – developing legislation and representing the collective interests of banks. The total amount of bank assets at 2018 comprised € 22 590 million, 60 % of which are issued loans.

The insurance sector

At the end of 2018, there were a total of six insurance companies operating in Latvia (two life insurance companies and four non-life insurance companies) as well as eleven branches of foreign insurance companies. An application for a licence to provide insurance services must be filed with the FCMC. Decisions to approve or reject applications are made within six months of the filing date.

Stock exchange

Nasdaq Riga and the Latvian Central Depository are the leading securities market operators in Latvia. These institutions provide market participants with an environment for dealing in securities, clearing and settling securities' transactions, and listing securities, as well as for the operation of the central register of public securities and the register of state-funded pension funds.

Nasdaq Riga is a part of *Nasdaq Inc.*, the world's largest exchange company. In April 2019, *Nasdaq Riga* was listing 24 companies with total market capitalisation of € 829.36 million.

Under the Financial Instruments Market Act and the rules of *Nasdaq Riga*, companies wishing to put their shares on the main list of the *Nasdaq* Latvian market must meet the following requirements:

- A prospectus approved by the Latvian regulator;
- Minimum market capitalisation of € 4 million;
- At least three years of operation;
- Listing at least 25% of the company's total number of shares, or if less than 25% is listed, the total capitalisation of the listed shares must be at least € 10 million;
- Financial statements prepared to IFRS or GAAP.

Additional information

www.bank.lv

www.nasdaqomxbaltic.com

www.fktk.lv

www.laa.lv

www.bankasoc.lv

<https://www.liaa.gov.lv/en/invest-latvia/business-guide/financial-environment>