

The Financial Sector Development Board agrees upon new approach to the sector and supervisors' work with the customers

Published: 30.11.2020.

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On Friday, November 27, the Financial Sector Development Board agreed to support the plan of measures for promotion of single and consistent approach in cooperation, supervision and communication with the customers between public authorities and financial institutions. This will ensure the facilitation of the risk-proportionate approach, minimize the administrative burden in the entire chain of supervision and cooperation between banks and customers.

Prime Minister Krišjānis Kariņš: "The agreement reached between the financial sector and the state supervisory authorities will change the previous type of operation of the sector, providing for clear guidelines to the financial institutions and their supervisors to focus on risk management in their activities. Financial sector is the blood circulation of the economy - by implementing the requirements in supervision of proceeds from crime, we must achieve that it operates without any hindrance and delay."

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Minister for Finance Jānis Reirs: "Currently the main task is to build confidence in relationship between the financial institutions and the customers, which represents a joint effort of all the involved institutions. Transparency, cooperation and proportionality is the key to a sustainable financial sector with zero tolerance towards criminal activities, which is able to skilfully govern the permissible risks in relations with its customers and to support the national economy."

Chairwoman of the Council of Finance Latvia Association Ieva Tetere: "We are truly satisfied that the government has recognized as appropriate and necessary the proposal of the sector regarding more proportionate risk assessment approach and now we have a particular action plan and persons in charge of the further progress of the 20 points' plan. From the sectoral perspective, enhancing the requirements of laws and regulations, in order to move towards the risk-based approach, is a highly needed step. This will help to make the common goal - effective combating of financial crime - more attainable and to ensure more comfortable and understandable everyday cooperation with the customers, simplified customer due diligence process and improved mutual information exchange."

The plan has come to life, after having heard the proposals of the Finance Latvia Association and the Employers' Confederation of Latvia, and it has gained broad support among all of the involved institutions. The goal of the plan of measures is to implement a single and consistent approach in the cooperation and supervision of financial institutions, as well as in cooperation and communication with the customers. It is also planned to promote the understanding about common responsibility for anti-money laundering and combating terrorist financing (AML/CTF), concurrently ensuring the observance of the highest international standards.

It is planned to commence the implementation of the measures included in the plan already at the end of this year, continuing the gradual implementation of improvements by the middle of 2021, by introducing the risk-based approach in the supervision of the credit institutions and cooperation with the customers, so that the requirements applied to a high-risk customers would not be automatically referred to other customers, and the application of requirements would take place according to the identified risks and the essence of the customer transactions.

The main expected benefits for private persons and legal entities would be the customer and transaction due diligence measures based in the risks, and not in the strict standards:

Risk-based measures, under which a simplified customer due diligence is permissible; Improved communication between a credit institution and a customer, enhanced complaint review procedure; Strengthening joint responsibility and understanding in anti-money laundering and combating other financial crimes, as well as in the implementation of the sanctions; More explanations, less formal fulfilment of the statutory requirements, without getting into details;

Supplementing the content of public registers and improving the obtaining and technical availability of information for credit institutions, by elevating the burden of requirements, where possible, for the customers.

The Board also discussed the Nordic and Baltic countries regional financial sector assessment in the field of the AML/CTF planned to take place in 2021-2022.

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