

10-step programme for Latvia's capital market development



INVESTMENT OF STATE-FUNDED PENSION SCHEME (SFPS) FUNDS IN LATVIA'S CAPITAL MARKET, INCLUDING CAPITAL OF STATE CAPITAL COMPANIES

The Capital Market Development Strategy should be developed promoting the objectives set out in the Financial Sector Development Plan: more active participation of state capital companies in the capital market. The development of the Strategy will provide for access to funding for the development projects of state and local government capital companies through diversified funding sources, including raising the capital resources via the public issue of shares and bonds. The participation of large-sized companies in the capital market will enable allocations of significant amount of SFPS funds to the strengthening of local economy.



PROVISION OF QUALITATIVE INFORMATION TO POTENTIAL CAPITAL MARKET ISSUERS

By 31.12.2021, a development and support model should be set up, enabling issuers to prepare for participation in the capital market in the case of share and bond issue. This option should be promoted together with the partners and discussions with potential issuers should be held, involving experts from different areas and industries to give a full picture of the capital market, the possibility of raising resources and feedback to the management of the company.



PROMOTION OF PASSIVE INVESTMENT IN LATVIA'S CAPITAL MARKET

Options should be evaluated and proposals drafted to promote an expanded flow of international passive investment funds in Latvia. This would open up the possibility for small businesses applying sustainable solutions to attract passive investment.



AUDIT AND ADJUSTMENTS TO THE REGULATORY BURDEN

Latvian laws and regulations (Financial Instruments Market Law, Commercial Law) should be reviewed, assessing whether they introduce stricter requirements for issuers compared to the regulation resulting from the European Union directives (Transparency Requirements Directive, Directive on Rights of Shareholders). In the context of stricter national regulation, it is necessary to reassess its justification and necessity. At the same time, the need for stricter requirements for issuers compared to other capital companies (e.g. the minimum number of board and council members for share issuers) should be reconsidered. The "consult at first" principle should be strengthened with the implementation of new regulatory framework.



IMPROVEMENT IN THE PROTECTION OF INVESTOR INTERESTS AND REVIEW OF THE FINANCIAL AND CAPITAL MARKET COMMISSION'S (FCMC) SUPERVISORY PRIORITIES

The regulation for protecting the rights of Latvia's capital market investors should be reviewed and upgraded. The practical application of the protection mechanism should be improved at the level of all stakeholders. Supervision in the field of market manipulation and insider dealing should be strengthened by boosting better cooperation between the FCMC and law enforcement authorities in investigating such infringements. Recommendations and proposals of market participants should be taken into account in shaping the FCMC's supervisory priorities.



IDENTIFICATION OF WELL-MANAGED CAPITAL MARKET PARTICIPANTS

By 31.12.2022, a corporate governance rating should be established for each issuer dealing on the capital market and an agreement should be reached on a rating provider. The corporate governance rating will facilitate the assessment of investment opportunities and decision-taking on making adequate investment.



PROMOTION OF INVESTMENT ACTIVITY IN LATVIA'S CAPITAL MARKET

Investment activity in Latvia's capital market should be boosted by evaluating options and making proposals for the review of current tax regime during 2021 (incl. maintaining the existing regulatory framework for stock options and investment account) and ensuring the competitiveness of the Latvian tax system at the Baltic countries' level. The possibilities of developing the tax relief tools, focusing on investments made directly in Latvia's capital market by institutional and retail investors, should be assessed.



PROMOTION OF FINANCIAL LITERACY AND INVESTMENT AWARENESS IN LATVIA

The financial literacy strategy for 2021–2027 provides an essential role for the promotion of financial literacy in the field of investment among Latvian residents. To that effect, institutions should be involved in the implementation of the strategy, by providing diverse, educational, informative and inclusive activities in the field of investment via different channels, including digital platforms.



PROVISION OF OBJECTIVE AND ANALYTICAL INFORMATION ON INVESTMENT RISKS

A modern solution should be developed and introduced to give a clear picture of the risks associated with different types of investment and to assist retail investors in assessing the adequacy of specific types of investment to investor risk appetite and the level of financial literacy.



PROMOTION OF THE INVOLVEMENT OF INVESTMENT SERVICE PROVIDERS IN LATVIA'S CAPITAL MARKET

Proposals should be made for more active involvement of investment service providers in the capital market. Digital tools for investors should be developed and development of joint passive partnership investments should be encouraged in order to promote investment in a passive form. Investment banking services should be developed in Latvia.