

## Appendix 1. Month-End Balance Sheets of Latvijas Banka for 2023

(at the end of the month; thousands of euro)

	01	02	03	04	05	06	07	08	09	10	11	12
<b>ASSETS</b>	25 728 234	25 756 393	25 769 693	25 431 054	25 551 151	25 328 381	25 406 277	25 506 606	25 564 081	25 344 132	25 467 044	<b>25 564 820</b>
<b>Gold and gold receivables</b>	376 765	364 291	389 369	386 000	392 624	374 922	379 815	382 704	377 383	401 978	399 131	<b>399 378</b>
<b>Claims on non-euro area residents denominated in foreign currency</b>	3 957 698	3 894 757	3 843 201	3 884 633	4 005 013	3 967 874	3 973 241	3 991 821	3 959 672	3 898 000	3 943 406	<b>4 049 526</b>
Receivables from the International Monetary Fund	546 798	550 205	543 745	539 043	546 494	538 318	535 284	538 133	545 477	543 454	536 995	<b>534 839</b>
Balances with credit institutions and security investments, external loans and other external assets	3 410 900	3 344 552	3 299 456	3 345 590	3 458 519	3 429 556	3 437 957	3 453 688	3 414 195	3 354 546	3 406 411	<b>3 514 687</b>
<b>Claims on euro area residents denominated in foreign currency</b>	526 199	616 587	584 505	582 025	586 571	579 539	584 013	586 023	619 050	578 440	586 218	<b>595 802</b>
<b>Claims on non-euro area residents denominated in euro</b>	155 895	168 853	160 831	156 487	165 830	150 672	152 388	156 651	166 357	153 421	160 492	<b>168 476</b>
<b>Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	422 900	342 900	342 900	343 900	342 900	92 900	92 900	92 900	92 900	92 900	92 900	<b>92 900</b>
Main refinancing operations	-	-	-	1 000	-	-	-	-	-	-	-	-
Longer-term refinancing operations	422 900	342 900	342 900	342 900	342 900	92 900	92 900	92 900	92 900	92 900	92 900	<b>92 900</b>
Fine-tuning reverse operations	-	-	-	-	-	-	-	-	-	-	-	-
Structural reverse operations	-	-	-	-	-	-	-	-	-	-	-	-
Marginal lending facility	-	-	-	-	-	-	-	-	-	-	-	-
Credits related to margin calls	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other claims on euro area credit institutions denominated in euro</b>	1 480	29 876	16	4 048	21 130	4 569	510	9 021	16 881	1 084	1 850	<b>133</b>
<b>Securities of euro area residents denominated in euro</b>	14 147 770	14 225 126	14 247 674	13 918 325	13 811 943	13 840 841	13 871 479	13 869 897	13 876 916	13 753 565	13 709 924	<b>13 550 657</b>
Securities held for monetary policy purposes	13 210 127	13 269 799	13 304 297	12 979 960	12 869 183	12 904 343	12 927 655	12 932 870	12 945 880	12 814 301	12 763 552	<b>12 586 724</b>
Other securities	937 643	955 327	943 377	938 365	942 760	936 498	943 824	937 027	931 036	939 264	946 372	<b>963 933</b>
<b>Intra-Eurosystem claims</b>	5 888 311	5 894 658	5 900 755	5 898 663	5 958 579	5 980 470	6 024 763	6 070 004	6 069 666	6 094 712	6 123 008	<b>6 412 443</b>
Participating interest in the European Central Bank	118 849	118 849	118 849	118 849	118 849	118 849	118 849	118 849	118 849	118 849	118 849	<b>118 849</b>
Claims equivalent to the transfer of foreign reserves to the European Central Bank	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	<b>157 202</b>
Claims related to TARGET2 and national central bank correspondent accounts (net)	-	-	-	-	-	-	-	-	-	-	-	-
Claims related to other operational requirements within the Eurosystem	5 612 260	5 618 607	5 624 704	5 622 612	5 682 528	5 704 419	5 748 712	5 793 953	5 793 615	5 818 661	5 846 957	<b>6 136 392</b>
<b>Pending settlements</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	251 216	219 345	300 442	256 973	266 561	336 594	327 168	347 585	385 256	370 032	450 115	<b>295 505</b>

	01	02	03	04	05	06	07	08	09	10	11	12
<b>LIABILITIES</b>	25 728 234	25 756 393	25 769 693	25 431 054	25 551 151	25 328 381	25 406 277	25 506 606	25 564 081	25 344 132	25 467 044	<b>25 564 820</b>
<b>Banknotes in circulation</b>	5 533 315	5 519 258	5 531 093	5 555 982	5 558 022	5 565 232	5 576 473	5 552 618	5 535 142	5 520 503	5 505 109	<b>5 571 492</b>
<b>Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	4 732 951	4 720 730	4 828 086	5 140 310	5 117 089	5 142 963	5 226 832	5 358 508	5 293 026	5 404 463	5 883 838	<b>7 073 547</b>
Current accounts (covering the minimum reserve system)	307 906	296 179	228 219	215 253	226 853	241 780	175 578	157 331	191 497	254 093	231 705	<b>205 834</b>
Deposit facility	4 425 045	4 424 551	4 599 867	4 925 057	4 890 236	4 901 183	5 051 254	5 201 177	5 101 529	5 150 370	5 652 133	<b>6 867 713</b>
Time deposits	-	-	-	-	-	-	-	-	-	-	-	-
Fine-tuning reverse operations	-	-	-	-	-	-	-	-	-	-	-	-
Deposits related to margin calls	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other liabilities to euro area credit institutions denominated in euro</b>	369 158	431 903	440 981	434 513	426 190	437 794	428 121	390 683	388 936	407 871	400 529	<b>314 720</b>
<b>Liabilities to other euro area residents denominated in euro</b>	3 288 229	3 330 624	3 521 517	2 480 115	2 395 624	1 906 867	3 173 155	2 322 501	2 893 951	2 818 272	3 062 914	<b>2 218 786</b>
General government	2 129 453	2 170 675	2 364 869	1 352 823	1 266 469	772 040	2 065 859	1 211 899	1 778 614	1 720 366	1 955 670	<b>1 131 021</b>
Other liabilities	1 158 776	1 159 949	1 156 648	1 127 292	1 129 155	1 134 827	1 107 296	1 110 602	1 115 337	1 097 906	1 107 244	<b>1 087 765</b>
<b>Liabilities to non-euro area residents denominated in euro</b>	111 955	74 717	102 237	113 700	111 438	98 221	131 566	129 890	160 799	164 844	150 607	<b>184 075</b>
<b>Liabilities to euro area residents denominated in foreign currency</b>	1 139 841	1 215 264	1 369 478	1 326 174	1 352 262	1 330 240	1 352 100	1 364 399	1 312 284	1 295 325	1 358 099	<b>1 262 758</b>
<b>Liabilities to non-euro area residents denominated in foreign currency</b>	81 135	237 820	345 097	341 889	349 745	302 352	353 953	352 042	324 078	478 273	509 876	<b>457 718</b>
<b>Intra-Eurosystem liabilities</b>	9 586 944	9 403 298	8 766 083	9 183 990	9 352 278	9 738 901	8 342 507	9 227 930	8 916 152	8 574 324	7 791 311	<b>7 569 389</b>
Liabilities related to TARGET and national central bank correspondent accounts (net)	9 586 944	9 403 298	8 766 083	9 183 990	9 352 278	9 738 901	8 342 507	9 227 930	8 916 152	8 574 324	7 791 311	<b>7 569 389</b>
Liabilities related to other operational requirements within the Eurosystem	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pending settlements</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other liabilities</b>	193 417	224 295	192 406	191 512	246 313	199 559	200 156	219 168	238 978	207 755	205 228	<b>182 217</b>
<b>Capital and reserves</b>	691 289	598 484	672 715	662 869	642 190	606 252	621 414	588 867	500 735	472 502	599 533	<b>730 118</b>

## Appendix 2. Balance Sheets of Latvijas Banka for the Years 2019–2023

(at the end of the year; thousands of euro)

	2019	2020	2021	2022	2023
<b>ASSETS</b>	18 745 509	23 045 742	25 074 429	25 750 694	<b>25 564 820</b>
<b>Gold and gold receivables</b>	289 043	330 139	344 166	364 821	<b>399 378</b>
<b>Claims on non-euro area residents denominated in foreign currency</b>	3 688 972	3 970 780	4 495 181	3 788 044	<b>4 049 526</b>
Receivables from the International Monetary Fund	149 082	142 411	542 959	549 961	<b>534 839</b>
Balances with credit institutions and security investments, external loans and other external assets	3 539 890	3 828 369	3 952 222	3 238 083	<b>3 514 687</b>
<b>Claims on euro area residents denominated in foreign currency</b>	460 415	333 706	528 428	522 039	<b>595 802</b>
<b>Claims on non-euro area residents denominated in euro</b>	90 139	119 143	174 081	156 383	<b>168 476</b>
<b>Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	12 250	1 260 000	616 600	522 900	<b>92 900</b>
Main refinancing operations	-	-	-	-	-
Longer-term refinancing operations	12 250	1 260 000	616 600	522 900	<b>92 900</b>
Fine-tuning reverse operations	-	-	-	-	-
Structural reverse operations	-	-	-	-	-
Marginal lending facility	-	-	-	-	-
Credits related to margin calls	-	-	-	-	-
<b>Other claims on euro area credit institutions denominated in euro</b>	8	120	4 255	6 304	<b>133</b>
<b>Securities of euro area residents denominated in euro</b>	8 721 137	11 129 440	12 839 996	14 081 606	<b>13 550 657</b>
Securities held for monetary policy purposes	7 636 472	10 008 456	11 690 783	13 134 812	<b>12 586 724</b>
Other securities	1 084 665	1 120 984	1 149 213	946 794	<b>963 933</b>
<b>Intra-Eurosystem claims</b>	5 277 483	5 673 974	5 868 008	5 926 959	<b>6 412 443</b>
Participating interest in the European Central Bank	114 108	114 095	116 472	118 849	<b>118 849</b>
Claims equivalent to the transfer of foreign reserves to the European Central Bank	158 264	157 202	157 202	157 202	<b>157 202</b>
Claims related to TARGET and national central bank correspondent accounts (net)	-	-	-	-	-
Claims related to other operational requirements within the Eurosystem	5 005 111	5 402 677	5 594 334	5 650 908	<b>6 136 392</b>
<b>Pending settlements</b>	-	-	-	-	-
<b>Other assets</b>	206 062	228 440	203 714	381 638	<b>295 505</b>

	2019	2020	2021	2022	2023
<b>LIABILITIES</b>	18 745 509	23 045 742	25 074 429	25 750 694	<b>25 564 820</b>
<b>Banknotes in circulation</b>	4 666 799	5 142 726	5 536 624	5 635 738	<b>5 571 492</b>
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	5 660 676	6 053 812	6 406 673	5 217 165	<b>7 073 547</b>
Current accounts (covering the minimum reserve system)	5 660 676	6 053 812	6 406 673	343 816	<b>205 834</b>
Deposit facility	-	-	-	4 873 349	<b>6 867 713</b>
Time deposits	-	-	-	-	-
Fine-tuning reverse operations	-	-	-	-	-
Deposits related to margin calls	-	-	-	-	-
<b>Other liabilities to euro area credit institutions denominated in euro</b>	11 871	577 746	649 746	320 273	<b>314 720</b>
<b>Liabilities to other euro area residents denominated in euro</b>	1 506 709	3 012 014	3 438 792	2 517 104	<b>2 218 786</b>
General government	442 044	1 588 192	1 803 339	1 157 761	<b>1 131 021</b>
Other liabilities	1 064 665	1 423 822	1 635 453	1 359 343	<b>1 087 765</b>
<b>Liabilities to non-euro area residents denominated in euro</b>	307 239	238 737	57 955	171 688	<b>184 075</b>
<b>Liabilities to euro area residents denominated in foreign currency</b>	153 351	615 986	1 594 262	706 038	<b>1 262 758</b>
<b>Liabilities to non-euro area residents denominated in foreign currency</b>	1 642 368	1 364 010	688 359	34 701	<b>457 718</b>
<b>Intra-Eurosystem liabilities</b>	3 833 540	4 837 613	5 356 980	10 376 364	<b>7 569 389</b>
Liabilities related to TARGET and national central bank correspondent accounts (net)	3 826 452	4 809 553	5 322 638	10 370 127	<b>7 569 389</b>
Liabilities related to other operational requirements within the Eurosystem	7 088	28 060	34 342	6 237	-
<b>Pending settlements</b>	-	-	-	-	-
<b>Other liabilities</b>	329 326	409 700	436 383	184 740	<b>182 217</b>
<b>Capital and reserves</b>	633 630	793 398	908 655	586 883	<b>730 118</b>

## Appendix 3. Profit and Loss Statements of Latvijas Banka for the Years 2019–2023

(at the end of the year; thousands of euro)

	2019	2020	2021	2022	2023
<b>Net interest income</b>	95 946	139 537	123 981	47 021	<b>-229 006</b>
Interest income	198 804	190 313	165 248	211 229	<b>503 974</b>
Interest expense	-102 858	-50 776	-41 267	-164 208	<b>-732 980</b>
<b>Net result of financial operations, recognition of revaluation result in profit and loss statement and financial risk provisions</b>	-37 821	-68 947	-50 235	-21 337	<b>-10 948</b>
Realised gains arising from financial operations	46 253	44 471	357	39 732	<b>9 000</b>
Recognition of revaluation result on financial assets and positions in profit and loss statement	-3 856	-35 237	-36 618	-341 715	<b>-34 999</b>
Provisions for market risk and credit risk	-80 218	-78 181	-13 974	280 646	<b>15 051</b>
<b>Net expense from fees and commissions</b>	-3 607	-3 394	-3 951	-4 441	<b>-3 912</b>
Fees and commissions income	811	949	981	1 011	<b>1 037</b>
Fees and commissions expense	-4 418	-4 343	-4 932	-5 452	<b>-4 949</b>
<b>Income from participating interest</b>	14 884	18 605	14 575	14 755	<b>12 222</b>
<b>Net result of pooling of monetary income</b>	-6 801	-27 701	-34 342	-6 237	<b>206 554</b>
<b>Other operating income</b>	1 300	1 268	3 591	5 766	<b>19 561</b>
<b>NET INCOME</b>	63 901	59 368	53 619	35 527	<b>-5 529</b>
Remuneration	-17 660	-16 867	-16 403	-16 502	<b>-24 728</b>
Social security costs and solidarity tax	-3 941	-3 764	-3 582	-3 653	<b>-5 540</b>
Banknote and coin acquisition costs	-1 791	-1 546	-1 831	-2 618	<b>-2 338</b>
Depreciation of fixed assets and amortisation of intangible assets	-4 129	-3 851	-3 802	-3 641	<b>-3 660</b>
Other operating expenses	-9 225	-6 694	-7 093	-9 113	<b>-11 965</b>
<b>PROFIT OF THE REPORTING YEAR</b>	27 155	26 646	20 908	0	<b>-53 760</b>
Profit transferrable to the reserve capital	8 146	7 994	6 272	0	<b>0</b>
Profit transferrable to the state budget	19 009	18 652	14 636	0	<b>0</b>

## Appendix 4. Latvijas Banka's Publications and Major Publications by the Experts of Latvijas Banka in 2023

### Working papers

BENKOVSKIS, Konstantīns, FADEJEVA, Ludmila, PLUTA, Anna, ZASOVA, Anna. Keeping the best of two worlds: Linking CGE and microsimulation models for policy analysis. Riga: Latvijas Banka, Working Paper No 1, 2023, 33 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_1-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_1-2023.pdf).

BENKOVSKIS, Konstantīns, MATVEJEVS, Oļegs. The New Version of Latvian CGE Model. Riga: Latvijas Banka, Working Paper No 2, 2023, 70 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_2-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_2-2023.pdf).

BENKOVSKIS, Konstantīns, TKAČEVŠ, Oļegs, VILERTS, Kārlis. Did Job Retention Schemes Save Jobs during the Covid-19 Pandemic? Firm-level Evidence from Latvia. Riga: Latvijas Banka, Working Paper No 3, 2023, 37 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_3-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_3-2023.pdf)

STAEHR, Karsten, TKAČEVŠ, Oļegs, URKE, Katri. Fiscal Performance under Inflation and Inflation Surprises: Evidence from Fiscal Reaction Functions for the Euro Area. Riga: Latvijas Banka, Working Paper No 4, 2023, 22 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_4-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_4-2023.pdf).

ZLOBINS, Andrejs. Is There a Portfolio Rebalancing Channel of QE in Latvia? Riga: Latvijas Banka, Working Paper No 5, 2023, 31 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_5-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_5-2023.pdf).

GRÜNING, Patrick, KANTUR, Zeynep. Stranded Capital in Production Networks: Implications for the Economy of the Euro Area. Riga: Latvijas Banka, Working Paper No 6, 2023, 58 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_6-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_6-2023.pdf).

BENKOVSKIS, Konstantīns, JAUNZEMS, Dzintars, MATVEJEVS, Oļegs. A Purpose-Based Energy Substitution Structure for CGE. Riga: Latvijas Banka, Working Paper No 7, 2023, 42 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_7-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_7-2023.pdf).

ALVES, Jose, AFONSO, Antonio, MATVEJEVS, Oļegs, TKAČEVŠ, Oļegs. Fiscal Sustainability and the Role of Inflation. Riga: Latvijas Banka, Working Paper No 8, 2023, 29 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_8-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_8-2023.pdf).

GRÜNING, Patrick, ZLOBINS, Andrejs. Quantitative Tightening: Lessons from the US and Potential Implications for the EA. Riga: Latvijas Banka, Working Paper No 9, 2023, 54 p. Available: [https://datnes.latvijasbanka.lv/papers/WP\\_9-2023.pdf](https://datnes.latvijasbanka.lv/papers/WP_9-2023.pdf).

### Discussion papers

FADEJEVA, Ludmila, MAURIS, Jānis, OPMANE, Ieva, FISENKO, Andris. Household Finance and Consumption Survey 2020 in Latvia: Summary Report. Riga: Latvijas Banka, Discussion Paper No 1, 2023, 45 p. Available: [https://datnes.latvijasbanka.lv/papers/discussion/DP\\_1-2023.pdf](https://datnes.latvijasbanka.lv/papers/discussion/DP_1-2023.pdf).

### Publications

Briņķe, A., Fadejeva, L., Siliverstovs, B., & Vilerts, K. (2023). Assessing the informational content of card transactions for nowcasting retail trade: Evidence for Latvia. *Journal of Forecasting* 42(3), 566–577. doi: <https://doi.org/10.1002/for.2945>.

Bušs, G., & Grüning, P. (2023). Fiscal DSGE model for Latvia. *Baltic Journal of Economics* 23(1), doi: <https://doi.org/10.1080/1406099X.2023.2173915>.

Fadejeva, L., & Kantur, Z. (2023). Wealth distribution and monetary policy. *Baltic Economic Modelling* 125, doi: <https://doi.org/10.1016/j.econmod.2023.106336>.

Matvejevs, O., & Tkačevs, O. (2023). Invest one – get two extra: Public investment crowds in private investment. *European Journal of Political Economy*, doi: <https://doi.org/10.1016/j.ejpoleco.2023.102384>.

Silverstovs, B. (2023). Nowcasting GDP growth during the COVID-19 pandemic: a simple rule that made it through. *Applied Economics Letters*, doi: <https://doi.org/10.1080/13504851.2023.2227412>.

Zlobins, A. (2023). On the time-varying effects of the ECB's asset purchases. *Empirical Economics*, doi: <https://doi.org/10.1007/s00181-023-02529-0>.

## Reports

Financing of the Economy, 2023. Riga: Latvijas Banka, 2023, 33 p. Available: <https://www.bank.lv/en/news-and-events/financing-of-the-economy>.

Financial Stability Report, 2023. Riga: Latvijas Banka, 2023, p. 74. Available: [https://datnes.latvijasbanka.lv/fsp/FSP\\_2023\\_EN.pdf](https://datnes.latvijasbanka.lv/fsp/FSP_2023_EN.pdf).

Macroeconomic Developments Report, 2023, March. Riga: Latvijas Banka, 2023, p. 48. Available: [https://datnes.latvijasbanka.lv/mnp/MNP\\_2023\\_marts\\_EN.pdf](https://datnes.latvijasbanka.lv/mnp/MNP_2023_marts_EN.pdf).

Macroeconomic Developments Report, 2023, September. Riga: Latvijas Banka, 2023, 54 p. Available: [https://datnes.latvijasbanka.lv/mnp/MNP\\_2023\\_september\\_EN.pdf](https://datnes.latvijasbanka.lv/mnp/MNP_2023_september_EN.pdf).

## Other publications co-authored by employees of Latvijas Banka

### ECB Occasional Paper Series

- 1 Price adjustment in the euro area in the low-inflation period: evidence from consumer and producer micro price data. Erwan Gautier, Peter Karadi, Juergen Amann et al. Frankfurt am Main, European Central Bank, Occasional Paper Series, No 319, 2023. 52 p. Available: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op319~279ed16d23.en.pdf>.
- 2 Price setting during the coronavirus (COVID-19) pandemic. Lukas Henkel, Elisabeth Wieland, Aneta Błażejowska et al. Frankfurt am Main, European Central Bank, Occasional Paper Series, No 319, 2023. 77 p. Available: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op324~38fc6eb1ad.en.pdf?edf823fd3f843d2f80639c4df0095ccb>.
- 3 Measuring inflation with heterogeneous preferences, taste shifts and product innovation: methodological challenges and evidence from microdata. Osbat, Chiara, Conflitti, Cristina, Bellocca, Gian-Pietro et al. Frankfurt am Main, European Central Bank, Occasional Paper Series, No 323, 2023. 45 p. Available: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op323~1a60ec19e5.lv.pdf?a7cc79335b97a7807e82dad48d648855>.

### Euromod Working Paper Series

Konstantins Beņkovskis, Ludmila Fadejeva, Anna Pluta, Anna Zasova. Keeping the best of two worlds: Linking CGE and microsimulation models for policy analysis. Euromod Working Paper Series, July, 2023. 34 p. Available: [em2-23.pdf \(microsimulation.ac.uk\)](https://microsimulation.ac.uk/em2-23.pdf).

## Appendix 5. Glossary

**AnaCredit (analytical credit datasets):** a common Eurosystem's granular analytical credit and credit risk database containing data on loans granted to legal entities by the credit institutions of all euro area Member States based on harmonised ECB statistical reporting requirements.

**Asset Purchase Programme (APP):** part of a package of non-standard monetary policy measures approved by the Governing Council of the ECB, comprising corporate sector purchase programme (CSPP), public sector purchase programme (PSPP), asset-backed securities purchase programme (ABSPP) and the third covered bond purchase programme (CBPP3).

**Balance of payments:** a statistical statement summarising transactions between Latvia's residents and the residents of the rest of the world. It incorporates the current account, the capital account and the financial account.

**Bank for International Settlements (BIS):** an international financial organisation operating to facilitate international monetary and financial cooperation. The BIS acts as a bank for central banks.

**Banking union:** an EU-level framework for banking supervision and resolution operating based on a single rulebook applicable in the entire EU. Euro area countries and those EU countries outside the euro area opting to participate in the banking union are members of the banking union.

**Clearing:** the process of transmitting, processing and reconciling payment documents or securities transfer orders prior to settlement, resulting in the establishment of the net position of each settlement participant by netting all payment documents submitted by the settlement participants, i.e. establishing net cash liabilities to or claims on other settlement participants.

**Collateral:** assets that are pledged or otherwise transferred to secure the recovery of losses in the case of counterparty default or insolvency. The collateral used in the Eurosystem's reverse transactions must meet certain eligibility criteria.

**Council of the EU (EU Council):** the institution representing the governments of EU countries. The ministers of EU countries meet in the EU Council to adopt legislative acts and coordinate policies. The EU Council is an essential EU decision-maker. It is a single legal entity, but it meets in 10 different configurations, depending on the subject being discussed. The most significant tasks of the EU Council include negotiating and adopting legislative acts, developing common foreign and security policy of the EU, signing international agreements on behalf of the EU as well as adopting the EU budget together with the European Parliament.

**Credit institution:** a capital company whose business is to receive deposits or other repayable funds from the public and to grant credits on its own account and provide other financial services.

**Credit union:** a co-operative society that has a variable number of members and capital and that provides financial services to its members in accordance with the Law on Credit Unions.

**Deposit facility:** a standing facility of the Eurosystem which credit institutions registered in Latvia and branches in Latvia of credit institutions registered in other countries may use to make overnight deposits with Latvijas Banka at a pre-specified interest rate.



**Deposits:** funds placed on accounts held with MFIs for a specified or unspecified period of time, with or without earning interest.

**Deposit-taking corporations** – monetary financial institutions, except money market funds and the central bank, i.e. credit institutions (except credit institutions other than monetary financial institutions), credit unions and other financial institutions whose business is to receive deposits or close substitutes for deposits from customers other than monetary financial institutions, and, for their own account, to grant loans and invest in securities, as well as electronic money institutions whose core business is to issue electronic money.

**Direct investment:** investment by an investor (direct investor) made directly or indirectly (through subsidiaries or associated companies) to acquire a lasting interest (corresponding to at least 10% ownership of ordinary shares or voting rights) in an enterprise (direct investment enterprise). The components of direct investment are equity and debt instruments. Direct investment data are compiled both on an asset/liability basis (balance of payments and the international investment position data) and according to the directional principle – direct investment in Latvia and direct investment abroad.

**Electronic Clearing System of Latvijas Banka (EKS):** Latvijas Banka's payment system ensuring the processing of retail payment orders across the SEPA. The EKS provides two services: clearing service which is netting the payments and ensuring several clearing cycles per EKS business day for settlements in euro, and instant payment service which is processing payments within seconds, 24 hours a day, 7 days a week, 365 days a year.

**Euro area:** EU countries which have adopted the euro as their single currency in accordance with the Treaty on the Functioning of the European Union and in which a single monetary policy is conducted under the responsibility of the Governing Council of the ECB. As at the end of 2023, the euro area comprised Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.

**European Banking Authority (EBA):** an EU body with legal personality which forms part of the European System of Financial Supervision and works to ensure effective and consistent prudential regulation and supervision across the EU banking sector. Its overall objective is to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

**European Central Bank (ECB):** the central institution of the ESCB and the Eurosystem having a legal personality under the EU law. The ECB implements the tasks conferred upon the Eurosystem and the ESCB pursuant to the Statute of the ESCB and the ECB in cooperation with the national central banks of the EU Member States.

**European System of Central Banks (ESCB):** includes the ECB and the national central banks of the EU Member States. The national central banks of those EU countries that have not yet adopted the euro implement an independent monetary policy according to their national law and are thus not involved in the conduct of the monetary policy of the Eurosystem.

**European Systemic Risk Board (ESRB):** an independent EU body which is a part of the European System of Financial Supervision and is responsible for the macro-prudential oversight of the financial system within the EU in order to contribute to the prevention or mitigation of systemic risks to financial stability in the EU that arise from developments within the financial system, taking into account macroeconomic developments, and to avoid periods of widespread financial distress. It contributes to the smooth functioning of the internal market and thereby ensures a sustainable contribution of the financial sector to economic growth.

**Eurosystem:** comprises the ECB and the national central banks of the Member States of the euro area. The decision-making bodies of the Eurosystem are the Governing Council and the Executive Board of the ECB.

**Financial literacy:** a combination of understanding financial matters, knowledge, skills, attitudes and behaviours needed to make sound financial decisions and ultimately achieve the well-being of individuals.

**Financial resilience:** an individual's ability to withstand, in financial terms, unexpected life events affecting income and/or assets, such as job loss, health issues, accidents, etc.

**Financial stability:** a condition of the financial system enabling it to withstand shocks, thereby mitigating the likelihood of disruptions in the financial intermediation process.

**Financial sustainability:** an individual's ability to ensure development and the planned long-term growth, while concurrently upholding the present quality of life. Financial sustainability empowers an individual to achieve financial security both in the present and in the future.

**Financial vehicle corporation:** an institutional unit other than an MFI that has been set up for the purpose of carrying out one or more securitisations. Latvijas Banka establishes, maintains and regularly updates the List of Financial Vehicle Corporations in the Statistics section of Latvijas Banka's website [www.bank.lv](http://www.bank.lv).

**Fine-tuning operation:** an open market operation executed by the Eurosystem in order to deal with unexpected liquidity fluctuations in the market. The frequency and maturity of these operations are not standardised.

**FINREP:** supervisory financial reporting in compliance with Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (Text with EEA relevance).

**General Council of the ECB:** one of the decision-making bodies of the ECB, comprising the President and the Vice-President of the ECB and the Governors of the central banks of all EU countries.

**Governing Council of the ECB:** the main decision-making body of the ECB. It consists of members of the Executive Board of the ECB and the governors of the national central banks of the euro area.

**Household:** a natural person or a group of natural persons in the capacity of a consumer and a producer of goods and a provider of non-financial services exclusively for their own final use, as well as a sole proprietor that is an economic unit established by a natural person or a group of natural persons, provided this natural person or group of natural persons is liable to settle the obligations of the economic unit with their entire property, and that organises accounting in accordance with the single-entry system.

**Instant payment:** execution of payments of bank and other payment service provider customers within a matter of seconds, making cash transfers 24 hours a day, 7 days a week, 365 days a year, including weekends and holidays.

**Integrated Reporting Framework (IReF):** an important initiative of the ESCB providing for maximum harmonisation of data requirements for the needs of statistics and supervision of credit institutions and ensuring optimal data availability on the level of both granular and aggregated data. IReF

envisages collection of data from credit institutions' information systems and reporting of data in accordance with an integrated reporting dictionary and standard for data exchange.

**International Monetary Fund (IMF):** an international organisation operating to facilitate international monetary cooperation, exchange rate stability, national economic growth and employment growth, and provide short-term financial assistance to IMF member countries for balancing the payment flow.

**Key ECB interest rates:** the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility set by the Governing Council of the ECB.

**Longer-term refinancing operation (LTRO):** a regular open market operation of the Eurosystem, executed through reverse transactions with the aim of providing credit institutions with additional longer-term financing.

**Main refinancing operation (MRO):** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility, offered by the Eurosystem, which credit institutions registered in the Republic of Latvia and branches, registered in Latvia, of credit institutions registered in other countries may use to receive overnight credit from Latvijas Banka at a pre-specified interest rate against marketable or non-marketable assets.

**Market risk:** the risk related to fluctuations of the fair value or cash flow of financial instruments on account of movements in market prices. Market risk reflects the interest rate risk, currency risk and price risk.

**Monetary financial institution (MFI):** a central bank, credit institution (except for a non-MFI credit institution), credit union, money market fund and other financial institution whose business is to receive deposits or close substitutes for deposits from customers other than MFIs and, on their own account, to grant credits and invest in securities, as well as an electronic money institution whose core business is to issue electronic money. MFIs in Latvia include Latvijas Banka, credit institutions registered in Latvia (except for non-MFI credit institutions), credit unions, electronic money institutions that have commenced the issue of electronic money, money market funds managed by investment management companies registered in an EEA country, as well as branches of MFIs of other countries in Latvia. Latvijas Banka establishes, maintains and regularly updates the List of Monetary Financial Institutions of Latvia in the Statistics section of Latvijas Banka's website [www.bank.lv](http://www.bank.lv). The list is also available on the ECB website where the ECB publishes the list of MFIs of the EU Member States on a regular basis. As at the end of 2023, there were 46 MFIs in Latvia.

**Monetary income:** income accruing to the national central banks of the euro area in the process of the Eurosystem's monetary policy implementation, derived from assets earmarked in accordance with guidelines established by the ECB's Governing Council and held against banknotes in circulation and credit institutions' deposits with central banks of the euro area.

**Net issuance of banknotes and coins:** amount of euro banknotes and coins issued (difference between withdrawals and deposits of euro banknotes and coins) by the national central bank. It is estimated as at a specific date or for a specific period of time, in amounts or numbers.

**Network for Greening the Financial System (NGFS):** a group of central banks and supervisors committed to sharing best practices, contributing to the development of the climate and environment risk management in the financial sector and to mobilise finance to support the transition toward a sustainable economy.

**Non-financial corporation:** an institutional unit whose principal activity is producing goods and providing non-financial services, including an economic unit established by a natural person or a

group of natural persons, provided this natural person or group of natural persons is liable for settling the obligations of the economic unit with its entire property, and whose accounting is organised in accordance with the double-entry system, as well as head offices, whose subsidiaries or their largest part are non-financial corporations.

**Non-MFI credit institution:** a credit institution that does not take deposits or other repayable funds from the public and does not grant credits for its own account, i.e. its business activities are not the activities referred to in Article 4(1)(1)(a) of Regulation (EU) No 575/2013.

**Open market operation:** an operation executed in the financial market on the initiative of a central bank. With regard to their aims, regularity and procedures, Eurosystem's open market operations can be divided into four categories: main refinancing operations, longer-term refinancing operations, fine-tuning operations and structural operations.

**Organisation for Economic Co-operation and Development (OECD):** an intergovernmental organisation, a forum providing a platform for seeking answers to common problems, identifying good practices and stimulating policies that improve the economic and social well-being of persons.

**Pandemic emergency asset purchase programme (PEPP):** a non-standard monetary policy measure approved by the Governing Council of the ECB to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the Covid-19 pandemic.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council of the ECB has also stated that, in the pursuit of price stability, it aims to maintain inflation rates at 2% in the medium term.

**Proxy (instant link):** a link between the customer's current account number and his/her mobile phone number or other identifier. The customers who have registered the links between their current account numbers and identifiers with the Proxy Registry : "Instant Links" can also receive transfers when the payer indicates the phone number only.

**Request to pay:** a payment request sent by the payee to the payer; the payer just has to confirm the request for the initiator of the request to receive the requested amount. It is possible to initiate a request to pay also by indicating the payer's mobile phone number only.

**Reserve requirement:** a requirement for credit institutions and credit unions to hold their minimum reserves with the national central bank over the reserve maintenance period. Compliance with the requirement is determined on the basis of the average end-of-day balance on the reserve account over the reserve maintenance period.

**Reverse transaction:** a transaction whereby the Eurosystem buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

**Special Data Dissemination Standard Plus (SDDS Plus):** the highest data dissemination standard of the IMF. Its purpose is to provide comprehensive, internationally comparable, timely, accessible, reliable and high-quality statistical data on population, financial, economic, fiscal and external sectors, including information on statistical data categories and responsible institutions in each country, as well as links to data and their clarification notes.

**Structural operations:** open market operations executed by the Eurosystem on a regular or non-regular basis whenever the ECB wishes to adjust the structural liquidity position of the Eurosystem vis-à-vis the financial sector.

**Systemic risk:** a risk of disruptions in the financial system with the potential to have significant negative consequences for the discharge of the functions of the financial system as a whole and the real economy.

**TARGET:** a payment system developed within the framework of TARGET2 and TARGET2-Securities consolidation project and whose T2 service replaced TARGET2 on 20 March 2023. TARGET is a multiplicity of the TARGET component systems of all central banks. TARGET settles payments in euro

in central bank money and functions on the basis of a single IT platform, to which all payment orders are submitted for processing. TARGET operation is ensured by Latvijas Banka in conjunction with the national central banks of the ESCB participating in TARGET.

**TARGET2-Securities (T2S):** the Eurosystem's single technical platform enabling central securities depositories and national central banks to provide borderless and neutral core securities settlement services in the central bank money in Europe.

**Targeted longer-term refinancing operation (TLTRO):** a reverse operation of the Eurosystem providing longer-term liquidity to credit institutions on attractive terms, so that they can continue easing the terms and conditions of lending to the private sector and to encourage their lending to the real economy. It is part of a package of non-standard monetary policy measures approved by the Governing Council of the ECB.

**TARGET-Latvija:** a component system of TARGET in Latvia.

## Abbreviations

AML/CFT	anti-money laundering and countering the financing of terrorism
AML/CFTP	anti-money laundering and countering the financing of terrorism and proliferation
AS	joint stock company
BBM	borrower-based measure
CSB	Central Statistical Bureau of Latvia
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
ESCB	European System of Central Banks
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
FCMC	Financial and Capital Market Commission
FinTech	financial technologies
GDP	gross domestic product
ICT	information and communication technologies
IMF	International Monetary Fund
ML/FTP	money laundering and the financing of terrorism and proliferation
OECD	Organisation for Economic Co-operation and Development
SREP	supervisory review and evaluation process
SSM	single supervisory mechanism
UK	United Kingdom
US	United States of America