

**Financial Statements of the Financial  
and Capital Market Commission for 2022**

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## Management Report

### Activities of the Financial and Capital Market Commission in the reporting year and legal basis thereof

The Financial and Capital Market Commission (hereinafter also referred to as the "Commission") was established on 1 July 2001 and operated in accordance with the Law on the Financial and Capital Market Commission. On 23 September 2021, the Saeima of the Republic of Latvia adopted the new Law on Latvijas Banka which provides for the merger of Latvijas Banka and the Commission into one institution as from 2023. Latvijas Banka shall take over the property and financial assets of the Financial and Capital Market Commission and shall be the legal successor of its rights and obligations pursuant to the plan of the Financial and Capital Market Commission's incorporation in Latvijas Banka, approved by the Council of Latvijas Banka. From 24 October 2019 until the integration of the Commission into Latvijas Banka, Santa Purgaile was the Chairwoman of the Commission, and from 30 March 2020, the Board of the Commission consisted of three members.

On 7 December 2021, by Decision No 163, the Board of the Commission approved the budget of the Financial and Capital Market Commission for 2022. In line with the budget for 2022, Regulation No 164 "Regulation on Setting the Amount of Payments by Financial and Capital Market Participants for Financing the Financial and Capital Market Commission in 2022 and for the Submission of Statements" were approved on 7 December 2021. According to these, financial and capital market participants financed the activity of the Commission.

The Commission performed all statutory functions pursuant to Section 6 of the Law on the Financial and Capital Market Commission, as well as managed the Deposit Guarantee Fund, the Fund for the Protection of the Insured, the National Resolution Fund, and administered the financial stability fee and ensured payments to the Single Resolution Fund. The Commission has prepared separate financial statements for the Deposit Guarantee Fund and the Fund for the Protection of the Insured. The Commission conducted accounting in accordance with the Law on Accounting and, as an independent autonomous public institution with separate state property, prepared financial statements for the year 2022 in accordance with the Financial Accounting Policy of the Financial and Capital Market Commission approved by Decision No 8 of 12 January 2021 of the Board of the Commission.

### Funds of the Commission

In 2022, the activities of the Commission were financed from payments made by financial and capital markets participants, as well as by using the Commission's resources. In 2022, the revenues of the Commission from payments by financial and capital market participants totalled 11 111 thousand euro or 3.8% more than specified in the Commission's budget for 2022 (10 702 thousand euro). Total expenses in 2022 amounted to 12 267 thousand euro or 4.1% more than specified in the Commission's budget for 2022 (11 789 thousand euro<sup>1</sup>). The difference was mainly due to larger expenditure on international cooperation – co-financing for information technology projects of European Union institutions for the previous periods, as well as business trip and training expenses in connection with lifting of the Covid-19 containment restrictions.

The Commission's resources used under the budget for covering the expenditure of 2022 totalled 1141 thousand euro. In addition, expenditure amounting to 1936 thousand euro is recognised in the financial statements in connection with the winding-up of the Commission's activity. At the end of 2022, the Commission's own funds or net assets stood at 7213 thousand euro (10 290 thousand euro at the end of 2021).

### Audit of the Commission's financial statements

In accordance with the agreement concluded between the Commission and SIA Baltic Audit on 29 November 2019, SIA Baltic Audit carried out the audit of the Commission's financial statements for 2022.

Pursuant to Paragraph 7 of the Transitional Provisions of the Law on Latvijas Banka, the Commission's financial statements and annual report for 2022 shall be approved by the Council of Latvijas Banka.

**THIS DOCUMENT HAS BEEN SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND COMPRISES A TIME STAMP.**

Governor of Latvijas Banka

Mārtiņš Kazāks

Deputy Governor of Latvijas Banka

Santa Purgaile

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<sup>1</sup> Excluding the planned expenditure in connection with the winding-up of the Commission's activity (338 thousand euro).

## Budget Performance 2022

By Decision No 163 "On the Approval of the Budget of the Financial and Capital Market Commission for 2022" of 7 December 2021 of the Board of the Commission, the budget of the Financial and Capital Market Commission for 2022 was approved with budget revenues and expenses in the amount of 11 789 448 euro<sup>2</sup>.

	Actual result <sup>3</sup>	Reporting year budget	Reporting year budget result (%)
	(euro)		
<b>REVENUES (+)</b>	<b>12 267 376</b>	<b>11 789 488</b>	104.1
<b>PAYMENTS BY FINANCIAL AND CAPITAL MARKET PARTICIPANTS</b>	<b>11 110 507</b>	<b>10 701 721</b>	103.8
<b>REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS</b>	<b>8 245 123</b>	<b>8 048 620</b>	102.4
Payments by credit institutions	7 977 918	7 767 440	
Payments by savings and loan associations	40 228	41 180	
Payments by payment institutions	143 117	188 000	
Payments by electronic money institutions	83 860	52 000	
<b>REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PRIVATE PENSION FUNDS</b>	<b>1 061 887</b>	<b>1 166 121</b>	91.1
Payments by financial instruments market participants	686 004	753 384	
Payments by private pension funds	375 883	412 737	
<b>REVENUES RELATED TO INSURANCE SUPERVISION</b>	<b>1 803 497</b>	<b>1 486 980</b>	121.3
Payments by life assurance companies	401 881	349 540	
Payments by other insurance companies	1 340 723	1 077 440	
Payments by insurance brokers	60 893	60 000	
<b>OTHER REVENUES</b>	<b>15 619</b>	<b>15 000</b>	104.1
<b>COMMISSION'S RESOURCES</b>	<b>1 141 250</b>	<b>1 072 767</b>	106.4
<b>EXPENSES (-)</b>	<b>12 267 376</b>	<b>11 789 488</b>	<b>104.1</b>
Staff remuneration and other payments, compulsory state social insurance contributions	8 880 832	8 878 942	100.0
Employee insurance	36 563	38 400	95.2
Staff professional training	115 910	115 000	100.8
Telecommunication, communication and information	150 391	138 380	108.7
Public awareness campaigns and internal and external communication	92 392	93 900	98.4
Maintenance and general service expenses	1 201 131	1 149 666	104.5
Professional services	147 896	152 400	97.0
International cooperation	1 425 283	969 200	147.1
Depreciation/amortisation of capital investments, exclusion	213 712	210 000	101.8
Other expenses	3 266	43 600	7.5

<sup>2</sup> Excluding the planned expenditure in connection with the winding-up of the Commission's activity (338 thousand euro).

<sup>3</sup> Excluding the expenditure in connection with the winding-up of the Commission's activity (1 935 920 euro).

## Financial Statements 2022

### Balance Sheet as at 31 December 2022

		(euro)	
ASSETS	Note <sup>4</sup>	31.12.2022	31.12.2021
<b>NON-CURRENT ASSETS</b>	2	<b>431 369</b>	<b>600 947</b>
<b>Non-current investments</b>		<b>431 369</b>	<b>600 947</b>
Intangible investments		169 319	257 544
Fixed assets		262 050	304 860
Investments in leasehold improvements		–	35 038
Prepayments for non-current investments and fixed assets		–	3 505
<b>CURRENT ASSETS</b>		<b>9 268 255</b>	<b>10 527 937</b>
<b>Inventories</b>		<b>1 425</b>	<b>1 272</b>
<b>Claims</b>		<b>2 980 531</b>	<b>3 000 143</b>
Claims on market participants	3	2 925 255	2 976 420
Other claims	4	55 276	23 723
<b>Prepaid expenses</b>	5	<b>48 446</b>	<b>126 878</b>
<b>Cash</b>		<b>6 237 853</b>	<b>7 399 644</b>
<b>TOTAL ASSETS</b>		<b>9 699 624</b>	<b>11 128 884</b>
<hr/>			
LIABILITIES	Note	31.12.2022	31.12.2021
<b>EQUITY</b>		<b>7 212 901</b>	<b>10 290 071</b>
Net assets		7 212 901	10 290 071
<b>PAYABLES</b>		<b>2 486 723</b>	<b>838 813</b>
Prepayments by market participants		1 466	5 176
Other liabilities		18 455	38 575
Taxes payable	6	–	2 058
Provisions for vacations and premiums	7	458 628	733 098
Provisions for other liabilities	14	1 913 040	59 906
Prepaid revenues		95 134	–
<b>TOTAL LIABILITIES</b>		<b>9 699 624</b>	<b>11 128 884</b>

The financial statements, which are set out on pages 5 to 14, were authorised by the Council of Latvijas Banka on 19 June 2023.

**THIS DOCUMENT HAS BEEN SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND COMPRISES A TIME STAMP.**

Governor of Latvijas Banka

Mārtiņš Kazāks

Deputy Governor of Latvijas Banka

Santa Purgaile

<sup>4</sup> The accompanying notes set out on pages 9 to 14 are an integral part of these financial statements.

## Statement of Revenues and Expenses 2022

	Note	2022	2021
(euro)			
<b>REVENUES</b>			
<b>REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS</b>		<b>8 245 123</b>	<b>8 469 266</b>
Payments by credit institutions		7 977 918	8 218 281
Payments by savings and loan associations		40 228	40 505
Payments by payment institutions		143 117	151 912
Payments by electronic money institutions		83 860	58 568
<b>REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PRIVATE PENSION FUNDS</b>		<b>1 061 887</b>	<b>1 117 282</b>
Payments by financial instruments market participants		686 004	701 240
Payments by private pension funds		375 883	416 042
<b>REVENUES RELATED TO INSURANCE SUPERVISION</b>		<b>1 803 497</b>	<b>1 748 321</b>
Payments by life assurance companies		401 881	459 927
Payments by other insurance companies		1 340 723	1 231 794
Payments by insurance brokers		60 893	56 600
<b>OTHER REVENUES</b>		<b>15 619</b>	<b>28 952</b>
<b>TOTAL REVENUES</b>		<b>11 126 126</b>	<b>11 363 821</b>
<b>EXPENSES</b>			
Staff remuneration and other payments, compulsory state social insurance contributions	8	(9 205 130)	(8 666 914)
Employee insurance		(36 563)	(37 476)
Staff professional training	9	(115 910)	(92 162)
Telecommunication, communication and information	10	(150 391)	(139 288)
Public awareness campaigns, external and internal communication		(92 392)	(52 524)
Maintenance and general service expenses	11	(1 201 131)	(950 191)
Professional services	12	(147 896)	(101 242)
International cooperation	13	(1 425 283)	(899 387)
Depreciation/amortisation of capital investments, exclusion	2	(252 770)	(237 433)
Other expenditure		(3 267)	(15 604)
Provisions for rental obligations	14	(1 572 563)	–
<b>TOTAL EXPENSES</b>		<b>(14 203 296)</b>	<b>(11 192 221)</b>
<b>RESULT</b>		<b>(3 077 170)</b>	<b>171 600</b>

## Cash Flow Statement 2022

	(euro)	
	2022	2021
<b>PRINCIPAL ACTIVITIES</b>		
<b>REVENUES</b>		
<b>REVENUES RELATED TO SUPERVISION OF MONETARY FINANCIAL INSTITUTIONS</b>	<b>8 226 155</b>	<b>8 857 192</b>
Payments by credit institutions	7 994 363	8 589 330
Payments by savings and loan associations	40 329	40 678
Payments by payment institutions	136 410	163 161
Payments by electronic money institutions	55 053	64 023
<b>REVENUES RELATED TO SUPERVISION OF THE FINANCIAL INSTRUMENTS MARKET AND PRIVATE PENSION FUNDS</b>	<b>1 118 785</b>	<b>1 099 267</b>
Payments by financial instruments market participants	707 545	688 088
Payments by private pension funds	411 240	411 179
<b>REVENUES RELATED TO INSURANCE SUPERVISION</b>	<b>1 814 125</b>	<b>1 784 939</b>
Payments by life assurance companies	433 981	466 651
Payments by other insurance companies	1 318 515	1 264 524
Payments by insurance brokers	61 629	53 764
<b>OTHER REVENUES</b>	<b>16 518</b>	<b>70 733</b>
<b>TOTAL REVENUES</b>	<b>11 175 583</b>	<b>11 812 131</b>
<b>EXPENSES</b>		
Staff remuneration and other payments, compulsory state social insurance contributions	(9 489 024)	(8 345 955)
Employee insurance	(37 036)	(38 244)
Staff professional training	(157 110)	(95 797)
Telecommunication, communication and information	(139 907)	(140 402)
Public awareness campaigns, external and internal communication	(90 811)	(65 021)
Maintenance and general service expenses	(1 136 112)	(983 915)
Professional services	(119 088)	(144 846)
International cooperation	(1 138 344)	(905 950)
Other expenditure	(40 437)	(89 187)
<b>TOTAL EXPENSES</b>	<b>(12 347 869)</b>	<b>(10 809 317)</b>
<b>OPERATING NET CASH FLOW</b>	<b>(1 172 286)</b>	<b>1 002 814</b>
<b>INVESTMENT ACTIVITIES</b>		
Capital acquisitions	(95 953)	(130 523)
<b>INVESTMENT ACTIVITY CASH FLOW</b>	<b>(95 953)</b>	<b>(130 523)</b>
<b>FINANCING</b>		
Project financing <sup>5</sup>	106 448	–
<b>FINANCING CASH FLOW</b>	<b>106 448</b>	<b>–</b>
<b>Changes in cash during the reporting period</b>	<b>(1 161 791)</b>	<b>872 291</b>
<b>Cash balance at the beginning of the reporting period</b>	<b>7 399 644</b>	<b>6 527 353</b>
<b>Cash balance at the end of the reporting period</b>	<b>6 237 853</b>	<b>7 399 644</b>

<sup>5</sup> Financing under the European Economic Area and Norwegian financial instrument project "Improvement of employees' knowledge in combating money laundering in Latvia".

## Statement of Changes in Equity 2022

	(euro)
	<b>Equity (net assets)</b>
<b>Net assets as at 31.12.2020</b>	<b>10 118 471</b>
Financial results in 2021	171 600
<b>Net assets as at 31.12.2021</b>	<b>10 290 071</b>
Financial results in 2022	(3 077 170)
<b>Net assets as at 31.12.2022</b>	<b>7 212 901</b>



## Notes to the Financial Statements

The Financial and Capital Market Commission was established and operated under the Law on the Financial and Capital Market Commission since 2001. The Commission regulates and supervises the activity of the Latvian financial and capital market and its participants. The Latvian financial and capital market is conditionally composed of three sectors:

1. monetary financial institutions sector;
2. insurance sector;
3. financial instruments market and private pension funds sector.

The monetary financial institutions sector is comprised of credit institutions, savings and loan associations, payment institutions and electronic money institutions.

The insurance sector consists of life assurance and other insurance companies, reinsurance companies and insurance intermediaries – insurance brokers and insurance agents.

The financial instruments market and private pension funds sector is comprised of financial instruments market participants – investment firms, investment management companies, managers of alternative investment funds, organisers of regulated market (stock exchange), as well as the Latvian Central Depository and private pension funds.

The purpose of the Commission was to promote the protection of interests of investors, depositors and the insured parties, as well as the development and soundness of the financial and capital market.

In accordance with the Law on the Financial and Capital Market Commission, the key tasks of the Commission were as follows:

- to issue regulatory provisions and take decisions on the requirements governing the activities of participants of the financial and capital market and the procedures for the calculation of the indicators characterising such activities and the submission of reports;
- to govern the financial and capital market and the activities of its participants by controlling the implementation of laws and regulations and the regulatory provisions and decisions of the Commission;
- to determine the qualification and eligibility requirements for participants of the financial and capital market and their officials;
- to determine the procedures for the licensing and registration of participants of the financial and capital market, as well as to licence and register financial and capital market participants in accordance with the procedures;
- to collect and analyse the information related to the financial and capital market and to publish it, as well as to systematically study, analyse and forecast the development of the financial and capital market;
- to ensure the accumulation and management of the assets of the Deposit Guarantee Fund and the Fund for the Protection of the Insured and the disbursement of remunerations from such funds in accordance with the Deposit Guarantee Law and the Insurance and Reinsurance Law;
- to provide disbursement of compensations to investors in accordance with the Investor Protection Law;
- to analyse the laws and regulations governing the financial and capital market, to prepare proposals for the improvement and harmonisation of the laws and regulations with the laws and regulations of the European Community;
- to cooperate with foreign financial and capital market supervision authorities and participate in the work of international organisations of financial and capital market supervision authorities;
- to manage the resolution process in Latvia;
- to administer the financial stability fee.

The Commission makes independent decisions within the limits of its authority, executes functions assigned to it by law, and holds responsibility for their enforcement. No one is eligible to interfere with the activities of the Commission, except the institutions and officials authorised by law. The Commission's legal ability and capacity comply with the objectives set forth in the Law on the Financial and Capital Market Commission and other laws. The Commission possesses a separate state property and has an independent balance sheet. The Saeima of the Republic of Latvia executes supervision of the Commission.

On 23 September 2021, the Saeima of the Republic of Latvia adopted the new Law on Latvijas Banka which provides for the merger of Latvijas Banka and the Commission into one institution as from 1 January 2023. Latvijas Banka shall take over the property and financial assets of the Financial and Capital Market Commission and shall be the legal successor of its rights and obligations pursuant to the plan of the Financial and Capital Market Commission's incorporation into Latvijas Banka, approved by the Council of Latvijas Banka.

### 1. Commission's Accounting Policies

#### Basis for Preparation of the Financial Statements

The financial statements for 2022 were prepared based on the Financial Accounting Policy of the Financial and Capital Market Commission approved by the Commission's Board.

The accounting principles applied in the reporting period and the previous reporting periods were applied consistently. In the statement of revenues and expenses and the cash flow statement, individual minor items have been combined by specifying the comparative indicators accordingly.

### **Principles Applied in Preparing the Financial Statements**

- The financial statements, except for the cash flow statement, are prepared in line with the principle of accrual-based accounting. It provides for recognition of transactions and events in the financial statements at the date of their occurrence, irrespective of the related cash flows. Revenues are derived on the basis of business operations performed by financial and capital market participants, which are subject to reporting on due payments, and they are recognised accordingly during the period in which they occurred. Expenses are recognised during the period in which they occurred.
- Assets are recognised at their acquisition cost. Assets are booked on the date of their acquisition either in the amount of paid cash or cash equivalents, or at the fair value of other consideration provided plus any other costs related directly to the acquisition of assets.
- Transactions and other events are reflected by taking account of the principle of substance over form, which states that transactions and events shall be recognised and disclosed according to their contents and economic substance and not only according to their legal form.
- The financial statements have been prepared on an on-going concern basis, insofar as the Commission's property, funds, rights and obligations have been transferred to Latvijas Banka.

### **Non-current Investments**

Non-current investments are intangible and fixed-type investments with the period of useful life over one year and used for provision of a service, maintaining other fixed assets and for the Commission's administration needs. In accordance with the Commission's Financial Accounting Policy, depreciation and amortisation rates for the Commission's non-current investments (annual interest) are as follows:

- software, licences, information systems and other intangible assets rights, if their right of use is unlimited (if the right of use is limited, then in accordance with effectiveness of the right of use intangible assets) 20%;
- hardware, data storage devices, communications and office equipment 20%;
- other fixed assets 10%;
- investments in leasehold improvements (in accordance with effectiveness of the right of use of leased assets) 20%.

### **Claims on Market Participants**

The Commission steadily follows that the financial and market participants meet their obligations to the Commission regarding financing its activities in due time. In case of a doubtful debtor, appropriate provisions are made thereby decreasing revenues of the Commission in that reporting period.

### **Cash**

In the cash flow statement, cash and its equivalents include demand deposits in the euro.

### **Provisions for Vacations and Premiums**

At the end of the current reporting year, the Commission makes an estimate of the vacation days not used in the reporting

year on the reporting date. According to the estimated data of the days of unused vacation and the average earnings of each employee for the last six months, the amount of accrued vacation obligations and related compulsory state social insurance contributions are calculated. According to the calculation data, the amount of accrued liabilities (in the balance sheet liabilities) is adjusted, thereby increasing or decreasing expenses of the reporting period for salaries and compulsory state social insurance contributions.

In view of the remuneration system established by the Commission, an annual assessment of the employees' performance is carried out and a premium for the results of the annual work may be paid according to the assessment. If the payment date is after the reporting date, provisions for premiums are created, and these are included in the expenses of the reporting year.

### Prepaid Expenses

Prepaid expenses are recognised as expenses comprising payments for services which have been paid during the reporting period but which relate to the subsequent reporting period.

### Provisions for Contingent Liabilities and Legal Proceedings

Provisions for contingent liabilities are created in accordance with the risk assessment of the adverse outcome of the proceedings, the ratio of expected loss to the Commission's budget (whether the loss amount does not endanger the continuity of the Commission's activities) and in line with the provisions of the Law on Compensation for Losses Caused by State Administration Institutions. Each particular situation is assessed individually, and the provisions created within the framework of the financial statements for 2022 are described in Notes 14 and 15.

## 2. Non-current Investments

	Intangible investments <sup>6</sup>	Fixed assets		Prepayments for non-current investments	Investments in leasehold improvements	Total
		Computers and office equipment	Other fixed assets			
<b>Book value</b>						
<b>31.12.2020</b>	<b>304 776</b>	<b>236 608</b>	<b>92 770</b>	–	<b>44 065</b>	<b>678 219</b>
<b>Original value</b>						
<b>31.12.2020</b>	1 204 472	608 433	331 886	–	235 473	<b>2 380 264</b>
Acquisition	180 813	76 798	15 836	3 505	2 766	279 718
Write-off	(43 831)	(50 519)	(58 350)	–	–	(152 700)
<b>31.12.2021</b>	1 341 454	634 712	289 372	3 505	238 239	<b>2 507 282</b>
<b>Depreciation</b>						
<b>31.12.2020</b>	899 696	371 825	239 116	–	191 408	<b>1 702 045</b>
Depreciation in the reporting period	228 045	93 194	14 862	–	11 793	347 894
Depreciation of written-off investments	(43 831)	(49 524)	(50 249)	–	–	(143 604)
<b>31.12.2021</b>	1 083 910	415 495	203 729	–	203 201	<b>1 906 335</b>
<b>Book value</b>						
<b>31.12.2021</b>	<b>257 544</b>	<b>219 217</b>	<b>85 643</b>	<b>3 505</b>	<b>35 038</b>	<b>600 947</b>
<b>Original value</b>						
<b>31.12.2021</b>	1 341 454	634 712	289 372	3 505	238 239	<b>2 507 282</b>
Acquisition	37 085	57 270	381	–	–	<b>94 736</b>
Write-off	(366 395)	(125 244)	(35 774)	(3 505)	(238 239)	<b>(769 157)</b>
<b>31.12.2022</b>	1 012 144	566 738	253 979	–	0	<b>1 832 861</b>
<b>Depreciation</b>						
<b>31.12.2021</b>	1 083 910	415 495	203 729	–	203 201	<b>1 906 335</b>

<sup>6</sup> Licences, software and other intangible investments.

Depreciation in the reporting period	107 877	86 860	11 975	–	12 346	<b>219 058</b>
Depreciation of written-off investments	(348 962)	(124 067)	(35 325)	–	(215 547)	<b>(723 901)</b>
<b>31.12.2022</b>	<b>842 825</b>	<b>378 288</b>	<b>180 379</b>	<b>–</b>	<b>0</b>	<b>1 401 492</b>
<b>Book value</b>						
<b>31.12.2022</b>	<b>169 319</b>	<b>188 450</b>	<b>73 600</b>	<b>0</b>	<b>0</b>	<b>431 369</b>

### 3. Claims on Market Participants

This item contains the amounts due from financial and capital market participants to the Commission regarding its financing:

	<b>2022</b>	<b>2021</b>
<b>Due from the monetary financial institutions sector</b>	<b>2 189 902</b>	<b>2 170 847</b>
Due from credit institutions	2 066 149	2 082 594
Due from savings and loan associations	9 944	10 041
Due from monetary institutions	70 665	63 875
Due from electronic money institutions	43 144	14 337
<b>Due from the insurance sector</b>	<b>476 368</b>	<b>487 773</b>
Due from life assurance companies	114 019	146 119
Due from other insurance companies	357 003	334 795
Due from insurance brokers	5 346	6 859
<b>Due from the financial instruments market and private pension funds sector</b>	<b>258 985</b>	<b>317 800</b>
Due from financial instruments market participants	174 224	197 682
Due from private pension funds	84 761	120 118
<b>Total claims</b>	<b>2 925 255</b>	<b>2 976 420</b>

### 4. Other Claims

	<b>2022</b>	<b>2021</b>
Claims on the European Union's organisations	16 338	14 564
Other claims	38 938	9 159
	<b>55 276</b>	<b>23 723</b>

### 5. Prepaid Expenses

	<b>2022</b>	<b>2021</b>
Information system maintenance and security solution services	35 528	90 690
Data base subscription fees	5 669	10 841
Periodic literature	–	630
Insurance services	–	8 827
Other prepaid expenses	7 249	15 890
	<b>48 446</b>	<b>126 878</b>

### 6. Taxes Payable

Type of tax	<b>Balance 31.12.2021</b>	Calculated in the reporting period	Paid in the reporting period	<b>Balance 31.12.2022</b>
Compulsory contributions to the state social insurance	1 582	2 616 275	2 617 857	–
Personal income tax obligations	–	1 430 425	1 430 425	–
Value added tax obligations	476	312 238	312 714	–
<b>TOTAL</b>	<b>2 058</b>	<b>4 358 938</b>	<b>4 360 996</b>	<b>–</b>

### 7. Provisions for Vacations and Premiums

	<b>2022</b>	<b>2021</b>
Provisions for vacations	371088	338482
State social insurance for the provisions for vacations	87 540	79 824
Provisions for premiums for annual performance	–	254 730
State social insurance for the provisions for premiums	–	60 062
	<b>458 628</b>	<b>733 098</b>

## 8. Staff Remuneration and Other Payments, State Social Insurance

This item contains remuneration of the Commission's staff and remuneration paid for specific work done for the Commission. Expenses related to the remuneration of the Board of the Commission made up 4.8% of total in 2022 (compared to 4.4% in 2021). On 31 December 2022, there were 166 employees having employment relationships with the Commission, of which two to the positions of employees who were temporarily absent (compared to 174 employees, of which one to the position of an employee who was temporarily absent, on 31 December 2021).

	<b>2022</b>	<b>2021</b>
Staff remuneration and other similar payments	7 487 750	7 025 601
including remuneration to the members of the Commission's Board	359 300	294 985
State social insurance compulsory contributions	1 717 380	1 641 313
including state social insurance for the Commission's Board remuneration	84 733	69 455
<b>Staff remuneration and other similar payments, state social insurance</b>	<b>9 205 130</b>	<b>8 666 914</b>
Full-time equivalents	166	168
including the members of the Commission's Board	3	3

## 9. Staff Professional Training

	<b>2022</b>	<b>2021</b>
Training abroad	26 205	–
Training in Latvia	89 705	92 162
	<b>115 910</b>	<b>92 162</b>

## 10. Telecommunication, Communication and Information

	<b>2022</b>	<b>2021</b>
Data base information	116 611	106 382
Electronic communication and correspondence services	17 777	16 187
Information inquiry services	16 003	16 719
	<b>150 391</b>	<b>139 288</b>

## 11. Maintenance and General Service Expenses

	<b>2022</b>	<b>2021</b>
Office lease expenses	415 151	393 405
Maintenance of office premises and public utility service fees	282 393	257 759
Expenses on the maintenance of the Commission's online web resources, information systems and security solutions	376 198	227 218
Other maintenance and general service expenses	127 389	71 809
	<b>1 201 131</b>	<b>950 191</b>

## 12. Professional Services

	<b>2022</b>	<b>2021</b>
Audit of the Commission's financial statements	12 342	12 342
Expert opinion and legal services	135 554	88 900
	<b>147 896</b>	<b>101 242</b>

## 13. International Cooperation

	<b>2022</b>	<b>2021</b>
Participation fee in the European Union institutions	884 183	806 390
Missions related to participation in working groups of the European Union and cooperation missions within the framework of international organisations and other supervisory authorities' working groups or projects	136 741	5 175
Participation fee in international organisations	30 872	52 384
Co-financing in the projects of European Union institutions	373 373	35 118
Other expenses	114	320
	<b>1 425 283</b>	<b>899 387</b>

#### **14. Provisions for Other Liabilities**

	<b>2022</b>	<b>2021</b>
Provisions for rental obligations	1 572 563	–
Provisions for co-financing in the projects of European Union institutions	306298	–
Other accrued liabilities	34 179	59 906
	<b>1 913 040</b>	<b>59 906</b>

#### **15. Court Proceedings and Other Contingent Liabilities**

When performing supervisory functions specified by the Law on the Financial and Capital Market Commission, the Commission may become involved in court proceedings, because appeals may be lodged against its decisions under administrative procedure. As at the end of the reporting period, the Commission had been involved in 11 administrative proceedings and 1 civil proceeding. According to the assessment by the Council of Latvijas Banka, the above proceedings will not result in any losses, therefore, no provisions have been recorded in the financial statements.

To ensure its operation, the Commission leased premises at Kungu iela 1 in Riga. With the integration into Latvijas Banka, from 2023, the above premises are not used, and the Commission has provided a notice of termination to the leaseholder. In accordance with amendments to contracts on the lease of premises, dated 2018, in the given circumstances, the legal bases for the termination of the contract cannot be interpreted unambiguously and pose the risk that, due to the termination of the contract, Latvijas Banka might incur obligations to pay the rent, general service costs, utility payments and real estate tax until 31 December 2026. Latvijas Banka is not of the opinion that there is a legal basis for an unfavourable legal or dispute solution to an extent that would exceed the provisions made for rental obligations (see Note 14). The provisions made do not reflect the obligations of Latvijas Banka arising from the above lease contract, but rather an assessment of the risk in case of an unfavourable dispute solution.

Information about court proceedings and other obligations has been disclosed insofar as it does not prejudice the interests of Latvijas Banka.

#### **16. Post-balance-sheet Events**

On 1 January 2023, the new Law on Latvijas Banka which was adopted on 23 September 2021 and provided for the incorporation of the Commission into Latvijas Banka entered into force. In accordance with the Transitional Provisions of the above Law, Latvijas Banka shall take over the property and financial assets of the Commission and shall be the legal successor of its rights and obligations, thus, starting from 1 January 2023, the assets and liabilities presented in the Commission's balance sheet as at 31 December 2022 are included in Latvijas Banka's balance sheet. As from 1 January 2023, Latvijas Banka also ensures management of the Deposit Guarantee Fund, the Fund for the Protection of the Insured and the National Resolution Fund. Since the assets of each Fund make up a separate set of property and are managed separately, the respective assets and liabilities are not presented in Latvijas Banka's balance sheet.

**INDEPENDENT AUDITORS' REPORT****To the Council of Latvijas Banka***Our Opinion with Reservation on the Financial Statements*

We have audited the accompanying financial statement on pages 5 to 14 included in the financial statements for 2022 of the Financial and Capital Market Commission (hereinafter referred to as the "Commission"). The financial statement includes the balance sheet as at 31 December 2022 and the statement of revenues and expenses, cash flow statement and statement of changes in equity for the year ended 31 December 2022, as well as an appendix to the financial statement which contains a significant summary of accounting principles and other explanatory information.

In our opinion, except for the potential effect of the issue referred to in the section "Basis for Opinion with Reservation" of this report, the accompanying financial statement gives a true and fair view of the financial position of the Financial and Capital Market Commission as at 31 December 2022 and of its financial performance and its cash flows for the year ended 31 December 2022 in accordance with the Financial Accounting Policy of the Financial and Capital Market Commission approved by the Commission's Board.

*Basis for Opinion with Reservation*

As specified in Notes 14 and 15 of the accompanying financial statement, to ensure its operation, the Commission leased premises at Kungu iela 1 in Riga. With the integration into Latvijas Banka, from 2023, the above premises are not used, and the Commission has provided a notice of termination to the leaseholder. In accordance with amendments to contracts on the lease of premises, dated 2018, in the given circumstances, the legal bases for the termination of the contract cannot be interpreted unambiguously and pose the risk that, due to the termination of the contract, Latvijas Banka might incur obligations to pay the rent, general service costs, utility payments and real estate tax until 31 December 2026. Latvijas Banka is not of the opinion that there is a legal basis for an unfavourable legal or dispute solution to an extent that would exceed the provisions made for rental obligations amounting to 1 572 563 euro. In our opinion, in case of an extremely unfavourable solution of the situation, the Commission's payment obligations could significantly exceed the provisions already made. Taking into account the uncertainty as regards the possible solution of the situation, we could not obtain sufficient and appropriate audit evidence to establish whether and to what extent adjustments would be needed as regards the provisions for rental obligations in the balance sheet as at 31 December 2022 and the financial results for 2022.

In accordance with the Law on Audit Services of the Republic of Latvia (hereinafter referred to as the "Law on Audit Services"), we conducted our audit in line with the International Standards on Auditing (hereinafter referred to as the "ISAs") recognised in the Republic of Latvia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report.

We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services that are relevant to our audit of the financial statement in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and impartiality requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and the Law on Audit Services.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion with reservation.

*Emphasis of Matter*

We draw attention to Note 16 to the financial statement "Post-balance-sheet Events", which states that on 1 January 2023, the new Law on Latvijas Banka which was adopted on 23 September 2021 and provides for the incorporation of the Commission into Latvijas Bank entered into force. In accordance with the Transitional Provisions of the above Law, Latvijas Banka shall take over the property and financial assets of the Commission and shall be the legal successor of its rights and obligations, thus, starting from 1 January 2023, the assets and liabilities presented in the Commission's balance sheet as at 31 December 2022 are included in Latvijas Banka's balance sheet. Our opinion is not modified in respect of this matter.

*Reporting on Other Information*

The Commission's management is responsible for the other information. The other information is the

Management Report, as set out on page 3 of the accompanying Annual Report, and Budget Performance 2022, as set out on page 4 of the accompanying Annual Report.

Our opinion on the financial statement does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Commission and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not noticed any other circumstances that should be reported in this regard, except for the potential effect of the issue referred to in the section "Basis for Opinion with Reservation" on the Management Report and Budget Performance 2022.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statement*

The management is responsible for the preparation of the financial statement that gives a true and fair view in accordance with the Financial Accounting Policy of the Financial and Capital Market Commission approved by the Commission's Board and for such internal control as the management considers necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with the Commission's governance are responsible for overseeing the Commission's financial reporting process.

#### *Auditor's Responsibility for the Audit of the Financial Statement*

Our objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern;
- evaluate the overall structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves



a fair presentation.

We communicate with those charged with the Commission's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SIA Baltic Audit  
Company of Certified Auditors  
Licence No 176

*Gunta Darkevica*  
Member of the Board  
Certified auditor of the Republic of Latvia  
Certificate No 165

Rīga, Latvia  
19 June 2023

*This document has been signed electronically with a secure electronic signature and comprises a time stamp*