



## EUROPEAN PARLIAMENT

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DIRECTORATE-GENERAL FOR RESEARCH

DIRECTORATE A

DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

## FACTSHEET

**Latvia**

**Chapter 3 - Freedom to provide services**

### 1. The *acquis*<sup>1</sup>

The *acquis* in this chapter relates to Article 43 EC on freedom of establishment and Article 49 EC on the freedom to provide services:

- Financial services: Banking, Insurance, investment services and securities markets. The *acquis* lays down minimum requirements for the different types of institutions in order to create a uniform minimum standard based on the principles of minimal harmonisation of authorisation conditions and the prudential rules, home country control and single licence, mutual recognition of national supervisory standards.
- A directive on the protection of personal data and the free movement of such data.
- Directives on the freedom of establishment and freedom to provide services for craftsmen, traders and farmers.
- A directive on self-employed commercial agents.
- Information society directives on the provision of information in the field of technical standards and regulations and of rules, and on the legal protection of services on conditional access.

This chapter is closely linked to others, particularly free movement of capital and of persons. In addition to alignment, the establishment of an effective regulatory infrastructure is particularly important in order to implement the *acquis* and ensure an efficient and well-supervised financial sector. There is close monitoring by the Commission in cooperation with the Member States.

Most candidates began transposing the *acquis* some time ago, also in the framework of the Europe Agreements. However, a significant amount remains to be done, both in financial services and the primary treaty provisions on right of establishment and to provide services,

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<sup>1</sup> Information largely drawn from the European Commission, DG Enlargement:  
<http://europa.eu.int/comm/enlargement/negotiations/index.htm>

those countries which made an early start on economic and financial reform and harmonisation being furthest advanced.

## **2. The negotiations**

The chapter has been closed with ten countries and provisionally closed with Bulgaria, while it remains open with Romania. For several countries, transition periods of up to 5 years have been agreed, and some have been accorded exemption from the banking *acquis* for very small institutions such as credit unions.

**Chapter opened:** August 2000

**Status:** closed in December 2002 (provisionally closed in June 2001)

**Transitional arrangements:**

- Exclusion of credit unions; lower levels of bank deposit guarantee and investor compensation until end-2007

## **3. Latest assessment of the European Commission<sup>1</sup>**

In its 1997 Opinion, the Commission concluded that in this area Latvia was well advanced and would in the coming years not have any major problems in meeting the requirements of the main EC directives. The Commission added that the most important remaining difficulty was the strengthening of the banking sector in order for it to function as a financial intermediary supporting domestic investments.

Since the Opinion, Latvia has made steady progress in most areas of the chapter, both in terms of legislation and in bolstering the administrative and regulatory infrastructure required to supervise the financial services sector. While more remains to be done in particular in the insurance and securities sectors, overall a high level of alignment has been achieved in this field.

Negotiations on this chapter have been provisionally closed. Latvia has been granted two transitional periods (both until 31 December 2007) in which it has to ensure that its legislation on the deposit-guarantee scheme and the investor compensation scheme fully complies with the *acquis*. Latvia is generally meeting the commitments it made in the accession negotiations in this field.

In order to complete preparations for membership, Latvia's efforts now need to focus on completing alignment, in particular in the areas of life and non-life insurance, securities markets, investment (undertakings for collective investment in transferable securities) and information society services. It should also complete alignment with the data protection *acquis*, including the establishment of a fully independent data protection authority and eliminate provisions which discriminate against non-nationals as regards the right of establishment and freedom to provide services.

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<sup>1</sup> European Commission, Regular Report on Latvia 2002, p. 58:  
[http://www.europa.eu.int/comm/enlargement/report2002/lv\\_en.pdf](http://www.europa.eu.int/comm/enlargement/report2002/lv_en.pdf)