

OPERATION OF INVESTMENT FIRMS

GENERAL INFORMATION

In 2009, several structural changes took place in the list of investment firms. At the end of February 2009, the Financial and Capital Market Commission (the Commission) cancelled the licence for offering investment services and non-core services issued to IF SIA *AXIO Capital* upon the request of the firm, while in the beginning of 3Q the Commission issued a licence for offering investment services and non-core services to the limited liability investment firm *Real Trade*. Consequently, at end of the year seven investment firms operated in Latvia, four of which were subsidiaries of banks. The share of foreign capital in the share capital of investment firms did not change in 2009 and still was 7.4% at end of December.

PERFORMANCE INDICATORS

In 2009, the total amount of assets of investment firms declined by 12.5% and at end-December totalled 3.5 million lats, while capital and reserves shrank by 3.7% and was 3.1 million lats.

By end of reporting quarter, the most substantial asset items of investment firms were claims on credit institutions (66%), while the largest share in the structure of liabilities constituted capital and reserves (90%) compared to 59% and 82% at end of 2008.

The total of investment firm assets under management of investment firms in the reporting year increased several times and at end of December accounted for 9.9 million lats of which a greater share or 95% were client – non-resident asset investments in non-resident financial instruments.

All in all, the investment firms ended the year 2009 with a 79.5 thousand lats profit (after tax)¹, including three investment firms ended the year with profit while losses of remaining four investment firms totalled 348.2 thousand lats.

At end 2009, of total income sources for investment firms, 73% were income from commission (and similar income from services rendered to clients, for instance, sale of capital shares and fund investment certificates, provision of recommendations and consultations), while administrative expenses (63%) and other ordinary expenses (20%) were the most substantial item of expenses for the investment firms.

On 31 December 2009, capital adequacy ratio of investment firms was 39.5% (regulatory minimum capital adequacy requirement – 8%) in comparison with 56.4% at end-2008.

¹ Non-audited data.