COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

MONEYVAL(2012)16 ANN

Report on Fourth Assessment Visit – *Annexes*

Anti-Money Laundering and Combating the Financing of Terrorism

LATVIA

5 July 2012

Latvia is a member of MONEYVAL. This evaluation was conducted by MONEYVAL and the mutual evaluation report on the 4th assessment visit of Latvia was adopted at its 39th Plenary (Strasbourg, 2-6 July 2012)

LIST OF ANNEXES

ANNEX I

ANNEX I - DETAILS OF ALL BODIES MET ON THE ON-SITE MISSION - MINISTRIES, OTHER GOVERNMENT AUTHORITIES OR BODIES, PRIVATE SECTOR REPRESENTATIVES AND OTHERS

Anti-Corruption Bureau (Police Forces)
Association of Accountants
Association of Certified Auditors
Association of Commercial Banks
Bank of Latvia
Council of Sworn Advocates
Council of Sworn Notaries
Economical Crime Combating Department
Financial and Capital Market Commission
Financial police
FIU (Control Service)
General Prosecutor`S Office
Judiciary: District (city) court, Regional court, Supreme Court
Latvian Association of Tax Advisers
Latvian Post
Lotteries and Gambling Supervisory Inspection
Ministry of Justice
Ministry of Transport
National Customs Board
Register of Enterprises
Representatives of the banking sector
Representatives of the car dealers sector
Representatives of casinos
Representatives of the currency exchangers
Representatives of the dealers in precious metals and stones
Representatives of the insurance sector
Representatives of the joint stock investment management company
Representatives of money and value transfer services
Representatives of the real estate sector
Representatives of the Sworn Advocates
Representatives of the Sworn Auditors
Representatives of the Sworn Notaries
Security Police
State Inspection for Heritage Protection
State Revenue Service
State Police (International Affairs Unit of the Cooperation and Development Bureau of the Central Administrative Department, Organized Crime Enforcement Department of the Central Criminal Police Department)

ANNEX II

ANNEX II - LAW ON THE PREVENTION OF LAUNDERING THE PROCEEDS FROM CRIMINAL ACTIVITY (MONEY LAUNDERING) AND OF TERRORIST FINANCING

(Unofficial translation by the Financial and Capital Market Commission)

Text consolidated with amending laws of

12 December 2008;
01 December 2009;
10 December 2009;
31 March 2011.

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing

Chapter I
General Provisions

Article 1. Terms Used in this Law

The following terms are used in this Law:

1) funds – financial resources or assets of any other kind, whether corporeal or incorporeal, movable or immovable;

2) financial resources – financial instruments or payment instruments (cash or non-cash), documents (on paper or in an electronic form) that are held by a person either in ownership or possession and entitle the person to any benefit thereof, as well as precious metals in ownership or posession;

3) business relationship – a relationship between a person subject to this Law and a customer that is initiated as a result of the economic or the professional activities of the person subject to this Law and has an element of duration at the establishment of the relationship;

4) customer – a legal or a natural person or an association thereof to which a person subject to this Law provides services or sells goods;

5) beneficial owner – a natural person:
a) who owns or directly or indirectly controls at least 25 percent of the share capital or voting rights of a merchant or exercises other control over the merchant's operation,
b) who, directly or indirectly, is entitled to the property or exercises a direct or an indirect control over at least 25 percent of a legal arrangement other than a merchant. In the case of a foundation,

a beneficial owner shall be a person or a group of persons for whose benefit the foundation has been set up. In the case of political parties, societies and cooperative societies, a beneficial owner shall be the respective political party, society or cooperative society,
c) for whose benefit or in whose interest a business relationship is established,
d) for whose benefit or in whose interest a separate transaction is made without establishing a business relationship in the meaning of this Law;

6) credit institution – a bank or an electronic money institution registered in the Republic of Latvia, another member state or a third country, or a branch or a representative office of a bank or an electronic money institution of a member state or a third country;

7) financial institution – a merchant, a branch or a representative office registered with the commercial register or a merchant (other than a credit institution) registered with the respective register of another member state or a third country and providing one or several financial services as defined by the Credit Institution Law, with the exception of financial services permitted for credit institutions only [31 March 2011]. A financial institution shall be:
a) an insurance merchant that provides life insurance and a private pension fund,
b) a life insurance intermediary,
c) an investment brokerage firm,
d) an investment management company,
e) a capital company that engages in buying and selling cash foreign currency,
f) payment institution [31 March 2011];
g) other payment services provider [31 March 2011];
h) electronic money instution [31 March 2011].

8) legal arrangement – a legal person or an association of persons with an independent legal capacity and capability;

9) external accountant – a person that agrees to provide or provides accounting services to a customer on the basis of a written contract (except a job contract) with the customer;

10) legal arrangement and company service providers – a legal or a natural person that has a business relationship with a customer and provides the following services:
a) assists in establishing a legal arrangement,
b) acts as or arranges for another person to act as a director or a secretary of a merchant or other legal arrangement, a partner of a partnership or in a similar position,
c) provides a registered office address, a correspondence address, a business address, and other similar services to a legal arrangement,
d) acts or arranges for another person to act as a trustee in accordance with an express authorisation or a similar legal document,
e) represents or arranges for another person to represent a shareholder or a member of a commercial company whose financial instruments are not listed on a regulated market, and who is subject to disclosure requirements in conformity with the European Union legislative provisions or equivalent international standards;

11) member state – a Member State of the European Union or a country of the European Economic Area;

12) third country – a country other than a member state;

13) supervisory and control authority – a public institution or a professional organisation taking measures to supervise and control the compliance with the requirements of this Law;

14) list of indicators of unusual transactions – a list approved by the Cabinet of Ministers containing the indicators of transactions that may evidence a possible laundering of proceeds from criminal activity (money laundering), terrorist financing or an attempt thereof;

15) shell bank – a credit institution, incorporated in a jurisdiction in which it has no physical presence, involving meaningful mind and management, and is not providing financial services, and which has no supervisory authority. Persons shall be considered a shell bank when they provide services equivalent to those of a credit institution, provide money remittance services on order of third persons, and which have no supervisory and control authority except the cases when such remittances are provided by electronic money institutions or they are provided within a group of commercial companies that are treated as such by the Law on Financial Conglomerates or among commercial companies that have the same beneficial owner;

16) unusual transaction – a transaction corresponding to at least one indicator from the list of indicators of unusual transactions;

17) suspicious transaction – a transaction that gives rise to suspicion of laundering of proceeds from criminal activity (money laundering) or of terrorist financing or an attempt thereof, or of any other criminal offence related thereto.

Article 2. Purpose of this Law

This Law aims at preventing laundering the proceeds from criminal activity (money laundering) and terrorist financing.

Article 3. Persons Subject to this Law

(1) This Law shall apply to the following persons engaging in economic or professional activity:
1) credit institutions;
2) financial institutions;
3) tax advisors, external accountants, sworn auditors un commercial companies of sworn auditors,
4) sworn notaries, sworn advocates, other independent legal professionals when they act in the name and for the benefit of their customers to assist in the planning and execution of a transaction, to participate in any transaction or to perform other professional activity related to transactions for the benefit of their customer in the following cases:
a) buying or selling of real estate, shares in the capital of a commercial company,
b) managing a customer's money, financial instruments and other funds,
c) opening or managing all kinds of accounts with credit institutions or financial institutions,
d) creating, managing or ensuring the operation of legal arrangements, making investments necessary for creating, managing or ensuring the operation of legal arrangements;
5) legal arrangement and company service providers,
6) persons acting in the capacity of agents or intermediaries in real estate transactions,
7) organisers of lotteries and gambling,
8) persons providing money collection services,
9) other legal or natural persons involved in trading real estate, transport vehicles, items of culture, precious metals, precious stones and articles thereof or other goods, acting as intermediaries in the said transactions or providers of services, where the payment is made in cash in lats or another currency in the amount equivalent to or exceeding 15 000 euros at the exchange rate set by the Bank of Latvia on the transaction day, whether the transaction is executed in a single operation or several linked operations. Where the transaction is made in a

foreign currency whose official exchange rate is not set by the Bank of Latvia, the exchange rate that is published on the first business day of the current week in the information source indicated by the Bank of Latvia shall be used for the calculation.

(2) The person subject to this Law shall ensure that its structural units, branches, representative offices and subsidiaries in the Member states and in third countries, when providing financial services, comply with the requirements equivalent to the requirements established in this Law as to customer identification, due diligence and record keeping without prejudice to the legal norms and generally accepted practice of the respective country [31 March 2011].

(3) Where the regulatory provisions of a third country prevent from observing the requirements that are equivalent to those of this Law as to customer identification, due diligence and record keeping, the person subject to this Law shall notify to this effect the supervisory and control authority in the Republic of Latvia and ensure that additional measures are taken to mitigate the risks related to the prevention of laundering the proceeds from criminal activity (money laundering) and of terrorist financing.

(4) In order to prevent the activities related to laundering the proceeds from criminal activity (money laundering) and terrorist financing, the persons not indicated in Paragraph 1 hereof, including public institutions, derived public persons and institutions thereof shall also have a duty to comply with the requirements of this Law as to reporting unusual or suspicious transactions. Legal defence mechanisms applied to the persons subject to this Law shall apply to the persons indicated in that Paragraph.

Article 4. Proceeds from Criminal Activity

(1) The proceeds shall be recognised as derived from criminal activity where:
1) a person, directly or indirectly, acquires ownership or possession of them as a result of a criminal offence, [10 December 2009]
2) in other cases specified by the Criminal Procedure Law.

(2) “Proceeds from criminal activity” shall mean “criminally acquired property and financial resources”as used in the Criminal Procedure Law.

(3) In addition to the property and resources as set out in the Criminal Procedure Law, the proceeds from criminal activity shall also mean the funds that belong to a person or that are, directly or indirectly, controlled by a person who:
1) is included in the list of persons who are suspected of being involved in terrorist activities that is compiled by countries or international organisations recognised by the Cabinet of Ministers;
2) may reasonably be suspected of the execution of or participation in a terrorist-related criminal offence on the basis of information available to bodies performing investigatory operations, pre-trial investigation institutions, the Office of the Prosecutor or the court.

(4) The Office for the Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter, the Financial Intelligence Unit) shall notify the persons subject to this Law and their supervisory and control authorities of the persons referred to in Paragraph 3 hereof.

(5) The proceeds from criminal activity shall be recognised as such in due course of the Criminal Procedure Law.

Article 5. Laundering the Proceeds from Criminal Activity (Money Laundering) and Terrorist Financing

(1) Laundering the proceeds from criminal activity (money laundering) shall mean the following activities:
1) converting the proceeds from criminal activity into other valuables, changing their location or ownership knowing that the proceeds were derived from criminal activity, and if such actions were aimed to concealing or disguising the illicit origin of such proceeds or assisting any other person who is involved in the committing of such activity to evade the legal liability of his/her action [31 March 2011];
2) concealing or disguising the true nature, source, location, disposition, movement or ownership of the proceeds from criminal activity knowing that such proceeds were derived from criminal activity [31 March 2011];
3) acquiring the proceeds from criminal activity for ownership, possession or use knowing, at the time of acquiring such rights that the proceeds were derived from criminal activity;
4) participating in any of the activities mentioned in Subparagraphs 1, 2 and 3 of Paragraph 1 hereof.

(2) Money laundering shall be recognised as such even where the criminal offence, which is defined by the Criminal Law and results in a direct or indirect acquisition of the proceeds derived thereby, was committed outside the Republic of Latvia and according to the local legislation the person committing such criminal activity is held criminally liable.

(3) Terrorist financing shall mean the activities as defined by the Criminal Law.

Chapter II
Internal Control

Article 6. Duty to Establish an Internal Control System

(1) By developing appropriate policies and procedures, any legal person subject to this Law shall establish and document an internal control system for the prevention of money laundering and terrorist financing that is commensurate with its operations.

(2) An internal control system is a set of measures that includes actions for ensuring compliance with legal requirements by allocating adequate resources and training the staff with the aim of averting, to the extent possible, the involvement of a person subject to this Law in money laundering or terrorist financing.

(3) When establishing an internal control system, credit institutions, insurance companies and investment brokerage firms shall follow the requirements for the establishment of the internal control system as set out in the Credit Institution Law, the Law on the Financial Instruments Market, Law on Insurance Companies and Supervision Thereof and the regulatory provisions developed by reference to these laws.

(4) The requirements of Paragraphs 1, 2 and 3 of this Article shall not apply to the persons subject to this Law as referred to in Subparagraph 9 of Paragraph 1 of Article 3 hereof.

Article 7. Internal Control System

(1) When developing an internal control system, a person subject to this Law shall establish at least the following:
1) the customer identification procedure;
2) the procedure for money laundering and terrorist financing risk assessment as to a customer, his/her country of residence (registration), economic or personal activity, services used and transactions made;
3) the procedure and scope of customer due diligence based on the money laundering and terrorist financing risk assessment carried out by the persons subject to this Law to fulfil the minimum requirements of customer due diligence as set out in this Law and other regulatory provisions;
4) the procedure whereby a customer's transactions are monitored based on the money laundering and terrorist financing risk assessment carried out by the persons subject to this Law;
5) the procedure whereby unusual and suspicious transactions are identified and the procedure whereby any person subject to this Law refrains from executing a suspicious transaction;
6) the procedure whereby unusual and suspicious transactions are reported to the Financial Intelligence Unit;
7) the procedure whereby data and records on customer identification, due diligence and transaction monitoring are stored;
8) the rights, duties and responsibility of the staff while observing the requirements of this Law.

(2) The Financial and Capital Market Commission shall establish the methodology for assessing the risks associated with money laundering and terrorist financing to be followed by credit institutions and financial institutions, excluding capital companies that buy and sell cash foreign currency.

(3) In addition to the requirements set out in Paragraph 1 hereof, credit institutions and financial institutions, excluding capital companies that buy and sell cash foreign currency, shall establish the reporting duty of the person responsible for the prevention of money laundering and terrorist financing, on a regular basis, to the board on the functioning of the internal control system preventing money laundering and terrorist financing in the respective credit institution or financial institution.

Article 8. Improving the Internal Control System

A person subject to this Law shall assess the efficiency of the internal control system on a regular basis in view of additional risks that may arise as a result of the introduction and development of new technologies and, if necessary, take measures to improve the efficiency of the internal control system.

Article 9. Staff Training

A person subject to this Law shall ensure that its employees who are responsible for compliance with this Law are aware of the risks associated with money laundering and terrorist financing, know the regulatory provisions on preventing money laundering and terrorist financing, and train its employees on a regular basis to improve their skills in identifying indicators of unusual transactions and suspicious transactions and accomplishing the measures prescribed by the internal control system.

Article 10. Appointing the Employees Responsible for Compliance with the Law

(1) A legal person subject to this Law shall appoint a structural unit or one or several employees to be entitled to take decisions and be directly responsible for compliance with this Law. Within 30 days after obtaining the status of a person subject to this Law, the person subject to this Law shall make a notification about appointing such structural unit or employee to the Financial Intelligence Unit and its supervisory and control authority.

(2) In addition to the requirements set out in Paragraph 1 hereof, credit and financial institutions, excluding capital companies that buy and sell cash foreign currency, shall appoint a board member who shall be responsible for the prevention of money laundering and of terrorist financing in the respective credit or financial institution.

(3) A legal person subject to this Law, its supervisory and control authority, the Financial Intelligence Unit and officials and employees thereof shall be prohibited from disclosing to third persons any data available to them about the persons or employees of the structural units referred to in Paragraph 1 hereof.

(4) A person that is responsible for ensuring compliance with this Law in a credit institution or an insurance merchant that provides life insurance shall not have been convicted for committing a crime.

Chapter III
Customer Identification and Due Diligence

Article 11. Duty to Identify Customer

(1) A person subject to this Law shall identify a customer before establishing a business relationship.

(2) The person subject to this Law shall also identify a customer before each occasional transaction when not establishing the business relationship within the meaning of this Law where:
1) the amount of a transaction or the total amount of several apparently linked transactions is equivalent to 15 000 euros or more at the exchange rate set by the Bank of Latvia on the transaction day;
2) a transaction corresponds to at least one of the indicators in the list of unusual transactions or gives rise to a suspicion of money laundering, terrorist financing or an attempt thereof;
3) there are doubts about the veracity of the previously obtained identification data .

(3) Where at the execution of a transaction it is not possible to establish whether the amount of the transaction will be equivalent to 15 000 euros or more, a customer shall be identified as soon as it becomes known that the amount is equivalent to 15 000 euros or more at the exchange rate set by the Bank of Latvia on the transaction day.

(4) Where the risks associated with money laundering and terrorist financing are low and no enhanced customer due diligence is needed according to this Law and in order not to interrupt the normal conduct of a transaction, a customer may be identified and the beneficial owner established at inception of the business relationship, as soon as this becomes possible, but prior to executing the first transaction.

(5) Where no enhanced customer due diligence is needed according to this Law, an insurance merchant that provides life insurance and a life insurance intermediary shall be entitled to

identify a customer and establish the beneficial owner after the establishment of a business relationship or prior to the payment of the insurance premium, or before the beneficiary of the insurance premium has enforced the rights established in the insurance policy.

Article 12. Identification of Natural Persons

(1) Natural persons shall be identified by verifying their identity on the basis of a personal identification document in which the following information is provided:
1) regarding a resident: the name, the surname, the personal identity number;
2) regarding a non-resident: the name, the surname, the date of birth, the number of the personal identification document and the date of issue, the issuing country and the authority which issued the document .

(2) Natural persons, non-residents, who have personally appeared before the persons subject to this Law in Latvia shall be identified only by the document valid for immigration into Latvia .

(3) Natural persons, non-residents, who have not personally appeared before the persons subject to this Law in Latvia (non face-to-face customers) shall be identified in their country of residence by using the domestic passport of the respective country, other document that evidences the person's identity and is accepted by the respective country or a document that is valid for immigration into the country where the person is being identified.

(4) Sworn notaries shall identify natural persons in due course of the Notariate Law.

Article 13. Identification of Legal Persons

(1) Legal persons shall be identified by requesting that they:
1) produce documents evidencing their establishment or legal registration;
2) notify of the registered office address of the customer;
3) identify the persons entitled to represent them in the relationship with the person subject to this Law; a document evidencing the rights of those persons to represent the legal person or a copy such document shall be obtained.

(2) A person subject to this Law shall be entitled to identify a legal person by obtaining the information required in Paragraph 1 hereof from a publicly available source that is reliable and independent.

(3) Sworn notaries shall identify legal persons in due course of the Notariate Law.

Article 14. Making Copies of Personal Identification Documents

(1) At inception of a business relationship or executing the transactions referred to in Article 11 hereof, a credit institution and a financial institution shall make copies of the documents on the basis of which a customer was identified.

(2) Where the information identifying a customer, a legal person, was obtained in the manner set out in Paragraph 2 of Article 13 hereof, the credit institution and the financial institution shall make records of the information referred to in Paragraph 1 of Article 13 hereof and of the information sources.

Article 15. Prohibition from Keeping Anonymous Accounts

Credit institutions and financial institutions shall be prohibited from opening and keeping anonymous accounts (of customers that have not been identified).

Article 16. Duty to Apply Customer Due Diligence Measures

A person subject to this Law shall apply customer due diligence measures in the following cases:
1) before establishing a business relationship, including before opening an account and accepting money or other funds for keeping or possession;
2) when there is a suspicion of money laundering or of terrorist financing, regardless of the exemptions referred to in Articles 26 and 27 hereof;
3) when there are doubts about the veracity of previously obtained customer identification data.

Article 17. Customer Due Diligence

(1) In the framework of a business relationship, customer due diligence is a set of measures based on risk assessment whereby the person subject to this Law:
1) establishes information identifying the beneficial owner. For legal establishments a person subject to this Law establishes also its shareholder structure or the manner of beneficial owner's control over the this legal establishment [31 March 2011];
2) obtains information on the purpose and intended nature of the business relationship;
3) after entering into the business relationship monitors the business relationship;
4) ensures that the documents, data and information obtained during customer due diligence are properly kept and updated on a regular basis.

(2) When establishing the extent and the procedure of customer due diligence, a person subject to this Law shall take into account the risks associated with money laundering and terrorist financing in respect of a customer’s residence (registration) country, legal form, type of operation, services used or transactions made.

(3) The obligations set out in this Law in respect of customer due diligence shall apply to a legal arrangement irrespective of whether it has the status of a legal person.

Article 18. Establishing the Beneficial Owner

(1) A person subject to this Law shall establish the beneficial owner:
1) for customers, legal persons, to which enhanced customer due diligence shall apply;
2) for all customers where it is known or there is a suspicion that the transaction is executed in the interest or on order of another person.

(2) A person subject to this Law shall establish the beneficial owner by obtaining the information referred to in Paragraph 1 of Article 12 hereof in one of the following ways:
1) obtaining a statement signed by the customer about the beneficial owner;
2) using data or documents from information systems of Latvia or of other countries;
3) establishing itself the beneficial owner in cases when data on the beneficial owner cannot be obtained otherwise.

Article 19. Obtaining Information on the Purpose and Intended Nature of the Business Relationship

At inception of a business relationship, a person subject to this Law, based on the money laundering and terrorist financing risk assessment, shall obtain and make records of information on the purpose and intended nature of the business relationship, including information on the services that the customer intends to use, the origin of the customer's funds, the intended number and volume of transactions, the customer's economic or personal activity for which the customer will use the respective services.

Article 20. Monitoring a Business Relationship after Its Establishment

(1) After establishing a business relationship, a person subject to this Law, based on the money laundering and terrorist financing risk assessment, shall perform the following:
1) update information on a customer's economic or personal activity;
2) monitor transactions on a regular basis to ensure that they are not unusual or suspicious.

(2) When monitoring a business relationship, any person subject to this Law shall pay particular attention to the following:
1) unusually large and complex transactions or mutually linked transactions, which have no apparent economic or visible lawful purpose, and are not typical for a customer;
2) transactions involving persons from third countries that, in accordance with the opinion of international organisations, shall be considered as countries and territories where there are no effective regulatory provisions for combating money laundering and terrorist financing or that have refused to cooperate with international organisations in the area of preventing money laundering and terrorist financing.

Article 21. Prohibition from Cooperating with Shell Banks

(1) A person subject to this Law shall be prohibited from executing transactions with shell banks.

(2) The establishment and operation of shell banks shall be prohibited in the Republic of Latvia.

Article 22. Enhanced Customer Due Diligence

(1) Enhanced customer due diligence are activities that are based on the risk assessment and are carried out in addition to customer due diligence, with the aim of:
1) establishing the beneficial owner and making sure that the person indicated as the beneficial owner in accordance with Article 18 hereof is the beneficial owner of the customer;
2) ensuring enhanced monitoring of the customer's transactions.

(2) A person subject to this Law shall perform enhanced customer due diligence in the following cases:
1) at inception of a business relationship with a customer who has not been physically present during the identification procedure (non-face to face customers);
2) at inception of a business relationship with a politically exposed person;
3) when starting cross-border credit institution relationship with respondents from third countries.

(3) For the purposes of this Law, a politically exposed person (PEP) is a natural person who:

1) is entrusted with one of the following prominent public functions in another member state or a third country: the head of the state, a member of the parliament, the head of the government, a minister, a deputy minister or an assistant minister, a state secretary, a judge of the supreme court, a judge of the constitutional court, a board or a council member of the court of auditors, a member of the council or of the board of a central bank, an ambassador, a chargé d'affaires, a high-ranking officer of the armed forces, a member of the council or of the board of a state-owned capital company, as well as a person who has resigned from the position of a prominent public function within one year;
2) is a parent, a spouse and a person equivalent to a spouse, a child, his/her spouse or a person equivalent to a spouse of the persons referred to in Paragraph 1 hereof. A person shall be treated as equivalent to a spouse provided that the laws of the respective country contain a provision for such status;
3) is publicly known to have a business relationship with any person referred to in Paragraph 1 hereof or a joint ownership with such person of the share capital in a commercial company, and a natural person that is a sole owner of a legal arrangement that is known to be established for the benefit de facto of any person referred to in Paragraph 1 hereof;

(4) Credit institutions and financial institutions that are supervised by the Financial and Capital Market Commission in accordance with this Law shall also perform enhanced customer due diligence in respect of the categories of customers established by the Commission.

(5) For credit institutions and financial institutions that are supervised by the Financial and Capital Market Commission in accordance with regulatory provisions, the Commission shall establish the minimum extent of the enhanced customer due diligence in respect of various categories of customers, the procedure for enhanced monitoring of customer transactions, and the indicators for the services provided by the credit and financial institutions and for the customer transactions that require enhanced customer due diligence when credit institutions and financial institutions uncover them.

Article 23. Physical Absence of a Customer during the Identification Procedure (Non-Face to Face Customers)

(1) Where at inception of a business relationship a customer has not been identified by a person subject to this Law, its employee or authorised person, the person subject to this Law shall take any of the following steps:
1) obtain additional documents or information evidencing the customer's identity;
2) perform additional verification or certification of submitted documents or obtain a statement of a credit institution or a financial institution registered in another member state to the effect that the customer has a business relationship with that credit institution or financial institution;
3) ensure that the first payment in the course of the business relationship is carried out through an account opened in the customer's name with a credit institution to which the requirements of this Law or of the European Union legislative provisions on the prevention of money laundering and of terrorist financing apply;
4) require that the customer is present when executing the first transaction.

(2) When a person other than an employee of the person subject to this Law is authorised to identify a customer, the person subject to this Law shall be responsible that the customer identification is performed in accordance with the requirements of this Law.

Article 24. Cross-Border Correspondent Banking Relationship

(1) At inception of a correspondent banking relationship with a credit institution and an investment brokerage firm (respondent institution) that are registered and operate in a third country, a credit institution shall take the following measures:
1) gather information on the respondent institution to understand fully the nature of its business and determine from publicly available information its reputation and the quality of supervision;
2) assess the respondent institution's controls for the prevention of money laundering and of terrorist financing when starting a business relationship;
3) obtain approval from the board or a specially authorised member of the board before starting a new correspondent relationship;
4) document the responsibilities of each institution in respect of the prevention of money laundering and of terrorist financing;
5) ascertain that the identity of the customers who have direct access to the accounts of the correspondent financial institution ("payable-through accounts") is verified and the enhanced customer due diligence measures are performed and the respondent institution is able to provide relevant customer due diligence data upon request .

(2) A credit institution shall ensure that it does not enter into, or continue, correspondent banking relationship with a credit institution or an investment brokerage firm that are known to have a business relationship with shell banks.

Article 25. Business Relationship with a Politically Exposed Person

(1) At inception of a business relationship with a customer, a person subject to this Law, on the basis of the procedures based on risk assessment, shall determine whether the customer or the beneficial owner of the customer is a politically exposed person (PEP).

(2) On the basis of risk assessment, the internal control system of a person subject to this Law shall ensure the possibility to determine that a customer that was not a PEP at inception of a business relationship becomes a PEP after the establishment of the business relationship.

(3) Where a customer or a beneficial owner of the customer is a PEP, a person subject to this Law shall take the following measures:
1) obtain approval from the board or a specially authorised member of the board before entering into a business relationship. The condition referred to in this Paragraph shall apply to the legal persons subject to this Law;
2) take measures and make records thereof to determine the origin of the customer's money or other funds used in his/her transactions.

(4) When maintaining a business relationship with a PEP, a person subject to this Law shall monitor the customer's transactions on a regular basis.

Article 26. Simplified Customer Due Diligence [31 March 2011]

(1) A person subject to this Law shall be entitled to apply simplified customer due diligence in the cases when a customer is [31 March 2011]:
1) a credit institution or a financial institution registered in the Republic of Latvia or a member state, except a capital company that buys and sells cash foreign currency, or a payment institution [31 March 2011];
2) a credit institution or a financial institution (except capital companies that buy and sell cash foreign currency, and providers of money transmission and remittance services) that is registered in a third country which imposes requirements equivalent to those of the European Union

regulatory provisions with respect to the prevention of money laundering and of terrorist financing;
3) the Republic of Latvia, a derived public person, an institution of the Republic of Latvia or of an indirect administration or a capital company controlled by the central or a local government representing a low risk of money laundering and of terrorist financing;
4) a merchant whose shares are admitted to trading on the regulated market of one or several member states or of a third country, where the information disclosure requirements applying to that merchant are equivalent to those of the European Union legislative provisions;
5) a person in whose name acts a notary or other independent legal professional from a member state or a third country that imposes requirements equivalent to those of the European Union legislative provisions for the prevention of money laundering and of terrorist financing, provided that these persons are supervised for compliance with those requirements and information about this person is available upon request of the person subject to this Law with whom a business relationship is started;
6) any other person that represents a low risk of money laundering and of terrorist financing.

(2) The customers referred to in Subparagraphs 3 and 6 of Paragraph 1 hereof shall be regarded as representing a low risk of money laundering and of terrorist financing, where they meet the following criteria:
1) they have performed public administration assignments in accordance with the European Union legislative provisions;
2) the information identifying them is publicly available, transparent and reliable;
3) both their operations and accounting methods are transparent;
4) at the European Union or a member state level, there are procedures whereby their operations are controlled.

(3) In other cases not referred to in Paragraph 2 hereof customers shall be recognised as representing a low risk of money laundering and terrorist financing, provided that they comply with the following criteria:
1) they are persons subject to this Law;
2) the information identifying them is publicly available, transparent and reliable;
3) the persons providing financial services have a licence (permit) for the provision of financial services;
4) the persons are subject to the supervision by competent public authorities in respect of the compliance of their operations with regulatory provisions.

(4) The Cabinet of Ministers shall approve the list of third countries and territories that impose the requirements for the prevention of money laundering and of terrorist financing that are in line with the requirements of the European Union legislative provisions. [10 December 2009]

(5) When performing simplified customer due diligence, a person subject to this Law shall obtain information and make records to the effect that the customer complies with the exemptions listed in Paragraph 1 hereof and after establishing business relationship monitors customer's activities [31 March 2011].

(6) In the cases mentioned in Paragraph 1 hereof a person subject to this Law shall be entitled not to comply with the requirements of Paragraph 1 of Article 14 hereof.

Article 27. Exemptions from Customer Due Diligence [31 March 2011]

(1) Insurance merchants that provide life insurance and insurance intermediaries shall be entitled not to apply customer due diligence in respect of life insurance policies, where the annual

insurance premium does not exceed an amount that, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to 1 000 euro or a single premium does not exceed 2 500 euros.

(2) Private pension funds shall be entitled not to apply customer due diligence in respect of the contributions to pension plans that may not be used by the customer as collateral and in respect of the contributions to pension plans that are made by way of deduction from wages.

(3) Electronic money institutions shall be entitled not to apply customer due diligence in the following cases:
1) the maximum amount stored in an electronic device does not exceed the amount equivalent to 500 euros and the device cannot be recharged [31 March 2011],
2) where the electronic device can be recharged, the total amount transacted on the electronic device during the calendar year does not exceed the amount that at the exchange rate set by the Bank of Latvia on the transaction day is equivalent to 2 500 euros. Such exception is not applicable when electronic money institution repurchases from the customer (holder of the electronic device) 1 000 euros or more during the same calendar year upon customer's request [31 March 2011].

(4) A person subject to this Law shall be entitled not to apply customer due diligence when providing services that comply with the following indicators:
1) a transaction has a written contractual base;
2) a transaction is made on a bank account which is opened by a credit institution registered in a member state or a third country and which is subject to the requirements equivalent to those of the European Union legislative provisions in respect of the prevention of money laundering and of terrorist financing;
3) a transaction does not comply with the indicators contained in the list of indicators of unusual transactions;
4) a transaction does not give rise to suspicion or no information evidencing money laundering, terrorist financing or an attempt thereof is available;
5) the total amount of a transaction is less than 15 000 euros at the exchange rate set by the Bank of Latvia as at the transaction day;
6) the proceeds from executing a transaction cannot be used for the benefit of third parties, except in the case of death, disablement, survival to a predetermined advanced age, or similar events;
7) where, when executing the transaction, it is not possible to convert funds into financial instruments or insurance or other claims, or where the conversion is possible, the following conditions shall be observed:
a) proceeds from the transaction are utilised only in a long term (not earlier than in five years),
b) the subject of the transaction cannot be used as collateral,
c) during the validity of the transaction no accelerated payments are made, the cession of the right to a claim is not feasible and no early termination takes place.

Article 28. Obtaining the Information Necessary for Customer Due Diligence and a Customer's Liability

(1) To comply with the requirements of this Law, a person subject to this Law shall be entitled to request from customers and customers shall have a duty to provide truthful information and documents necessary for customer due diligence, including information and documents on the beneficial owners, transactions, economic and personal activities of customers and beneficial owners, the financial standing and the origin of money or other funds.

(2) Where a person subject to this Law fails to obtain truthful information and documents that are needed for compliance with the requirements set out in Articles 11 and 17 hereof to the extent that would permit the persons subject to this Law to carry out an inspection on its merits, the person subject to this Law shall terminate the business relationship with the customer and require that the customer meets his/her liabilities before maturity. In these cases the person subject to this Law shall take a decision on terminating the business relationship also in respect of other customers who have the same beneficial owners or requiring these customers to meet their liabilities before maturity.

(3) The requirements set out in Paragraph 2 hereof shall not apply to tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn advocates and other independent legal professionals in the course of defending or representing that customer in pre-trial criminal proceedings or judicial proceedings, or providing advice on instituting or avoiding judicial proceedings.

Article 29. Recognising and Accepting the Results of Customer Identification and Customer Due Diligence

(1) A person subject to this Law shall be entitled to recognise and accept the results of customer identification and customer due diligence performed by credit institutions and financial institutions other than capital companies that buy and sell cash foreign currency and payment institutions in a member state and a third country provided that the requirements in respect of the prevention of money laundering and of terrorist financing as enforced in these countries are equivalent to those of this Law [31 March 2011].

(2) A person subject to this Law shall be entitled to recognise and accept the results of customer identification and customer due diligence as made by credit institutions and financial institutions and referred to in Paragraph 1 hereof, even if the extent of obtained information and underlying documents differ from the requirements of this Law.

(3) A person subject to this Law shall be responsible for compliance with the requirements of this Law also in those cases when customer identification and customer due diligence are made using the results of customer identification and customer due diligence that are performed by the credit institutions and financial institutions referred to in Paragraph 1 hereof.

(4) Upon request of a person subject to this Law that has been contacted by a customer, the credit institutions and financial institutions referred to in Paragraph 1 hereof shall, without delay, produce to the person subject to this Law all information and copies of documents obtained as a result of customer identification and customer due diligence, where after the receipt of the request the customer's agreement for passing the information and documents referred to in this Article to the person subject to this Law has been obtained.

(5) Reliance of a person subject to this Law on the results of customer identification and customer due diligence shall be without prejudice to the duty to monitor the customer’s business relationship on a continuing basis.

Chapter IV
Reporting of Unusual and Suspicious Transactions

Article 30. Reporting Duty

(1) A person subject to this Law shall have a duty:
1) to report to the Financial Intelligence Unit any unusual transaction without delay;
2) to report to the Financial Intelligence Unit any suspicious transaction without delay;
3) within seven days upon receipt of a written request by the Financial Intelligence Unit resulting from report submitted by the subject of the law or bodies and institutions referred to in Article 62 hereof, to provide additional information and documents, necessary for fulfiling its functions as set out in this Law, about the customer or the transaction, the origin and further movement of funds, that has become available to the person subject to this Law in order to comply with this Law. Information and documents on other transactions of that customer may be provided to Financial Intelligence Unit upon request with the agreement of the prosecutor general or specially authorised prosecutor. In view of the extent of the information and documents to be submitted, the deadline for meeting the requirement may be extended with the consent of the Financial Intelligence Unit. [10 December 2009]

(2) The Cabinet of Ministers shall issue provisions establishing the list of indicators of unusual transactions and the procedure whereby unusual and suspicious transactions are reported and approve the reporting form.

(3) The requirements of Paragraph 1 hereof and Chapter V of this Law shall not apply to tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn advocates and other independent legal professionals in the course of defending or representing that customer in pre-trial criminal proceedings or judicial proceedings, or providing advice on instituting or avoiding judicial proceedings.

(4) Reports shall be submitted in writing or electronically.

(5) The Financial Intelligence Unit shall not be entitled to disclose data about the persons reporting unusual or suspicious transactions. This restriction shall not apply to the cases mentioned in Paragraph 1 of Article 56 hereof.

(6) Not later than on the next business day a person subject to this Law shall register the reports submitted to the Financial Intelligence Unit and ensure that supervisory and control authorities have access to these reports.

Article 31. Content of the Report

The report submitted by a person subject to this Law to the Financial Intelligence Unit shall contain the following:
1) customer identification data;
2) a description of any planned, notified, advised, started, delayed, executed or confirmed transaction and identification data of the persons involved, the transaction volume, the time and place for executing or notifying the transaction, and copies of documents where a person subject to this Law has the documents evidencing the transaction;
3) the grounds for considering the transaction suspicious by the person subject to this Law or the indicator of an unusual transaction to which the transaction corresponds.

Chapter V
Refraining from Executing a Transaction and Suspending a Transaction

Article 32. Refraining from Executing a Transaction

(1) A person subject to this Law takes a decision to refrain from executing one or several linked transactions or debit operations of a particular type on the customer's account where the transaction is related or may be reasonably suspected of being related with money laundering or terrorist financing.

(2) A person subject to this Law shall notify the Financial Intelligence Unit of its refraining from executing a transaction without delay, not later than on the next business day in due course of Article 31 hereof.

(21) Not later than five business days upon receiving report on refraining from executing a transaction or debit operations of a particular type on the customer's account, the Financial Intelligence Unit shall assess if the decision prescribed in Part one of Article hereof taken by the subject of this law is in line with the law hereof and if the legal restrictions applied is proportional, and shall issue an order for continuing or discontinuing of refraining from executing a transaction or debit operations of a particular type on the customer's account. Financial Intelligence Unit order on discontinuing the refraining from executing a transaction or debit operations of a particular type on the customer's account shall be reasonably grounded. [10 December 2009]

(3) Not later than 40 days of receiving a report about refraining from executing a transaction, but in exceptional cases during an additional term that is established by the prosecutor general or a specially authorised prosecutor as necessary for receiving the required information from a foreign country – no longer than 40 days, the Financial Intelligence Unit shall take one of the following measures: [10 December 2009]
1) issue an order to suspend the transaction or the particular debit operation on the customer's account where:
a) pursuant to Paragraph 3 of Article 4 hereof money or other funds are recognised as derived from criminal activity. In that case the transaction or the particular debit operation on the customer's account shall be suspended for the time indicated in the order, but no longer than for six months;
b) on the basis of information available to the Financial Intelligence Unit there is a suspicion of committing a criminal offence, including that of money laundering or an attempt thereof. In that case the transaction shall be suspended for the time indicated in the order, but no longer than for 45 days.
2) notify in writing the person subject to this Law to the effect that a further refraining from executing the transaction is not motivated and shall be terminated as there are no grounds for issuing and order referred to in Subparagraph 1 of Paragraph 3 hereof; [10 December 2009]
3) not later than on the 40th day of receiving a report about refraining from executing a transaction, notify in writing the person subject to this Law of the additional term established by the prosecutor general or a specially authorised prosecutor referred to in Paragraph 3 hereof. [10 December 2009]

(4) When receiving the order referred to in Subparagraph 1 of Paragraph 3 hereof, a person subject to this Law shall suspend a transaction or a particular debit operation on the customer's account for the time indicated in the order, notify in writing the customer to this effect and send a copy of the order to the customer explaining the appeal procedure.

(5) The Financial Intelligence Unit shall repeal the order issued in due course of Subparagraph 1 of Paragraph 3 hereof on suspending a transaction or a particular debit operation on the customer's account where the customer provides motivated information on the legal origin of

money or other funds. The customer shall submit this information to the person subject to this Law that shall submit it to the Financial Intelligence Unit without delay.

(6) The Financial Intelligence Unit shall be entitled to issue an order to repeal the suspension of a transaction or a particular debit operation on a customer's account before the deadline set out in the initial order.

(7) Where the order is not repealed, the Financial Intelligence Unit shall submit information to pre-trial investigation institutions or the Office of the Prosecutor within 10 business days in due course of Article 55 hereof.

(8) A person subject to this Law shall no longer refrain from executing a transaction or a particular debit operation on a customer's account where:
1) upon expiration of the deadline referred to in Paragraph 3 hereof the person subject to this Law does not have the order issued by the Financial Intelligence Unit to suspend the transaction or the particular debit operation on the customer's account and does not have a written statement about the additional term established by the prosecutor general or a specially authorised prosecutor;
2) has received the written statement referred to in Subparagraph 2 of Paragraph 3 hereof;
3) by the deadline referred to in Subparagraph 1.a) or 1.b) of Paragraph 3 hereof, has not received a decision or an order issued by the pre-trial investigation institution, the Office of the Prosecutor or the court as set out in other regulatory provisions that is a basis for suspending a transaction or a particular debit operation on the customer's account;
4) has received the order issued by the Financial Intelligence Unit on discontinuing the refraining from executing a transaction or debit operations of a particular type on the customer's account referred to in Paragraph 21 hereof. [10 December 2009]

Article 33. Orders to the State Information System Manager

(1) In the cases referred to in Subparagraph 1 of Paragraph 3 of Article 32 hereof, the Financial Intelligence Unit shall be entitled to issue an order to the state information system manager to take measures within his/her competence to prevent the re-registration of the property during the time indicated in the order.

(2) The state information system manager shall execute the order without delay and notify the Financial Intelligence Unit of the manner and results of execution.

(3) Where the Financial Intelligence Unit has not repealed the order, it shall submit information to pre-trial investigation institutions or the Office of the Prosecutor in due course of Article 55 hereof within 10 business days of its issuance.

Article 331. Targets of the Orders Issued by the Financial Intelligence Unit

(1) Orders issued by the Financial Intelligence Unit referred to in Subparagraph 1 of Paragraph 3 of Article 32 hereof shall refer to illegally obtained means including property arising from the conversion of criminal assets in other values. [10 December 2009]

(2) Where illegally obtained means are partially or in whole added from means obtained from legitimate sources, orders issued by Financial Intelligence Unit refer to the obtained funds and proceeds from legitimate sources of funds in total. [10 December 2009]

(3) Where the funds referred to in the orders issued by the Financial Intelligence Unit in accordance with part one and two hereof generate profit, orders issued by the Financial Intelligence Unit refer to such profit in whole or to the part connected to the illegally obtained means. [10 December 2009]

Article 332. Orders for Transaction Monitoring

The Financial Intelligence Unit in the cases when based on the information received from the subject of this law or as a result of information exchange with the authorities and institutions named in Article 62 hereof a grounded suspicion of a criminal offence arises committed or being committed including money laundering, terrorism financing or an attempt of such activities, with the agreement of the prosecutor general or specially authorised prosecutor issues order for the subject of the law to monitor the transactions on the customer's accounts – up to one month. If necessary, this period can be prolonged by the prosecutor general or specially authorised prosecutor. [10 December 2009]

Article 333. Order notification to the Land Register office

(1) The orders issued by the Financial Intelligence Unit referred to in Subparagraph 1 of Paragraph 3 of Article 32 hereof are notified to the Land Register office where it falls within the competence of the Land Register. Where the Land Register office has already received a request for corroboration on a voluntary basis of the immovable property included in the Financial Intelligence Unit order before the receipt of the order or during the period stated by the Financial Intelligence Unit, a judge of a Land Register office shall take a decision to suspend the examination of such request for the period stated by the Financial Intelligence Unit. The Land Register office shall forward the decision taken to the Financial Intelligence Unit. [10 December 2009]

(2) Upon the receipt of the order issued by the Financial Intelligence Unit referred to in Subparagraph 1 of Paragraph 3 of Article 32 hereof the Land Register office shall inform in written form the person to whom it applies by sending a copy of the order with the explanation of the appeal procedures. [10 December 2009]

Article 34. The Procedure Whereby Orders of the Financial Intelligence Unit Are Appealed

(1) The orders issued by the Financial Intelligence Unit in the cases laid down by this Law and in compliance with the provisions of this Law may be contested to a specially authorised prosecutor by the deadlines set out in this Law either by persons whose transactions and particular debit operations on accounts have been suspended or a restriction has been issued to the state information system manager or the Land Register office as to the re-registration of the funds belonging to them, or by their authorised representatives. [10 December 2009]

(11) The persons to whom the orders issued by the Financial Intelligence Unit referred to in Paragraph 21 of Article 32 hereof apply and regarding whose transactions refraining from executing a transaction or debit operations of a particular type continues or the authorised representatives of such persons, as well as the subjects of this Law may contest the orders directly to the specially authorised prosecutor in the deadlines set hereof. [10 December 2009]

(2) The persons referred to in Paragraph 1 and Paragraph 11 hereof may contest the decision of a specially authorised prosecutor to the prosecutor general whose decision shall be final. [10 December 2009]

Article 35. Deadlines for the Submission of Complaints
The persons referred to in Paragraph 1 of Article 34 hereof shall be entitled to submit a complaint for an order issued by the Financial Intelligence Unit within 30 days of the day when they receive the copy of the order.

Article 36. Exemption from Refraining from Executing a Suspicious Transaction

(1) Where a person subject to this Law cannot refrain from executing a transaction that may be reasonably suspected to be related to money laundering or terrorist financing, or where refraining from executing such transaction may serve as an indication for the persons involved in money laundering or terrorist financing to avert from liability, the person subject to this Law shall be entitled to execute the transaction and notify the Financial Intelligence Unit in due course of Article 31 hereof.

(2) Paragraph 1 hereof shall not apply to transactions by persons in respect of which the United Nations Security Council or the European Union established financial restrictions.

(3) A credit institution shall be entitled to make payments from accounts of the persons suspected of committing or participating in a criminal offence related to terrorism or money laundering, where in respect of these accounts the credit institution has taken a decision to refrain from executing particular debit operations or has received an order from the Financial Intelligence Unit to refrain from executing particular debit operations in the cases specified by the European Union legislative provisions.

Chapter VI
Record Keeping and Exempting the Persons Subject to this Law from Liability

Article 37. Keeping and Updating Customer Due Diligence Documents

(1) A person subject to this Law shall make records of customer identification and customer due diligence measures and, upon request of the supervisory and control authority or the Financial Intelligence Unit, shall present these documents to its supervisory or control institutions or submit copies of documents to the Financial Intelligence Unit.

(2) A person subject to this Law shall keep the following for at least five years after the termination of the business relationship:
1) copies of documents evidencing customer identification data;
2) information about customers and their accounts;
3) statements about the beneficial owner;
4) correspondence, including by electronic mail;
5) other documents, including in an electronic form, obtained during customer due diligence.

(3) In separate cases, upon an order of the Financial Intelligence Unit, the deadline referred to in Paragraph 2 hereof may be extended to more than five years, but it shall not exceed six years.

(4) A person subject to this Law shall be entitled to process electronically the data obtained as a result of customer identification and customer due diligence about customers, their representatives and beneficial owners.

(5) Sworn notaries shall keep customer due diligence documents in accordance with the requirements of the Notariate Law.

Article 38. Prohibition from Disclosing the Fact of Reporting

(1) A person subject to this Law shall be prohibited from notifying the customer, the beneficial owner and other persons, except supervisory and control authorities, to the effect that information about the customer or his/her transaction (transactions) has been submitted to the Financial Intelligence Unit and that this information is or may be analysed or pre-trial criminal proceedings performed in relation to the committing of a criminal offence, including that of money laundering, terrorist financing or an attempt thereof.

(2) The prohibitions referred to in Paragraph 1 hereof shall not apply to information exchange between the persons subject to this Law of member states or third countries that enforce equivalent requirements for the prevention of money laundering and of terrorist financing, where those persons belong to one group. One group shall be a legal arrangement that has a single owner, management or control institution.

(3) The prohibitions referred to in Paragraph 1 hereof shall not apply to information exchange between tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn advocates and other independent legal professionals of a member state or a third country that imposes requirements for the prevention of money laundering and of terrorist financing equivalent to those of this Law, where they perform their professional activities as employees of a single legal person or acting within a single group.

(4) The prohibition referred to in Paragraph 1 hereof shall not apply to credit institutions, financial institutions, tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn advocates and other independent legal professionals in respect of exchange of information in cases when the following conditions exist:
1) two or more persons subject to this Law are involved in a transaction;
2) one and the same customer is involved in a transaction;
3) the persons subject to this Law that are involved in a transaction are registered or operate in a member state or a third country that imposes requirements for the prevention of money laundering and of terrorist financing equivalent to those of this Law;
4) the persons subject to this Law that are involved in a transaction belong to the same professional category and exercise equivalent duties in respect of professional secrecy and personal data protection;
5) exchanged information is used solely for the prevention of money laundering and of terrorist financing.

Article 39. Permission to Disclose the Fact of Reporting

(1) The person subject to this Law shall be entitled to notify the customer of the fact that it refrained from executing a transaction and notified the Financial Intelligence Unit to this effect as well as notify the customer of the orders issued by the Financial Intelligence Unit referred to in Paragraph 21 of Article 32 hereof. [10 December 2009]

(2) The Financial Intelligence Unit shall notify the person subject to this Law:
1) either of the fact that information was submitted to pre-trial investigation institutions or the Office of the Prosecutor in due course of Article 55 hereof,

2) or of the fact that information referred to in Subparagraph 1 hereof with respect to refraining from executing the transaction cannot be disclosed.

Article 40. Exempting the Persons Subject to this Law from Liability

(1) Compliance with the requirements of this Law by the person subject to this Law shall not be regarded as a breach of the norms governing the professional activity or of the requirements by supervisory and control authorities.

(2) Where, in due course of this Law, a person subject to this Law has reported to the Financial Intelligence Unit in good faith, whether money laundering, terrorist financing or an attempt thereof or other criminal offence related thereto is proven or not during the course of pre-trial criminal proceedings or in the court and irrespective of the provisions of the mutual agreement between a customer and the person subject to this Law, disclosure of information to the Financial Intelligence Unit shall not constitute disclosure of confidential information and shall not incur legal, including civil, liability.

(3) Where a person subject to this Law has refrained from executing a transaction in good faith in accordance with Article 32 hereof, discontinued business relationship or requested fulfilment of liabilities before maturity in accordance with Paragraph 2 of Article 28 hereof, refraining from or delaying a transaction, discontinuing a business relationship or requesting fulfilment of liabilities before maturity shall not incur legal, including civil, liability on the person subject to this Law.

(4) Where tax advisors, external accountants, sworn auditors, commercial companies of sworn auditors, sworn notaries, sworn advocates and other independent legal professionals prevent the customer from getting involved in a criminal activity, this shall not constitute disclosure of confidential information and shall not incur legal, including civil, liability on the person subject to this Law.

(5) Where the Financial Intelligence Unit has issued an order for the suspension of a transaction in accordance with the requirements of this Law, this shall not incur legal, including civil, liability on the person subject to this Law irrespective of the outcome of the suspension of the transaction.

Chapter VII
Special Provisions Applicable to Credit Institutions and Financial Institutions

Article 41. Availability of the Information Necessary for Compliance with the Requirements of this Law

(1) To assess compliance of a person with the requirements of Paragraph 4 of Article 10 hereof, credit institutions and insurance merchants that provide life insurance shall be entitled to request and, free of charge, receive information from the Penal Register on an employee and a person wishing to start a job-related contractual relationship with the credit institution or the insurance merchant about his/her conviction for a criminal offence, irrespective of whether the conviction is cancelled or removed.

(2) In order to fulfil the duties as set out in this Law, credit institutions and insurance merchants that provide life insurance shall be entitled to request and, free of charge, receive information from the following:

1) the Register of Enterprises of the Republic of Latvia: information on a customer, its beneficial owners and representatives, counterparties to transactions and their beneficial owners, and also on the persons who have expressed willingness to start business relationship with the credit institution or the insurance merchant, their beneficial owners and representatives, on the spouses of those persons and the first degree relatives, to assure of the identity of the customers or their representatives and of the fact that the property status of the customer's beneficial owner evidences that the person might be the beneficial owner of the particular customer, in order to assess the necessity to notify the Financial Intelligence Unit of a suspicious transaction or to refrain from executing a suspicious transaction and to establish whether insolvency proceedings or legal protection proceedings is not instituted against the customer;
2) the State Social Insurance Agency: information on the employer and the social insurance payments for the last five years of a customer, his/her beneficial owners and representatives, of the persons who have expressed willingness to start business relationship with the credit institution or the insurance merchant, their beneficial owners and representatives to assure that the transactions made by those persons are consistent with their income level and that they have submitted truthful information about heir job-related contractual relationship to the credit institution or the insurance merchant;
3) the Invalid Documents Register: information on a customer, his/her beneficial owners and representatives, and on a person who has expressed willingness to start business relationship with the credit institution or the insurance merchant, his/her beneficial owners and representatives, to assure that the personal identification documents presented by these persons have not been recognised invalid;
4) the Penal Register: information on the conviction for a criminal offence of an economic nature that has not been cancelled or removed of a customer, his/her beneficial owners and representatives, and of a person who has expressed willingness to start business relationship with the credit institution or the insurance merchant, his/her beneficial owners and representatives, when performing the customer's money laundering and terrorist financing risk assessment and also in cases when the necessity to notify the Financial Intelligence Unit of a suspicious transaction or to refrain from executing a suspicious transaction is assessed;
5) the State Unified Computerised Land Register: information on the real estate belonging or having belonged to a customer and his/her beneficial owner, counterparties to transactions and their beneficial owners, and to a person who has expressed willingness to start business relationship with the credit institution or the insurance merchant, his/her beneficial owners and representatives, spouses of the said persons and the first degree relatives, to assure that the information available to the credit institution or the insurance merchant on the transactions with real estate executed by the customer is in compliance with the information in the land register and that the property status of the customer's beneficial owner evidences that the person might be the beneficial owner of the particular customer as well as in cases when the necessity to notify the Financial Intelligence Unit of a suspicious transaction or to refrain from executing a suspicious transaction is assessed;
6) the State Register of Vehicles: information on the vehicles belonging or having belonged to a customer, his/her beneficial owners, counterparties to transactions and their beneficial owners and to a person who has expressed willingness to start business relationship with the credit institution or the insurance merchant, his/her beneficial owners and representatives, spouses and the first degree relatives of these persons, to assure that the information available to the credit institution or the insurance merchant on the transactions with vehicles made by the customer is in compliance with the data in the State Register of Vehicles and that the property status of the beneficial owner of the customer evidences that this person might be the beneficial owner of the particular customer;
7) the Population Register: information on the personal identification data (name, surname and personal identity number) of a customer, his/her beneficial owners and representatives, and of a person who has expressed willingness to start business relationship with the credit institution or the insurance merchant, his/her beneficial owner and representatives, to check the identity of

these persons and information on the spouses and the first degree relatives of these persons, to assure of their personal identity, establish mutually linked customers and make the assessment of the money laundering and terrorist financing risk.

(3) Information received in due course of Paragraphs 1 and 2 hereof shall be used only to perform the functions as set out in this Law.

Article 42. Rights to Perform Identification after the Opening of an Account

A credit institution shall be entitled to open an account before identifying the customer and establishing the beneficial owner, where, according to the requirements of this Law, it is entitled not to apply enhanced customer due diligence to such customers and it is ensured that a customer cannot make any transactions on the account before the completion of customer due diligence.

Article 43. Discontinuing a Business Relationship

(1) Where it is not possible to identify a customer and establish the beneficial owner as set out in this Law, a credit institution and a financial institution shall be prohibited from servicing the account of such person, establish a business relationship or make any transactions, or they shall discontinue the business relationship and report to the Financial Intelligence Unit where the suspicion of money laundering or of terrorist financing arises.

(2) Where, in the cases referred to in Paragraph 2 of Article 28 hereof, a credit institution on its own initiative discontinues the business relationship with a customer by closing his/her respective accounts, the credit institution or the financial institution, on the customer's order, shall remit the financial resources of these accounts to the customer's current account with another credit institution or to the account from which it previously received the financial resources and notify the Financial Intelligence Unit to this effect.

(3) Where a customer has opened a financial instrument account with a credit institution or a financial institution, the credit institution or the financial institution, in the cases referred to in Paragraph 2 of Article 28 hereof, when discontinuing the business relationship with that customer, shall close the customer's financial instrument account and sell the financial instruments of the account for their market value. The acquired financial resources shall be used by the credit institution or the financial institution as set out in Paragraph 2 hereof.

(4) Where a credit institution and a financial institution discontinues the business relationship with a customer or requests that the customer fulfils the liabilities ahead of maturity in the cases and according to the procedure set out in this Law, this shall not incur legal, including civil, liability on the credit institution and the financial institution.

Article 44. Information Exchange Among Credit Institutions and Financial Institutions

(1) To achieve the goals of this Law, a credit institution, upon request of a correspondent bank registered in a member state, shall submit to it information and documents acquired during identification and due diligence of customers, beneficial owners or authorised persons in respect of the transaction made with the intermediation of the correspondent bank.

(2) To achieve the goals of this Law, a credit institution and a financial institution shall be entitled, directly or through the intermediation of an institution authorised by them, to exchange

information referred to in Paragraph 1 hereof about their customers or persons with whom the business relationship has not been started or has been discontinued in due course of this Law.

(3) No legal, including civil, liability shall be incurred on a credit institution and a financial institution for the disclosure of information as set out in Paragraphs 1 and 2 hereof. The data obtained in due course of Paragraphs 1 and 2 hereof shall be treated as confidential.

(4) To achieve the goals of this Law, a credit institution, a financial institution or its authorised institution shall be entitled to establish, maintain and electronically process personal data, establish and maintain personal data processing systems about customers and persons with whom the business relationship has not been started or has been discontinued in due course of this Law, and about beneficial owners and authorised persons in respect of such persons. In these cases, the rights of the data subject, as referred to in the Law on Safeguarding the Natural Person Data, to request data processing information, including about the goals, recipients, sources, right to access own personal data and request that the data be amended, destroyed, processing discontinued or prohibited, shall not apply.

Chapter VIII
Rights and Duties of a Supervisory and Control Authority

Article 45. The Supervisory and Control Authorities of the Persons Subject to this Law

(1) Compliance of the persons subject to this Law with the requirements of this Law shall be monitored and controlled by the following authorities: [10 December 2009]
1) the Financial and Capital Market Commission in respect of credit institutions, electronic money institutions, insurance merchants that provide life insurance, private pension funds, life insurance intermediaries, investment brokerage firms, investment management companies and payment institutions [31 March 2011];
2) the Latvian Council of Sworn Advocates in respect of sworn advocates;
3) the Latvian Council of Sworn Notaries in respect of sworn notaries;
4) the Latvian Association of Certified Auditors in respect of sworn auditors and commercial companies of sworn auditors;
5) the Ministry of Transport in respect of the State joint-stock company "Latvijas Pasts";
6) the Bank of Latvia in respect of the capital companies that have a licence issued by it for buying and selling cash foreign currency;
7) the Lotteries and Gambling Supervisory Inspection in respect of the organisers of lotteries and gambling;
8) [01 December 2009];
9) [10 December 2009].

(11) Transactions with the items included in the list of state protected cultural heritage monuments are supervised and controlled by the State Inspection for Heritage Protection. [10 December 2009]

(2) The State Revenue Service shall supervise the following persons subject to this Law that are excluded from Paragraph 1 hereof:
1) tax advisors, external accountants;
2) independent legal professionals when they act in the name of their customers to assist in the planning or execution of a transaction, to participate in any transaction or to perform other professional activity related to transactions or confirm a transaction for the benefit of the customer, and the transaction is:

a) buying or selling real estate, an enterprise;
b) managing a customer's money, financial instruments and other funds;
c) opening or managing all kinds of accounts with credit institutions or financial institutions;
d) creating, managing or ensuring the operation of legal arrangements, making investments necessary for creating, managing or ensuring the operation of legal arrangements;
3) legal arrangement and company service providers;
4) persons acting in the capacity of agents or intermediaries in real estate transactions;
5) other legal or natural persons trading in real estate, transport vehicles and other articles, acting as intermediaries in such transactions or providing services in relation to such transactions, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to 15 000 euros or more, whether the transaction is made as a single operation or several linked operations. Where the transaction is made in a foreign currency whose official exchange rate is not set by the Bank of Latvia, the exchange rate that is published on the first business day of the current week in the information source indicated by the Bank of Latvia shall be used for the calculation;
6) legal or natural persons engaged in trading and intermediation in transactions of precious metals, precious stones and gems and articles thereof. [01 December 2009]

(3) The persons subject to this Law as referred to in Paragraph 2 hereof shall notify in writing the type of their activities to the State Revenue Service within 10 business days of starting their operation [31 March 2011].

Article 46. Duties of a Supervisory and Control Authorities

(1) A supervisory and control authority shall have the following duties:
1) to list and register the persons subject to this Law to be supervised;
2) to train the employees of the persons subject to this Law under its supervision and control in respect of the prevention of money laundering and of terrorist financing;
3) in accordance with the established methodology, to perform regular inspections to assess the fulfilment by the persons subject to this Law of the requirements of this Law, take a decision to prepare an inspection statement and apply sanctions where violations are detected;
4) to report to the Financial Intelligence Unit unusual and suspicious transactions uncovered during inspections that had not been reported to the Financial Intelligence Unit by the person subject to this Law;
5) on request of the Financial Intelligence Unit, to provide it with methodological assistance for fulfiling the functions assigned to it by this Law;
6) to apply or urge other competent authorities to apply the sanctions, as set out in other regulatory provisions, for the violation of such provisions and control the measures taken to remedy the violations;
7) on its own initiative or on request, to exchange information with foreign institutions whose responsibilities are in essence the same, ensuring data confidentiality and their application only for mutually agreed purposes;
8) every year by February 1, to compile and submit to the Financial Intelligence Unit the statistical information on the measures taken in the previous year in respect of the supervision and control of the persons subject to this Law;
9) to take the necessary administrative, technical and organisational measures to ensure that the information obtained while fulfiling the requirements of this Law is protected, prevent unauthorised access to information or unauthorised amending, disseminating or destroying of information. The manager of the supervisory and control authority shall establish the procedure whereby information is registered, processed, stored and destroyed. The supervisory and control authority shall keep information for at least five years;

10) to exchange information with the supervisory and control authorities of other countries that perform equivalent functions to take measures for reducing the possibility of money laundering and terrorist financing.

(2) The Latvian Council of Sworn Notaries, the Latvian Council of Sworn Advocates and the Latvian Association of Certified Auditors shall exercise supervision and control for the fulfilment of the requirements of this Law pursuant to the procedure set out in the regulatory provisions governing their activities. These organisations shall have the following duties:
1) to develop the procedure whereby a set of measures is developed in respect of the persons subject to this Law for ensuring compliance with the requirements of this Law;
2) to ensure training for the employees of the persons subject to this Law under its supervision and control in respect of the prevention of money laundering and terrorist financing;
3) to apply or urge other competent authorities to apply the sanctions, as set out in other regulatory provisions, for the violation of the requirements of this Law.

Article 47. Rights of a Supervisory and Control Authority

(1) A supervisory and control authority shall have the following rights:
1) to visit the premises that belong to or are used by the persons subject to this Law under its supervision or control and are connected with their economic or professional activities and carry out inspections there;
2) to request that the persons subject to this Law under its supervision or control submit information related to the fulfilment of the requirements of this Law, request to produce original documents, review and get copies or duplicates thereof, get relevant explanations and perform activities to prevent or reduce the possibility of money laundering or terrorist financing;
3) to prepare statements evidencing the violations of the requirements of this Law and the facts related thereto;
4) to establish the deadline by which the persons subject to this Law shall remedy the detected violations of the requirements of this Law and control the fulfilment of the remedial measures;
5) to publish statistical information on the violations of the requirements of this Law and sanctions applied;
6) to request that public and derived public person institutions submit any information available to them for the fulfilment of the responsibilities as set out in this Law;
7) to issue proposals to the persons subject to this Law for the fulfilment of their responsibilities as set out in this Law.

(2) The Financial and Capital Market Commission shall be entitled to issue regulatory provisions for the supervision and control of the prevention of money laundering and terrorist financing and establish binding requirements for credit institutions and financial institutions, excluding capital companies that engage in buying and selling cash foreign currency (currency exchange), for the fulfilment of their responsibilities set out in this Law in respect of the establishment of an internal control system, of the identification of the beneficial owner and of assuring that the person indicated as the beneficial owner is the beneficial owner in respect of the customer, of the supervision of the transactions made by the customer and of knowing the customer's economic activity.

Article 48. Prohibition from Disclosing Information

(1) The supervisory and control authorities of the persons subject to this Law and their officials and employees shall not be entitled to notify the persons subject to this Law, the beneficial owners as well as other persons to the effect that information about a customer, customer

account transaction monitoring and unusual or suspicious transaction has been submitted to the Financial Intelligence Unit and this information is or may be analysed or a pre-trial criminal proceedings performed in relation to the committing of a criminal offence, including money laundering, terrorist financing or an attempt thereof. [10 December 2009]

(2) The prohibition referred to in Paragraph 1 hereof in respect of the supervisory and control authorities shall not apply in the cases when information is submitted to a pre-trial investigation institution, the Office of the Prosecutor or the court, and the cases when the person subject to this Law has refrained from executing a transaction.

Article 49. Exempting a Supervisory and Control Authority from Liability

Reporting to the Financial Intelligence Unit in due course of this Chapter shall not constitute the disclosure of confidential information and shall not incur legal liability on the supervisory and control authorities of the persons subject to this Law, their officials and employees, whether a criminal offence, including money laundering, terrorist financing or an attempt thereof or other criminal offence related thereto is proven in pre-trial criminal proceedings or court, or not.

Chapter IX
The Financial Intelligence Unit

Article 50. Legal Status of the Financial Intelligence Unit

(1) The Financial Intelligence Unit is a specially established public institution that, pursuant to this Law, exercises control of unusual and suspicious transactions and obtains, receives, makes records, processes, compiles, stores, analyses and provides to a pre-trial investigation institution, the Office of the Prosecutor and the court information that may be used for the prevention, uncovering, pre-trial criminal proceedings or adjudicating money laundering, terrorist financing or an attempt thereof or other criminal offence related thereto.

(2) The Financial Intelligence Unit shall operate under the supervision of the Office of the Prosecutor.

(3) The Prosecutor General shall establish the structure and draw the list of positions within the Financial Intelligence Unit in accordance with the allocated state budget resources.

(4) The Prosecutor General shall appoint the director of the Financial Intelligence Unit for the term of four years and dismiss him/her. The director of the Financial Intelligence Unit shall recruit and dismiss the employees of the Financial Intelligence Unit. Officials and employees of the Financial Intelligence Unit shall be remunerated as determined in the Law "On Remuneration of State and Local Government institutions Officials and Employees". [01 December 2009]

(5) The director and the employees of the Financial Intelligence Unit shall comply with the requirements of the Law on the State Secret to receive a special permission necessary for the access to strictly secret information.

Article 51. Duties and Rights of the Financial Intelligence Unit

(1) The Financial Intelligence Unit shall have the following duties:

1) to receive, compile, store and analyse the reports of the persons subject to this Law and information that is obtained otherwise to detect whether such information may be attributed to money laundering, terrorist financing, or other criminal offence related thereto;
2) to provide to an investigation institution, the Office of the Prosecutor and the court information that may be used for the prevention, uncovering, pre-trial criminal proceedings or adjudicating money laundering, terrorist financing or an attempt thereof or other criminal offence related thereto;
3) to analyse the quality of reports and their application efficiency, and notify the person subject to this Law to this effect;
4) to make analysis and research of the techniques of money laundering, terrorist financing and an attempt thereof, improve the methods whereby these activities are prevented and discovered;
5) in due course of this Law, to cooperate with international and foreign institutions that engage in the prevention of money laundering and terrorist financing;
6) to provide supervisory and control authorities with information on the characteristic techniques for obtaining the proceeds from criminal activity, laundering such proceeds and financing terrorists and characteristic locations to enhance the measures that would reduce the possibility of money laundering and of terrorist financing, ensure training of the employees of supervisory and control authorities in relation to the prevention of money laundering and of terrorist financing;
7) to provide to the persons subject to this Law and their supervisory and control authorities the information referred to in Paragraph 4 of Article 4 hereof and ensure that it is updated;
8) on request by supervisory and control authorities, to submit information within their competence about the statistics, quality and application efficiency of the reports submitted by the persons subject to this Law;
9) in view of the information available to it, to provide to the persons subject to this Law, supervisory and control authorities, pre-trial investigation institutions and the Office of the Prosecutor recommendations for reducing the possibilities of money laundering and terrorist financing;
10) to publish information about its performance, indicating the number of cases investigated and of persons brought to criminal prosecution during the previous year, the number of persons convicted for the criminal offence of money laundering or of terrorist financing and the volume of suspended and seized funds;
11) to notify supervisory and control authorities on the detected violations of the requirements of this Law by the persons subject to this Law;
12) to compile and submit to the Advisory Board of the Financial Intelligence Unit the statistical information set out in Subparagraph 8 of Paragraph 1 of Article 46 hereof.

(2) The Financial Intelligence Unit shall have the following rights:
1) in the cases specified in this Law, to issue orders to the persons subject to this Law to suspend a transaction or a particular debit operation on a customer's account;
2) in the cases specified in this Law, to issue orders to the state information system manager or to turn to the Land Register office with the request to take measures for preventing the re-registration of funds; [10 December 2009]
3) to issue orders to the persons subject to this Law to extend the deadline for storing the documents obtained during the customer identification and due diligence;
4) to request and receive information from the persons subject to this Law, public and derived public persons and institutions thereof;
5) to provide information to pre-trial investigation institutions, the Office of the Prosecutor, the court, supervisory and control authorities;
6) exchange information with foreign institutions that exercise equivalent duties.

Article 52. Responsibility of the Financial Intelligence Unit

Where the orders set out in this Law are issued in due course of this Law, the consequences thereof shall not incur legal, including civil, liability on the Financial Intelligence Unit and its officials.

Article 53. Information Protection at the Financial Intelligence Unit

(1) Information available to the Financial Intelligence Unit shall be used only for the purposese of this Law and in due course of this Law. An employee of the Financial Intelligence Unit who has used such information for other purposes or disclosed it to the persons who are not entitled to receive that information shall be held criminally liable in due course of the Criminal Law.

(2) Information obtained at the Financial Intelligence Unit as a result of the procedure supervised by the Prosecutor General or specially authorised prosecutors shall not be disclosed to the bodies performing investigatory operations, pre-trial investigation institutions, the Office of the Prosecutor or the court or used for their needs.

(3) The Financial Intelligence Unit shall take the necessary administrative, technical and organisational measures to ensure that information is protected, prevent unauthorised access to information and protect it from modification, dissemination or destroying. The Financial Intelligence Unit shall keep information on transactions for at least five years. Processing of the information received by the Financial Intelligence Unit is not included in the personal data processing register of the Data State Inspectorate.

Chapter X
Cooperation between the Financial Intelligence Unit and Public and Local Government Institutions

Article 54. The Duty to Cooperate for Public and Local Government Institutions

All public and local government institutions shall have a duty to provide the Financial Intelligence Unit, in due course established by the Cabinet of Ministers, with the requested information that is necessary to fulfil its functions. When exchanging information with the Financial Intelligence Unit, the person who processes data shall be prohibited from disclosing to other natural or legal persons the fact of information exchange and the content of information, except in the cases when information is provided to pre-trial investigation institutions, the Office of the Prosecutor or the court.

Article 55. Cooperation between the Financial Intelligence Unit and Pre-Trial Investigation Institutions, the Office of the Prosecutor or the Court

The Financial Intelligence Unit shall submit information to pre-trial investigation institutions, the Office of the Prosecutor or the court, where this information creates reasonable suspicion that the respective person has committed a criminal offence, including that of money laundering, terrorist financing or an attempt thereof.

Article 56. Satisfying the Request for Information

(1) On request, the Financial Intelligence Unit shall provide information to a body performing investigatory operations, a pre-trial investigation institution or the Office of the Prosecutor, where the legacy and motivation of the request has been assessed and accepted by the Prosecutor General or specially authorised prosecutors, and to the court, where the request complies with the requirements of this Law, where at least one of the following has been initiated in respect of the criminal offence: [10 December 2009]
1) criminal proceedings have been instituted in due course of the Criminal Procedure Law;
2) an investigatory records case has been initiated in due course of the Investigatory Operations Law.

(2) On request by the State Revenue Service, the Financial Intelligence Unit shall provide to it information available to it that, in accordance with regulatory provisions, is necessary to verify the declarations of public officials and, in accordance with other laws, is necessary to verify the declarations of other natural persons, where there is a reasonable suspicion that the public official or other natural person has disclosed false information about his/her property status or income.

Article 57. Responsibility for Requesting Information

(1) The person requesting information and a specially authorised prosecutor who accepts the request shall be responsible for the motivation for requesting information.

(2) The Financial Intelligence Unit may publish the provided information as soon as the respective person is brought to trial in a criminal case.

Article 58. Using of Information

The public institutions referred to in this Chapter shall use the information provided to them by the Financial Intelligence Unit only for the purposes it has been received for.

Chapter XI
Advisory Board of the Financial Intelligence Unit

Article 59. The Tasks of the Advisory Board

The Advisory Board shall be set up to facilitate the operation of the Financial Intelligence Unit and coordinate its cooperation with pre-trial investigation institutions, the Office of the Prosecutor, the court and the persons subject to this Law, and its tasks shall be as follows:
1) to coordinate the cooperation of public institutions, the persons subject to this Law and their supervisory and control authorities for the fulfilment of the requirements of this Law;
2) to develop proposals for the needs of the Financial Intelligence Unit to perform its tasks as set out in this Law;
3) to prepare and submit to the Financial Intelligence Unit proposals on amendments to the list of indicators of unusual transactions;
4) on request by the Prosecutor General or on its own initiative, to notify the Prosecutor General on the performance of the Financial Intelligence Unit and submit proposals for its improvement.

Article 60. Composition of the Advisory Board

(1) The Advisory Board shall be comprised of the following:
1) two representatives appointed by the Minister of Finance, of which one shall be from the State Revenue Service;
2) one representative appointed by each of the following:
a) the Minister of Interior,
b) the Minister of Justice,
c) the Bank of Latvia,
d) the Financial and Capital Market Commission,
e) the Association of Latvian Commercial Banks,
f) the Latvian Insurers Association,
g) the Latvian Association of Certified Auditors,
h) the Latvian Council of Sworn Notaries,
i) the Latvian Council of Sworn Advocates,
j) the Supreme Court.

(2) Meetings of the Advisory Board shall be chaired by the Prosecutor General.

(3) The Advisory Board invites the director of the Financial Intelligence Unit and experts to its meetings.

(4) The Financial Intelligence Unit shall ensure the record keeping of the Advisory Board.

Chapter XII
Coordination of the Prevention of Money Laundering and Terrorist Financing

Article 61. The Coordinating Body

(1) The Financial Sector Development Council shall be the coordinating body and shall coordinate and improve the cooperation of public institutions and the private sector in the prevention of money laundering and terrorist financing.

(2) The Cabinet of Ministers shall determine the composition, functions, tasks, rights, the decision-making procedure and the work organisation of the Financial Sector Development Council.

Chapter XIII
International Cooperation

Article 62. Information Exchange

(1) The Financial Intelligence Unit shall be entitled on its own initiative or on request to exchange information with authorised foreign institutions that exercise duties equivalent in essence to those referred to in Paragraph 1 of Article 50 and in Article 51 hereof and with foreign or international institutions combating terrorist financing on the issues of the control of the movement of terrorist-related funds, where:

1) data confidentiality is ensured and data is used only for mutually agreed purposes;

2) it is guaranteed that information is used only for preventing and detecting offences that are subject to criminal punishment in Latvia.

(2) To exchange information with the institutions and bodies referred to in Paragraph 1 hereof, the Financial Intelligence Unit shall be entitled to sign cooperation contracts and agree on the procedure for the exchange of information and the content of information. In addition to the restrictions laid down in Paragraph 1 hereof, the Financial Intelligence Unit shall be entitled to set other restrictions and conditions for using the information provided by it to the authorised foreign institutions and international institutions, and request information on the use of such information. Information is provided for analysis, and the consent of the Financial Intelligence Unit shall be necessary in accordance with the requirements of Paragraph 1 hereof to pass it further.

(3) The Financial Intelligence Unit shall be entitled to refuse, fully or in part, from the exchange of information or from giving its consent to passing information further in the following cases:
1) this may harm the sovereignty, security, public order or other national interests of Latvia;
2) there are reasonable grounds to believe that a person will be prosecuted or punished because of his/her race, religion, citizenship, ethnic origin or political opinions;
3) this would be explicitly incommensurate in respect of the legal interests of the Latvian state or of a person;
4) a person that is included in the list of persons suspected for involvement in terrorist activities that is compiled by the countries or international organisations recognised by the Cabinet of Ministers,and has committed a criminal offence in the territory of the country that has requested exchanging or passing further of information, is the citizen of that country and has not committed a criminally punishable offence in Latvia.

(4) The Financial Intelligence Unit may request that the institutions of other countries that are not referred to in Paragraph 1 hereof submit information that is needed to analyse the received reports on unusual or suspicious transactions.

(5) The Financial Intelligence Unit shall submit information to foreign investigation institutions and courts in due course of international contracts on mutual legal assistance in criminal cases and via the public institutions of the Republic of Latvia indicated therein; this information shall refer only to offences that are criminally punishable in the Republic of Latvia, where the international contracts on mutual legal assistance in criminal cases do not establish otherwise.

Article 63. Issuing of Orders

(1) On request of authorised institutions of other countries or international institutions preventing terrorism, the Financial Intelligence Unit shall be entitled to issue orders in due course of Chapter V hereof.

(2) The Financial Intelligence Unit shall be entitled to issue an order where the information in the request creates reasonable suspicion that a criminal offence is taking place, including a criminal offence of money laundering, of terrorist financing or of an attempt thereof, and where such order would be issued if a report on unusual or suspicious transactions was received in due course of this Law.

Transitional Provisions

1. With this Law taking effect, the Law “On the Prevention of Laundering of Proceeds Derived from Criminal Activity" (Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1998, No. 3, 2000, No. 14, 2002, No. 16, 2004, No. 2, 2005, No. 13, 2006, No. 12) shall become ineffective.

2. The persons subject to this Law shall perform customer identification and establish the beneficial owner, as set out in this Law, in respect of those customers with whom the business relationship is valid and this has not been done, by July 1, 2009 the latest, or discontinue the business relationship by that date.

3. The following documents shall be effective until the date the new provisions by the Cabinet of Ministers become effective, but not after January 1, 2009:
1) Provisions No. 213 of June 2, 1998 of the Cabinet of Ministers "Provisions on the Remuneration System of the Employees of the Financial Intelligence Unit",
2) Provisions No. 497 of December 29, 1998 of the Cabinet of Ministers "Procedure whereby Public Institutions Report Information to the Financial Intelligence Unit",
3) Provisions No. 127 of March 20, 2001 of the Cabinet of Ministers "Provisions on the List of Indicators of Unusual Transactions and the Reporting Procedure",
4) Provisions No. 731 of August 29, 2006 of the Cabinet of Ministers "Provisions on Countries and International Organisations whose Compiled Lists Include Persons Suspected of Committing an Act of Terrorism or of Participating Therein".

4. The persons subject to this Law that, pursuant to Paragraph 2 of Article 45 hereof, are supervised by the State Revenue Service and who have started their operation by the date this Law becomes effective shall notify the territorial unit of the State Revenue Service in writing of their operations within 30 business days of this Law taking effect.

5. The provisions of Article 41 hereof in respect of the rights to request and, free of charge, receive information necessary to fulfil the requirements of this Law from registers and information systems shall become effective simultaneously with the relevant amendments to the effective laws. Until these amendments take effect, the persons subject to this Law as referred to in Article 41 hereof shall be entitled to request and receive information from the Invalid Documents Register, the Penal Register and the Population Register in accordance with the legal norms that are effective until this Law taking effect.

6. Information referred to in Article 41 hereof from the Penal Register shall be provided free of charge as of January 1, 2010.

7. Remuneration (salary, etc) for 2009 prescribed hereof shall be laid down as set out in the law "On Remuneration of State and Local Government Institutions Officials and Employees in 2009". [12 December 2008]

8. The provisions of Paragraph 21 of Article 32 hereof, amendments to the introduction to Paragraph 3 and Subparagraph 3 of Paragraph 3 of Article 32 regarding 40 days term, Subparagraph 4 of Paragraph 8 of Article 32, Paragraph 11 of Article 34, amendments to Paragraph 2 of Article 34, as well as amendments to Paragraph 1 of Article 39 in regard to notification of customers on the orders issued by the Financial Intelligence Unit referred to in Paragraph 21 of Article 32 hereof are not applicable to reports of the subjects of this Law sent to the Financial Intelligence Unit by December 31, 2009. [10 December 2009]

Informative Reference to the European Union Directives

This Law incorporates legal norms deriving from:
1) Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.
2) Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of "politically exposed person" and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.
3) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC [31 March 2011]

ANNEX III

ANNEX III - INSURANCE LAW

Unofficial translation

In effect as of 1 September 1998.
Published: Latvijas Vēstnesis1 No.188/189 on 30 June 1998.

Text consolidated with amending laws of:
15 April 1999;
1 June 2000;
16 May 2002;
27 March 2003;
20 November 2003;
26 November 2003;
17 June 2004;
16 December 2004;
9 June 2005;
24 November 2005;
14 June 2007;
29 May 2008;
12 June 2008;
23 October 2008;
19 February 2009;
26 February 2009;
10 December 2009;
23 September 2010.

The Saeima1 has adopted and the
President has proclaimed the following Law:

On Insurance Companies and Supervision Thereof

Chapter I
General Provisions

Article 1. (1) The following terms are used in this Law:
1) insurance – transfer of a risk of potential loss from a policyholder or the insured to the insurer;
2) [27 March 2003];
3) insurer – that which is registered in the Republic of Latvia:
a commercial company taking the form of a joint stock company or a European commercial company, or a mutual cooperative insurance society that in accordance with this Law has the right to provide insurance (hereinafter – insurance company),
a branch of a foreign insurer that in accordance with this Law has the right to provide insurance.
4) foreign insurer – an insurer registered outside the Republic of Latvia which has the right to provide insurance in the home (registration) country;

[1] The official Gazette of the Government of Latvia.

5) chief actuary – an official of an insurance company or a non-Member State insurer's branch who assesses concluded insurance contracts and reinsurance contracts and the financial stability of the insurance company or the non-Member State insurer's branch;
6) [12 June 2008];
7) [12 June 2008];
8) [27 March 2003];
9) technical provisions – contingent liabilities of an insurer calculated in conformity with insurance contracts concluded and reinsurance;
10) close links – a situation in which two or more persons are mutually linked:
by participation – the person owns, directly or by way of control, 20 per cent or more of the voting rights of the commercial company, or the person, directly or by way of control, has acquired a participating interest covering 20 and more per cent of the share capital or the voting shares of the insurance company;
by way of control;
with one and the same person by way of control;
11) Member State insurer – a foreign insurer registered in a Member State having the right to provide insurance in the home (registration) country;
12) Member State – a Member State of the European Union or the European Economic Area;
13) branch of an insurance company – a unit segregated territorially or otherwise which does not have the legal person status and which operates in the name of the insurance company;
14) branch of a foreign insurer – a branch of a foreign insurer established and registered in the Republic of Latvia which operates as:
a branch of a Member State insurer – a branch of a Member State insurer established and registered in the Republic of Latvia;
a branch of a non-Member State insurer – a branch of a non-Member State insurer established and registered in the Republic of Latvia;
15) non-Member State insurer – a person registered in a foreign country (outside the Community) which has the right to provide insurance in the home (registration) country;
16) home (registration) country – a country where the insurance undertaking is registered;
17) state where insurance objects related to the risk insured are situated:
a state where insured immovable property and property (ownership) existing therein are situated if they are covered by one and the same insurance contract;
the registration state of a vehicle if any type of vehicle is insured;
a state where a policyholder has taken out a policy of four months' duration covering any risk associated with travel or business trip;
in all other cases not referred to in Sub-clauses a), b) and c) of this Clause, the state of the habitual residence of a policyholder or, if the policyholder is a legal person, the state where its unit, to which the insurance contract pertains, is situated,
18) fund member – a company that in accordance with this Law has the right to provide insurance and a branch of a foreign insurer making payments into the Fund for the Protection of the Insured;
19) persons linked to an insurer – persons who conform to any of the following characteristics:
persons having a qualifying holding in the insurer and spouses, parents and children of such persons – natural persons;
subsidiaries of the insurer, as well as companies over which the insurer exercises a significant influence;
executive board and supervisory board members of the insurer;
companies in which the persons referred to in Sub-clauses a), b) and c) of this Clause have a qualifying holding;
20) control – a person has control over a company if:
this person exercises a decisive influence over the company on the basis of participation;
this person exercises a decisive influence over the company on the basis of a group of companies contract;

relations analogues to any of the relations referred to in Sub-clauses a) or b) between this person and the company exist;
21) a qualifying holding – a participating interest acquired, directly or indirectly, by a person or persons acting in concert under their agreement that covers 10 and more per cent of the share capital, or the number of voting shares, of a commercial company or which renders it possible to substantially influence the financial and operational policy of the commercial company;
22) supervisory authority of an insurer – a competent authority which in accordance with law has the right to carry out the supervision of foreign insurers in its home (registration) country;
23) [16.12.2004];
24) parent company – a company controlling another company;
25) subsidiary – a company controlled by another company;
26) an insurance undertaking – a legal person that is entitled to provide insurance services in a Member State;
27) host country – a Member State other than a home country, in which an insurance undertaking registered in the home country has a branch or in which an insurance undertaking of the home country provides insurance services without opening a branch;
28) competent authorities – public administrative authorities, courts, liquidators, administrators and other institutions or persons who exercising the authority under law decide on reorganization measures or winding up proceedings, carry out reorganization measures or winding up proceedings or supervise reorganization measures or winding up proceedings;
29) winding up proceedings – a set of legal measures for voluntary or mandatory termination of the operation of an insurance undertaking or a non-Member State insurer (also its branches) which takes place pursuant to the procedures prescribed by law and involves realising the assets of the insurance undertaking or the non-Member State insurer and distributing the proceeds among the creditors and shareholders (members) pursuant to the procedures prescribed by law,
30) reorganization measures – legal measures that involve branches of an insurance undertaking or a non-Member State insurer and that affect or may affect rights of third parties and are taken to preserve or restore the solvency of the insurance undertaking or the non-Member State insurer;
31) netting of claims and liabilities – a legal relationship established based upon an agreement in writing between a debtor and a creditor before winding up proceedings of the debtor are opened or the insolvency proceeding declared pursuant to the procedure prescribed by law starts, for the purpose of converting claims and liabilities arising from mutual contracts in one claim or liability so that only one claim is raised and only one liability must be met;
32) offsetting of claims and liabilities – complete mutual offsetting of claims of debtors and creditors and liabilities arising from a contract, irrespective of their amount (sum), before winding up proceedings of the debtor are opened or the insolvency proceeding declared pursuant to the procedure prescribed by law starts;
33) insurance holding company – a parent company, other than a mixed financial holding company, the main business of which is to acquire and hold participations in subsidiaries where such subsidiaries are:
a) exclusively insurance companies, reinsurers, foreign insurers or foreign reinsurers, of which at least one being an insurance company, a Member State insurer, reinsurer or Member State reinsurer;
b) mainly (total assets or income of insurance companies, reinsurers or foreign insurers in the last approved annual account constitute more than a half of all total assets or income of all subsidiaries controlled by a parent company thereby) insurance companies, reinsurers or foreign insurers, of which at least one being an insurance company, a Member State insurer, a reinsurer or a Member State reinsurer;
34) mixed-activity insurance holding company – a parent company, other than an insurance company, a reinsurer, a foreign insurer, a foreign reinsurer, an insurance holding company or a mixed financial holding company, but which includes at least one insurance company, a Member State insurer, a reinsurer or a Member State reinsurer among its subsidiary companies;

35) participating company – a parent company or a company which has, directly or by way of control, acquired 20 per cent or more of the voting rights of a company, or has, directly or by way of control, acquired a participating interest covering 20 and more per cent of the share capital or the number of voting shares of a company;
36) related company – either a subsidiary or a company in which, directly or by way of control, 20 per cent or more of the voting rights, or, directly or by way of control, a participating interest covering 20 and more per cent of the share capital or the number of voting shares are held;
37) international rating agency – a rating agency registered in a Member State or an Organisation for Economic Cooperation and Development Member State (hereinafter – OECD Member State) which delivers opinions of the financial security characteristics of financial and capital market participants and the ratings of which are recognised by the supervisory authorities of Member State insurers;
28) Member State of a branch – a Member State where a branch of an insurance company, a Member State insurer or a non-Member State insurer that has insured risk is located;
39) outsource service providers – a person who undertakes to provide or provides external services to an insurance company or a non-Member State insurer, based on an agreement in writing entered into with the insurance company or the non-Member State insurer;
40) free assets – the value of assets owned by a person less by the value of liabilities of this person and the value of those assets that shall be regarded as long-term investments;
41) stress test – a test performed by an insurance company or a branch of a non-Member State insurer to determine and assess the possible impact of various exceptional but possible adverse events or future changes in market conditions on the ability of the insurance company or a branch of a non-Member State insurer to fully fulfil obligations arising out of insurance and reinsurance contracts and to ensure financial stability.
(2) The terms used in this Law conform to the terms used in the Insurance Contract Law and Reinsurance Law.
[27 March 2000; 26 November 2003; 17 June 2004; 16 December 2004; 9 June 2005; 14 June 2007; 12 June 2008; 26 February 2009; 10 December 2009]

Article 2. (1) This Law determines the provision of insurance services, the legal status of these services and their providers, governs the operation of service providers, reorganization measures and winding-up proceedings.
(2) The Financial and Capital Market Commission shall conduct the supervision of the operation of branches of insurance companies in Member States in accordance with this Law and other laws.
(3) The procedure as to how the operation of an insurance service provider is to be terminated in case of bankruptcy and winding-up proceedings are to be carried out shall be governed by a separate law on insolvency insofar as it does prejudice this Law.
(4) Legal relationships pertaining to financial collateral shall be governed by a separate law on financial collateral.
[17 June 2004]

Article 3. This Law shall not apply to:
(1) State social insurance;
(2) export credit insurance business guaranteed by the State;
(3) service, maintenance, warranty repair and other similar services provided to a person by natural and legal persons other than insurers;
(4) services provided in the home country of natural and legal persons in the event of a vehicle breakdown or an accident:
a) on-the spot breakdown services provided at the breakdown location,
b) the conveyance of the vehicle to the nearest or the most appropriate location at which repairs may be carried out and the possible accompaniment of the driver and passengers to the nearest location from where they may continue their journey by other means,

c) the conveyance of the vehicle, driver and passengers to their home or the point of departure or original destination in the territory of the Republic of Latvia;
5) services provided to members of various automobile clubs if the assistance in the event of the vehicle breakdown or conveyance is ensured by automobile clubs in the country of their location and if a cooperation agreement has been entered into between such clubs.
(2) The precepts of this Law shall not apply to:
1) mutual insurance cooperative societies that provide insurance for the classes of insurance referred to in Article 12, Paragraph one, Clauses 1, 2, 3, 4, 5, 6, 7, 8, 9, 16, 17 and 18 of this Law if their operation fully complies with the following conditions:
a) the articles of association contain provisions for requesting members of the mutual insurance cooperative society to make additional contributions or for reducing insurance indemnities payable to them under insurance contracts,
b) the amount of insurance premiums and additional contributions made by members of the mutual insurance cooperative society per year shall not exceed EUR five million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia,
c) civil liability insurance risk is not subject to the additional risk referred to in Article 121 of this Law;
2) mutual insurance cooperative societies that provide insurance for the class of insurance referred to in Article 12, Paragraph one, Clause 19 of this Law if their operation fully complies with the following conditions:
a) the articles of association contain provisions for requesting members of the mutual insurance cooperative society to make additional contributions or for reducing benefits provided to them or assistance from other persons who undertake commitments on behalf of members of this mutual insurance cooperative society,
b) the amount of insurance premiums and additional contributions made by members of the mutual insurance cooperative society for three successive financial years shall not exceed EUR five million equivalent in lats per year, recalculated according to the exchange rate set by the Bank of Latvia;
3) companies providing services by ensuring assistance to persons in the territory of the Republic of Latvia, whose total income from such services does not exceed EUR 200 000 equivalent in lats per year, recalculated according to the exchange rate set by the Bank of Latvia.
(3) The services referred to in Paragraph one, Clause 4 of this Article shall be regarded as insurance if they are provided by an insurer under insurance contracts.
(4) The Financial and Capital Market Commission shall not conduct supervision of a mutual insurance cooperative society if the relevant mutual insurance cooperative society complies with the requirements of Paragraph two, Clauses 1 and 2 of this Article. If these requirements are not complied with, the mutual insurance cooperative society must obtain a licence to provide insurance.
[16 December 2004]

Article 4. (1) Insurance shall be voluntary except as otherwise provided by law. The amount of premiums shall be determined by the insurer. The management of an insurance company or a branch of a non-Member State insurer shall formulate and approve the procedure for underwriting insured risks and determining insurance premiums and shall be responsible for the compliance with such procedures.
(2) [27 March 2000]
(3) [27 March 2000]
[1 June 2000; 27 March 2000; 16 December 2004]

Article 5. (1) An insurance premium and reinsurance premium shall be determined in the amount as to meet obligations arising out of insurance and reinsurance contracts and to cover expenses necessary to perform insurance and reinsurance operations.

(2) If the requirements referred to in Paragraph one of this Article have not been met, the Financial and Capital Market Commission has the right to request the insurance company or the branch of the non-Member State insurer to change the specified premium rates.
(3) The insurance company or the branch of the non-Member State insurer shall continually evaluate compliance of insurance premium and reinsurance premium to the requirement referred to in Paragraph one of this Article.
[1 June 2000; 16 December 2004; 12 June 2008]

Article 5.1 (1) In provision of insurance services there shall be no difference in treatment based on sex, except in cases referred to in this Article. Different treatment regarding determining of insurance premium and insurance indemnity using sex as a determining factor may be accepted in insurance services where such differences are based on relevant actuarial and statistical data.
(2) The Cabinet of Ministers shall determine insurance services where different treatment regarding determining of insurance premium and insurance indemnity using sex as a determining factor may be accepted as well as the date as of which different treatment is permitted.
(3) At least once in five years the Ministry of Welfare in cooperation with the Ministry of Finance, Financial and Capital Market Commission and Association of Latvian Insurers, based on actuarial and statistical data, shall evaluate validity of determining insurance services referred to in Paragraph two of this Article and if necessary, submit proposals for required changes to the Cabinet of Ministers.
(4) The Ministry of Welfare shall continually update actuarial and statistical data underlying evaluation referred to in Paragraph three of this Article and publish them on its official website.
(5) There shall be no difference in treatment regarding determining of insurance premium and insurance indemnity for women as regards pregnancy or maternity leave up to one year, but, in case of nursing an infant – for the entire nursing period.
[19 February 2009]

Article 6. An undertaking may not use in its firm [name] the word “insurance” or "insurer" in any grammatical case and word combination in a manner that misleads giving a wrong idea regarding its rights to provide insurance or insurance intermediary services.
[27 March 2000; 24 November 2005]

Article 61. (1) For providing insurance or reinsurance services in the Republic of Latvia, an insurer and a Member State insurer may use services exclusively of such insurance or reinsurance intermediaries that are eligible to provide insurance or reinsurance intermediary services in the Republic of Latvia.
(2) For providing insurance or reinsurance services in a foreign country an insurance company, in compliance with regulatory requirements of relevant country, may use services exclusively of such insurance or reinsurance intermediaries that are eligible to provide insurance or reinsurance intermediary services in the relevant country.
[12 June 2008]

Article 7. (1) An insurance company or a branch of a non-Member State insurer shall:
1) provide insurance for the classes of insurance specified in licences issued by the Financial and Capital Market Commission;
2) provide intermediary services to another insurer, a Member State insurer, a non-Member State insurer, a reinsurer and a Member State reinsurer. Intermediary services to a non-Member State insurer may be provided in accordance with the provisions of Paragraph three of this Article;
3) engage in entrepreneurial activity directly related to insurance.
(2) An insurance undertaking may not:
1) engage in any other type of business, except in cases provided by law or Cabinet regulations;
2) disseminate false and misleading advertising on its activities;
3) disclose information obtained as a result of insurance business regarding the insured person,

policyholder and third person, except in cases provided by this Law and other laws. If such information is disclosed in cases provided by law, the insurance undertaking shall not be held responsible for the consequences of disclosing the information.
(3) An insurance undertaking may provide intermediary services to a non-Member State insurer only for the classes of insurance determined in a non-Member State as compulsory where:
1) a Fund for the Protection of the Insured is being set up, of which insurance indemnities are paid out in the case of insolvency of the non-Member State insurer;
2) the Financial and Capital Market Commission has reached agreement with the supervisory authority of the non-Member State insurer regarding co-operation and exchange of information required for the performance of supervisory functions.
(4) An insurance company or a branch of a non-Member State insurer may not issue debt securities and take loans. This restriction shall not apply to loans included in the calculation of own funds of an insurance company or a branch of a non-Member State insurer and loans whose maturity does not exceed three months, if such loans have been taken to ensure timely payment of insurance indemnities (on the payment of which the insurer's decision has been taken) and if coordinated with the Financial and Capital Market Commission in advance.
[1 June 2000; 16 May 2002; 27 March 2003; 16 December 2004, 9 June 2005; 14 June 2007; 12 June 2008]

Article 8. (1) An insurance company or a branch of a non-Member State insurer may not provide both life assurance and other classes of insurance at the same time. This restriction shall not apply to accident insurance and health insurance if it is provided by an insurance company or a branch of a non-Member State insurer that has obtained a life assurance licence.
(2) An insurance company or a branch of a non-Member State insurer that has obtained a life assurance licence may request and receive a licence for accident insurance and health insurance.
(3) An insurance company or a branch of a non-Member State insurer that has obtained a life assurance licence shall calculate insurance premiums or other amounts under insurance contracts by actuarial mathematical methods. A life assurance licence shall include the right to provide the following insurance:
1) insurance stipulating payment of an insurance indemnity to a person specified by a contract in the cases specified by the contract with respect to the life, health or physical condition of the insured as well as in cases where the insured has died or married, if a child of the insured is born, or upon expiry of the contract term or where the given age of the insured is attained;
2) insurance stipulating payment of an insurance indemnity in cases specified in a contract by way of regular payments until the death of the insured or until the expiry of the contract term;
3) insurance stipulating meeting of obligations of an insurance company or a branch of a non-Member State insurer at the end of the insurance term regarding single or periodical insurance premium payments;
4) the insurance specified in Clauses 1, 2 and 3 of this Paragraph which is linked to the market.
[16 December 2004]

Article 81. (1) Exclusively insurance undertakings that are eligible to provide insurance or reinsurance services in the Republic of Latvia may advertise insurance and reinsurance services provided in the Republic of Latvia.
(2) An insurance company, in compliance with regulatory requirements of relevant country, shall be entitled to advertise insurance or reinsurance services only in the country where the insurance company is eligible to open a branch or to provide insurance or reinsurance services under the freedom to provide services.
(3) When advertising a unit-linked life assurance contract, it shall not contain information about guaranteed profits or yield level in future. Indicating yield on the unit-linked life assurance contract, advertising shall contain information that previous profit does not guarantee similar profits in the future.
[16 December 2004; 12 June 2008; 10 December 2009]

Article 82. (1) Before an insurance contract is concluded, an insurer shall inform the policyholder of its home (registration) country and legal address.
(2) All documents issued to a policyholder shall include the information specified in Paragraph one of this Article.
(3) The requirements of Paragraph one and two of this Article shall not apply to large risk insurance.
(4) Before entering into an insurance contract, an insurer shall clarify the client's requirements based on information submitted by a client and pursuant to complexity of the insurance contract.
(5) Before entering into a contract, an insurer is obliged to explain to the client the concept of deductible, over-insurance and under-insurance if that may affect interests of the client.
(6) Before entering into a unit-linked life assurance contract, an insurer is obliged to provide the client with information about all the deductions to be withheld from the client during the entire period of validity of the unit-linked life assurance contract.
(7) In case of a dispute between an insurer and a natural person after entering an insurance contract, an insurer is obliged to verify compliance with requirements of Paragraphs four, five and six of this Article. A signature of a policyholder on the insurance application or approval of policyholder for signing of insurance contract in any other manner agreed by a policyholder and an insurer shall be adequate verification to comply with requirements of Paragraphs four, five and six of this Article, except in case a policyholder proves otherwise.
[16 December 2004; 10 December 2009]

Article 83. (1) An insurance company or a branch of a non-Member State insurer may delegate the performance of activities (outsource services) required to ensure the operation of the insurance company or the branch of the non-Member State insurer and to provide insurance to one or more outsource service providers. An insurance company or a branch of a non-Member State insurer may not delegate the following activities:
1) duties of the management bodies of the insurance company or the branch of the non-Member State insurer;
2) issue of sureties or other similar commitment documents, based on which the insurance company or the branch of the non-Member State insurer has undertaken an obligation to be answerable to creditors for debts of third persons;
3) all outsource services which ensure the provision of insurance under an insurance licence to outsource service providers.
(2) An insurance company or a branch of a non-Member State insurer may delegate the performance of outsource services to an outsource service provider having experience of at least three years in providing such outsource services as are planned to be delegated or outsourced by the insurance company or the branch of the non-Member State insurer.
(3) Outsource services of which the Financial and Capital Market Commission shall be informed in accordance with the procedures prescribed by this Article prior to their delegation or outsourcing shall be as follows:
1) conducting of accounting of an insurance company or a branch of a non-Member State insurer;
2) information technology maintenance;
3) internal control organization;
4) making of investments;
5) underwriting of insurance or reinsurance risks;
6) adjustment of insurance indemnities.
(4) Duties of the internal audit service of an insurance company or a branch of a non-Member State insurer may be delegated only to a sworn auditor or a company of sworn auditors.
(5) At least 30 days prior to receipt of an outsource service, an insurance company or a branch of a non-Member State insurer shall submit to the Financial and Capital Market Commission a substantiated application in writing accompanied by a document including outsourcing policies

and procedures and an original of one outsource contract or a duly certified copy thereof. If any amendments to the outsourcing policies and procedures are made, the insurance company or the branch of the non-Member State insurer shall submit them to the Financial and Capital Market Commission no later than the next working day following the approval of the relevant amendments.
[16 December 2004; 12 June 2008]

Article 84. (1) The outsource contract specified in Article 83, Paragraph three of this Law shall include:
1) a description of the receivable outsource service;
2) precise requirements for the amount and quality of the outsource service;
3) rights and duties of the insurance company or the branch of the non-Member State insurer and the outsource service provider including:
a) the right of the insurance company or the branch of the non-Member State insurer to continuously supervise the quality of the outsource service provision,
b) the right of the insurance company or the branch of the non-Member State insurer to issue the outsource service provider instructions to be mandatorily followed in respect of matters related to honest, qualitative, timely and compliant with the regulatory enactments execution of the outsource service,
c) the right of the insurance company or the branch of the non-Member State insurer to submit to the outsource service provider a reasoned request in writing to immediately terminate the outsource contract if the insurance company or the branch of the non-Member State insurer has detected the non-compliance of the outsource service provider with the amount and quality requirements under the outsource contract,
d) the duty of the outsource service provider to enable the insurance company or the branch of the non-Member State insurer to continuously supervise the quality of the outsource service provision,
e) the duty of the outsource service provider to, immediately upon receipt of a request in writing from the insurance company or the branch of the non-Member State insurer, terminate the outsource contract;
4) the right of the Financial and Capital Market Commission to familiarise itself with all documents, accounting and document registers and to request from the outsource service provider any information related to the outsource service provision and performance of functions of the Financial and Capital Market Commission.
(2) An insurance company or a branch of a non-Member State insurer shall formulate relevant outsourcing policies and procedures. They shall include:
1) the internal procedure for taking outsourcing decisions;
2) the procedure for entering into outsource contracts and for supervising their execution and termination;
3) persons (officials and staff members) and units responsible for cooperation with the outsource service provider and the supervision of the amount and quality of the received outsource service, as well as the rights and duties of such persons;
4) actions to be taken by the insurance company or the branch of the non-Member State insurer in cases where the outsource service provider does not comply with or will not be able to comply with the outsource contract provisions.
(3) The Financial and Capital Market Commission has the right to conduct an examination of activities of an outsource service provider at the place of its location or provision of the outsource service, to familiarise itself with all documents, accounting and document registers and to produce their copies, as well as to request from an outsource service provider any information related to the outsource service provision and performance of functions of the Financial and Capital Market Commission.
(4) An outsource service provider shall undertake provision of an outer service to an insurance company or a branch of a non-Member State insurer, if the insurance company or the branch of

the non-Member State insurer, within a 30-day period as of the date of submitting the documents referred to in Article 83, Paragraph five of this Law, has not received from the Financial and Capital Market Commission any prohibition on outsourcing.
[16 December 2004]

Article 85. (1) The Financial and Capital Market Commission shall prohibit an insurance company or a branch of a non-Member State insurer from receiving a planned outsource service from an outsource service provider if:
1) the provisions of this Law have not been complied with;
2) the outsourcing may affect the legal interests of the policyholders and the insured;
3) the outsourcing may impair the management bodies of the insurance company or the branch of the non-Member State insurer from fulfilling their duties under regulatory enactments, articles of association of the insurance company or the branch of the non-Member State insurer or internal regulatory enactments of the insurance company or the branch of the non-Member State insurer;
4) the outsourcing will prevent or restrict the Financial and Capital Market Commission from performance of its functions under law;
5) the outsource contract does not comply with law and does not give a true and fair view of the prospective cooperation between the insurance company or the branch of the non-Member State insurer and the outsource provider and with the requirements for the amount and quality of the outsource service.
(2) Outsourcing does not release the insurance company or the branch of the non-Member State insurer from its responsibility for meeting obligations under law or the contract.
(3) The Financial and Capital Market Commission is entitled to request an insurance company or a branch of a non-Member State insurer to eliminate deficiencies arising from outsourcing and to specify the term for eliminating such deficiencies. If the deficiencies have not been eliminated within the term specified by the Financial and Capital Market Commission, the Financial and Capital Market Commission shall request the insurance company or the branch of the non-Member State insurer to terminate the outsource contract and shall specify the term for its termination, which may not exceed three months.
(4) The Financial and Capital Market Commission is entitled to request an insurance company or a branch of a non-Member State insurer to immediately terminate any outsource contract, if the Financial and Capital Market Commission has detected that:
1) the insurance company or the branch of the non-Member State insurer does not conduct continuous supervision of the quality of the outsource service provision or conducts it irregularly or insufficiently;
2) the insurance company or the branch of the non-Member State insurer does not conduct outsourcing-related risk management or conducts it insufficiently or in a low-grade manner;
3) the activities of the outsource service provider involve significant deficiencies that jeopardise or may jeopardise the fulfilment of obligations of the insurance company or the branch of the non-Member State insurer;
4) any of the conditions referred to in Paragraph one of this Article has occurred.
(5) An insurance company or a branch of a non-Member State insurer shall without delay inform the Financial and Capital Market Commission in cases where the insurance company or the branch of the non-Member State insurer has detected the non-compliance of an outsource service provider with the requirements prescribed for the amount and quality of an outsource service under an outsource contract.
(6) Outsourcing does not release the insurance company or the branch of the non-Member State insurer and its management bodies from the duty prescribed by regulatory enactments to manage risks linked to operations of the insurance company or the branch of the non-Member State insurer.
(7) An outsource service provider is entitled to delegate the provision of an outsource service to another person only upon the written consent of the insurance company or the branch of the non-Member State insurer. Prior to outsourcing, an insurance company or a branch of a non-Member

State insurer shall inform the Financial and Capital Market Commission thereof in writing and submit to it the documents referred to in Article 83, Paragraph five of this Law. Outsourcing and outsource service providers shall be subject to the provisions of this Law.
(8) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding prohibition imposed on an insurance company or a branch of a non-Member State insurer against outsourcing, or regarding a request made to an insurance company or a branch of a non-Member State insurer to eliminate deficiencies arising from outsourcing or a request made to an insurance company or a branch of a non-Member State insurer to immediately terminate an outsource contract shall not suspend the execution of the act. [16 December 2004]

Article 8.6 An insurance undertaking and persons referred to in Paragraph one of Article 127 must not possess a captive reinsurer.
[12 June 2008]

Chapter II
Licensing an Insurer

Article 9. (1) An insurer may only launch its operations after it has been entered in the Commercial Register and after the requirements of this Law have been met.
(2) Licences to provide insurance shall be issued for an unlimited duration in accordance with this Law, other regulatory enactments and procedures prescribed by the Financial and Capital Market Commission.
(3) A licence to provide insurance issued to an insurance company is valid in a Member State by exercising the right of establishing a branch or, under the freedom to provide services, by providing insurance services without opening a branch.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 10. (1) A branch of a non-Member State insurer may launch operations in the Republic of Latvia after obtaining a licence issued by the Financial and Capital Market Commission. The branch may provide insurance services only for the classes of insurance indicated in the licence.
(2) The licence shall be issued if:
1) the non-Member State insurer complies with the following requirements:
a) it is entitled to provide insurance services in the home (registration) country in accordance with the law of the relevant country,
b) it registers its branch in the Republic of Latvia,
c) it undertakes to conduct the accounting of the branch of the non-Member State insurer in compliance with the law of the Republic of Latvia and regulatory enactments of the Financial and Capital Market Commission,
d) it appoints the manager of the branch of the non-Member State insurer who shall comply with the requirements prescribed by this Law,
e) monies in the amount specified by Article 32, Paragraph 11, Clause 3 of this Law have been transferred to the disposal of the branch of the non-Member State insurer, of which 25% have been deposited with a credit institution registered in the Republic of Latvia as security,
f) it undertakes to comply with the required solvency margin determined for a branch of a non-Member State insurer in the Republic of Latvia;
2) the Financial and Capital Market Commission has reached agreement with the insurance supervisory authority of the home (registration) country of the non-Member State insurer on the exchange of information required for the performance of supervisory functions and the cooperation in the field of insurance supervision.
(3) In order to obtain the licence, a non-Member State insurer shall submit to the Financial and Capital Market Commission:

1) an application for the issue of a licence to the branch of the non-Member State insurer, indicating the class of insurance for which the licence is required;
2) a statement regarding the compliance with the requirements referred to in Paragraph two, Clause 1 of this Article;
3) [26 February 2009];
4) the By-law of the branch of the non-Member State insurer;
5) a document issued by a credit institution certifying the payment of monies for the setting up of the minimum guarantee fund determined for the branch of the non-Member State insurer as well as the deposit of security;
6) a scheme of operations for the first three years of operation, including:
a) characteristics of the planned insurance,
b) samples of insurance policies,
c) methods for tariff calculation,
d) methods for the calculation of technical provisions,
e) the ceded reinsurance and retrocession scheme,
f) estimates regarding expenses on the launch of business and the information concerning the sources of financial resources to cover such expenses,
g) a draft account reflecting financial situation at end of accounting period and draft financial statement for the accounting period;
h) the procedure and conditions for making investments;
7) a description of the basic elements of the internal control system and a description of the basic principles of its policy and procedures including:
a) the organisational structure of the branch of the non-Member State insurer, clearly indicating the division of authorities and responsibilities of its managers, tasks of units of the branch and responsibilities of their managers,
b) the main principles of accounting policies and accounting organisation,
c) the financial risk management policy,
d) a description of the management information system,
e) rules for the information system protection,
f) a description of the internal audit (control) system,
g) procedures for identifying unusual and suspicious financial transactions,
h) the procedure specified in Article 291 of this Law;
8) annual reports for the preceding three years of operation of the non-Member State insurer audited by a sworn auditor;
9) information concerning the manager of the branch of the non-Member State insurer in accordance with the requirements of Articles 20 and 21 of this Law.
(4) If a branch of a non-Member State insurer intends to obtain a licence for assistance insurance, it shall additionally submit the information set out in Article 13, Paragraph three of this Law. If a branch of a non-Member State insurer intends to obtain a licence for motor vehicle third party liability insurance and plans to provide motor vehicle third party liability compulsory insurance, it shall submit to the Financial and Capital Market Commission attestation in writing that the branch of the non-Member State insurer is a member of the Motor Insurers' Bureau of Latvia and the relevant guarantee fund and a bank document certifying the single contribution to the guarantee fund of the motor vehicle third party liability compulsory insurance and shall notify of the name (name, surname) of representatives from the branch of the non-Member State insurer and their legal address in each Member State that takes a decision on insurance indemnity payments or refusal to pay insurance indemnities, as well as ensures insurance indemnity payments.
(41) If a branch of a non-Member State insurer is expelled or withdraws from the Motor Insurers' Bureau of Latvia or an analogous organisation in a Member State, the Financial and Capital Market Commission shall prohibit the branch of the non-Member State insurer from engaging in the business of motor vehicle third party liability compulsory insurance.

(5) The Financial and Capital Market Commission shall process the application and, within a three-month period after the receipt of all the necessary documents prepared in compliance with the regulatory enactments, take a relevant decision.
(6) The Financial and Capital Market Commission is not entitled to issue the licence in the cases as follows:
1) the insurance is not economically substantiated;
2) the manager of the branch of the non-Member State insurer does not comply with the requirements of this Law;
3) the operations planned by the branch of the non-Member State insurer do not comply with the requirements of this Law and other regulatory enactments;
4) under the laws of the home (registration) country of the non-Member State insurer, the right of the Financial and Capital Market Commission to perform the functions of supervision of the branch is restricted;
5) the documents submitted contain false or incomplete information;
6) the monies transferred to the disposal of the branch of the non-Member State insurer have been acquired through unusual or suspicious financial transactions, or the legal acquisition of such monies has not been proved documentarily;
7) the organisational structure of the branch of the non-Member State insurer does not allow to insure its supervision;
8) the insurer implements a plan for the improvement of its financial situation.
(7) In order to obtain a licence for another class of insurance, a branch of a non-Member State insurer shall submit to the Financial and Capital Market Commission:
1) the documents referred to in Paragraph three, Clauses 1 and 3 of this Article;
2) estimates regarding expenses required for the introduction of the new insurance class and the information concerning the sources of resources to cover such expenses;
3) a scheme of operations for one year with respect to the insurance class for which the licence is requested, indicating the information referred to in Paragraph three, Clause 6, Sub-clauses "a", "b", "c", "d" and "e" of this Article, as well as the profit and loss account for the relevant insurance class and the planned amount of technical provisions.
[27 March 2003; 16 December 2004; 12 June 2008; 26 February 2009; 10 December 2009]

Article 11. (1) Under the requirements prescribed by this Article, an insurance company intending to open a branch in a Member State, prior to opening the branch, shall notify the Financial and Capital Market Commission thereof in writing.
(2) Notification made by an insurance company of the opening of a branch shall include the following information:
1) the Member State where the insurance company plans to open the branch;
2) a scheme of operations for three years, services offered and the organisational structure of the branch;
3) the address of the branch of the insurance company in the Member State (address from which information may be obtained and to which it may be delivered);
4) information concerning the manager of the branch of the insurance company (person who, when taking essential decisions on behalf of the branch, causes civil liabilities for the insurance company);
5) if an insurance company intends to provide motor vehicle third party liability compulsory insurance, it shall additionally include the following information in the notification:
a) the representative from the insurance company who is authorised to take a decision on insurance indemnity payments and his or her address in the Member State,
b) the attestation that the insurance company is a member of the Member State's motor vehicle bureau or an analogous organisation as well as the relevant guarantee fund.
(3) The Financial and Capital Market Commission shall, within a three-month period of receiving all the information referred to in Paragraph two of this Article, notify the supervisory authority of the Member State insurer of the branch and the insurance company thereof,

including in the notification the attestation regarding the compliance of the insurance company with the required solvency margin, except in the cases set out in Paragraph 31 of this Article.
(31) The Financial and Capital Market Commission shall not forward the information referred to in Paragraph three of this Article to the supervisory authority of the Member State insurer in the cases as follows:
1) documents submitted by the insurance company contain false or incomplete information;
2) the organisational structure of the branch does not allow ensuring the supervision of the branch compliant with the regulatory enactments of the Republic of Latvia;
3) the manager of the branch does not comply with the requirements of Articles 20 and 21 of this Law;
4) a plan for the financial situation improvement is being implemented by the insurance company;
5) deficiencies detected by the Financial and Capital Market Commission have not been eliminated.
(4) If the Financial and Capital Market Commission decides not to submit the information referred to in Paragraph three of this Article to the supervisory authority of the Member State insurer of the branch, it shall, within a three-month period of receiving all the information prescribed by law, forward the relevant decision to the insurance company.
(5) The supervisory authority of the Member State insurer of the branch may, within a two-month period after the receipt of the notification from the Financial and Capital Market Commission, inform the Financial and Capital Market Commission of the requirements incorporated in laws protecting public interests that should be met when providing insurance services in the Member State of the branch. The Financial and Capital Market Commission shall, without delay, inform the insurance company in writing of the information provided by the Member State of the branch.
(6) On receiving the information referred to in Paragraph five of this Article or on the expiry of the time limit provided for by it, the insurance company may open a branch in the Member State and undertake insurance services in it.
(7) When making changes in the particulars communicated under Paragraph two, Clauses 2, 3 and 4 of this Article, the insurance company shall, not later than 30 days before making the relevant changes, give written notice thereof to the Financial and Capital Market Commission and the supervisory authority of the Member State insurer of the branch. The Financial and Capital Market Commission shall take and the supervisory authority of the Member State insurer of the branch may take the decisions specified in Paragraph three and five of this Article within a 30-day period of receiving the notice from the insurance company. The Financial and Capital Market Commission shall forward its decision to the insurance company and to the supervisory authority of the Member State insurer of the branch. If the Financial and Capital Market Commission does not agree to the changes in the particulars submitted by the insurance company, it shall state the reason for the refusal in the relevant decision.
[27 March 2003; 16 December 2004; 24 November 2005]

Article 111. (1) An insurance company may open a branch in a non-Member State only after receiving authorisation by the Financial and Capital Market Commission.
(2) For receiving an authorisation to open a branch in a non-Member State, an insurance company shall submit to the Financial and Capital Market Commission an application for the opening of the branch, including:
1) the address of the branch in the non-Member State (address from which information may be obtained and to which it may be delivered);
2) information concerning the manager of the branch in accordance with the requirements of Articles 20 and 21 of this Law;
3) the organisational structure of the branch;
4) a scheme of operations for the first three years of operation.

(3) The Financial and Capital Market Commission shall examine an application for authorisation to open a branch in a non-Member State and take a decision within a 30-day period after the receipt of all the documents prescribed by law and prepared in compliance with the requirements of regulatory enactments.
(4) The Financial and Capital Market Commission shall not issue authorisation to open a branch in a non-Member State in the cases as follows:
1) [16 December 2004];
2) the documents submitted by the insurance company contain false or incomplete information;
3) the organisational structure of the branch does not allow ensuring its supervision;
4) the manager of the branch does not comply with the requirements prescribed by Articles 20 and 21 of this Law;
5) laws of the non-Member State or other regulatory enactments restrict the Financial and Capital Market Commission from the performance of supervisory functions;
6) the Financial and Capital Market Commission due to circumstances not dependent on it has not entered into an agreement with the supervisory authority of the non-Member State insurer regarding co-operation and information exchange;
7) a plan for the financial situation improvement is being implemented by the insurance company;
8) deficiencies detected by the Financial and Capital Market Commission have not been eliminated.
(5) When making changes to the information referred to in Paragraph two, Clauses 3 and 4 of this Article, the insurance company shall, not later than 30 days before making the relevant changes, give written notice thereof to the Financial and Capital Market Commission. The Financial and Capital Market Commission shall examine its application for making the changes and take a decision within a one-month period of receiving all the necessary documents.
(6) The Financial and Capital Market Commission shall forward the decision to the insurance company. If the Financial and Capital Market Commission refuses to issue authorisation or rejects the changes submitted by the insurance company, it shall state the reasons for the refusal in the decision.
[27 March 2003; 16 December 2004; 24 November 2005]

Article 112. (1) In order that a branch of a Member State insurer may undertake insurance services in the Republic of Latvia, the Financial and Capital Market Commission shall receive notification from the supervisory authority of the Member State insurer including the information provided for by Article 11, Paragraph two of this Law. Within a two-month period after the receipt of the notification, the Financial and Capital Market Commission shall inform the supervisory authority of the Member State insurer of the requirements incorporated in laws protecting public interests that should be met when providing insurance services in the Republic of Latvia.
(2) The branch of the Member State insurer may undertake insurance services in the Republic of Latvia as soon as the information from the supervisory authority of the Member State insurer forwarded to the Financial and Capital Market Commission has been received or as soon as the two-month period referred to in Paragraph one expires.
[27 March 2003]

Article 113. (1) An insurance company that intends to provide insurance services in a Member States under the freedom to provide services without opening a branch in it shall notify the Financial and Capital Market Commission thereof in writing.
(2) The insurance company shall include in its notification the following information:
1) the Member State where the insurance company plans to provide insurance services;
2) risks insured.
(3) If an insurance company intends to provide motor vehicle third party liability compulsory insurance, its notification shall additionally include the following information:

1) the representative of the insurance company who is authorised to take a decision on insurance indemnity payments and his or her address in the Member State,
2) attestation that the insurance company is a member of the Member States' motor vehicle bureau or an analogues organisation and the relevant guarantee fund.
(4) The Financial and Capital Market Commission shall, within a 30-day period of receiving all the information referred to in Paragraphs two and three of this Article, forward the following information to the insurer supervisory authorities of those Member States where the insurance company plans to provide insurance services including:
1) the attestation that the insurance company complies with the required solvency margin requirements;
2) the classes of insurance in which the insurance company is allowed to provide insurance services;
3) the risks to be insured which the insurance company plans to insure in the Member State;
4) the information set out in Paragraph three of this Article if the insurance company plans to provide motor vehicle third party liability compulsory insurance.
(41) The Financial and Capital Market Commission shall forward the information referred to in Paragraph four of this Article to the supervisory authority of the Member State insurer in cases as follows:
1) documents submitted by the insurance company contain false or incomplete information;
2) a plan for the financial situation improvement is being implemented by the insurance company;
3) deficiencies detected by the Financial and Capital Market Commission have not been eliminated within the term specified by the Financial and Capital Market Commission.
(5) If, within a 30-day period of the receipt of the notification referred to in Paragraphs two and three of this Article, the Financial and Capital Market Commission decides not to forward the information set out in Paragraph four of this Article to the supervisory authority of the Member State insurer, it shall without delay forward this decision to the insurance company. The decision shall include the reasons for the refusal.
(6) An insurance company may undertake insurance services in a Member State under the freedom to provide services without opening a branch in it as of the date of receipt from the Financial and Capital Market Commission of the notification regarding the forwarding of the information referred to in Paragraph four of this Article to the supervisory authority of the Member State insurer.
(7) If an insurance company intends to make changes to the information contained in the notification referred to in Paragraphs two and three of this Article, it shall comply with the requirements of Paragraphs four, five and six of this Article.
[27 March 2003; 16 December 2004]

Article 114. (1) A Member State insurer may undertake insurance services in the Republic of Latvia under the freedom to provide services without opening a branch as of the date of receipt from the supervisory authority of the relevant Member State insurer of the notification regarding the forwarding of the notification referred to in Article 113, Paragraph four of this Law to the Financial and Capital Market Commission.
(2) If changes have been made to the information contained in the notification, they shall take effect in the Republic of Latvia as of the date of receipt by the Financial and Capital Market Commission of the notification thereof from the supervisory authority of the relevant Member State insurer.
(3) Regulatory enactments of the Republic of Latvia regarding the provision of statistical information and the protection of public interests as well as the provisions of Articles 6, 7, 112, 113, 114, 292, Chapters VIII, X and XI, Articles 991 and 1091 and Chapters XIV of this Law shall be binding on a Member State insurer entitled to provide insurance services in the Republic of Latvia.
[27 March 2003; 16 December 2004]

Article 115. A Member State insurer may provide large risk insurance without complying with the requirements of Articles 112, 114and 13. Large risks shall be determined by the Financial and Capital Market Commission by taking account of the classes of insurance and the policyholder.

Article 11.6 (1) An insurance company that intends to open a branch in the Swiss Confederation and to provide insurance services other than life assurance, shall open a branch in the Swiss Confederation and provide insurance services other than life assurance in accordance with the requirements of this Law as set for insurance companies regarding the opening of a branch and provision of services in other Member States, unless otherwise stated in the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than the life insurance.
(2) A Member State insurer whose home (registration) country is the Swiss Confederation and that intends to open a branch in the Republic of Latvia and provide insurance services other than life assurance, shall open a branch in the Republic of Latvia and provide insurance services other than life assurance in accordance with the requirements of this Law as set for insurers of other Member States regarding the opening of a branch and provision of services in the Republic of Latvia, unless otherwise stated in the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than the life insurance.
[9 June 2005]
Article 12. (1) The Financial and Capital Market Commission shall issue licences for the following classes of insurance:
1) accident insurance;
2) health (sickness) insurance;
3) land vehicle (except railway rolling stock) insurance;
4) railway rolling stock insurance;
5) aircraft insurance;
6) ship insurance;
7) goods in transit insurance;
8) insurance of property against fire and natural elements (damages to property, other than the property referred to in Paragraph one, Clauses 3, 4, 5, 6 and 7 of this Article) caused by fire, explosion, nuclear energy, earth subsidence, etc.;
9) insurance of property against other damage to property (damages to property, other than the property referred to in Clauses 3, 4, 5, 6 and 7 of this Article, caused by hail, frost, theft, etc. except those referred to in Clause 8 of this Article);
10) motor vehicle third party liability insurance;
11) aircraft ownership liability insurance;
12) ship ownership liability insurance;
13) general liability insurance;
14) credit insurance;
15) suretyship insurance;
16) insurance against miscellaneous financial losses;
17) legal expenses insurance;
18) assistance insurance;
19) life assurance.
(2) Licences shall be issued for each class of insurance separately, complying with the conditions set out in Article 121 of this Law.
(21) Upon request of an insurance company or a branch of a non-Member State insurer, when receiving a licence, it shall include risks that the insurance company or the branch of the non-Member State insurer does not wish to insure.
(3) An issued licence may include additional conditions for the purpose of protection of the interests of the insured.

[1 June 2000; 16 December 2004]

Article 121. (1) An insurance company or a branch of a non-Member State insurer that has received a licence for the insurance of a risk of potential loss in any of the classes of insurance referred to in Article 12, Paragraph one of this Law, may insure risk pertaining to another class of insurance (additional risk) if the risk insured complies with all the conditions set out in this Paragraph:
1) is directly related to the insurance of a risk of potential loss in the class for which the licence has been received;
2) pertains to the same insurance object which is insured in the class of insurance for which the licence has been received;
3) is insured by one and the same insurance contract.
(2) Paragraph one of this Article shall not apply to the classes of credit insurance and suretyship insurance.
(3) Legal expenses may only be insured without obtaining a separate licence together with the assistance insurance and ship insurance if the conditions of Paragraph one of this Article have been met.
[1 June 2000; 16 December 2004]

Article 122. Insurance that under a concluded insurance contract stipulates immediate assistance to an insured person where the insured person has encountered difficulties during a foreign trip outside his/her home country shall be regarded as assistance insurance. Such assistance shall be payment of money or provision of a service to the insured. An insurer providing assistance insurance is entitled to use services provided by another person who has staff and equipment (including certified medical staff) required to ensure duly meeting of obligations under insurance contracts for this class of insurance.
[16 December 2004]

Article 13. (1) In order to obtain a licence to provide insurance, a newly-established insurance company shall submit to the Financial and Capital Market Commission the following documents:
1) an application for the issue of a licence for one or several classes of insurance;
2) copies of the memoranda of association and the articles of association;
3) a copy of the registration certificate of the insurance company;
4) a list of shareholders (members) and the structure of group.
5) a bank document certifying the payment of money for setting up the guarantee fund;
6) [26 February 2009];
7) the information concerning officials in accordance with the requirements of Articles 20, 21 and 23 of this Law;
8) an estimate of the expenses required for the launch of business and the information concerning the sources of funds to cover such expenses;
9) a scheme of operations for the first three years including:
a) characteristics of the planned insurance,
b) methods for tariff calculation,
c) methods for the calculation of technical provisions,
d) the ceded reinsurance and retrocession scheme,
e) the size of the guarantee fund as necessary for operations. The guarantee fund may not be used to cover expenses required for the launch of business,
f) draft account reflecting the financial situation at end of accounting period and draft financial statement for the accounting period;
10) a description of the basic elements of the internal control system and a description of the fundamental principles of policies and procedures of the internal control system including:

a) the organisational structure of the insurance company, indicating clearly the division of authorities and responsibilities of its managers, tasks of units and responsibilities of their managers,
b) the main principles of accountancy policies and accounting organisation,
c) the financial risk management policy,
d) a description of the management information system,
e) rules for the information system protection,
f) a description of the internal audit (control) system,
g) procedures for identifying unusual and suspicious financial transactions,
g) the procedure specified in Article 291 of this Law.
(2) In order to obtain a licence for other classes of insurance, an insurance company shall submit to the Financial and Capital Market Commission the following documents:
1) the documents referred to in Paragraph one, Clause 1of this Article;
2) an estimate of expenses necessary for the introduction of the new class of insurance and information concerning the sources of funds to cover such expenses;
3) a scheme of operations for one year in respect of the class of insurance for which a licence is requested, including the information referred to in Paragraph one, Clause 9, Sub-clauses a), b), c), d) and e) of this Article, as well as a draft profit and loss calculation and the planned amount of technical provisions.
(3) An insurance company intending to receive a licence for assistance insurance shall submit to the Financial and Capital Market Commission information concerning the funds at its disposal and the concluded contracts that ensure the provision of assistance to the insurer in conformity with the liabilities assumed for this class of insurance.
(4) An insurance company intending to receive a licence for motor vehicle third party liability insurance and planning to provide motor vehicle third party liability compulsory insurance shall submit to the Financial and Capital Market Commission attestation in writing that the insurance company is a member of the Motor Insurers' Bureau of Latvia and the relevant guarantee fund and a bank document certifying the single contribution to the guarantee fund of the motor vehicle third party liability compulsory insurance and shall notify of the name (name, surname) of representatives from the insurance company and their legal address in each Member State that takes a decision on insurance indemnity payments or refusal to pay insurance indemnities, as well as ensures insurance indemnity payments.
(5) If an insurance company is expelled or withdraws from the Motor Insurers' Bureau of Latvia or an analogous organisation in a Member State, the Financial and Capital Market Commission shall prohibit the insurance company from engaging in the business of motor vehicle third party liability compulsory insurance.
[1 June 2000; 27 March 2003; 26 November 2003; 17 June 2004; 16 December 2004; 9 June 2005; 12 June 2008; 26 February 2009; 10 December 2009]

Article 13.1 (1) The following may be a shareholder of a newly-established insurance company and a member of a newly-established mutual insurance cooperative society:
1) a natural person;
2) a legal (registered) person whose:
a) period of operation is under three financial years,
b) financial statements are prepared in accordance with the International Accounting (Financial Reporting) Standards, audited in accordance with the International Audit Standards and are accompanied by a report of a sworn auditor (financial statements of a legal person registered in a Member State may be prepared in accordance with the accounting standards effective in the relevant Member State);
3) the State or a local government.
(2) The persons referred to in Paragraph one of this Article shall have an impeccable reputation and free assets at least in the amount of the full prospective investment (share or unit acquisition transaction).

(3) When assessing the reputation of a person and the availability of free assets, the Financial and Capital Market Commission is entitled to verify the identity and the record of conviction of the persons referred to in Article 132 of this Law and the documents regarding free assets which enable the ascertaining of the availability of free assets in the amount of investments made as well as of verifying whether the invested assets have not been acquired as a result of unusual and suspicious transactions.
(4) Natural persons, as well as those legal persons whose shareholders (members) and owners (actual beneficiaries) – the natural persons referred to in Article 132 of this Law – are subject to Article 21, Paragraph one, Clauses 1, 2, 3 or 4 of this Law or who have performed duties of an executive board member or a supervisory board member in an insurance undertaking or a financial institution declared as insolvent during the performance of the said duties or who have performed duties of an executive board member or a supervisory board member in another company or, due to their negligence or deliberately, have lead this company to insolvency or bankruptcy subject to criminal prosecution, may not be shareholders of a newly-established insurance company and members of a newly-established mutual insurance cooperative society.
(5) If the Financial and Capital Market Commission does not receive or an insurance company refuses to provide the information specified in this Article, the Financial and Capital Market Commission shall not issue a licence to provide insurance.
[16 December 2004]

Article 13.2 The Financial and Capital Market Commission has the right to verify the identity of shareholders of a newly-established insurance company and members of a newly-established mutual insurance cooperative society, but where the shareholders of the newly-established insurance company and members of the newly-established mutual insurance cooperative society are legal persons, information regarding their shareholders (members) and owners (actual beneficiaries) until ultimate owners (actual beneficiaries) – natural persons – are clarified. The said persons have a duty to provide the Financial and Capital Market Commission with this information if such information is not available in public registers wherefrom the Financial and Capital Market Commission is entitled to receive such information.
[16 December 2004]

Article 13.3 (1) The Financial and Capital Market Commission shall consult with the supervisory authority of the relevant Member State prior to issuing a licence to provide insurance to a newly-established insurance company that is:
1) a subsidiary of a Member State insurer or reinsurer; or a subsidiary of a credit institution or an investment firm registered in a Member State;
2) a subsidiary to such parent company, which has other subsidiary that is a Member State insurer, a Member State reinsurer, or a credit institution or an investment firm registered in a Member State;
3) under control of such natural or legal person that exerts control over a Member State insurer or a Member State reinsurer, or a credit institution or an investment firm registered in a Member State.
(2) The Financial and Capital Market Commission prior to issuing a licence to provide insurance as well as while exercising supervision of the licensed insurance company shall consult with the supervisory authority of the relevant Member State to assess compliance of shareholders with the set requirements, as well as reputation and experience of board members, engaged in the management of such Member State insurer or Member State reinsurer, or a credit institution or an investment firm registered in a Member State which is included in the same group with relevant insurance company.
[9 June 2005; 12 June 2008; 12 June 2008]

Article 14. (1) The Financial and Capital Market Commission shall process an application for the

issue of a licence to provide insurance and take a decision within a 3-month period after the receipt of all the necessary documents;
(2) Financial and Capital Market Commission in compliance with the European Union regulatory requirements, shall suspend review of an application for the issue of a licence to provide insurance to a commercial company which parent company is not registered in a Member State.
(3) The period of suspension referred to in Paragraph two of this Article shall not exceed three months
[1 June 2000; 9 June 2005]

Article 15. (1) The Financial and Capital Market Commission shall not issue a licence for the provision of insurance in the cases as follows:
1) the insurance operations are not economically justified;
2) close links of the applicant with third parties may jeopardise its stability and prevent the Financial and Capital Market Commission from the performance of supervisory functions;
3) laws of another state and other regulatory enactments pertaining to persons who have close links with the applicant restrict the Financial and Capital Market Commission from the performance of supervisory functions;
4) the documents submitted by the applicant contain false or incomplete information;
5) one or more of the persons referred to in Article 20 and 23 of this Law do not comply with the requirements prescribed by law;
6) the Financial and Capital Market Commission determines that the financial resources invested in the share capital have been acquired through unusual or suspicious transactions, or the legal acquisition of such financial resources has not been proved documentarily;
7) it is impossible to ascertain the identity, impeccable repute, the availability of free assets of the applicant's shareholders (members) and their owners (actual beneficiaries) – natural persons, as well as to verify whether the free assets have not been acquired as a result of unusual and suspicious transactions;
8) the supervision of the applicant due to its organisational structure is impossible;
9) the planned activities of the applicant do not comply with the requirements of this Law and other regulatory enactments;
10) a plan for the financial situation improvement is being implemented.
(2) A decision of the Financial and Capital Market Commission to refuse to issue a licence shall be substantiated and it may be appealed before court within a one-month period after the receipt of the refusal.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 16. The Financial and Capital Market Commission has the right to cancel a licence issued to provide insurance in the cases as follows:
1) the insurance company or the branch of the non-Member State insurer has not started providing insurance within a 12-month period from the date of receipt of the licence;
2) the insurance company or the branch of the non-Member State has stopped providing insurance for a period exceeding 6 months;
3) the insurance company or the branch of the non-Member State violates this Law, Cabinet regulations related to it and instructions of the Financial and Capital Market Commission, or does not meet the conditions stipulated by the licence;
4) the insurance company or the branch of the non-Member State substantially violates other laws and regulatory enactments governing commercial activity;
5) the insurance company or the branch of the non-Member State renounces the licence;
6) the insurance company or the branch of the non-Member State does not take the measures provided for by the plan for the financial situation improvement;
7) the insurance company or the branch of the non-Member State cannot meet its liabilities;

8) the branch of the non-Member State does not implement the scheme of operations referred to in Article 10, Paragraph three, Clause 6 or the insurance company does not implement the scheme of operations referred to in Article 13, Paragraph one, Clause 9 of this Law and does not comply with other provisions of this Law as well as with the requirements of the regulatory enactments and ordinances issued by the Financial and Capital Market Commission which were determined for it for the purpose of obtaining the licence;
9) the insurance company or the branch of the non-Member State has not voluntarily and fully made payments to the Fund for the Protection of the Insured for more than two months after being given a warning from the Financial and Capital Market Commission regarding the cancellation of the licence;
10) the insurance company or the branch of the non-Member State is being liquidated.
(2) The Financial and Capital Market Commission shall provide information regarding the suspension and cancellation of a licence to provide insurance to the supervisory authority of the Member State insurer concerned.
(3) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the cancellation of a licence to provide insurance shall not suspend the execution of the act.
[1 June 2000; 27 March 2003; 17 June 2004; 16 December 2004]

Article 17. (1) If the Financial and Capital Market Commission has determined circumstances that allow taking a decision to cancel a licence issued to provide insurance, it may take a substantiated decision to suspend the validity of the licence.
(2) The period of suspension of the licence may not exceed 6 months.
(3) An insurance company or a branch of a non-Member State insurer may not conclude new contracts, increase insurance amounts or extend the term of insurance contracts in that class of insurance for the providing of which the operation of the licence issued has been suspended; but it shall continue to fulfil valid insurance contracts.
(4) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the cancellation of a licence to provide insurance shall not suspend the execution of the act.
[1 June 2000; 16 December 2004]

Article 18. (1) The Financial and Capital Market Commission may cancel licences for all or only separate classes of insurance. If a licence has been cancelled, the relevant insurance company or the branch of the non-Member State may not conclude new insurance contracts, increase insurance amounts or extend insurance contracts, but it shall proceed to fulfil valid insurance contracts.
(2) An insurance company or a branch of a non-Member State shall undergo liquidation, if licences for all the classes of insurance provided by it have been cancelled, except in cases where the insurance company, by way of reorganization or without undergoing reorganization, is transformed into a legal person that does not provide insurance. An insurance company is only entitled to, by way of reorganization or without undergoing reorganization, transform itself into a legal person that does not provide insurance with the permission of the Financial and Capital Market Commission.
(3) Where a transformation of an insurance company into a legal person that does not provide insurance is planned, the Financial and Capital Market Commission shall issue authorisation provided the insurance company has met all the liabilities under its insurance contracts.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 19. (1) When suspending or cancelling a licence issued to provide insurance, the Financial and Capital Market Commission is entitled to restrict actions of the insurance company or the branch of the non-Member State insurer with respect to its assets, payments and assuming of new liabilities.

(2) A decision to cancel a licence issued to provide insurance or suspend its validity may be appealed by an insurance company or a branch of a non-Member State insurer before court within a one-month period after the receipt of the decision.
(3) The Financial and Capital Market Commission shall without delay publish a notice of the cancellation of a licence issued to provide insurance or the suspension of its validity in the newspaper Latvijas Vēstnesis[1].
(4) The Financial and Capital Market Commission shall continue to supervise the insurance company or the branch of the non-Member State insurer until the insurance liabilities have been met in full or until the insurance company or the branch of the non-Member State is declared insolvent.
[1 June 2000; 27 March 2003; 16 December 2004]

Chapter III
Restrictions on Operations of an Insurer

Article 20. (1) The chairperson, members of the executive board, the head of the internal audit (inspection) service and chief actuary of an insurance company, the manager and chief actuary of a branch of a non-Member State insurer, as well as a person who, when taking essential decisions on behalf of the insurance company or the branch of the non-Member State insurer, causes civil liabilities for an insurance company or a branch of a non-Member State insurer may be a person who conforms to the following requirements:
1) [16 December 2004];
2) has sufficient competence in the field for which the said person is responsible, ensuring that the executive board of the insurance company is established so that the insurance company is able to provide insurance independently, professionally, qualitatively and in conformity with the requirements of the regulatory enactments regarding provision of insurance;
3) has the necessary education and appropriate professional experience of at least three years in the respective field;
4) has an impeccable reputation;
5) is not deprived, or has not been deprived, of the right to engage in business.
(2) Before the persons referred to in Paragraph one of this Article undertake their duties, the insurance company or the branch of the non-Member State insurer shall notify the Financial and Capital Market Commission thereof.
(3) An insurance company or a branch of a non-Member State insurer is obliged to, either itself or upon a proposal from the Financial and Capital Market Commission, without delay remove from office the person referred to in Paragraph one of this Article if it has been established that:
1) he or she does not qualify for the office held;
2) his or her actions have prejudiced the financial stability of the insurance company or the branch of the non-Member State insurer or have caused a situation that may jeopardise the financial stability of the insurance company or the branch of the non-Member State insurer or interests of insurance policyholders;
3) he or she does not comply with the policies, procedures, proceedings, programmes and regulations of the insurance company or the branch of the non-Member State insurer;
4) he or she does not comply with the requirements of Paragraph one of this Article and Article 21 of this Law.
(4) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Article shall not suspend the execution of the act.
[1 June 2000; 27 March 2003; 16 December 2004; 24 November 2005]

[1] The official Gazette of the Government of Latvia.

Article 21. The chairperson, members of the executive board, the head of the internal audit (inspection) service and chief actuary of an insurance company, the manager and chief actuary of a branch of a non-Member State insurer, as well as a person who, when taking essential decisions on behalf of the insurance company or the branch of the non-Member State insurer, causes civil liabilities for an insurance company or a branch of a non-Member State insurer may not be a person who:
1) has been convicted of committing an intentional a criminal offence, also of reckless bankruptcy;
2) has been convicted of committing an intentional criminal offence, although the person has been released from serving the sentence because of a limitation period, clemency or amnesty;
3) against whom the criminal case initiated regarding the committing of an intentional criminal offence has been terminated due to a limitation period or amnesty;
4) has been held to criminal liability for committing an intentional criminal offence, but the criminal matter against him or her has been terminated on the basis of non-rehabilitation.
(2) An insurance company or a non-Member State insurer is obliged to, either itself or upon a proposal from the Financial and Capital Market Commission, without delay, remove from office the persons referred to in Paragraph one of this Article if Paragraph one, Clauses 1, 2, 3 or 4 of this Article apply to them.
(3) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Article shall not suspend the execution of the act.
[27 March 2003; 16 December 2004; 24 November 2005]

Article 212. Documents to be submitted to the Financial and Capital Market Commission that certify the fulfilment of the requirements of Article 21, Paragraph one of this Law may not be older than three months.
[16 December 2004]

Article 22. (1) The office of a member of the supervisory board of an insurance company may be held by a person who complies with the requirements of Article 20, Paragraph one, Clauses 2, 3, 4 and 5 of this Law. The person to whom the requirements of Article 21, Paragraph one, Clauses 1, 2, 3 or 4 of this Law apply may not hold the office of a member of the supervisory board of an insurance company.
(2) A meeting of shareholders (members) is obliged to, either itself or upon a proposal from the Financial and Capital Market Commission, without delay remove from office the person referred to in Paragraph one of this Article, if it has been established that he or she does not qualify for the office held, his or her actions have prejudiced the financial stability of the insurance company or have caused a situation that may jeopardise the financial stability of the insurance company or the interests of insurance policyholders as well as if he or she does not comply with the requirements set out in this Article.
(3) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Article shall not suspend the execution of the act.
[27 March 2003; 16 December 2004; 24 November 2005]

Article 23. An insurance company or a branch of a non-Member State insurer providing life assurance and any class of civil liability insurance shall employ a chief actuary whose minimum qualification requirements shall be determined by the Financial and Capital Market Commission.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 24. (1) To ascertain the compliance of the persons referred to in Article 20, Paragraph one and Article 22 of Paragraph one of this Law with the requirements of this Law, the Financial

and Capital Market Commission has the right to invite the persons referred to in Article 20, Paragraph one and Article 22 of Paragraph one of this Law for talks.
(2) The Financial and Capital Market Commission, within a 30-day period of the receipt of all documents required, has the right to prevent the persons referred to in Article 20, Paragraph one and Article 22 of Paragraph one of this Law from performing duties entrusted to him/her in an insurance company or in a branch of a non-Member State insurer if he or she does not comply with the requirements of this Law or the Financial and Capital Market Commission may not ascertain his or her compliance with the requirements of this Law.
(3) The Financial and Capital Market Commission shall determine the documents to be submitted and the procedure as to how assess the compliance of the persons referred to in Article 20, Paragraph one and Article 22 of Paragraph one of this Law with the requirements of this Law.
[16 December 2004; 9 June 2005]

Article 24.1 [16 December 2004; 14 June 2007]

Article 25. [March 2003]

Article 251. The Financial and Capital Market Commission has the right to request from insurers samples of insurance policies to assess the compliance of the insurance policies with the requirements of the Insurance Contract Law.
[16 December 2004]

Article 252. (1) A qualifying holding in an insurance company may only be acquired by a person who complies with the requirements of Article 131 of this Law and ensures meeting of the conditions under Article 132 and criteria set in Paragraph five of Article 26; moreover, such person shall be financially stable for at least the last three years so that, where required, the person is able to make additional investments for the renewal of the insurance company's available solvency margin by ensuring the compliance of the insurance company's guarantee fund and the required solvency margin with the requirements of law and the requirements regulating the operation of insurance companies.
(2) The Financial and Capital Market Commission has the right to request information from persons who apply for a qualifying holding (persons who have actually acquired a qualifying holding or who are suspected of having acquired a qualifying holding), including owners of legal (registered) persons (actual beneficiaries) – natural persons – in order to assess compliance of such persons with the criteria set in Paragraph five of Article 26.
(3) The Financial and Capital Market Commission has the right to identify shareholders of legal persons who apply for a qualifying holding (who have actually acquired a qualifying holding or who are suspected of having acquired a qualifying holding) and owners (actual beneficiaries) until ultimate owners (actual beneficiaries) – natural persons – are clarified. For the identification of such persons, the said legal persons have a duty to submit to the Financial and Capital Market Commission the information required by it if such is not available in public registers wherefrom the Financial and Capital Market Commission is entitled to receive such information.
(4) If persons who are suspected of having acquired a qualifying holding in an insurance company do not provide or refuse to provide the information referred to in Paragraphs two and three of this Article and their holding in the aggregate exceeds 10 and more per cent of the share capital or the number of voting shares of the insurance company, such shareholders may not exercise the voting rights attaching to all their shares. The Financial and Capital Market Commission shall, without delay, inform the relevant shareholders and insurance company thereof.
[16 December 2004; 26 February 2009]

Article 26. (1) Any person intending to acquire a qualifying holding in an insurance company shall first notify the Financial and Capital Market Commission thereof in writing. The notification shall include information on the size of the intended holding as a percentage of the insurance company's share capital or the number of voting shares. Information required for evaluating compliance of a person with criteria set in Paragraph five of this Article as stipulated in regulatory requirements of the Financial and Capital Market Commission shall be attached to the notification. List of information to be attached to the notification shall be published on the official website of the Financial and Capital Market Commission.
(2) If a person intends to increase its qualifying holding, reaching or exceeding 20, 33 or 50 per cent of the share capital or the number of voting shares of the insurance company, or if the insurance company becomes a subsidiary of such person, the person shall first notify the Financial and Capital Market Commission thereof in writing. The notification shall include information on the size of the intended holding as a percentage of the insurance company's share capital or the number of voting shares. Information required for evaluating compliance of a person with criteria set in Paragraph five of this Article as stipulated in regulatory requirements of the Financial and Capital Market Commission shall be attached to the notification. List of information to be attached to the notification shall be published on the official website of the Financial and Capital Market Commission.
(3) The Financial and Capital Market Commission, within two working days of receipt of the notification referred to in Paragraph one or two of this Article, or in two days from receipt of required additional information shall in writing notify the person of receipt of the notification or additional information and the date of the expiry of the assessment period.
(4) The Financial and Capital Market Commission during an assessment period determined in Paragraph five of this Article and no later than on the 50th working day of the assessment period, shall be entitled to request additional information about the persons referred to in this Article for further assessment of compliance of those persons with criteria set in Paragraph five of this Article.
(5) The Financial and Capital Market Commission, no later than within 60 working days from sending information to the person about receipt of the notification referred to in Paragraph three of this Article, shall assess the availability of free assets, their financial stability and financial soundness of the intended acquisition, to ensure the sound and prudent management of the insurance company in which the person has intended an acquisition, as well as the likely influence of the person on the management and activities of insurance company. During the assessment process, the Financial and Capital Market Commission shall consider also the following criteria:
1) an impeccable reputation of the person and compliance with requirements set for shareholders of a newly-established insurance company;
2) an impeccable reputation and professional experience of the person who will direct the business of the insurance company as a result of intended acquisition;
3) financial soundness of the person in particular regarding to the type of business activities pursued or intended in the insurance company in which the acquisition is intended;
4) whether the insurance company will be able to comply with the regulatory requirements of this Law and other rules and laws, and whether a structure of the undertaking group of which it will become a part does not limit capacity of the Financial and Capital Market Commission to exercise supervision functions as provided in the law, to ensure effective exchange of information among the supervisory authorities and determine the allocation of responsibilities among the insurer supervisory authorities;
5) whether there are reasonable grounds to suspect that, in connection with the intended acquisition, money laundering or terrorist financing has been committed or attempted, or that the intended acquisition could increase the risk thereof.

If the Financial and Capital Market Commission interrupts the assessment period in accordance with Paragraph six of this Article, this interruption period shall not be included in the assessment period.
(6) When requesting additional information referred to in Paragraph four of this Article, the Financial and Capital Market Commission may only once interrupt the assessment period until the day when information has been received, but not exceeding 20 working days. The Financial and Capital Market Commission shall be entitled to extend interruption of the assessment period up to 30 working days, if the person intending to acquire, has acquired or intending increase or has increased its qualifying holding in an insurance company is not subject to supervision of insurance companies, reinsurers, credit institutions, investment management companies or investment firms or the person's home (registration) country is not in a Member State.
(7) The Financial and Capital Market Commission within a time period referred to in Paragraph five of this Article shall adopt a decision preventing the person from acquisition of increasing a qualifying holding in an insurance company if:
1) the person does not meet criteria referred to in Paragraph five of this Article;
2) the person does not provide or refuses to provide information as provided for in this Law to the Financial and Capital Market Commission or additional information required by the Financial and Capital Market Commission;
3) the person cannot obtain information as provided for in this Law or additional information required by the Financial and Capital Market Commission for reasons not attributable to the person.
(8) The Financial and Capital Market Commission within two working days, not exceeding the assessment period determined in Paragraph five of this Article, upon making a decision referred to in Paragraph seven of this Article shall send it to the person who is prevented from acquiring or increasing its qualifying holding in an insurance company.
(9) In case the Financial and Capital Market Commission does not send to the person a decision preventing the person from acquiring or increasing its qualifying holding in an insurance company within the time period referred to in Paragraph five of this Article, it shall be deemed that it has agreed to acquiring or increasing its qualifying holding in an insurance company by the person.
(10) The provisions of Paragraph five, Clause 3 of this Article shall not apply to a legal person if its shares are quoted on a regulated market of the Republic of Latvia or another Member State or on a regulated market whose organiser is a full-fledged member of the Federation of International Stock Exchanges and this legal person submits to the Financial and Capital Market Commission information on its shareholders having a qualifying holding in it.
(11) The Financial and Capital Market Commission in compliance with the European Union regulatory requirements shall suspend review of a notification for a period not exceeding three months in cases where a commercial company, which is not registered in a Member State, has intended to become a parent company of an insurance company.
(12) If the Financial and Capital Market Commission has given its consent to the acquisition or increase of a qualifying holding by a person, this person shall acquire or increase its qualifying holding in the insurance company not later than within six months of submitting information on the notification or receipt of additional information referred to in Paragraph three of this Article. If, by the end of the said term, the person has not acquired or increased its qualifying holding in the insurance company, the consent given by the Financial and Capital Market Commission to the acquisition or increase of its qualifying holding becomes invalid. Upon receipt of a substantiated application in writing from the person the Financial and Capital Market Commission may decide on extending the said term.
(13) Filing of an appeal against the administrative act issued by the Financial and Capital Market Commission referred to in Paragraph seven of this Article shall not suspend the execution of the act.
[16 December 2004; 9 June 2005; 26 February 2009; 10 December 2009]

Article 27. When evaluating notifications referred to in Article 26, Paragraphs one and two of this Law, the Financial and Capital Market Commission shall consult with the supervisory authorities of the relevant Member State, if the acquirer of the qualifying holding is a Member State insurer, a reinsurer, a credit institution registered in a Member State, an investment management company, an investment firm, or a parent company of a Member State insurer, a Member State reinsurer, a credit institution registered in a Member State, an investment management company registered in a Member State or an investment firm registered in a Member State, or a person that exerts control over a Member State insurer, a Member State reinsurer, a credit institution registered in a Member State, an investment management company registered in a Member State or an investment firm registered in a Member State, and if, upon the acquisition or increase by the relevant person of the qualifying holding, the insurance company becomes a subsidiary of this person or becomes subject to its control.
[16 December 2004; 9 June 2005; 12 June 2008; 26 February 2009]

Article 28. If a person intends to terminate its qualifying holding in an insurance company, it shall notify of this decision in writing beforehand by submitting an application to the Financial and Capital Market Commission. The application shall include the part of the insurance company's share capital or the number of voting rights shares remaining for the person as a percentage. If a person intends to decrease its qualifying holding under 20, 33 or 50 per cent of the insurance company's share capital or the number of voting rights shares, or if the insurance company ceases to be a subsidiary of this person, it shall notify of this decision in writing beforehand by submitting an application to the Financial and Capital Market Commission.
[27 March 2003]

Article 281. (1) An insurance company shall, without delay, as soon as it has found out about it, notify in writing, submitting an application to the Financial and Capital Market Commission, regarding the acquisition, increase or decrease of the qualifying holding of any person. The application shall include the size of the relevant person's holding as a percentage of the insurance company's share capital or the number of voting shares, or the information regarding the termination of the qualifying holding.
(2) An insurance company, in submitting to the Financial and Capital Market Commission an annual report pursuant to the procedures prescribed by law, shall concurrently submit a list of all those shareholders who have a qualifying holding in the insurance company. It shall include the information to be contained in a list of shareholders to be prepared in accordance with law for a shareholders' meeting and the size of the relevant shareholders' qualifying holding as a percentage of the insurance company's share capital or the number of voting shares.
[27 March 2003]

Article 282. (1) If the influence of shareholders of an insurance company on the insurance company jeopardises or may jeopardise financially stable, prudent management and operation compliant with regulatory enactments or a person having acquired a qualifying holding does not comply with the requirements set for shareholders of a newly-established insurance company, it is not financially stable or does not provide or refuses to provide the information referred to in Article 252, Paragraphs two and three of this Law, the Financial and Capital Market Commission is entitled to:
1) request immediate discontinuance of such influence;
2) request removal from office of the insurance company's executive board (supervisory board) or any executive board (supervisory board) member;
3) prohibit the shareholders from exercising the voting rights attaching to all the shares owned by them.
(2) A shareholder has no right to exercise the voting rights attaching to all the shares owned by the shareholder in an insurance company and the decisions of a shareholders' meeting adopted

by exercising the voting rights of such shares shall be invalid from the moment of their adoption and no entries on the basis of such decisions in the Commercial Register or other public registers may be requested if:
1) the Financial and Capital Market Commission in cases provided for by this Law has prohibited the person from exercising the voting rights attaching to shares owned by it;
2) the person has acquired or increased a qualifying holding in the insurance company prior to submitting the notification referred to in Article 26, Paragraphs one and two of this Law to the Financial and Capital Market Commission;
3) the person has acquired or increased a qualifying holding in the insurance company during the period of processing the notification referred to in Article 26, Paragraphs one and two of this Law;
(3) If a shareholder of an insurance company is prohibited from exercising the voting rights attaching to shares owned by it in the insurance company, the total number of the decision-making power shares shall be calculated as all voting shares less those shares the exercise of the voting rights attaching to which is prohibited.
(4) The provisions of this Law regarding a qualifying holding shall not apply to a shareholder of an insurance company whose qualifying holding in the insurance company arises from the prohibition imposed on another shareholder against the exercise of voting rights.
(5) Filing of an appeal against the administrative act issued by the Financial and Capital Market Commission that is referred to in Paragraph one of this Article shall not suspend the execution of the act.
[16 December 2004]

Article 283. (1) In determining the size of a holding acquired by a person in an insurance company indirectly, the following voting rights acquired by the person (hereinafter - the relevant person) in the insurance company shall be taken into account:
1) voting rights which a third person is entitled to exercise and with which a relevant person has entered into an agreement delegating responsibilities to coordinate exercising voting rights and agreeing on long-term action policy regarding management of relevant issuer;
2) voting rights which a third person is entitled to exercise under an agreement entered into with a relevant person and that envisages temporary transfer of the voting rights;
3) voting rights arising out of shares received by the relevant person as security, if the relevant person is entitled to exercise voting rights and has notified of its intention to exercise them;
4) voting rights which the relevant person is entitled to exercise for an unlimited time period;
5) voting rights that the commercial company under the control of the relevant person is entitled to exercise or that such commercial company is entitled to exercise pursuant to conditions referred to in Clauses 1, 2, 3 and 4 of this Paragraph;
6) voting rights arising out of shares transferred into the possession of the relevant person and which the relevant person is entitled to exercise at its own discretion unless any specific assignments given;
7) voting rights arising out of shares held in the name of a third person and for the benefit of the relevant person;
8) voting rights which the relevant person may realize as an authorized person where it is entitled to exercise voting rights at its own discretion unless any specific assignments given;
9) voting rights arising out of shares acquired by the relevant person in any other indirect way.
(2) A person who intends to indirectly acquire, has acquired, intends to increase or has increased a qualifying holding in an insurance company, upon request of the Financial and Capital Market Commission, shall submit to it information that allow ascertaining the compliance of the relevant person with the requirements of Chapters II and III of this Law.
[27 March 2003; 16 December 2004; 14 June 2007]

Article 284. Investment funds and similar establishments are not entitled to acquire a qualifying holding in an insurance company.

[16 December 2004]

Article 29. (1) Unless otherwise provided by law, an insurer has an obligation not to disclose information on the policyholder and the insured.
(2) In order to reduce the risk of the insurer's operations and avoid fraud, an insurer has the right to, directly or through a specially established authority, exchange information concerning insured persons and valid insurance policies.
[16 December 2004; 14 June 2007]

Article 291. An insurer is obliged to formulate in writing and comply with the internal procedures, according to which:
1) in providing insurance services, an honest and open attitude towards the policyholder, the insured and the person who is entitled to apply for indemnity under an insurance contract shall be ensured,
2) the insurer shall provide:
a) to a policyholder information requested by the policyholder regarding the insurance transaction concluded between the insurer and the relevant policyholder;
b) to the insured and the person who is entitled to apply for indemnity under an insurance contract information requested by them with respect to the right of these persons to receive insurance indemnity and their obligations against the insurer;
c) information regarding the term (not exceeding 30 days), within which the said information is to be provided;
3) the insurer shall ensure the preclusion of possible conflict of interest of its employees in receiving and using information required for insurance transactions.
[27 March 2003; 16 December 2004]

Article 292. (1) If a person who is entitled to apply for indemnity under an insurance contract submits a request in writing, the insurer or the Member State insurer providing insurance services under the freedom to provide services shall familiarise the person with such documents available to it as substantiate the decision to pay insurance indemnity to this person or the refusal to pay insurance indemnity or shall issue copies thereof. A person who is entitled to apply for indemnity under an insurance contract has the right to receive copies of the documents referred to in this Paragraph for a fee not exceeding their photocopying expenses.
(2) An insurer or a Member State insurer providing insurance services under the freedom to provide services is not obliged to familiarise with documents and issue copies of such documents in accordance with the procedures prescribed in Paragraph one of this Article if, due to the occurrence of the insured risk circumstances, the insurer or the Member State insurer has submitted the documents to law enforcement institutions within the limits of a criminal proceeding.
(3) An insurer or a Member State insurer providing insurance services under the freedom to provide services, having familiarised with the documents substantiating its decision to pay insurance indemnity or the refusal to pay insurance indemnity, has the right to request the person entitled to apply for indemnity under an insurance contract to sign certification in writing including the documents with which the person has been familiarised. If a person entitled to apply for indemnity under an insurance contract refuses to sign the certification specified in this Paragraph, it shall be signed by the insurer or the Member State insurer, with a special note of the refusal by the said person to sign the certification.
(4) An insurer or a Member State insurer providing insurance services under the freedom to provide services shall be obliged to review a written claim by a policyholder, the insured or a person entitled to apply for insurance indemnity in writing under an insurance contract regarding inadequate service that does not meet terms and conditions of insurance contract and provide a substantiated written reply not later than within a 30-day period after receipt of application.
[16 December 2004, 29 May 2008]

Article 29.3 (1) An insurer shall provide the Bank of Latvia with information regarding its debtors and their warrantors, their liabilities and the performance of their obligations in the amount and in accordance with the procedures prescribed by the regulations approved by the Bank of Latvia.
(2) The Bank of Latvia shall accumulate and store the information referred to in Paragraph one of this Article in the Credit Register which has been set up and operated in accordance with the regulations approved by the Bank of Latvia.
(3) The amount of information and the procedure according to which the information held in the Credit Register shall be provided to the debtor, their warrantor, the Financial and Capital Market Commission, insurer, as well as other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities shall be prescribed by the Bank of Latvia.
(4) An insurer as well as other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities has an obligation not to disclose information obtained from the Credit Register to third persons, except the person about whom information is received.
(5) To cover the Credit Register maintenance expenses, an insurer and the Financial and Capital Market Commission shall pay for the use of Credit Register to the Bank of Latvia. Other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities shall make payments for the use of Credit Register to the Bank of Latvia every time upon receipt data from the Credit Register to cover the Credit Register maintenance expenses related to information receipt. The amount and procedure for payment shall be prescribed by the Bank of Latvia.
(6) If an insurer does not comply with the requirements of Paragraph one of this Article or groundlessly requires information from the Credit Register, the Bank of Latvia is entitled to impose a penalty not exceeding 5 000 lats on the insurer;
(7) The Bank of Latvia shall use the Credit Register information for the purposes of performance of functions prescribed in the law. The Bank of Latvia shall be entitled to partially cover the Credit Register maintenance expenses.
(8) If before starting tax audit the State Revenue Service has reasonable grounds to consider that a natural person's (resident) expenses could exceed income, a director general of the State Revenue Service or a deputy director general, or a head of structural unit or their deputy for tax administration authorized by director general shall be entitled to request in writing data from the Credit Register during the tax audit for the purposes of analysis, i.e. information about the type of debtor's liabilities, initial and maturity date, the amount, balance and currency code, as well as creditor's data. The Bank of Latvia shall provide the State Revenue Service with such information about the relevant natural person (resident) from the Credit Register in writing and free of charge without delay but no later than in 14 days upon receipt of request from the State Revenues Service.
[14 June 2007; 29 May 2008; 23 September 2010]

Chapter IV
Available Solvency Margin and Cover for Priority Claims
[16 December 2004]

Article 30. (1) An insurance company or a branch of a non-Member State insurer is required to constantly maintain an adequate available solvency margin to ensure the stability of financial activities of the insurance company or the branch of the non-Member State insurer. Procedures regarding calculation of the available solvency margin shall be determined by the Financial and Capital Market Commission.
(2) An insurance company or a branch of a non-Member State insurer shall, without delay, inform the Financial and Capital Market Commission of the reasons for a decrease in the

available solvency margin if it decreases by 10 per cent and more as compared to the amount of the available solvency margin indicated in the previous financial statement.
[27 March 2003; 16 December 2004]

Article 31. (1) In order to assess the stability of the financial situation of an insurance company or a branch of a non-Member State insurer, the available solvency margin of the insurance company or the branch of the non-Member State insurer shall be compared to the required solvency margin.
(2) The required solvency margin is an amount estimated in accordance with the procedures determined by the Financial and Capital Market Commission. The required solvency margin may not be less than the minimum size of the guarantee fund.
(3) [16 December 2004]
(4) The Financial and Capital Market Commission may determine a greater required solvency margin for an insurance company or a branch of a non-Member State insurer if:
1) the insurance company or the branch of the non-Member State insurer has been requested to prepare a plan for the financial situation improvement as set out in Article 59 of this Law;
2) the insurance company or the branch of the non-Member State insurer substantially decreases or discontinues insurance (reinsurance);
3) the type of a ceded reinsurance and retrocession agreements of an insurance company or a branch of non-Member State insurer and reinsurance conditions has not materially changed since the previous financial year;
4) there are no ceded risks or the amount of ceded risks is insignificant in accordance with ceded reinsurance and retrocession agreements of an insurance company or a branch of a non-Member State insurer
(5) an insurance company or a branch of a non-Member State insurer shall continually control the compliance with requirements of this law.
[1 June 2000; 27 March 2003; 16 December 2004; 12 June 2008]

Article 311. (1) A branch of a non-Member State insurer shall place a security deposit of at least 25 per cent of the minimum size of the guarantee fund with a credit institution registered in the Republic of Latvia. The deposit shall be freely available, it may not be encumbered, and its transfer is possible only with the permission of the Financial and Capital Market Commission. The amount of the security deposit shall be taken into account in calculating the non-Member State insurer's available solvency margin.
(2) A branch of a non-Member State insurer shall invest the available solvency margin in the amount of the estimated required solvency margin in Member States (including in the amount of the guarantee fund – in the Republic of Latvia) in the assets set out in Article 42, Paragraph one of this Law.
[16 December 2004]

Article 31.2 (1) If a non-Member State insurer, which has opened branches in several Member States, has obtained consent of the Financial and Capital Market Commission and supervisory authorities of relevant Member States regarding compliance with provisions referred to in this Paragraph, it shall:
1) calculate total required solvency margin and available solvency margin for branches of non-Member State insurer including financial ratios of those branches of non-Member State insurer where relevant supervisory authorities have given their consent;
2) security deposit referred to in Paragraph one of Article 31.1 of this Law shall be deposited only in that Member State which supervisory authority shall exercise supervision of compliance with total solvency requirements for branches;
3) available solvency margin referred to in Paragraph two of Article 31.1 of this Law shall be invested in any of Member States where a non-Member State insurer has opened a branch.

(2) In case of obtaining consent referred to in Paragraph one of this Article, the calculation of total required solvency margin and available solvency margin for a branch of non-Member State insurer registered in the Republic of Latvia shall not be performed.
(3) To obtain consent referred to in Paragraph one of this Article, a non-Member State insurer shall submit to all relevant Member States supervisory authorities an application indicating the supervisory authority of the Member State which will perform supervision of compliance with total solvency requirements for branches.
(4) Provisions referred to in paragraph one of this Article shall take effect only in case of consent given by all the Member States to which a non-Member State insurer has submitted an application and the supervisory authority of a Member State indicated in the application has notified other supervisory authorities of relevant Member States that it will perform supervision of compliance with total solvency requirements for branches.
(5) The Financial and Capital Market Commission shall provide the supervisory authority indicated in the application with all the information required to perform supervision of compliance with total solvency requirements for branches.
(6) Provisions of Paragraph one of this Article shall be cancelled in case any of relevant Member State supervisory authorities require such cancellation.
[12 June 2008]

Article 32. (1) The guarantee fund shall be the biggest figure of the following two figures:
1) one third of the estimated required solvency margin;
2) the minimum size of the guarantee fund.
(11) The minimum size of a guarantee fund shall be:
1) EUR 3.5 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia for commercial companies which provide insurance for the classes referred to in Article 12, Paragraph one, Clauses 10, 11, 12, 13, 14, 15 and 19 of this Law while for other commercial companies, EUR 2.3 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia;
2) EUR 2.7 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia for mutual insurance cooperative societies which provide insurance for the classes referred to in Article 12, Paragraph one, Clauses 10, 11, 12, 13, 14, 15 and 19 of this Law while for other mutual insurance cooperative societies, EUR 1.8 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia;
3) in the amount of 100 per cent of the amount specified by Paragraph 11, Clause 1 of this Article for a branch of a non-Member State insurer.
4) EUR 3.2 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia for insurance companies which provide reinsurance, if it conforms to any of the following characteristics:
a) annual reinsurance premiums received by an insurance company exceed 10 per cent of total insurance and reinsurance premiums received,
b) annual reinsurance premiums received by an insurance company exceed EUR 50 million equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia,
c) technical provisions set up by an insurance company in accordance with reinsurance contracts exceed 10 per cent of its total technical provisions set up in accordance with insurance and reinsurance contracts.
(12) The minimum size of the guarantee fund set out in Paragraph 11 of this Article which is expressed in euro shall be reviewed once a year and indexed if, according to the information provided by the Eurostat Statistical Office of the European Communities, the consumer price index in European Economic Area Member States has increased by five per cent or more. The amount of the increase in the minimum guarantee fund shall be rounded up to a multiple of EUR 100 000. A decision on effecting indexation and on the amount of the increase in the minimum guarantee fund in the respective year shall be notified to the European Commission. (2) Only

monetary resources may be invested by an insurance company in share capital, with the exception of cases where the reorganization of the insurance company takes place.
(3) When establishing an insurance company, its available solvency margin may not be less than the minimum size of the guarantee fund.
[27 March 2003; 16 December 2004; 14 June 2007; 12 June 2008; 10 December 2009]

Article 33. [27 March 2003]

Article 34. If the amount of the available solvency margin of an insurance company or a branch of a non-Member State insurer is less than the estimated required solvency margin but bigger than the guarantee fund, the insurance company or the branch of the non-Member State insurer shall submit to the Financial and Capital Market Commission for coordination a plan for the renew of the amount of the available solvency margin up to the estimated required solvency margin.
[1 June 2000; 16 December 2004; 24 November 2005]

Article 35. If the amount of the available solvency margin of an insurance company or a branch of a non-Member State insurer is less than the guarantee fund, the insurance company or the branch of the non-Member State insurer shall submit to the Financial and Capital Market Commission for coordination a plan for the immediate renew of the amount of the available solvency margin up to the size of the guarantee fund.
[1 June 2000; 16 December 2004; 24 November 2005]

Article 351. (1) Priority claims shall be insurance premiums paid by policyholders in advance and the claims set out in Article 75, Paragraph one, Clauses 2 and 3 of this Law.
(2) An insurance company or a branch of a non-Member State insurer shall ensure that the amount of possible priority claims set out in Paragraph one of this Article is known at any moment.
(3) Possible priority claims shall at all times be fully covered by the following assets:
1) the assets set out in Article 42, Paragraph one, Clauses 1, 2, 3, 4, 5 and 6 of this Law subject to the requirements of Article 42, Paragraph two of this Law;
2) cash in hand.
[16 December 2004]

Article 36. [27 March 2003]

Article 37. [27 March 2003]

Article 38. [27 March 2003]

Chapter V
Technical provisions

Article 39. (1) Technical provisions shall be set up in the same currency in which the insurance company or the branch of the non-Member State insurer has undertaken liabilities arising from concluded insurance contracts and reinsurance contracts.
(2) The amount of technical provisions shall be sufficient for the insurer to fully meet its liabilities arising from insurance and reinsurance and to provide for the stability of its financial activities. The management of an insurance company or a branch of a non-Member State insurer shall formulate and approve procedures for technical provision formation and be liable for the compliance with such procedures. The insurance company or the branch of the non-Member State insurer shall submit the procedures for technical provision formation in writing to the

Financial and Capital Market Commission within a 10-day period of the approval of such procedures, as well as notify of all changes thereof.
(3) The insurance company or the branch of the non-Member State insurer shall calculate technical provisions for each insurance contract or group of contracts separately.
(31) The insurance company or the branch of the non-Member State insurer shall continually control adequacy of technical provisions as to meet obligations arising out of insurance and reinsurance contracts.
(4) Profits of the insurance company or the branch of the non-Member State insurer shall be reduced by the amount transferred to technical provisions during the year. Profits, however, shall be increased by the amount deducted from technical provisions during the year and this amount shall be credited to the income of the insurance company or the branch of the non-Member State insurer.
[1 June 2000; 27 March 2003; 16 December 2004; 12 June 2008]

Article 40. (1) An insurance company or a branch of a non-Member State insurer providing insurance for the class of insurance referred to in Article 12, Paragraph one, Clause 19 of this Law shall set up life assurance technical provisions. An insurance company or a branch of a non-Member State insurer which has concluded a unit-linked life assurance contract shall set up technical provisions for unit-linked life assurance contracts.
(2) An insurance company or a branch of a non-Member State insurer providing insurance for the classes of insurance referred to in Article 12, Paragraph one, Clauses 1-18 of this Law shall set up:
1) technical provisions for unearned premiums;
2) technical provisions for deferred insurance indemnities pertaining to cases:
a) for which an insurance indemnity application has been received, but the insurance indemnity has not yet been paid out or has not been paid in full;
b) which have taken place but for which an insurance indemnity application has not yet been received.
(3) An insurance company or a branch of a non-Member State insurer providing insurance for the class of insurance set out in Article 12, Paragraph one, Clause 14 of this Law shall, in addition to the technical provisions referred to in Paragraph two of this Article, set up an equalisation reserve in accordance with the procedures prescribed by the Financial and Capital Market Commission.
(4) An insurance company or a branch of a non-Member State insurer providing insurance for the classes of insurance set out in Article 12, Paragraph one, Clauses 1-18 of this Law may, in order to ensure the compliance with the requirements of Article 39 of this Law and taking into account the particular nature of the classes of insurance, in addition to the technical provisions referred to in Paragraph two of this Article, set up the following technical provisions for:
1) an equalisation reserve;
2) an unexpected risk reserve.
(5) An insurer providing insurance for the class of insurance set out in Article 12, Paragraph one, Clause 19 of this Law may, in order to ensure the compliance with the requirements of Article 39 of this Law and taking into account the particular nature of the class of insurance, in addition to the technical provisions referred to in Paragraph one of this Article, set up technical provisions for gratuities.
(6) When protecting interests of the insured, the Financial and Capital Market Commission is entitled to request an insurance company or a branch of a non-Member State insurer to set up technical provisions of a particular type.
(7) The Financial and Capital Market Commission shall issue regulatory enactments regarding methods for calculation of technical provisions.
[27 March 2003; 16 December 2004]

Article 401. (1) Technical provisions must be continuously covered to the full amount by technical provision cover. An insurance company or a branch of a non-Member State insurer shall continually control compliance with above requirement.
(2) Cover for technical provisions and technical provisions shall be matched by currencies.
(3) The Financial and Capital Market Commission shall set forth the permitted deviations in matching the technical provisions with the cover for technical provisions by currencies.
(4) The Financial and Capital Market Commission is entitled to cancel a licence of an insurance company or a branch of a non-Member State insurer if the technical provisions have not been covered in full by the assets compliant with the requirements of this Law.
[27 March 2003; 16 December 2004; 12 June 2008]

Chapter VI
Investments of an Insurer

Article 41. (1) Investments of an insurance company or a branch of a non-Member State insurer must be safe, diverse, liquid and profit earning so that they ensure the financial stability of the insurance company or branch of the non-Member State insurer and guarantee the meeting of liabilities under insurance contracts. The management of the insurance company or branch of the non-Member State insurer shall formulate and approve investment-making procedures and conditions and be responsible for the compliance with this procedure and conditions. The management of the insurance company or the branch of the non-Member State insurer shall, at least once a year, review investment-making procedures and conditions, matching them by types of investment, a geographical breakdown, counterparties and markets [financial instruments market (regulated, unregulated), real estate market]. Prior to transactions in derivative financial instruments, the management of the insurance company or branch of the non-Member State insurer shall formulate and approve procedures for the use of derivative financial instruments which shall be in line with the basic activity of the insurance company or branch of the non-Member State insurer, its investment-making procedures including adequate risk management.
(2) [16 December 2004]
(3) If insurance objects related to risks insured are situated in a Member State, assets accepted as cover for technical provisions shall be invested in Member States.
(4) Only assets invested in the Republic of Latvia may be accepted by a branch of a non-Member State insurer as cover for technical provisions.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 411. [27 March 2003]

Article 42. (1) Only the following assets may be accepted as cover for technical provisions:
1) bonds and other debt securities certifying the liabilities of the issuer against the holder of the securities (hereinafter – debt securities);
2) shares and other equity securities certifying the participation in the issuer's capital (hereinafter – equity securities);
3) investment certificates of investment funds or equivalent securities;
4) mortgage loans;
5) investments in immovable property (land, buildings);
6) deposits with credit institutions;
7) debts owned by insurance policyholders that arise out of direct insurance.
(2) The assets set out in Paragraph one of this Article may only be accepted as cover for technical provisions if the following conditions have been complied with:
1) assets shall be valuated net of any debts arising out of their acquisition;
2) debts owed by and claims against a third party may be accepted only after deduction of all amounts owed by the insurance company or branch of the non-Member State insurer to the third party;

3) debts are not yet fallen due . The said condition shall apply to debts owned by insurance policyholders that arise out of direct insurance;
4) the credit institution has obtained a licence in the Republic of Latvia or another Member State, or an OECD Member State, and it is allowed to provide financial services in the State issuing the licence;
5) debt securities have been admitted to trading on a regulated market of the Republic of Latvia or another Member State, or an OECD Member State or have been registered in the Republic of Latvia or another Member State, or an OECD Member State and at least one international rating agency has assigned a rating grade in the investment-grade category. The above debt securities may not be accepted as cover for technical provisions it has been established that some rating agency has assigned them a rating category lower than the investment-grade category. This restriction shall not apply to debt securities of the Republic of Latvia or another Member State, or an OECD Member State that have been issued by the State or local governments;
6) equity securities have been admitted to trading on a regulated market of the Republic of Latvia, another Member State, or an OECD Member State;
7) mortgage-backed loans issued against a pledge registered in the Republic of Latvia or another Member State, or an OECD Member State;
8) closed-end investment fund investment certificates have been admitted to trading on a regulated market of the Republic of Latvia or another Member State, or an OECD Member State;
9) as regards assets accepted as cover for technical provisions, derivative financial instruments – forward contracts, futures contracts, swaps and options admitted to trading on a regulated market – may only be used where they reduce investment risk or promote more efficient management of the investment portfolio and where, prior to commencing such activities, the Financial and Capital Market Commission has been notified thereof in writing. Derivative financial instruments shall be taken into account when evaluating assets linked to the relevant derivative financial instrument;
10) investments have been made in immovable property located in the Republic of Latvia or another Member State, or an OECD Member State.
[27 March 2003; 16 December 2004; 24 November 2005; 12 June 2008]

Article 421. (1) Only investment certificates (shares) of open-end investment funds (undertakings for collective investment in transferable securities (UCITS)) or the value of assets contained in an internal fund held by an insurance company or a branch of a non-Member State insurer specifically for this purpose, which are usually divided into units, may be accepted as cover for technical provisions for unit-linked life assurance contracts.
(2) If unit-linked life assurance contracts are directly linked to a share index or some other reference value other than those referred to in Paragraph one, the technical provisions in respect of those contracts must be represented by assets whose value changes are closely linked to the changes in the share index or some other reference value.
(3) Information required for raising the policyholder awareness of such service and related risks including information regarding non-receipt of insurance indemnity from the Fund for the Protection of the Insured shall be disclosed in unit-linked life assurance contracts and to coverage of technical provisions for unit-linked life assurance contracts shall not apply:
1) prohibition laid down in Paragraph two, Clause 4 of Article 42 of this Law to accept as cover for technical provisions the assets deposited in a credit institution that has not obtained a licence in the Republic of Latvia or another Member State, or an OECD Member State;
2) prohibition laid down in Paragraph two, Clause 5 of Article 42 of this Law to accept as cover for technical provisions the assets that have not been registered in the Republic of Latvia or another Member State, or an OECD Member State;
3) prohibition laid down in Paragraph two, Clauses 5, 6 and 8 of Article 42 of this Law to accept as cover for technical provisions the assets that are not admitted to trading on a regulated market of the Republic of Latvia or another Member State, or an OECD Member State;

4) prohibition laid down in Paragraph two, Clause 7 of Article 42 of this Law to accept as cover for technical provisions the mortgage-backed loans that are not issued against a pledge registered in the Republic of Latvia or another Member State, or an OECD Member State;
5) the requirements of Article 43 of this Law.
[16 December 2004; 24 November 2005; 12 June 2008]

Article 43. (1) When setting up the structure of assets for the cover for technical provisions, an insurance company or a branch of a non-Member State insurer shall comply with the following rules:
1) not more than 10 per cent of technical provisions may be invested in one piece of immovable property – a piece of land and buildings or a number of pieces of land and buildings close enough to each other to be considered effectively as one investment and not more than 25% of technical provisions may be invested in buildings and pieces of land taken together;
2) not more than five per cent of technical provisions may be invested in equity securities and debt securities (with the exception of mortgage bonds) issued by one issuer. This restriction shall not apply to debt securities issued by central and local governments of the Republic of Latvia or another Member State, or an OECD Member State;
3) not more than 10 per cent of technical provisions may be invested in mortgage bonds which have been issued in accordance with the Law on Mortgage Bonds or regulatory enactments of a Member State and which have been issued by one issuer and not more than 25 per cent of technical provisions in mortgage bonds taken together;
4) not more than five per cent of technical provisions may be assigned to investment certificates of one investment fund registered in the Republic of Latvia or another Member State, or an OECD Member State;
5) not more than 25 per cent of technical provisions may be assigned to deposits with one credit institution;
6) not more than 10 per cent of technical provisions may be assigned to one mortgage loan and not more than 25 per cent to mortgage loans taken together;
7) debts owned by insurance policyholders that arise out of direct insurance operations that are not yet fallen due, may be assigned to coverage of technical provisions in proportion to the technical provisions share for net unearned premiums in technical provisions for gross unearned premiums, not exceeding the amount of technical provisions for net unearned premiums;
8) not more than 15 per cent of technical provisions may be assigned to assets in persons linked to an insurer.
(2) The Financial and Capital Market Commission has the right to request a change in the composition and structure of assets accepted as cover for technical provisions if the existing composition and structure of assets prejudice or may prejudice the financial stability of the insurance company or the branch of the non-Member State insurer and the interests of insurance policyholders and if any of the following conditions has been established:
1) excessive reliance on any asset category, investment market or separate investment exists;
2) due to the nature of assets or quality of the issuer, assets involve a high degree of risk;
3) a high predominance of illiquid assets exists.
(3) The value of assets shall be determined in accordance with the regulatory enactments of the Financial and Capital Market Commission regarding the preparation of annual reports of an insurance company or a branch of a non-Member State insurer.
[27 March 2003; 26 November 2003; 16 December 2004; 24 November 2005; 12 June 2008]

Article 44. [27 March 2003]

Article 441. [27 March 2003]

Article 45. [27 March 2003]

Article 46. An insurance company may not, directly or indirectly, issue loans for the acquisition of own shares or shares issued by persons linked to the insurance company, as well as to accept own shares as provision for liabilities.
[27 March 2003; 16 December 2004]

Article 47. (1) Guarantees or similar liabilities of an insurance company or a branch of a non-Member State insurer may not exceed 10 per cent of the available solvency margin of the insurance company or the branch of the non-Member State insurer. The insurance company or the branch of the non-Member State insurer shall register its guarantees or similar liabilities.
(2) The register shall be conducted electronically, it shall also include the text of transactions and amendments thereof, and the software used shall ensure the possibility of tracking all entries made previously and amendments thereof.
[27 March 2003; 16 December 2004]

Article 48.
[16 December 2004]

Chapter VII
Accounting and Reports of Operations of an Insurer

Article 49. (1) An insurer shall conduct accounting in compliance with the Law on Accounting and regulations of the Financial and Capital Market Commission.
(2) An insurance company or a branch of a non-Member State insurer shall prepare an annual report in compliance with Paragraph one of this Article and regulations of the Financial and Capital Market Commission.
(3) An insurance company that is the parent undertaking of a group of companies shall prepare a consolidated annual report in compliance with the regulations of the Financial and Capital Market Commission.
(4) A chief actuary shall prepare an actuarial valuation, the volume and structure of which shall be determined by the Financial and Capital Market Commission. An insurance company or a branch of a non-Member State insurer shall submit to the Financial and Capital Market Commission the actuarial valuation within a 15-day period after approval of annual report by the general meeting of shareholders (members), but not later than 15 May of the year following the accounting year.
[1 June 2000; 27 March 2003; 16 December 2004; 14 June 2007; 12 June 2008]

Article 49.1 (1) An insurance company or a branch of a non-Member State shall have an obligation to provide a chief actuary with all the information necessary to perform obligations as set in this Law.
(2) A chief actuary shall be obliged, without delay, to notify in writing the management of insurance company or a branch of a non-Member State and the Financial and Capital Market Commission in case an insurance company or a branch of a non-Member State does not provide a chief actuary with all the necessary information for preparing an actuarial valuation.
[12 June 2008]

Article 50. (1) An insurance company or a branch of a non-Member State insurer shall ensure the setting up and operation of an efficient internal control system as well as constant supervision of the internal control system of the decision-making body of the insurance company or the branch of the non-Member State insurer, which is independent of the executive body, to ensure duly identification and management of all risks linked to operations of the insurance company or the branch of the non-Member State insurer, efficient protection for assets of the insurance company or the branch of the non-Member State insurer, the provision of true information to the

management bodies of the insurance company or the branch of the non-Member State insurer regarding the financial situation and operations of the insurance company or the branch of the non-Member State insurer in due time, consistent compliance with, and, if necessary, improvements to, laws, other regulatory enactments, and the policy and procedures of the insurance company or the branch of the non-Member State insurer.
(2) The Financial and Capital Market Commission shall formulate recommendations for setting up an internal control system. An insurance company or a branch of a non-Member State insurer shall apply these recommendations to the setting up of its internal control system.
(3) An insurance company or a branch of a non-Member State insurer shall ensure registration of all insurance contracts. The register shall be conducted electronically, and it shall also include the text of said contracts and amendments thereof, and the software used shall ensure the possibility of tracking all entries made previously and amendments thereof.
(4) An insurance company or a branch of a non-Member State insurer shall ensure registration of all investment contracts, reinsurance contracts, ceded reinsurance contracts and retrocession contracts, and also of contracts concluded with insurance brokerage firms (insurance brokers). The register shall be conducted electronically, and it shall also include the text of said contracts and amendments thereof, and the software used shall ensure the possibility of tracking all entries made previously and amendments thereof.
[27 March 2003; 16 December 2004; 12 June 2008]

Article 50.1 (1) An insurance company or a branch of a non-Member State insurer shall perform stress test at least once a year assessing and documenting possible development scenarios. Both sensitivity analysis and scenario analysis shall be used for stress testing. Sensitivity tests are performed to determine an impact of adverse changes in a certain risk factor and scenario tests are performed to determine an impact of simultaneous adverse changes in several risk factors when assessing causes of exceptional but possible adverse events and changes in market conditions. Management of an insurance company or a branch of a non-Member State insurer, considering material risks and relevant risk factors shall develop and approve the procedure for stress tests and shall be responsible for compliance with this procedure.
(2) The management of an insurance company or a branch of a non-Member State insurer shall approve stress test results and decide on the measures to be taken in case of occurrence of events and changes in market conditions referred to in the stress testing. An insurance company or a branch of a non-Member State insurer shall submit stress test results and their decision on measures to be taken to the Financial and Capital market Commission within 10 days of decision-making.
(3) The Financial and Capital Market Commission shall have the power to set further requirements for performing stress tests and a procedure thereto.
(4) In addition to provisions of Paragraph one of this Article, the Financial and Capital Market Commission shall have the power to require an insurance company or a branch of a non-Member State insurer to perform stress test and to determine the factors to be tested and scenarios.
[10 December 2009]

Article 51. The Financial and Capital Market Commission shall require an insurer to submit reports on its financial activities related to insurance operations and determine their format, contents and submission deadline.
[1 June 2000; 27 March 2003]

Article 511. The Financial and Capital Market Commission shall, at the request of the supervisory authority of the Member State insurer, provide information regarding insurance provided by an insurance company in a relevant Member State under the freedom of establishing a branch or the freedom to provide services.
[16 December 2004]

Article 52. [27 March 2003]

Article 53. [27 March 2003]

Article 54. (1) A sworn auditor or a company of sworn auditors shall inform an insurance company or a branch of a non-Member State insurer of audit results in writing. The report shall be prepared in compliance with the Law on Sworn Auditors.
(2) The sworn auditor or the company of sworn auditors shall prepare a report to the management of the insurance company or the branch of the non-Member State insurer. The report shall include deficiencies specified and the opinion of a sworn auditor regarding the placement of ceded reinsurance and retrocession and capacity to meet its contractual obligations by a person who reinsures risks of an insurance company or a branch of a non-Member State insurer as well as methods for the calculation of technical provisions and adequacy of technical provisions. An insurance company or a branch of non-Member State insurer shall submit a copy of the report to the Financial and Capital Market Commission within a 15-day period after approval of an annual report by the general meeting of shareholders (members), but not later than 15 May of the year following the reporting year.

(3) If a report provided by a sworn auditor or a company of sworn auditors is qualified, dividends may be paid out only upon coordination with the Financial and Capital Market Commission.
(4) [27 March 2003]
(5) The Financial and Capital Market Commission is entitled to request a sworn auditor or a company of sworn auditors to provide information regarding conducted audits.
[1 June 2000; 27 March 2003; 16 December 2004; 14 June 2007; 12 June 2008]

Article 55. (1) An insurance company or a branch of a non-Member State insurer has an obligation to inform the Financial and Capital Market Commission of all circumstances that may substantially affect further activities of the insurance company or the branch of the non-Member State insurer.
(2) [1 January 2002/see Clause 12 of the Transitional Provisions]
[16 December 2004]

Article 56. (1) [27 March 2003]
(2) An insurance company that is a parent company of a group of companies shall submit a consolidated annual report no later than seven months after the end of an accounting year.
(3) An insurance company or a branch of a non-Member State insurer shall prepare an annual report no later than four months after the end of the reporting year.
(4) An insurance company or a branch of a non-Member State insurer shall submit to the State Revenue Service, within a 15-day period after approval of an annual report but no later than 15 May of the year following the reporting year, a copy of annual report, report of a sworn auditor or commercial company of sworn auditors accompanied with extract of minutes of a shareholders' meeting or a general meeting of mutual insurance cooperative society members (authorized persons) regarding approval of annual report. An insurance company or a branch of a non-Member State insurer, which prepares consolidated annual report in addition to requirements referred to in the first sentence of this Paragraph, within a 15-day period after approval of a consolidated annual report but no later than seven months after the end of the reporting year, shall submit to the State Revenue Service also a copy of consolidated annual report, report of a sworn auditor or commercial company of sworn auditors accompanied with extract of minutes of a shareholders' meeting or a general meeting of mutual insurance cooperative union members (authorized persons) regarding approval of consolidated annual

report. An insurance company or a branch of a non-Member State insurer shall submit documents referred to in this Paragraph in paper or electronically.
(5) Documents referred to in Paragraph four of this Article, where submitted electronically or electronic copies of the documents if submitted in paper shall be submitted electronically by the State Revenue Service to the Register of Enterprises no later than in five working days. The Register of Enterprises shall ensure public availability of the received documents. The procedure for forwarding and certifying of electronic documents shall be determined pursuant to inter-institutional agreement between the State Revenue Service and the Register of Enterprises.
(6) Upon receipt of documents referred to in Paragraph five of this Article the Register of Enterprises shall publish a statement in the official newspaper Latvijas Vēstnesis no later than within five working days notifying that information referred to in Paragraph four of this Article is available in the Register of Enterprises.
[1 June 2000; 27 March 2003; 16 December 2004; 14 June 2007; 29 May 2008; 23 September 2010]

Article 57. (1) An insurance company or a branch of a non-Member State insurer in addition to requirements referred to in Paragraph four of Article 56 of this Law has an obligation to ensure that an annual report after its approval, accompanied with a report of a sworn auditor or a commercial company of sworn auditors, is made publicly available no later than on 15 May of the year following the reporting year, but a consolidated annual report accompanied with a report of a sworn auditor or a commercial company of sworn auditors – no later than within seven months after the end of the reporting year. The annual report and consolidated annual report shall be identical to that verified by a sworn auditor or a commercial company of sworn auditors. An insurance company or a branch of a non-Member State insurer may publish relevant information on their official website or use any other appropriate media or location.
(2) A branch of a foreign insurer shall ensure that an annual report of foreign insurer shall be published not later than seven months after the end of the reporting year. At least an account reflecting the financial situation at end of accounting period, a financial statement for the accounting period and a sworn auditor's opinion shall be accompanied by their translation in Latvian. A branch of a foreign insurer may publish relevant information on their official website or use any other appropriate media or location.
[27 March 2003; 16 December 2004; 29 May 2008; 10 December 2009]

Article 58. (1) When verifying an annual report of an insurance company or a branch of a non-Member State insurer, the Financial and Capital Market Commission shall assess:
1) the sufficiency of technical provisions;
2) the guarantee fund and the required solvency margin of the insurance company or the branch of the non-Member State insurer;
3) the placement of investments of the insurance company or the branch of the non-Member State insurer and their liquidity;
4) the placement of ceded reinsurance and retrocession and their volumes.
(2) In order to ensure the compliance with the requirements of Article 39 of this Law and relevant instructions, if the insurance company or the branch of the non-Member State insurer has not followed the instructions issued by the Financial and Capital Market Commission in accordance with Article 40 of this Law concerning the formation and methods for calculation of technical provisions, the Financial and Capital Market Commission, if appropriate, may give instructions to an insurance company or a branch of a non-Member State insurer regarding the amount of technical provisions, suspension of dividend payments, and loss coverage.
[1 June 2000; 27 March 2003; 16 December 2004; 12 June 2008]

Article 59. (1) The Financial and Capital Market Commission, on the basis of financial statements submitted and results of audits conducted, in order to protect the interests of the

insured, may request a plan for the financial situation improvement of an insurance company or a branch of a non-Member State insurer.
(2) The management of the insurance company or the branch of the non-Member State insurer shall be responsible for duly formulation and implementation of the plan for the financial situation improvement.
(3) The plan for the financial situation improvement of the insurance company or the branch of the non-Member State insurer shall be prepared for the subsequent three years. It shall include:
1) operational expenses (administrative expenses and client acquisition costs);
2) income of the insurance company or the branch of the non-Member State insurer from insurance, reinsurance and ceded reinsurance and retrocession operations conducted and related costs;
3) draft account reflecting the financial situation at end of accounting period and draft financial statement for the accounting period;
4) sources of financial resources for meeting obligations arising out of insurance and reinsurance and the forecast required solvency margin;
5) the ceded reinsurance and retrocession scheme;
6) measures to be taken and the due date for their implementation.
(4) The Financial and Capital Market Commission shall take security measures if an insurance company or a branch of a non-Member State insurer refuses to submit a plan for the financial situation improvement or the measures provided for by the submitted plan do not ensure the elimination of deficiencies and improvement of the financial situation of the insurance company or the branch of the non-Member State insurer, or the submitted plan is not being implemented.
(5) The Financial and Capital Market Commission is entitled to apply the following security measures:
1) to restrict the right of an insurance company or a branch of a non-Member State to freely administer its assets and undertake new liabilities;
2) to determine the prior compulsory co-ordination with the Financial and Capital Market Commission of all payments or part thereof to be made by an insurance company or a branch of a non-Member State.
(6) The Financial and Capital Market Commission shall inform the supervisory authority of an insurer of the Member State in whose territory the insurance company has opened a branch or in whose territory the insurance company provides insurance under the freedom to provide services regarding restrictions or prohibitions applied to the insurance company and it is entitled to request the supervisory authority of the Member State insurer to prescribe adequate restrictions or prohibitions for the insurance company.
(7) The Financial and Capital Market Commission is entitled to, at the request of the supervisory authority of the Member State [which is the home (registration) country of the Member State insurer] insurer, impose on a Member State insurer restrictions or prohibitions adequate to those imposed by the supervisory authority of the Member State insurer on the Member State insurer.
[27 March 2003; 16 December 2004; 12 June 2008; 10 December 2009]

Chapter VIII
Reinsurance, Ceded Reinsurance and Retrocession, Co-insurance and Transfer of Insurance Contracts

Article 60. (1) Ceded reinsurance shall not affect the liability of an insurance company or a branch of a non-Member State insurer against the insured and the policyholder.
(2) An insurance company or a branch of a non-Member State insurer shall in compliance with conducted and planned insurance and reinsurance operations formulate and approve a ceded reinsurance and retrocession scheme and be responsible for the implementation of this scheme. The insurance company or the branch of the non-Member State insurer shall, at least once a year, assess the compliance of the ceded reinsurance and retrocession placement with the ceded reinsurance and retrocession scheme. The insurance company or the branch of the non-Member

State insurer shall continually assess placement and amount of ceded reinsurance and retrocession.
(3) The insurance company or the branch of the non-Member State insurer shall select a person who reinsures risks of the insurance company or the branch of the non-Member State insurer in accordance with the ceded reinsurance and retrocession scheme by taking into account restrictions prescribed by this Law. The insurance company or the branch of the non-Member State insurer, prior to ceded reinsurance and retrocession and during the whole period of validity of ceded reinsurance and retrocession contracts, has an obligation to continually compile and analyse information concerning the person who provides reinsurance the risks of the insurance company or the branch of the non-Member State insurer, the person's financial situation (solvency) and reputation.
(4) The insurance company or the branch of the non-Member State insurer is entitled to transfer risks for ceded reinsurance and retrocession only to:
1) an insurer having a valid licence to provide insurance;
2) a Member State insurer having a valid licence to provide insurance in the home (registration) country;
3) a reinsurer having a valid licence to provide reinsurance;
4) a reinsurer of a Member State having a valid licence to provide reinsurance in the home (registration) country;
5) a reinsurer of a non-Member State having a valid licence to provide insurance in the home (registration) country and whose rating assigned by international rating agencies belongs to the investment grade category and whose capacity to meet its commitments are not doubted by any rating agency;6) a non-Member State reinsurer whose rating assigned by international rating agencies belongs to the investment grade category and whose capacity to meet its obligations are not doubted by any rating agency.
(5) On the basis of the reports submitted by the insurance company or the branch of the non-Member State insurer to the Financial and Capital Market Commission and the results of examinations of performance results in the insurance company or the branch of the non-Member State insurer conducted by the Financial and Capital Market Commission, with the view of protecting the interests of the insured, the Financial and Capital Market Commission is entitled to request the insurance company or the branch of the non-Member State insurer to change the placement of ceded reinsurance and retrocession or to ensure the compliance with ceded reinsurance and retrocession obligations by the pledge of monies of the person who provides reinsurance of risks of the insurance company or the branch of the non-Member State insurer by transferring the pledge of monies to the possession of the insurance company or the branch of the non-Member State insurer in the amount of the technical provisions owned by the relevant person.
[27 March 2003; 16 December 2004; 24 November 2005; 12 June 2008]

Article 601. If risks are transferred for ceded reinsurance and retrocession by using services of an reinsurance intermediary, the insurance company or the branch of the non-Member State insurer is obliged to, prior to concluding a contract and during the whole period of validity of the contract, continually assess the financial situation and reputation of the reinsurance intermediary. The insurance company or the branch of the non-Member State insurer must have at its disposal documents showing the placement of ceded reinsurance and retrocession and the amount of commission paid to the insurance intermediary.
[27 March 2003; 16 December 2004; 12 June 2008]

Article 61. (1) An insurance company or a branch of a non-Member State insurer providing life assurance may only reinsure life, accident and health insurance. Other classes of insurance may only be reinsured by an insurance company or a branch of a non-Member State insurer providing other classes of insurance (except for life assurance).

(2) 30 days prior to commencing reinsurance, an insurance company or a branch of a non-Member State insurer shall inform the Financial and Capital Market Commission of commencing reinsurance, giving description of insured risks.
[16 December 2004; 12 June 2008]

Article 62. The Financial and Capital Market Commission shall have no right to contest a ceded reinsurance and retrocession contract entered into between an insurance company or a branch of a non-Member State insurer and an insurance undertaking and reinsurance undertaking because of the financial situation of relevant insurance undertaking or reinsurance undertaking.
[1 June 2000; 12 June 2008]

Article 63. (1) Without ceded reinsurance and retrocession, an insurance company or a branch of a non-Member State insurer may not conclude an insurance contract with a single policyholder if the liabilities assumed by the insurance company or the branch of the non-Member State insurer under this contract exceed 20% of the available solvency margin. The said condition in insurance contracts of a group of persons shall apply to one insured person.
(2) If under insurance contracts several claims arising from one and the same insured risk have to be paid simultaneously, total liabilities assumed by the insurance company or the branch of the non-Member State insurer in accordance with such contracts, without reinsurance, may not exceed 20% of the available solvency margin.
[15 April 1999; 1 June 2000; 16 December 2004; 12 June 2008]

Article 64. (1) An insurance contract may be signed by several insurers. In that event the insurers' rights and obligations shall be distributed in conformity with the contract (co-insurance). An insurance company or a branch of a non-Member State insurer may not sign a co-insurance contract with one or several non-Member State insurers if the insured objects related to the risk insured are situated in a Member State.
(2) If there is no special agreement, co-insurance shall not cause full (joint) liability for the insurer. If a co-insurance contract is signed by an insurance company or a branch of a non-Member State insurer and one or several non-Member State insurers, the insurance company or the branch of the non-Member State insurer may not assume full (joint) liability.
(3) The restrictions on the conclusion of co-insurance contracts shall be the same as those applicable to the conclusion of insurance contracts.
(4) Insurers shall set up technical provisions in conformity with the amount of their own liabilities. The amount of provisions for deferred insurance indemnities shall be determined by the leading insurer.
[27 March 2003; 16 December 2004]

Article 65. (1) An insurance company or a branch of a non-Member State insurer may transfer all concluded insurance contracts or part thereof to another insurance undertaking or branch of a non-Member State insurer entitled to provide insurance in a Member State. An insurance company may not transfer insurance contracts to a non-Member State insurer or a branch of a non-Member State insurer registered in the non-Member State.
(2) Authorisation to transfer all concluded insurance contracts or part thereof shall be issued, and procedures for the transfer of insurance contracts shall be prescribed, by the Financial and Capital Market Commission. The Financial and Capital Market Commission shall take a decision to issue such authorisation or to refuse to issue such authorisation within a 30-day period from receipt of all required documents.
(3) An insurance company or a branch of a non-Member State insurer in the Republic of Latvia that takes over insurance contracts shall submit to the Financial and Capital Market Commission information certifying the compliance with the requirements prescribed by this Law after the takeover of the insurance contracts.

(4) If all concluded insurance contracts or part thereof has been transferred to an insurance company or a branch of a non-Member State insurer in the Republic of Latvia, the Financial and Capital Market Commission is entitled to take a decision to issue authorisation if it has made sure that after the takeover of the insurance contracts the requirements prescribed by this Law will be met.
(5) If all concluded insurance contracts or part thereof has been transferred to a Member State insurer, the Financial and Capital Market Commission is entitled to take a decision to issue authorisation after receipt of certification from the supervisory authority of the relevant Member State insurer indicating that after the takeover of the insurance contracts the Member State insurer will be able to meet the solvency requirements.
(6) If all concluded insurance contracts or part thereof has been transferred to a branch of a non-Member State insurer which has the right to provide insurance in another Member State, the Financial and Capital Market Commission is entitled to take a decision to issue authorisation after receipt of certification from the supervisory authority of the relevant Member State insurer indicating that the Member State's laws allow taking over of insurance contracts and that after the takeover of the insurance contracts the solvency requirements will be met and the supervisory authority of the relevant Member State insurer agrees to such transaction.
(7) If an insurance company transfers concluded insurance contracts or part thereof to a branch opened in another Member State, the Financial and Capital Market Commission, prior to taking a decision to issue authorisation, shall consult with the supervisory authority of the Member State insurer of the branch. The Financial and Capital Market Commission is entitled to take a decision to issue authorisation to transfer the insurance contracts upon obtaining the consent of the supervisory authority of the Member State insurer. The absence of any response from the supervisory authority of the Member State insurer during a three-month period of the date of sending the relevant request shall be regarded as its consent to the transfer of the insurance contracts.
(8) If the insured objects related to the risk insured are situated in other Member States, the Financial and Capital Market Commission shall, upon receipt of a submission regarding the transfer of insurance contracts, without delay, inform the supervisory authorities of insurers of these Member States. The Financial and Capital Market Commission is entitled to take a decision to issue authorisation to transfer the insurance contracts upon obtaining the consent of the supervisory authorities of insurers of these Member State. The absence of any response from the supervisory authorities of the Member State insurers during a three-month period of the date of sending the relevant request shall be regarded as their consent to the transfer of the insurance contracts.
[16 December 2004]

Article 66. (1) Insurance contracts to another insurance undertaking shall be transferred together with adequate technical provision investments.
(2) If insurance contracts are transferred without adequate technical provision investments, the insurance company or the branch of the non-Member State insurer taking over such contracts shall submit to the Financial and Capital Market Commission a plan for the renewal of cover for technical provisions.
[1 June 2000; 26 November 2003; 16 December 2004]

Article 67. In order to avoid the insolvency of an insurance company or a branch of a non-Member State insurer and protect the interests of policyholders, the Financial and Capital Market Commission may require the insurance company or the branch of the non-Member State insurer to transfer all concluded insurance contracts or part thereof to another insurance undertaking which has agreed to accept such contracts.
[16 December 2004]

Article 68. (1) If the insured objects related to the risk insured are situated in the Republic of

Latvia, then, for the purpose of informing policyholders, the insured and other persons having rights and obligations under concluded and transferred insurance contracts, an insurance undertaking and a branch of a non-Member State insurer which has the right to provide insurance in another Member State, upon obtaining authorisation to transfer insurance contracts, shall publish advertising in the newspaper Latvijas Vēstnesis, including the insurance contracts under transfer, the person accepting the insurance contracts (also its legal address) and the date of transferring the insurance contracts.
(2) If the insured objects related to the risk insured are situated in a Member State, publication procedures shall be determined by law of the relevant Member State.
[16 December 2004]

Article 681. (1) Transfer of insurance contracts shall be binding on policyholders, the insured and other persons having rights and obligations under the concluded and transferred insurance contracts as from the date the said transaction takes effect. Upon the takeover of insurance contracts, all rights and obligations of the parties which arise out of the insurance contracts shall remain effective.
[16 December 2004]

Chapter IX
Characteristics of Liquidation and Insolvency Procedures of an Insurer

Article 69. (1) In order to protect the interests of the insured, the Financial and Capital Market Commission is entitled to:
1) to submit an application to court requesting to recognise that an insurance company or a branch of a non-Member State insurer is in liquidation if its licences for all classes of insurance have been cancelled;
2) to submit an application to court requesting to declare an insurance company insolvent;
3) in the event of liquidation of an insurance company or a branch of a non-Member State insurer, to cancel licences for all classes of insurance;
4) request information from competent authorities of Member States regarding the course of liquidation of an insurance undertaking registered therein.
(2) In the event of liquidation of an insurance company or a branch of a non-Member State insurer, the liquidation shall be carried out by a liquidator (an administrator) appointed by the taker of the decision on the liquidation.
(3) Competent authorities, prior to taking a decision or performing activities relating to reorganisation measures or liquidation where the reorganisation measures or liquidation involves an insurance company or a non-Member State insurer (also its branch), shall inform the Financial and Capital Market Commission of the relevant decisions or activities.
(4) After cancelling licences issued to the insurance company or the branch of the non-Member State insurer as referred to in Paragraph one of this Article, the liquidator has the right to proceed with activities pursuant to the powers granted by this Law and other laws governing the field of insurance.
(5) Reorganisation measures of an insurance undertaking or a non-Member State insurer (also its branches) shall not restrict or shall not be a precondition for their further liquidation pursuant to court adjudication or when going into a bankruptcy proceeding.
[16 December 2004]

Article 691. (1) Those creditors whose residence or headquarters are located outside the Republic of Latvia shall have the same right to submit creditor’s claims and other objections as those creditors registered or permanently residing in the Republic of Latvia.
(2) Those creditors whose residence or headquarters are located outside the Republic of Latvia shall have the same right with respect to liquidation as those creditors registered or permanently residing in the Republic of Latvia.

[17 June 2004]

Article 70. (1) The liquidator (administrator) shall prepare procedures for the cover of debts, which shall be coordinated with the Financial and Capital Market Commission.
(2) The liquidator (administrator) shall, at least once a month, submit a report on the liquidation process to the Financial and Capital Market Commission.
(3) The Financial and Capital Market Commission has the right to require information necessary from the liquidator (administrator).
The liquidator shall have an obligation to, in weighing the interests of policyholders, assess the necessity of transfer, termination or continuation of the rights and obligations (liabilities) arising out of concluded insurance contracts and to carry out all legal actions to transfer these obligations (liabilities), terminate them or continue their execution.
(5) The liquidator shall regularly, at least once a year, inform all known creditors of the liquidation process.
[1 June 2000; 17 June 2004]

Article 701. (1) During reorganisation measures or liquidation, legal relationships are governed solely by those Member State's legislative enactments that pertain to concluded insurance contracts.
(2) During reorganisation measures or liquidation, rights with respect to:
1) immovable property shall be governed by legislative enactments of those Member States where the immovable property is situated;
2) ships or aircraft shall be governed by legislative enactments of that Member State that is in charge of the public register in which this ship or aircraft has been recorded (registered);
3) financial instruments to be registered in public registers, accounts of credit institutions or the central depository and rights attaching to such instruments shall be governed by those Member State legislative enactments according to which the insurance undertaking's ownership right of the relevant financial instruments have been certified;
4) documents of a branch involved in reorganisation measures or liquidation or dealing with documents shall be governed by legislative enactments of those Member States where the relevant branch is situated.
[17 June 2004]

Article 702. (1) Effecting of reorganisation measures or liquidation with respect to an insurance company or a non-Member State insurer (also its branch) acquiring assets, prior to initiating relevant reorganisation measures or liquidation, shall not affect the rights of the transaction participant (asset seller) if at the moment of commencing such reorganisation measures or liquidation the relevant assets are situated in the territory of such a Member State as is not the Member State where the above reorganisation measures or liquidation is effected.
(2) Effecting of reorganisation measures or liquidation with respect to an insurance company or a non-Member State insurer (also its branch) selling assets, prior to initiating relevant reorganisation measures or liquidation, upon the transfer of the relevant assets to the buyer, shall not constitute a basis for terminating or cancelling the transaction and shall not affect the rights of the transaction participant (asset buyer) if, at the moment of commencing such reorganisation measures or liquidation, the relevant assets are situated in the territory of such a Member State as is not the Member State where the above reorganisation measures or liquidation is effected.
(3) Interested persons shall have the right to contest the transactions referred to in Article.
[17 June 2004]

Article 703. (1) Effecting of reorganisation measures or liquidation with respect to an insurance company or a non-Member State insurer (its branch) shall not affect the creditors' right to request netting of their claims and liabilities as well as of insurance companies or non-Member

State insurers, offsetting of claims and liabilities or performance of activities having similar legal consequences if such activities are permitted by law applicable to relevant claims.
(2) Transactions based on contracts for netting claims and liabilities shall be governed solely by those laws that pertain to the contract for netting claims and liabilities under which such transactions have been conducted.
(3) Interested persons shall have the right to contest the performance of the activities referred to in Paragraph one of this Article.
[17 June 2004]

Article 71. [27 March 2003]

Article 72. [27 March 2003]

Article 73. (1) If an insurance company or a branch of a non-Member State insurer has decided to terminate its operations, it shall, prior to going into liquidation process, obtain authorisation from the Financial and Capital Market Commission.
(2) After the authorisation to liquidate the insurance company or the branch of the non-Member State insurer has been obtained, the name of the insurance company or the branch of the non-Member State insurer shall include the words "in liquidation".
(3) During the liquidation process, the Financial and Capital Market Commission shall continue the supervision of the insurance company or the branch of the non-Member State insurer.
[1 June 2000; 16 December 2004]

Article 74. (1) When going into a liquidation process, an insurance company or a branch of a non-Member State insurer shall prepare an account reflecting the financial situation until the start date of liquidation process. It shall be prepared in accordance with the procedures as prescribed for annual accounts, and it shall be accompanied by a report prepared by the executive board and the supervisory board on the status of the property and liabilities of the insurance company or the branch of the non-Member State insurer and by forecast liquidation results.
(2) If a calendar year ends during the process of liquidation, an interim annual report shall be drawn up containing the same elements as specified for an annual report. This annual report shall be accompanied by a report including the results of the liquidation process so far and the envisaged process and results of the further liquidation. A sworn auditor or a company of sworn auditors shall audit the interim balance sheet for the liquidation year.
(3) Upon finishing the process of liquidation, a closing account shall be prepared reflecting the financial situation at end of accounting period.
[1 June 2000; 27 March 2003; 16 December 2004; 10 December 2009]

Article 74.1 If any liabilities arise out of unit-linked life assurance contracts in case of winding up proceedings or insolvency proceeding of the insurer the assets required to ensure fulfilment of those liabilities shall not be included into the property of the insurer – debtor – that is envisaged to cover costs of insolvency proceeding or winding up proceeding and settling the claims of the insured and other persons in accordance with the procedure and amounts specified in Article 75.
[12 June 2008]
Article 75. (1) After the expenses of an insolvency process or liquidation have been covered, remaining funds shall be distributed for settling the claims of the insured and other creditors according to the following groups:
1) claims of natural persons for insurance indemnities not exceeding 2 000 lats. If a policyholder (natural person) has received an insurance indemnity from the Fund for the Protection of the Insured, he or she shall lose the right to claim with respect to the amount received and claims of the Fund for the Protection of the Insured against the insurer shall be treated as claims belonging to group 7;
2) claims of employees of the insurer with respect to employment remuneration for the last three

months of employment legal relationships within a period of 12 months before a court judgment regarding the debtor's insolvency is announced; with respect to remuneration of paid annual leave, the right to which has been acquired within a period of 12 months before a court judgment regarding the debtor's insolvency is announced; with respect to remuneration of any other type of paid absence in the last three months of employment legal relationships within a period of 12 months before a court judgment regarding the debtor's insolvency is announced; with respect to a dismissal allowance meeting the minimum amount prescribed by law; with respect to indemnity due to an accident at work or a professional disease – for the whole period that has not been paid for and payments of this indemnity for three years in advance, if the accident at work has happened or the professional disease has been acquired before 1 January 1997, as well as in cases where, for the former employee who shall not be regarded as an insured person pursuant to the Law on Compulsory Social Insurance in Respect of Accidents at Work and Occupational Diseases, a professional disease, the cause of which is the work done by this employee under hazardous employment conditions until 1 January 1997, has been established after 1 January 1997; the State social insurance compulsory payments and payments of resident income tax related to the payments referred to in this Clause, and the State social insurance compulsory contributions that ensure the receipt of unemployment benefits, or claims made by the State Agency Insolvency Administration if it has met the above claims from the resources of the employees claim guarantee fund in accordance with the Law on the Protection of Employees in Case of Insolvency of Their Employer;
3) claims for tax and duty debts to the State budget and local government budgets;
4) claims of natural persons for insurance indemnities exceeding 2 000 lats;
5) claims of other persons for insurance indemnities;
6) claims of policyholders for insurance contracts;
7) claims of other creditors (principals without interest) as well as claims of those creditors who have acquired the status of creditor after the initiation of the insolvency case;
8) claims of creditors for interest payments;
9) claims of those creditors who have submitted their claims after the specified term;
10) claims regarding repayment of the subordinated capital.
(2) Claims of shareholders (members) in proportion to their investments in the share capital of the insurance company shall be satisfied after the claims referred to in Paragraph one of this Article have been satisfied.
[16 May 2002; 20 November 2003; 16 June 2004; 16 December 2004]

Article 751. Resources of the Fund for the Protection of the Insured which, on the basis of an administrator's application in writing, have been used to cover expenses related to organising insurance indemnity payments shall be included in the costs of administration of the insolvency procedure.
[27 March 2003]

Article 76. (1) If the amount recovered during the liquidation procedures of an insurer does not suffice to satisfy all claims, it shall be divided among the creditors in accordance with the sequence specified by Article 75 of this Law.
(2) Claims of each next category shall be satisfied after the claims of the previous category have been satisfied in full.
(3) If the funds of a debtor do not suffice to satisfy all claims of one category of creditors in full, such claims shall be satisfied in proportion to the amount due to each creditor of this category.

Chapter X
Insurance Intermediaries

(Deletion of Chapter X shall become effective simultaneously with the coming into effect of the law stipulating provisions for operations of insurance and reinsurance intermediaries/see Clause 24 of the Transitional Provisions);

Article 77. (1) Insurers, Member State insurers, reinsurers and policyholders may use services of insurance intermediaries.
(2) Insurance intermediaries are insurance agents, insurance agencies and insurance brokerage firms. Insurance intermediaries are not insurers and Member State insurers.
(3) For the provision of insurance services, an insurer and a Member State insurer may not use services of such persons as have not received authorisation as required by the procedures prescribed by this Law.
(4) The Commercial Law shall be binding on insurance intermediaries that are insurance undertakings unless otherwise provided by this Law.
(5) Commercial agent relations shall not develop between an insurance brokerage firm, a policyholder and an insurer or a Member State insurer.
[27 March 2003; 16 December 2004]

Article 78. (1) Insurance agents are natural persons representing interests of an insurer, and their activities shall be determined by a contract concluded with the insurer, pursuant to which they are authorized to act on behalf of the insurer. Professional activities of agents shall be related to the conclusion of insurance contracts and explanation of the rights and duties specified by the contract to the policyholders.
(2) An insurance agent is entitled to represent only one insurer or group of insurers or one Member State insurer entitled to provide insurance pursuant to the procedures specified in Article 114 of this Law or the group of Member State insurers set out in this Paragraph.
(3) Insurance agencies are legal persons representing the interests of an insurer, and their activities shall be determined in a contract concluded with the insurer. The agency is entitled to represent only one insurer or group of insurers.
(4) An insurer shall be liable for insurance contracts concluded by its insurance agents and insurance agencies.
(5) An insurance agency shall carry out insurance intermediary operations and other business activities related directly to insurance intermediary operations.
[27 March 2003; 16 December 2004]

Article 79. (1) Any natural person in the capacity to act may become an insurance agent if he or she:
1) has reached the age of 18;
2) has acquired at least secondary education;
3) has not been convicted of committing an intentional criminal offence, or has been rehabilitated, or for whom the conviction has been set aside or extinguished, or who has not been held criminally liable;
4) has acquired appropriate knowledge for the performance of his or her duties.
(2) An insurer, a Member State insurer and an insurance agency shall maintain a register for insurance agents. The information contained by the register (the name, surname, identity number of the insurance agent and the name of the insurer, the Member State insurer or the insurance agency represented by the agent) shall be freely available. If an insurer, a Member State insurer or an insurance agency has a home page set up on the Internet, it shall include the above information.
(3) The Financial and Capital Market Commission shall control the compliance with these requirements.
[27 March 2003; 16 December 2004]

Article 80. (1) An insurance brokerage firm is a company that is entered into the Commercial Register in accordance with the procedures prescribed by law and provides insurance intermediary services to policyholders, insurers, Member State insurers entitled to provide insurance pursuant to the procedures specified in Article 114 of this Law, reinsurers or other

insurance brokerage firms in accordance with concluded contracts and in compliance with the requirements of this Law.
(1[1]) An insurance brokerage firm shall only carry out insurance intermediary operations and other business activities directly related to insurance intermediary operations.
(12) The office of manager of an insurance brokerage firm may be held by a person who:
1) is competent enough in financial management matters;
2) has higher education and appropriate professional experience of at least three years in the financial and capital market;
3) has an impeccable business reputation;
4) is not or has not been deprived of the right to engage in business.
5) has not been convicted of committing an intentional criminal offence, or has been rehabilitated, or for whom the conviction has been set aside or extinguished, or who has not been held criminally liable.
(13) An insurance brokerage firm is obliged to, either itself or upon a proposal from the Financial and Capital Market Commission, without delay remove from office the manager of a brokerage firm, if it has been established that he or she does not qualify for the office held, his or her actions have prejudiced the financial stability of the insurance brokerage firm or have caused a situation that may endanger the financial stability of the insurance brokerage firm or the interests of policyholders as well as if the manager does not comply with the requirements of this Law.
(2) Brokers employed by an insurance brokerage firm may provide insurance intermediary services only on behalf of the insurance brokerage firm.
(3) An insurance broker is an independent insurance intermediary and his or her professional activities shall include the representation of interests of the persons planning to conclude insurance or reinsurance contracts. An insurance broker is entitled to perform preparatory work for the conclusion of insurance and reinsurance contracts as well as to service insurance and reinsurance contracts in the conclusion of which he or she has participated.
(4) An insurance broker is not entitled to conclude insurance contracts without authorization.
(5) An insurance brokerage firm is obliged to offer services of several insurers in each class of insurance for which it provides insurance intermediary services. An insurance broker shall provide information regarding the relationship of the insurance brokerage firm he or she represents with the insurer.
(6) An insurance brokerage firm shall, without delay, at the request of persons intending to conclude an insurance contract or a reinsurance contract, inform of the amount of its commission.
(7) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the person referred to in Paragraph 13 of this Article shall not suspend the execution of the act.
[27 March 2003; 26 November 2003; 16 December 2004]

Article 801. (1) An insurance brokerage company, when providing insurance intermediary services, is obliged to act as a careful and prudent manager and to ensure that the services are provided with due professionalism and prudence in the interests of the client.
(2) In contracts concluded with clients for the provision of intermediary services, an insurance brokerage company may not include provisions that are contrary to Paragraph one of this Article or that would contain any hidden consequences directed against the client.
[27 March 2003]

Article 81. An insurer and a Member State insurer are entitled to pay commission only to an insurance brokerage firm registered in accordance with the procedures prescribed by law and having obtained a licence issued by the Financial and Capital Market Commission. This restriction shall not apply to reinsurance and cases where the insurer provides insurance abroad by using services of an insurance brokerage firm.

[27 March 2003; 16 December 2004]

Article 82. (1) Insurance intermediary services at an insurance brokerage firm may be provided by natural persons who have obtained a certificate issued by the Financial and Capital Market Commission in accordance with the procedures prescribed by the Financial and Capital Market Commission.
(2) Prior to launching operations, an insurance brokerage firm shall obtain a licence issued by the Financial and Capital Market Commission in accordance with the procedures prescribed by the Financial and Capital Market Commission.
(3) The Financial and Capital Market Commission is entitled to cancel a licence issued for operations of an insurance brokerage firm in cases where the insurance brokerage firm:
1) has not commenced the provision of insurance intermediary services within a one-year period as from the date of obtaining the licence;
2) has interrupted the provision of insurance intermediary services for a period exceeding one year;
3) violates this Law, regulations issued by the Financial and Capital Market Commission in accordance with this Law and other regulatory enactments governing business activities.
If an insurance brokerage firm renounces a licence, the licence shall be cancelled.
(4) Filing of an appeal against an administrative act issued by the Financial and Capital Market Commission regarding the cancellation of a licence for operations of an insurance brokerage firm shall not suspend the execution of the act.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 83. The foundation capital of an insurance brokerage firm shall be at least 30 000 lats.

Article 84. (1) An insurance brokerage firm shall insure its civil liability for cases where it may cause losses to policyholders, insurers, Member State insurers or other interested persons as a result of its actions related to the performance of the duties prescribed by this Law.
(2) Procedures for civil liability insurance of insurance brokerage firms shall be determined by the Financial and Capital Market Commission.
[1 June 2000; 26 November 2003; 18 December 2004]

Article 85. (1) The accounting of an insurance brokerage firm shall be conducted in accordance with the Law on Accounting and other regulatory enactments.
(2) An insurance brokerage firm shall ensure keeping of funds obtained as a result of insurance intermediary operations separate from monies of the insurance brokerage firm in a separate account opened with a credit institution, informing the credit institution in writing that the monies held in the account are monies obtained as a result of insurance intermediary operations, as well as ensure separate accounting of these monies through a separate balance sheet account broken down by insurers, Member State insurers and policyholders.
(3) In case of insolvency of an insurance brokerage firm, monies held in the account referred to in Paragraph two of this Article shall not be included in that property of the insurance brokerage firm, of which expenses relating to insolvency procedures or liquidation are covered and creditors' claims are satisfied, and after the initiation of the insolvency procedure they shall without delay be paid out to insurers, Member State insurers, reinsurers and other creditors in accordance with the insurance and reinsurance contracts.
(4) The monies held in the account referred to in Paragraph two of this Article may be invested in specific short-term assets that may be converted into money within a 30-day period by entering the monies to the said account without delay. The permitted short-term assets shall be time deposits with credit institutions, deposits issued by credit institutions, certificates, government securities and other securities traded on a stock exchange.
[15 April 1999; 1 June 2000; 27 March 2003; 16 December 2004]

Article 86. An insurance brokerage firm shall draw up an annual report in compliance with the Law on Annual Reports of Enterprises and other regulatory enactments.

Article 87. The Financial and Capital Market Commission shall request an insurance brokerage firm to prepare quarterly reports on its financial activities related to the provision of insurance intermediary services, determining the format, contents and submission deadline for such reports.
[1 June 2000; 27 March 2003]

Article 88. An insurance brokerage firm shall submit an annual report to the Financial and Capital Market Commission not later than 30 April of the year following the reporting year. Together with the annual report, the insurance brokerage firm shall submit a report on financial activities related to the provision of insurance intermediary services. The format and contents of the report shall be determined by the Financial and Capital Market Commission.
[15 April 1999; 1 June 2000]

Article 89. Insurance intermediaries have the right to provide insurance intermediary services to insurers and Member State insurers only. This restriction shall not apply to reinsurance and cases where the risk insured is situated abroad and the policyholder is a non-resident.
[27 March 2003; 16 December 2004]

Article 89¹. (1) An insurance intermediary shall conclude insurance contracts on the basis of authorisation.
(2) If an insurance intermediary concludes an insurance contract without authorisation or exceeding authorisation, the insurance intermediary shall be liable for all losses and expenses incurred as a result of this action.
(3) A person giving authorisation to an insurance intermediary to conclude an insurance contract may at any time revoke it, without observing the term for notice of cancellation of a commercial agency contract prescribed by the Commercial Law.
(4) An insurer or a Member State insurer shall pay commission to an insurance agency or an agent in the amount and within the term agreed in a contract concluded by the insurer and the said insurance intermediary and only such insurance contracts as concluded within the term of validity of the mutually concluded contract; in addition, the relevant insurance contract shall be concluded as a result of activities of the insurance intermediary and the preparation or conclusion of such insurance contract shall be provided for in the mutually concluded contract.
(5) An insurance agency or an agent may request an insurer to pay equalisation only where it is stipulated under the insurance intermediary's contract.
(6) An insurance agency or an agent has no right to retain documents of an insurer transferred to its disposal after the termination of the contract with the insurer.
(7) An insurance agency or an agent may request compensation for the expenses relating to its activities only where it is stipulated by the contract concluded with the insurer.
[27 March 2003; 16 December 2004]

Article 90. (1) The conditions referred to in this Chapter shall not apply to:
1) legal persons with whom an insurer has concluded a contract for the distribution of insurance policies by using own structure and for which the distribution of insurance policies is not their basic activity;
2) the distribution of insurance policies by using services of the press, post office and similar services;
3) employees of an insurer, other than insurance agents.
(2) The persons referred to in Paragraph one of this Article shall not be regarded as insurance intermediaries and the services provided by them shall not be regarded as insurance intermediary services.

[1 June 2000; 27 March 2003]

Chapter XI
Protection of Interests of the Insured

Article 91. (1) In order to protect the interests of the insured in the event of bankruptcy of an insurer or a Member State insurer, a Fund for the Protection of the Insured shall be set up.
(2) The Financial and Capital Market Commission shall ensure the accumulation, management of resources of the Fund for the Protection of the Insured and the payment of insurance indemnities, as well as shall perform the following functions:
organise the inclusion of insurers' payments in the Fund for the Protection of the Insured;
calculate and collect amounts overdue and penalties;
organise insurance indemnity payments;
exercise the right of creditors to claim against the insurer in the amount of insurance indemnities paid.
(3) The supervision of the accumulation of resources by the Fund for the Protection of the Insured and the payment of insurance indemnities shall be carried out by the Consultative Financial and Capital Market Council of the Financial and Capital Market Commission.
[1 June 2000; 16 December 2004]

Article 92. Insurance indemnities from the Fund for the Protection of the Insured shall be paid in the amount specified by this Law and in accordance with the procedures determined by the Financial and Capital Market Commission after court has confirmed the decision taken by the meeting of creditors to initiate bankruptcy proceedings.
[1 June 2000]

Article 93. (1) Resources of the Fund for the Protection of the Insured shall be used for the manager's remuneration (if in accordance with Paragraph two of this Article the management of the Fund for the Protection of the Insured has been transferred to another manager) for the cover of expenses relating to organising insurance indemnity payments, as well as for insurance indemnity payments if the policyholder is a natural person, in the amounts as follows:
1) in the amount of 100% of the insurance indemnity, but not more than 10 000 lats to one policyholder, for life assurance, except insurance related to a unit-linked life assurance contract;
2) in the amount of 50% of the insurance indemnity, but not more than 2 000 lats to one policyholder, for the classes of insurance referred to in Article 12, Clauses 1-3, 8-10, 13 and 18 of this Law.
(2) In accordance with a decision of the Board of the Financial and Capital Market Commission the management of the Fund for the Protection of the Insured may, upon entering into a relevant contract, be transferred to another manager.
(3) Income (interest) obtained as a result of the management of the Fund for the Protection of the Insured shall be credited to this Fund.
(4) The use of resources of the Fund for the Protection of the Insured for purposes other than those provided for by this Law is prohibited. The use of other resources of the Financial and Capital Market Commission that are not resources of the Fund for the Protection of the Insured for insurance indemnity payments is prohibited.
(5) Payments to the Fund for the Protection of the Insured and payments from this Fund shall be made in lats only.
(6) Payments from the Fund for the Protection of the Insured in foreign currencies shall be converted into lats according to the relevant currency exchange rate set by the Bank of Latvia on the date when pursuant to the procedures prescribed by law a decision to initiate bankruptcy proceedings is taken.
[1 June 2000; 27 March 2003; 16 December 2004; 12 June 2008; 10 December 2009]

Article 94. Insurance indemnities shall not be paid from the Fund for the Protection of the Insured:
1) if the insurer is a mutual insurance cooperative society;
2) for compulsory insurance;
3) for insurance related to a unit-linked life assurance contract.
[12 June 2008]

Article 95. (1) The Fund for the Protection of the Insured shall be formed of deductions incurred by the Fund's members in the amount of one per cent of a total of the gross insurance premiums received from natural persons for the classes of insurance set out in Article 12, Paragraph one, Clauses 1, 2, 3, 8, 9, 10, 13, 18 and 19 of this Law, except insurance related to a unit-linked life assurance contract.
(2) The provisions of Paragraph one of this Article shall be binding on branches of insurers in foreign states if the regulatory enactments of these states do not provide for their compulsory participation in the scheme for the protection of the insured of the relevant state.
(3) The provisions of Paragraph one of this Article shall be binding on branches of insurers in foreign states if the regulatory enactments of these states provide for their compulsory participation in the scheme for the protection of the insured of the relevant state and determine the payment of the guaranteed insurance indemnity as the difference between amounts of the guaranteed insurance indemnity applicable to the relevant state and the Republic of Latvia.
(4) The provisions of Paragraph one of this Article shall not be binding on branches of foreign insurers if the regulatory enactments of these States provide for the protection of the insured in their branches in foreign states (also the Republic of Latvia) and cover all the cases provided for by this Law; in addition, the guaranteed insurance indemnity shall not be less than the one prescribed by this Law.
(41) The provisions of Paragraph one of this Article shall not be binding on a Member State insurer if the regulatory enactments of the home (registration) country of the Member State insurer provide for the protection of the insured in foreign states (also the Republic of Latvia) where it provides insurance under the freedom to provide services and cover all the cases provided for by this Law; in addition, the guaranteed insurance indemnity shall not be less than the one prescribed by this Law.
(5) Payments to the Fund for the Protection of the Insured shall be included in the expenses of Fund members, and they shall be made once a quarter by 30th date of the first month of the next quarter into an account held by the Financial and Capital Market Commission with the Bank of Latvia. Fund members shall, by 30th date of the first month of each quarter, submit to the Financial and Capital Market Commission a report of the gross insurance premiums received from natural persons in the previous quarter and payments to the Fund for the Protection of the Insured. The report form shall be determined by the Financial and Capital Market Commission.
(6) Payments of Fund members to the Fund for the Protection of the Insured shall not be regarded as liabilities of the Financial and Capital Market Commission to the Fund member and shall not be repayable if activities of the Fund member are terminated.
[27 March 2003; 16 December 2004; 12 June 2008]

Article 96. (1) The section of the Fund formed of contributions by life assurers and life Member State assurers and the section of the fund formed of contributions by other insurers and Member State insurers shall be accumulated and used separately.
(2) Separate funds may be set up for classes of compulsory insurance if required by law or other regulatory enactments.
[16 December 2004]

Article 97. (1) A Fund member has the obligation to calculate and pay a penalty for payments

not paid to the Fund for the Protection of the Insured within the specified term. This penalty shall be paid into an account with the Bank of Latvia.
(2) The penalty for a payment not paid to the Fund for the Protection of the Insured within the specified term shall be 0.05 per cent of the amount overdue per each delayed day. The penalty shall be calculated for the period during which the Fund member has not made its quarterly payments.
(3) If a Fund member has not made payments to the Fund for the Protection of the Insured voluntarily and in full for more than two months, the Financial and Capital Market Commission shall warn the Fund member that the licence for its operations may be cancelled.
(4) If a Fund member has not made payments to the Fund for the Protection of the Insured voluntarily and in full within a one-month period after the warning issued by the Financial and Capital Market Commission that its licence may be cancelled, the Financial and Capital Market Commission shall cancel the licence issued to the Fund member.
[27 March 2003]

Article 98. (1) An insurance indemnity from the Fund for the Protection of the Insured may only be paid where the person has submitted an application for the receipt of insurance indemnity to the administrator within a three-month period after the insurer or the Member State insurer has been declared insolvent.
(2) The insurance indemnity from the Fund for the Protection of the Insured shall be paid on the basis of a list prepared by the administrator and in compliance with the requirements of Article 75 of this Law.
[1 June 2000; 16 December 2004]

Chapter XII
Insurance Supervision
[1 June 2000]

Article 99. (1) The State and supplementary supervision of insurance operations shall be carried out by the Financial and Capital Market Commission.
(2) The Financial and Capital Market Commission shall carry out the supervision of branches established by insurance companies in Member States as well as of insurance services provided by such insurance companies under the freedom to provide services. When carrying out such supervision, the Financial and Capital Market Commission shall cooperate and consult with insurance supervisory authorities of Member States.
(3) The Financial and Capital Market Commission is entitled to request information from a branch of a Member State insurer as well as to request the prevention of the non-compliance of its activities with the requirements of regulatory enactments. The Financial and Capital Market Commission shall notify the management of the Member State insurer and the insurance supervisory authority of the home (registration) country of decisions taken. The Financial and Capital Market Commission shall cooperate and consult with insurance supervisory authorities of Member States in order to ensure the supervision of activities of the Member State insurers in the Republic of Latvia.
(4) The Financial and Capital Market Commission is entitled to request information from a Member State insurer which provides insurance services in the Republic of Latvia under the freedom to provide services and to request the prevention of the non-compliance of its activities with the requirements of regulatory enactments. The Financial and Capital Market Commission shall notify the management of the Member State insurer and the insurance supervisory authority of the home (registration) country of decisions taken. The Financial and Capital Market Commission shall cooperate and consult with insurance supervisory authorities of Member States in order to ensure the supervision of activities of the Member State insurers in the Republic of Latvia.

(41) While exerting supervision and before making a decision the Financial and Capital Market Commission, based on information in its possession, shall assess a possible impact of decision on the financial system stability of other Member State.
(5) An administrative act issued by the Financial and Capital Market Commission in accordance with this Law may be appealed to the Administrative Regional Court. The Court shall review the case as court of first instance. The case shall be heard by a three-judge panel. Judgement of the Administrative Regional Court can be appealed to the Court of Cassation.
[1 June 2000; 27 March 2003; 16 December 2004; 23 October 2008; 10 December 2009]

Article 991. (1) If the Financial and Capital Market Commission establishes that a branch of a Member State insurer or a Member State insurer which, under the freedom to provide services, provides insurance services, performs activities that are in contradiction with laws of the Republic of Latvia, it shall, without delay, request the Member State insurer to terminate such activities.
(2) If the branch of the Member State insurer or the Member State insurer which, under the freedom to provide services, provides insurance services, does not terminate activities that are in contradiction with laws of the Republic of Latvia, the Financial and Capital Market Commission shall, without delay, notify the supervisory authority of the relevant Member State insurer thereof.
(3) If the branch of the Member State insurer or the Member State insurer which, under the freedom to provide services, provides insurance services, proceeds with the activities that are in contradiction with laws of the Republic of Latvia, the Financial and Capital Market Commission shall, without delay, notify the supervisory authority of the relevant Member State insurer thereof and take measures preventing such violations.
(4) If the Financial and Capital Market Commission establishes that a branch of a Member State insurer or a Member State insurer which, under the freedom to provide services, provides insurance services, performs activities that are in contradiction with the Republic of Latvia laws protecting public interests, the Financial and Capital Market Commission shall notify the Member State insurer and the supervisory authority of the Member State insurer thereof and shall, without delay, take measures preventing such violations and decide on the application of punishments provided for by regulatory enactments.
[16 December 2004]

Article 100. [1 June 2000]

Article 101. [1 June 2000]

Article 102. [1 June 2000]

Article 1021. [1 June 2000]

Article 103. (1) In order to fulfil the tasks assigned to the Financial and Capital Market Commission by this Law, other laws or Cabinet regulations, it is entitled to issue instructions and directions binding on insurers.
(2) Instructions and directions binding on insurers shall be published in the newspaper Latvijas Vēstnesis.
[15 April 1999; 1 June 2000]

Article 104. (1) The Financial and Capital Market Commission has the right to require information and documents from insurers regarding their activities.
(2) Insurers shall submit information required within the term specified by the Financial and

Capital Market Commission and they may not refuse to submit such information and documentation by reason of their confidentiality.
(3) An insurer is obliged to prepare public quarterly reports in order to inform the public of the insurer's operations and financial indicators. The minimum amount of information to be included in such public reports shall be determined by the Financial and Capital Market Commission.
(4) An insurance company or a branch of a non-Member State insurer shall ensure that public reports are freely available on the premises of the administration of the insurance company or the branch of the non-Member State insurer and of all the branches of the insurance company free of charge or for a fee not exceeding its photocopying expenses; in addition, it shall be placed on the Internet home page of the insurance company or the branch of the non-Member State insurer. A public report shall be freely available not later than within a two-month period after the end of the respective reporting period.
[1 June 2000; 27 March 2003; 16 December 2004]

Article 104¹. The Financial and Capital Market Commission has the right not to allow an insurance company to establish close links with third persons or to request an insurance company to terminate close links with third persons or to prohibit transactions with them if such links may jeopardise or jeopardise the financial stability of the insurance company, interests of the insured, or prevent the Financial and Capital Market Commission from the performance of supervisory functions.
[27 March 2003; 16 December 2004]

Article 105. (1) A representative of the Financial and Capital Market Commission is entitled to verify operations and documents of an insurance company or a branch of a non-Member State insurer and participate in meetings of the management bodies of an insurance company or a branch of a non-Member State insurer without the right to vote.
(2) An insurance company or a branch of a non-Member State insurer shall have an obligation to collaborate with a representative of the Financial and Capital Market Commission who is carrying out activities referred to in Paragraph one of this Article.
[16 December 2004; 10 December 2009]

Article 106. The Financial and Capital Market Commission has the right to propose the convening of a meeting of the executive board, supervisory board, or shareholders (members) of an insurance joint stock company (general meeting of members of a mutual insurance cooperative society) and determine the matters to be discussed.
[1 June 2000]

Article 107. [1 June 2000]

Article 107¹. (1) Information regarding an insurer or an insurance intermediary and its clients, operations of an insurer or an insurance intermediary and its clients which has not been published previously in accordance with the procedures prescribed by law or the disclosure of which is not provided by other laws and which has not been approved by the Financial and Capital Market Commission's Board as publicly available as well as the information referred to in Article 20 of the Law on the Financial and Capital Market Commission shall be deemed to be restricted access information and it shall not be disclosed to third parties in any form other than the survey or summarisation form so that it is impossible to identify any particular insurer, insurance intermediary or its client.
(11) If an insurance undertaking is declared insolvent or in state of winding up, restricted access information that does not relate to third persons participating in the activities to improve the financial situation of insurance undertaking, may be disclosed upon request of criminal proceeding instigator or court.

(2) The provisions of Paragraph one of this Article shall not prevent the Financial and Capital Market Commission, within the scope of its competence, from exchange of restricted access information with supervisory authorities of Member State financial and capital market participants by retaining the restricted-access status for the information.
(3) The Financial and Capital Market Commission is entitled to enter into agreements on information exchange with supervisory authorities of a non-Member State insurer or authorities of a relevant non-Member State that are treated as the authorities referred to in Paragraph five, Clauses 1, 2, 3, 4, 6, 7 and 8 of this Article if the regulatory enactments of this non-Member State stipulate liability equal to that specified in regulatory enactments of the Republic of Latvia for the prohibited disclosure of restricted access information. Such information shall be solely used for the supervision of financial and capital market participants and reinsurance undertakings and the performance of functions prescribed by law for the relevant institutions. The relevant non-Member State authorities are entitled to disclose the information received only with the prior written consent obtained from the Financial and Capital Market Commission and solely for the purpose for which such consent has been given.
(4) The Financial and Capital Market Commission is entitled to use received information referred to in Paragraphs two and five of this Article solely for the performance of its supervisory functions:
1) to ascertain the compliance with regulatory enactments regarding the establishment of insurers and governance of their activities, especially as regards setting up technical provisions and their cover with assets, compliance with solvency requirements, management and accounting organisation and internal control mechanisms;
2) to apply the restrictions on rights and penalties stipulated by law;
3) during legal procedures where administrative acts issued by the Financial and Capital Market Commission or its actual actions are being appealed;
4) in legal proceedings initiated based on regulatory requirements set in this Law and other rules and regulations regarding insurance and reinsurance activities.
(5) The provisions of Paragraphs one and four of this Article shall not prevent the Financial and Capital Market Commission, within the scope of its competence, from exchange of restricted access information required for relevant functions with:
1) supervisory authorities of Member State financial and capital market participants;
2) authorities and persons that in the Republic of Latvia or a Member State are responsible for performance of solvency, liquidation of insurance undertakings or reinsurance undertakings and other similar procedures;
3) persons that in the Republic of Latvia or a Member State carry out internal audits and external audits specified by law in insurance undertakings, reinsurance undertakings and other financial institutions;
4) Member State authorities managing investment and deposit compensation schemes (funds)
5) the Bank of Latvia;
6) authorities that carry out supervision of the authorities that in the Republic of Latvia or a Member State are responsible for performance of solvency, liquidation of insurance undertakings or reinsurance undertakings and other similar procedures;
7) authorities that in the Republic of Latvia or a Member State carry out supervision of the persons that perform internal audits and external audits in insurance undertakings, reinsurance undertakings and other financial institutions as specified by law;
8) independent actuaries of insurance undertakings or reinsurance undertakings that perform legal supervision of those undertakings and authorities that perform supervision of independent actuaries;
9) authorities or persons that under regulatory enactments are responsible for detecting commercial rights violations and their investigation;
10) other public administrative authorities that are responsible for compliance with regulatory requirements in regard to supervision of financial and capital market participants, and officials

acting on the assignment of above authorities if disclosure of information is required for purposes of prudential supervision.
(6) Authorities and persons referred to in Paragraph five of this Article as regards information received from the Financial and Capital market Commission and supervisory authorities of Member State financial and capital market participants shall conform to following requirements:
1) authorities and persons shall use information received solely for performance of obligations within the scope of their competence;
2) authorities and persons referred to in Paragraph five of this Article including their employees while fulfilling their duties and after termination of their employment and other contractual relationships with authorities or persons referred to in Paragraph five of this Article, shall be prohibited from disclosing publicly or in any other manner information regarding activities of insurance undertakings that have not been published before pursuant to the procedures prescribed by law or unless other rules provide for its disclosure. Authorities or persons referred to in this Paragraph pursuant to the procedures prescribed by law shall be responsible for unlawful disclosure of restricted access information and shall be liable for losses to third persons incurred from illicit activities of above authorities or persons;
3) information received authorities and persons referred to Paragraph five, Clauses 6, 7, 8 and 9 of this Article shall be entitled to disclose only with a prior written consent of the persons that have provided the relevant information and solely for the purpose for which such consent has been given.
(7) Prior to sending information to authorities or persons referred to in Paragraph five, Clause 9 of this Article, information providers shall be notified of name and surname of the persons to whom information is to be sent and precise duties of the persons.
(8) The Financial and Capital Market Commission shall inform the European Commission and other Member States about the authorities and persons who are authorized to receive information in accordance with Paragraph five, Clauses 6, 7, 8 and 9 of this Article.
(9) Information received in accordance with Paragraph two and Clauses 1, 2, 3 and 4 of Paragraph five of this Article or obtained during examinations shall be provided to the authorities and persons referred to in Paragraph five, Clause 10 if the supervisory authorities of financial and capital market participants of Member States where examinations take place, have given consent to disclosure of such information.
[16 December 2004; 12 June 2008]

Article 1072. (1) In conducting supervision, the Financial and Capital Market Commission shall cooperate and consult with the European Commission.
(2) The Financial and Capital Market Commission shall inform the European Commission of relevant problems:
1) caused for an insurance company in application of regulatory enactments formulated by the Republic of Latvia based upon directives of the European Union, and, together with the European Commission, shall analyse the said problems to find a reasonable solution;
2) an insurance company faces when providing insurance services in a non-Member State or when undertaking insurance services in a non-Member State.
[16 December 2004]

Article 1073 (1) The Financial and Capital Market Commission shall forward a notification to the European Commission and Member State insurer supervisory authorities, notifying thereby of cases where:
1) a licence to provide insurance has been issued to an insurance company, which parent company is not registered in a Member State;
2) a commercial company that is not registered in a Member State has become a parent company of an insurance company.
(2) In addition to information referred to in Paragraph one, Clause 1 of this Article where a licence is issued to provide life insurance, the Financial and Capital Market Commission shall

forward information to the European Commission and Member State insurer supervisory authorities regarding the structure of insurance company group.
(3) In addition to information referred to in Paragraph one, Clause 1 of this Article where a licence is issued to provide insurance other than life insurance, the Financial and Capital Market Commission shall forward information to the European Commission regarding the structure of insurance company group.
(4) The Financial and Capital Market Commission shall forward a notification to the European Commission notifying thereby of cases where:
1) compulsory insurance has been determined pursuant to regulatory enactments by indicating:
a) special norms pertaining to compulsory insurance,
b) conditions to be included in an insurance policy on a mandatory basis;
2) regulatory enactments adopted in the Republic of Latvia that regulate the provision of insurance services, appending the text of the regulatory enactments thereto.
[16 December 2004; 9 June 2005]

Article 107.4 (1) An insurance company shall inform the Financial and Capital Market Commission about main difficulties encountered when starting or carrying out activities in a non-Member State.
(2) The Financial and Capital Market Commission shall notify the European Commission of the information referred to in Paragraph one of this Article.
[9 June 2005]

Article 108. The Financial and Capital Market Commission or a person authorised thereby is entitled to conduct an examination of an insurance company or a branch of a non-Member State insurer. The Financial and Capital Market Commission is entitled to authorise a sworn auditor or a company of sworn auditors for the fulfilment of this task.
[16 December 2004]

Article 109. (1) If the requirements of Articles 61 and 7, Paragraphs four, five and six of Article 8.2, Paragraphs two and three of Article 18, Articles 24, 29.2, 35.1, 41, 42, 42.1, 43, 46, 47, 49, 50, 50.1, 56, 57, 60, 60.1, 63 and 104, Paragraph two of Article 105 of this Law, as well as requirements of Paragraph two of Article 6, Articles 241 and 55 of the Insurance Contract Law and provisions of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing are not complied with, the Financial and Capital Market Commission shall have the power to impose on the insurer a penalty not exceeding 10 000 lats..
(2) The Financial and Capital Market Commission shall credit penalties collected for the violations referred to in Paragraph one of this Article to the State budget.
(3) Compulsory execution of a decision (an administrative act) issued by the Financial and Capital Market Commission that has not been executed on a voluntary basis shall be effected by a bailiff pursuant to the procedures prescribed by the Civil Procedure Law.
[1 June 2000; 27 March 2003; 16 December 2004; 24 November 2005; 12 June 2008; 10 December 2009]

Article 1091. (1) The Financial and Capital Market Commission is entitled to, within the scope of its competence, request an insurer and a Member State insurer to prevent the violations of this Law and the Insurance Contract Law and to take measures for preventing such violations.
[16 December 2004]

Article 110. [1 June 2000]

Article 1101. A person shall pay a penalty imposed by the Financial and Capital Market

Commission not later than within a one-month period as from the date the Financial and Capital Market Commission's decision to impose the penalty takes effect.
[27 March 2003]

Article 1102. The Financial and Capital Market Commission, its staff and persons authorised thereby shall not be liable for losses caused to an insurer, a Member State insurer, a reinsurer, an insurance intermediary or third parties; in addition, they may not be subject to liability for activities they have performed legally, promptly, with good reason and in good faith when fulfilling the supervisory functions in compliance with the procedures prescribed by law and other regulatory enactments.
[16 December 2004]

Article 111. [1 June 2000]

Article 112. [1 June 2000]

Chapter XIII
Specific Nature of Reorganisation Measures or Liquidation of Insurance Undertakings and Non-Member State Insurers
[17 June 2004]

Article 113. (1) The precepts of this Law shall apply to:
1) insurance companies with branches in another Member State;
2) Member State insurers with branches in the Republic of Latvia;
3) non-Member State insurers having at least one branch in the Republic of Latvia and another Member State;
4) insurance companies or the non-Member State insurers referred to in Clause 3 of this Paragraph having creditors arising out of insurance contracts in another Member State.
(2) Other precepts regulating reorganisation measures and liquidation shall apply insofar as they do not prejudice the precepts of this Chapter.

Article 114. (1) Only competent authorities of the relevant home country are entitled to take decisions on reorganisation measures or liquidation in the host country of an insurance undertaking registered in the home country (also of its branches) within the scope of the competence specified thereto by regulatory enactments.
(2) The decisions referred to in Paragraph one of this Article shall be binding in the Republic of Latvia as soon as they are effective in the Member State taking such decisions.
(3) The decisions referred to in Paragraph one of this Article that have been taken in the Republic of Latvia shall be binding on other Member States as soon as they are effective in the Republic of Latvia.
(4) Reorganisation measures or liquidation shall be governed by legislative enactments of the relevant home country unless otherwise provided by this Law.
(5) The Financial and Capital Market Commission shall, without delay, inform the competent authorities of the relevant Member States of decisions or activities relating to reorganisation measures or liquidation of such an insurance company as has creditors or a branch in another Member State or as provides insurance services in another Member State without opening a branch.

Article 115. (1) The Financial and Capital Market Commission shall, without delay, inform the competent authorities of those Member States in which the relevant non-Member State insurer has opened branches regarding a decision to commence reorganisation measures or liquidation involving a branch of a non-Member State insurer in the Republic of Latvia and measures pertaining thereto.

(2) The Financial and Capital Market Commission shall conduct supervision pursuant to this Law and cooperate with the competent authorities of the relevant Member States.
(3) Liquidators and other persons authorised under law shall cooperate with persons authorised accordingly by other Member States to carry out reorganisation measures or liquidation.
(4) Reorganisation measures or liquidation activities involving branches of a non-Member State insurer in Member States shall be performed in each Member State separately.

Article 116. (1) If a court or other competent authorities decide to carry out reorganisation measures or liquidation of such an insurance company as has creditors arising out of insurance contracts in another Member State or as has a branch in another Member State or as provides insurance services in the host country without opening a branch, a liquidator or another person authorised accordingly under law shall, upon coming into effect of the adjudications or decisions, without delay, ensure the publication in the newspaper Latvijas Vēstnesis of adjudications or decisions relating to the reorganisation measures or liquidation as prescribed by law and forward a notification thereof to the Office for Official Publications of the European Communities for publishing in the Official Journal of the European Communities.
(2) The Financial and Capital Market Commission shall ensure the publication of notifications relating to reorganisation measures or liquidation received from Member State competent authorities in the newspaper Latvijas Vēstnesis as well as on the website of the Financial and Capital Market Commission.
(3) Failure to publish the notifications referred to in Paragraphs one and two of this Article shall not grant the right to contest the said court adjudications or decisions of competent authorities regarding reorganisation measures or liquidation.
(4) The notification referred to in Paragraph one of this Article shall be prepared in the official language of the Republic of Latvia. The notification shall include its purpose, legal grounds, applicable law, identity data of the liquidator, the deadline (term) for submission of claims or complaints and the full address of the authority competent to review complaints against reorganisation measures or liquidation.

Article 117. (1) The liquidator or another person authorised under law shall, without delay, by notification, inform of the reorganisation measures or liquidation all known creditors individually and in writing, irrespective of the place of their location. The said notification shall also be sent to the insurance company's shareholders (members) and staff members.
(2) The liquidator or another person authorised under law shall include in the notification time limits binding upon the creditors, consequences of the failure to meet the deadline, the competent authority entitled to accept submitted claims or other communications related to claims, as well as the information creating, changing or terminating creditor liabilities.
(3) The liquidator or another person authorised under law shall send the notification to:
1) creditors arising out of insurance contracts in another Member State in the official language of the State where the residence or headquarters of the creditor are located;
2) creditors arising out of insurance contracts outside the Member State in the official language of the State where the insurance contract has been concluded;
3) creditors not referred to in Clauses 1 and 2 of this Paragraph in the official language of the Republic of Latvia. For this purpose, a form with the heading "The invitation to submit a claim. The deadline to be met for submitting the claim" shall be used in all official languages of Member States.
(4) All creditors have the right to submit their claims and complaints pursuant to the requirements of this Article to:
1) creditors arising out of insurance contracts in another Member State in the official language of the Member State where the residence or headquarters of the creditor are located, or in one of the official languages of those Member States where the residence or headquarters of the creditor are located. In that event, the heading of the creditor's claim application "Creditor's Claim Application" shall be in the official language of the Republic of Latvia;

2) creditors arising out of insurance contracts outside the Member State in the language in which the insurance contract has been concluded;
3) creditors not referred to in Clauses 1 and 2 of this Paragraph in the Member State in the official language of the relevant Member State or in one of the official languages of those Member States where the residence or headquarters of the creditor are located. In that event, the heading of the creditor's claim application "Creditor's Claim Application" shall be in the official language of the Republic of Latvia.
(5) The liquidator or another person authorised under law has the right to request creditors to ensure the translation of their claims or complaints in the official language of the Republic of Latvia only if they are informed thereof previously in the notification addressed to creditors as referred to in this Article.

Article 118. Legislative enactments of the Republic of Latvia shall regulate matters pertaining to:
1) assets and activities related to assets acquired or transferred to an insurance company or a non-Member State insurer in connection with its branch in the Republic of Latvia upon initiating liquidation of this branch;
2) the management body of an insurance company or a branch of a non-Member State insurer registered in the Republic of Latvia (also liquidators' rights and obligations);
3) fulfilling the netting of claims and liabilities and offsetting of claims and liabilities of an insurance company or a non-Member State insurer having a branch in the Republic of Latvia or the performance of activities having similar legal consequences;
4) effects of liquidation on contracts the party to which is an insurance company or a non-Member State insurer in connection with the contracts concluded by its branch in the Republic of Latvia;
5) effects of liquidation on court proceedings initiated by creditors, with the exception of pending court proceedings as referred to in Article 123 of this Law;
6) claims entered as liabilities on the account of an insurance company or a non-Member State insurer, reflecting the financial situation at the end of accounting period, in passive connection with activities of its branch in the Republic of Latvia and activities related to claims established after starting liquidation process;
7) those requirements under legal enactments that specify the application for, examination and recognition of claims;
8) those requirements under legal enactments that specify disposal of assets of an insurance company or a non-Member State insurer, distribution of proceeds on disposal of assets, grouping of claims and rights of those creditors whose claims, upon going into liquidation, have been partially satisfied pursuant to the rights in rem or when fulfilling the netting of claims and liabilities and offsetting of claims and liabilities or performing activities having similar legal consequences in connection with its branch in the Republic of Latvia;
9) requirements of legal enactments where the liquidation has been completed (also by settlement);
10) creditors' rights upon completion of liquidation;
11) requirements of legal enactments regarding costs of liquidation;
12) provisions of such legal enactments as restrict specific rights of all creditors or prescribe prohibitions or limitations for the purpose of preventing unequal conditions for creditors or losses.
[10 December 2009]

Article 119. Effecting of reorganisation measures or liquidation shall not limit the creditors or third parties' rights in rem in things that are owned by the insurer and that, during the period of effecting the reorganisation measures or liquidation, are in the territory of another Member State.

Article 120. (1) Rights and obligations of regulated market participants in activities involving financial instruments in connection with reorganisation measures or liquidation shall be solely determined by laws applicable to a regulated market.
(2) The provisions of Paragraph one of this Article shall not limit the application of Article 119 of this Law.
(3) Interested persons have the right to contest the activities or rights referred to in this Article.

Article 121. If, upon taking a decision regarding initiation of reorganisation measures or liquidation, assets are disposed of, then, as regards:
1) immovable property, such activities shall be regulated by legislative enactments of those Member States where the immovable property is situated;
2) ships or aircraft, such activities shall be regulated by legislative enactments of that Member State that is in charge of the public register;
3) financial instruments to be registered with public registers, a credit institution account or the central depository and rights attaching to such instruments, such activities shall be regulated by those Member State legislative enactments according to which the insurance undertaking's ownership right of the relevant financial instruments have been certified.

Article 122. Legislative enactments of the Republic of Latvia shall not apply to the right to prescribe prohibitions or limitations with respect to payments or transactions for the purpose of preventing unequal conditions for creditors or losses if the person benefiting from such payments or transactions proves that:
1) the activity affecting interests of other creditors arises out of legislative enactments of a Member State other than the Republic of Latvia;
2) the legislative enactment of the Republic of Latvia does not provide for a possibility of contesting the activities of the person benefiting therefrom.

Article 123. The effects of reorganisation measures or liquidation on pending proceedings shall be regulated by legislative enactments of that Member State where the relevant proceeding takes place.

Article 124. (1) Powers of a liquidator appointed by competent authorities of a Member State or another person authorised by law shall be certified by a copy of the original decision taken by such authorities or any other certification compliant with legislative enactments of the relevant State. Competent authorities have the right to request the translation of the above documents in the official language of the Republic of Latvia. Legalisation or any other activity having similar legal consequences need not be performed.
(2) A liquidator appointed by a Member State or another person authorised by law has the right to exercise such powers in the Republic of Latvia as he or she is entitled to exercise in the territory of the relevant Member State.
(3) A liquidator or another person authorised by law has the right to appoint (authorise) persons assisting him or her in, or representing him or her during, the process of reorganisation measures or liquidation.
(4) A liquidator appointed by a Member State or another person authorised by law, in exercising his or her powers in the Republic of Latvia, shall comply with the legislative enactments of the Republic of Latvia, also, with the legislative enactments regarding activities related to realisation of assets and providing information to employees.

Article 125. (1) A liquidator appointed by the home country or another person authorised by law, in exercising his or her powers, has an obligation to register reorganisation measures or liquidation with public registers of the Republic of Latvia if such registration is required by legislative enactments of the Republic of Latvia.

(2) A liquidator appointed by the Republic of Latvia or another person authorised by law, in exercising his or her powers, has an obligation to register reorganisation measures or liquidation with public registers of the host country if such registration is required by legislative enactments of the relevant Member State.
(3) Expenses related to registration with public registers of Member States of reorganisation measures or liquidation shall be included in the costs (expenses) of these processes.

Article 126. (1) Competent authorities receiving information on reorganisation measures or liquidation for the performance of their functions under legislative enactments shall ensure the non-disclosure of such information.
(2) Cases where the disclosure of the information referred to in Paragraph one of this Article is permissible and the procedures as to how such information is to be disclosed shall be determined by legislative enactments of the relevant Member State.

Chapter XIV
Supplementary Supervision
[16 December 2004]

Article 127. (1) Only such an insurance company is subject to supplementary supervision as is:
1) a participating company in at least one insurance company, reinsurer or foreign insurer or foreign reinsurer;
2) a subsidiary of an insurance holding company, a reinsurer of a non-Member State insurer or a non-Member State reinsurer;
3) a subsidiary of a mixed-activity insurance holding company;
(4) If the same insurance holding company, non-Member State insurer, non-Member State reinsurer or mixed-activity insurance holding company is also a parent company of an insurance company or a reinsurer and a Member State insurer or a Member State reinsurer, the Financial and Capital Market Commission shall reach an agreement with the supervisory authority of the relevant Member State insurer or Member State reinsurer regarding which of them will perform additional supervision.
(2) In performing supplementary supervision, in cases provided for by this Law only such a company shall be taken into account as is:
1) a participating company in an insurance company;
2) a related company of an insurance company;
3) a related company of a participating company in an insurance company.
(3) Supplementary supervision shall include:
1) the right of the Financial and Capital Market Commission to request information;
2) provision of information to the Financial and Capital Market Commission;
3) the right of the Financial and Capital Market Commission to conduct on-site verification of the truthfulness of information submitted by the companies referred to in Paragraph two of this Article;
4) the supervision of the mutual transactions referred to in Article 131 of this Law;
5) the supervision of the fulfilment of requirements of the adjusted solvency.
(4) If one and the same insurance holding company, reinsurer, non-Member State insurer or mixed-activity insurance holding company is the parent company of an insurance company and a Member State insurer, the Financial and Capital Market Commission shall reach agreement with the relevant supervisory authority of the Member State insurer as to which of them will exercise the supplementary supervision.
[12 June 2008]

Article 128. (1) An insurance company subject to supplementary supervision shall provide the Financial and Capital Market Commission with all the information required for the performance of supplementary supervision functions.

(2) The Financial and Capital Market Commission has the right to request information required for supplementary supervision directly from a related company of an insurance company, a participating company and a related company of a participating company if such information has not been received from the insurance company.
(3) The Financial and Capital Market Commission or persons authorised thereby may conduct on-site verification of the truthfulness of information submitted by the companies referred to in Paragraph two of Article 127 and these companies may not refuse to provide information by reason of business secret.
(4) At the request of the supervisory body of a Member State insurer, the Financial and Capital Market Commission and persons authorised thereby or, with the consent of the Financial and Capital Market Commission, the supervisory body of a Member State insurer or persons authorised thereby may conduct on-site verification of the truthfulness of information submitted for supplementary supervision purposes in companies registered in the Republic of Latvia that are participating companies in Member State insurers, related companies or related companies of participating companies subject to supplementary supervision and registered in a Member State.

Article 129. (1) An insurance company subject to supplementary supervision in accordance with the requirements of Article 127, Paragraph one, Clause 1 of this Law shall develop an appropriate risk management and internal control system and shall formulate procedures to adequately determine, assess, and control the indices and information required for supplementary supervision purposes.
(2) An insurance company subject to supplementary supervision, its participating companies and related companies have the right to mutually exchange relevant information required by the Financial and Capital Market Commission or the supervisory body of a Member State insurer for the performance of supplementary supervision functions.

Article 130. (1) A member of the executive body of an insurance holding company may be any person who complies with the following requirements:
1) he or she has sufficient competence in the field for which the said person is responsible;
2) he or she has appropriate professional experience of at least three years in the respective field;
3) he or she has an impeccable reputation;
4) he or she is not deprived, or has not been deprived, of the right to engage in business;
5) he or she has not been convicted of committing an intentional criminal offence, or has been rehabilitated, or for him or her the conviction has been set aside or extinguished, or he or she has not been held criminally liable.
(2) Before the person referred to in Paragraph one of this Article undertakes his or her duties, the insurance company shall notify the Financial and Capital Market Commission thereof. The Financial and Capital Market Commission, not later than one month after the receipt of the information referred to in this Paragraph, shall assess the compliance by the person with the requirements of Paragraph one of this Article. The Financial and Capital Market Commission, shall take a decision to prohibit a person from holding the office specified in Paragraph one of this Article within the term specified by this Paragraph, if the said person does not comply with the requirements of Paragraph one of this Article, and, without delay, notify the relevant person and the insurance company.
(3) The Financial and Capital Market Commission may propose removal from office of a member of the executive body of an insurance holding company if he or she does not comply with the requirements set out in Paragraph one of this Article or does not comply with the policies, procedures, programmes and rules formulated by the insurance company.

Article 131. (1) Mutual transactions between an insurance company subject to supplementary supervision and its participating company, related company, participating company's related company and a natural person who, directly or by way of control, has acquired 20 per cent or more of the voting rights or, directly or by way of control, has acquired a participating interest

covering 20 and more per cent of the share capital or the voting shares of the insurance company, its participating company, related company, participating company's related company, shall be conducted by the insurance company prudently and carefully, observing the interests of the insured and policyholders.
(2) The mutual transactions referred to in Paragraph one of this Article shall be as follows:
1) lending and borrowing;
2) guarantees and other off-balance sheet transactions;
3) transactions shown in items included in the calculation of the adjusted available solvency margin;
4) investments;
5) reinsurance and ceded reinsurance and retrocession transactions;
6) agreements on cost sharing.
(3) The Financial and Capital Market Commission shall determine the content of the information regarding mutual transactions and procedures for its submission.
[12 June 2008]

Article 132. (1) The adjusted required solvency margin and the procedure as to how the adjusted available solvency margin is to be calculated and relevant accounts are to be submitted by the insurance companies set out in Article 127, Paragraph one, Clauses 1 and 2 of this Law shall be determined by the Financial and Capital Market Commission.
(2) If the adjusted solvency requirement is not or might not be fulfilled in compliance with the requirements of this Law, an insurance company subject to supplementary supervision shall submit for coordination to the Financial and Capital Market Commission a plan of such measures as are planned to be taken to ensure the compliance with the requirements of this Law.

Article 133. If, upon obtaining the information referred to in Article 131, Paragraph two of this Law, the Financial and Capital Market Commission concludes that the financial stability of an insurance company is or may be jeopardised, it shall request the insurance company to take measures to improve its financial stability.

Transitional Provisions

1. With the coming into force of this Law, the following laws are repealed:
1) the Law on Insurance (Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs, 1993, No. 3/4; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1994, No. 4; 1995, No. 20; 1996, No. 20; 1998, No. 2);
2) the Law on the State Insurance Supervision Inspectorate (Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1995, No. 20; 1996, No. 20; 1997, No. 15);
3) 12 January 1993 Decision of the Supreme Council of the Republic of Latvia on the Procedures for Coming into Force of the Republic of Latvia Law on Insurance (Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1993, No. 3).

2. The Cabinet shall issue relevant regulations in accordance with Articles 79, 82, 84 and 95 of this Law by 31 December 1998.
[15 April 1999]

3. Resources of the Fund for the Protection of the Insured shall be kept in a special account of the Insurance Supervision Inspectorate by 1 July 2001. The procedure for keeping such funds shall be determined by the Cabinet.
[1 June 2000]

4. Until 1 July 2001, resources of the Fund for the Protection of the Insured and interest on

investments shall be accumulated without making any payments.
[1 June 2000]

5. Insurance indemnities from the Fund for the Protection of the Insured in accordance with the requirements of this Law shall only be paid where all the licences of the insurer are cancelled after 1 July 2001 and the court has declared it insolvent.
[1 June 2000]

6. Insurance brokerage firms shall restructure their operations in conformity with the requirements of this Law until 1 July 1999.

7. Mutual insurance cooperative societies shall restructure their operations in conformity with the requirements of Paragraph 2 of Article 32 of this Law until 1 January 2002.

8. The norms provided for by Article 109 of this Law shall apply until the date the Law on Administrative Penalties comes into force.

9. Amendments to Article 44 (regarding determining the states in which investments from technical provisions may be made), Article 60 (regarding the formulation and approval of reinsurance programmes) and Article 44.1 shall come into force on 1 October 2000.
[1 June 2000]

10. Amendments to the title of Chapter XII and Article 99, as well as amendments with respect to the replacement of the words "Insurance Supervision Inspectorate" (in the respective case) with the words "Financial and Capital Market Commission" (in the respective case) in this Law shall come into force on 1 July 2001.
[1 June 2000]

11. Articles 100, 101, 102, 102.1, 107, 110, 111 and 112 shall apply until 30 June 2001.
[1 June 2000]

12. Amendments to Article 54, Paragraph two (regarding preparation of reports and forwarding of its copy to the Insurance Supervision Inspectorate), Article 54, Paragraphs three and four, as well as amendments to Article 55 of this Law (regarding the deletion of Paragraph two) shall come into force simultaneously with the relevant norms of the law governing activities of sworn auditors.
[1 June 2000]

13. Amendments to Articles 44, 44.1, 49, 60, 79, 82, 84, 85 and 95 with respect to the replacement of the words "the Cabinet" (in the respective case) with the words "the Financial and Capital Market Commission" (in the respective case) shall come into force on 1 July 2001.
[1 June 2000]

14. Amendments to Articles 91 and 97 of this Law, also, Article 92, with respect to the replacement of the words "the By-law of the Management of the Fund for the Protection of the Insured" with the words "the Financial and Capital Market Commission" shall come into force on 1 July 2001.
[1 June 2000]

15. Amendments to Article 75, Paragraph one, Clause 2 of this Law shall come into force on 1 January 2003.
[16 May 2002]

16. The procedure regarding coming into force of Article 7, Paragraph one, Clause 2 and Paragraph three, Articles 11, 112, 113, 114 and 115, and Article 99, Paragraphs two, three and four of this Law shall be determined by a special law. The norms of this Law pertaining to a non-Member State insurer shall regulate the legal relations with a Member State until the coming into force of this special law.
[27 March 2003]

17. Insurance companies whose minimum guarantee fund does not comply with the requirements of Article 32, Paragraph one of this Law shall increase it by 1 July 2004.
[27 March 2003]

18. An insurer shall transform its operations in compliance with the requirements of Articles 60 and 601 of this Law by 1 January 2004.
[27 March 2003]

19. An insurer shall transform its operations in compliance with the requirements of Article 47, Article 50, Paragraphs three and four of this Law by 1 April 2004.
[27 March 2003]

20. An insurance agency shall transform its operations in compliance with the requirements of Article 78, Paragraph five of this Law and an insurance brokerage firm shall transform its operations in compliance with the requirements of Article 80, Paragraphs 11, 12 and 13 of this Law by 1 November 2003.
[27 March 2003]

21. Reorganization measures commenced or liquidation initiated before 1 July 2004 shall be effected and completed according to the procedures prescribed by this Law and other laws governing the field of insurance by 30 June 2004.
[17 June 2004]

22. Article 2, Paragraph four of this Law shall become effective simultaneously with the coming into effect of the relevant law on the financial collateral.
[17 June 2004]

23. The requirements of Articles 83, 84 and 85 of this Law with respect to outsource services specified in Article 83, Paragraph three of this Law that have been received by an insurance company or a branch of a non-Member State insurer before coming into effect of the law, thereby relevant supplements have been made, shall be met by the insurance company or the branch of the non-Member State within six months as of the date of coming into effect of this Law.
[16 December 2004]

24. Amendments to Article 1, Clause 23 of this Law, Article 61 of this Law, the amendment with respect to the deletion of Chapter X shall become effective simultaneously with the coming into effect of the law regulating the operation of insurance and reinsurance intermediaries.
[16 December 2004]

25. By the date of coming into effect of the law regulating the operation of insurance and reinsurance intermediaries, the Financial and Capital Market Commission in accordance with this Law has the right to request information from insurance intermediaries and documents pertaining to their activities. Insurance intermediaries shall submit the information requested within the term specified by the Financial and Capital Market Commission and they may not refuse to submit such information by reason of business secret.

[16 December 2004]

26. By the date of coming into effect of the law regulating the operation of insurance and reinsurance intermediaries, the Financial and Capital Market Commission has the right to, within the scope of its competence, request an insurance intermediary to prevent established violations of this Law and the Insurance Contract Law and to take measures to prevent such violations.

27. Amendments to Article 29 of this Law regarding the deletion of Paragraphs three, four, five and six as well as Article 29.3 shall come into force on 1 January 2008.
[14 June 2007]

28. Amendments to Article 56 of this Law shall apply to the reports submitted to the State Revenue Service on 1 July 2008 and later.
[29 May 2008]

29. If the appeal regarding an administrative act issued by the Financial and Capital Market Commission has been filed to the Administrative Regional Court until 1 January 2009, decision on the submitted appeal shall be made, as well as initiated administrative case shall be heard and court ruling shall be made and appealed in accordance with the provisions of the Administrative Procedure Law.
[23 October 2008]

Informative Reference to European Community Directives
[16 December 2004]

This Law incorporates the legal norms arising out of:
1) First Council Directive 73/239/EEC of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance;
2) Council Directive 73/240/EEC of 24 July 1973 abolishing restrictions on freedom of establishment in the business of direct insurance other than life assurance;
3) Second Council Directive 88/357/EEC of 22 June 1988 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC;
4) Council Directive 92/49/EEC of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC (third non-life insurance Directive);
5) Directive 98/78/EC of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group;
6) Directive 2000/26/EC of the European Parliament and of the Council of 16 May 2000 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and amending Council Directives 73/239/EEC and 88/357/EEC (Fourth motor insurance Directive);
7) Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance;
8) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;
9) Directive 2001/17/EC of the European Parliament and of the Council of 19 March 2001 on the reorganisation and winding-up of insurance undertakings;

10) Council Directive 91/371/EEC of 20 June 1991 on the implementation of the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than life assurance;
11) Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005 amending Council Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC and 93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC in order to establish a new organisational structure for financial services committees;
12) Council Directive 84/641/EEC of 10 December 1984 amending, particularly as regards tourist assistance, the First Directive 73/239/EEC on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance;
13) Council Directive 90/618/EEC of 8 November 1990 amending, particularly as regards motor vehicle liability insurance, Directive 73/239/EEC and Directive 88/357/EEC which concern the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance;
14) Directive 2000/64/EC of the European Parliament and of the Council of 7 November 2000 amending Council Directives 85/611/EEC, 92/49/EEC, 92/96/EEC and 93/22/EEC as regards exchange of information with third countries;
15) Directive 2002/13/EC of the European Parliament and of the Council of 5 March 2002 amending Council Directive 73/239/EEC as regards the solvency margin requirements for non-life insurance undertakings;
16) The First Council Directive 68/151/EEC of 9 March 1968 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;
17) Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies;
18) Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC;
19) Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services;
20) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector;
21) Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.
[9 June 2005; 24 November 2005; 29 May 2008; 12 June 2008; 19 February 2009; 26 February 2009; 23 September 2010]

This Law shall come into force on 1 September 1998.

This Law has been adopted by the Saeima on 10 June 1998.

President
G. Ulmanis

Riga, 30 June 1998

ANNEX IV

ANNEX IV - GAMBLING AND LOTTERIES LAW

In force from 01.01.2006
(with amendments adopted by Parliament on 08.06.2006)
Unofficial translation from Latvian

Chapter I
General Provisions

Section 1. Terms used in this Law

The following terms are used in this Law:
1) Gambling - a game where a natural person upon payment of deposit stake may get a gain fully or partially depending on the winning occurrence or circumstances being previously unknown. Such a game on the automatic slot machine where the only gain being free game on the said automatic slot machine, as well as a game on the automatic slot machine with a gain of property nature (save for gain in cash) value whereof being within 10 lats shall be deemed not to be gambling;
2) Automatic gambling slot machine – electronic, mechanic or electromechanical device having special program or machinery for the purpose of determination of gain volume intended for gambling arrangements;
3) Gambling organizer – capital company incorporated in the Republic of Latvia having received licenses required for gambling arrangements pursuant to the procedure provided by this Law;
4) Bingo - gambling, where a player by guessing accidental combination of numbers from preset combinations of numbers has a possibility to get a gain and where the gain volume is conditional upon the drawn or the guessed combination of numbers and total amount of deposit stakes;
5) Bet - gambling, where interested person deposit stake and strike a bargain about the possibility or impossibility of any event, and amount of the gain depends on the accuracy of the player's forecast, deposited stake, as well as on the index for calculation of the gain, which is fixed by the rules of game;
6) Interactive gambling or lottery - gambling, where the player may take part by using the electronic communication services: the Internet, telephone, television, radio or any other types of electronic communications;
7) Lottery or raffle (hereinafter referred to as the lottery) is a game having nature of an agreement of chance and where gains acquired by participant thereof are fully or partially occasional ones.
8) Lottery organizer - capital company incorporated in the Republic of Latvia or in special cases also an association or religious organization having received licenses required for lottery arrangement pursuant to the procedure provided by this Law;
9) Dice game - gambling, where the gain is depending on the shaken dice number and the gain factor provided by the rules of game and which is not equipped with special electronic program for the purpose of game control and determination of the gain volume;
10) Game of cards - gambling, where gain is depending on the cards laid (combination thereof) and the gain factor provided by the rules of game and which is not equipped with special electronic program for the purpose of game control and determination of the gain volume.
11) Table for the game of cards and dice – table manufactured in an industrial manner having an equipped place for the game manager, places for distribution of players' stakes and layer.

12) Winnings – allowance paid out by the gambling organizer to the player under the gambling rules in event of winning, as well as allowance or property paid out by the lottery organizer to the player under the lottery rules in event of winning.
13) Roulette (cylindrical game) - gambling, where gain is depending on numbers, symbols or other signs or combination of signs, as well as on the deposit stake and the gain factor stipulated by the game rules and which is not equipped by special electronic program for the purpose of game control and determination of the gain volume;
14) Additional game of games of roulette, cards or dice – game derived directly from gambling rules, which upon compliance with certain conditions shall provide for additional winning possibilities, upon exclusion of the lottery elements.
15) Roulette gaming-table – table manufactured in an industrial manner having an equipped place for the game manager, players' places, table layer divided into game fields and mechanically rotating cylinder with red and black numbered fields.
16) Automatic slot machine game - gambling, where participant's winning possibilities and gain volume is determined by the automatic gambling slot machine.
17) Additional automatic slot machine game – possibility upon occurrence of specific conditions to play a game for free but with winning opportunities on exclusion of lottery elements provided by the game rules of automatic gambling slot machines and automatic gambling slot machines connected in a system.
17) Totalizator - gambling, where participants are taking part upon depositing stake and forecasting occurrence, possible or impossible occurrence of one event or several events, or anything that may prove to be true or false and the gain depends on the total amount of the deposit stakes, factor and forecast results. Arrangement of totalizator shall be forbidden as concerns events having already occurred or events known to one or another betting party or to both parties.
18) Game of chance by the telephone - gambling, where results partly or absolutely depends on an accident and where participant thereof responding to a question or in other way participating in the game, using telephone and paying participation fee in accordance with the tariff for additional services being set up by the game organizer.

Section 2. Subject and purpose of the Law
(1) The present Law shall be aimed at ensuring protection of public interest and rights of players.
(2) The present Law shall regulate the procedure to organize gambling and lotteries, government activities, responsibility of and supervision over the organizer of gambling and lotteries, as well as specify rights, obligations and liability of persons whereto requirements of the current Law are pertaining.
(3) Rights and obligations of the organizers of gambling and lotteries in prevention of laundering of the proceeds from crime are prescribed by the Law "On Prevention of Laundering of the Proceeds from Crime".

Section 3. Gambling and lottery organizing rights
(1) Only the organizer of gambling or lotteries may organize gambling and lotteries in the Republic of Latvia.
(2) Only gambling, lotteries and additional games specified by the present Law are permitted in the Republic of Latvia.

Section 4. Certification of automatic gambling slot machines and equipment
(1) In the Republic of Latvia it is allowed to install and run only duly registered, certified and marked slot-machines, gambling game units as well as slot machines' game programs.
(2) The registration is a registration of each slot-machine, gambling game unit and slot machines' game program in the Lotteries and Gambling Supervisory Inspection assigning an

identity number to each slot-machine and gambling game unit; the number remains unchanged during all the period of operation of the respective slot machine and unit.
(3) The certification is a check-up that establishes if a slot-machine, model of unit and it's game program meet the standards of manufacturer and demands of the Latvian Republic legislation.
(4) To certify slot-machines, game units and slot – machines' game programs are authorized only laboratories, which have obtained an accreditation certificate on entitlement to make testing and certification in respective field, issued by relevant authority of European Community member state.
(5) The Marking is a fixation of an identification number, registered in the Lotteries and Gambling Supervision Inspection, on the slot-machine or gambling game unit, owned or leased by organizer of gambling games before the commencement of operation of this slot-machine or gambling-game unit.
(6) The registration and marking of slot-machine, gambling unit and slot- machine's game program is being carried out in order, established by the Cabinet of Ministers.
(7) The Cabinet of Ministers sets the information that must be included into the certificate of conformity of slot-machine, game unit and slot – machine's game program.
(with amendments adopted on June 8, 2006)

Chapter II
Types and rules of gambling

Section 5. Types of gambling
(1) Organization of the following gambling is permitted in the Republic of Latvia:
1) automatic slot machine games;
2) roulette (cylindrical game);
3) games of cards;
4) dices;
5) bets;
6) totalizator;
7) bingo games;
8) interactive gambling.

Section 6. Gambling rules
(1) Rules for each gambling - automatic slot machine game, roulette (cylindrical games), game of cards, dib, bingo game, totalizator bet or interactive gambling – are document developed by the gambling organizer and approved by the Lotteries and Gambling Supervisory Inspection, where the course of game is described and other information identifying the game is provided.
(2) Following information shall be included into the gambling rules:
name, legal address and phone number of the gambling organizer;
title and type of the gambling;
gambling participation fee (stake);
procedure whereunder a participant may take part in the game;
the game procedure;
conditions, beside which participant is getting the gain as well as the amount of gain (as well as the gain correlation to the participation fee (stake)];
procedure whereunder applying for the gain and issuing of the gain is performed;
term whereto the gambling participant can apply for the gain;
where participant can apply in the case of claim as well as procedure of the claim consideration;
other information deemed to be relevant by the gambling organizer.
(3) Title and type of the game as well as name of manufacturer for the automatic gambling slot machine and the game shall be indicated in the automatic slot machine game rules.

(4) In the bingo game, by application of the game card, the following information shall be indicated thereon:
name, legal address and phone number of the gambling organizer;
address where the gain shall be received;
final term when the gain is issued;
price of the game card or basic stake of the game;
serial and series number of the game card.
(5) The following information shall be indicated in the rules for additional game:
name, legal address and phone number of the organizer of additional game;
title of the additional game;
procedure whereunder a participant may take part in the additional game;
procedure for the additional game;
conditions, beside which participant is getting the gain as well as amount of the gain;
procedure whereunder applying for the gain and issuing of the gain is performed;
term whereto the participant to additional game can apply for the gain;
where participant can apply in the case of claim as well as procedure of the claim consideration;
other information deemed to be relevant by the organizer of additional game.

(6) The Lotteries and Gambling Supervisory Inspection shall be entitled to require additional information from the gambling organizer in order to decide on compliance of the gambling rules submitted for approval with provisions of the present Law.
(7) The Lotteries and Gambling Supervisory Inspection shall approve rules developed by the gambling organizer within 15 days from the date of receipt thereof, save for the events prescribed by Section 7 of the present Law.

Section 7. Refusal to approve the rules of gambling or additional game.
The Lotteries and Gambling Supervisory Inspection shall refuse approval of the rules of gambling or additional game provided that there is presence at least one of the following conditions:
no information required in the present Law is included therein;
they are providing for arrangement of such type of gambling, which does not agree with the requirements of the present Law;
there is stipulated that gains can be received only when definite number of participants are involved in the game or if total sales amount has amounted to specific sum;
there is stipulated that a type of pyramidal game is organized, where participation fee (stake) or invested values after a time period is allocating gain to unspecified range of persons.

Chapter III
License to organize gambling

Section 8. Requirements for the gambling organizer
The license to organize gambling (hereinafter referred to as the license) may be received by the gambling organizer corresponding to the following criteria:
amount of the paid stock capital (statutory fund) thereof is not less than 1,000,000 lats
interest of foreign members or stockholders in the capital company stock capital shall not exceed 49 percent. The said requirements shall concern no investors from the European Union Member States, as well as events when different provisions for foreign investments are prescribed by international treaties ratified by the Saeima (Parliament).

Section 9. Requirements concerning officials of the gambling organizer
At least one half of the members of council and board of directors of the gambling organizer should be domestic taxpayers (residents).
As the member of council and board of directors and auditor of the gambling organizer may be a person:
having unblemished reputation;
being not deprived of a right to engage in business activities.
As a person having unblemished reputation shall be considered and as an official stipulated by this Section may be no person being sentenced for malicious crime or against whom criminal procedures for malicious crime are terminated on non-vindicatory grounds.
Capital company shall be under obligation on its own initiative or upon request from the Lotteries and Gambling Supervisory Inspection immediately to recall from office the official mentioned by this Section where the same does not conform to requirements of this Section.

Section 10. License to organize gambling
(1) The license to organize gambling shall be issued by the Lotteries and Gambling Supervisory Inspection.
(2) License to organize gambling shall be issued without term limitation and each year it should be reregistered with the Lotteries and Gambling Supervisory Inspection.
(3) License to organize gambling shall entitle its recipient to organize gambling specified in the license within entire territory of the Republic of Latvia.

Section 11. Application to receive license to organize gambling
To receive the license to organize gambling, the capital company shall submit an application for the Lotteries and Gambling Supervisory Inspection where is attached:
annual report and statement provided by the certified auditor with elucidation, that annual report is approved as well as duplicate of the report for past full quarters of the current year, when business activities are carried out by the capital company, which are approved as provided for by the law;
information about credit liabilities of the capital company, amount thereof and the term of credit repayment;
the information proven by transaction documents about the origination of money and property contributed to the stock capital of capital company;
evolution plan of the capital company for the next year of activities, by indication of the planned kinds of gambling, the expected amount and allocation of income and expenditure, amount and application of the profit;
information about the holders of shares and stock of the capital company stock capital – natural persons;
confirmation that the members of the council and the board of directors, and auditor of the capital company are meeting requirements of Section 9 of the present Law.

Section 12. Information to be required in addition
Upon examination of application to issue license to organize gambling, the Lotteries and Gambling Supervisory Inspection shall be entitled to require additional information concerning:
1) members or stockholders of the capital company in order to consider their financial state and reputation;
2) chairperson, members of the council and the board of directors, auditor of the capital company;
3) credit liabilities of the capital company;
4) origin of funds or property contributed to the capital company stock capital;
5) information indicated in the evolution plan for the next year of activities.

Section 13. Term for examination of application

(1) The Lotteries and Gambling Supervisory Inspection shall take a decision to issue license to organize gambling or refusal to issue such license within 90 days from the date when application is received.
(2) Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take a decision to issue license to organize gambling or refusal to issue such license within 90 days from the date when additional data and documents are received.

Section 14. Procedure for examination of application

(1) The Lotteries and Gambling Supervisory Inspection when examining the application received shall evaluate compliance of the capital company with provisions of the present Law, compliance of the holders of shares and stock, members of the council and board of directors, and auditors of the capital company with provisions of the present Law, as well as other documents submitted, origin of funds or property contributed to the capital company stock capital and economic substantiation of the evaluation plan, and shall take a decision to issue license to organize gambling or refusal to issue such license.
(2) Upon taking the decision to issue license to organize gambling, the Lotteries and Gambling Supervisory Inspection shall specify the term of reregistration for this license to the subsequent year of activities.
(3) The decision made shall be communicated to the applicant by the Lotteries and Gambling Supervisory Inspection within 10 days.

Section 15. Refusal to allocate the license to organize gambling

The Lotteries and Gambling Supervisory Inspection is entitled to take a decision on refusal of the allocation of the license to organize gambling provided that at least one of the following conditions is present:
there are essential infringements of laws or regulations of the Cabinet of the Ministers established for the capital company's activities;
the capital company is having indebtedness to the state budget or to the municipal budget;
in the submitted documents there is false information provided;
stock capital of the capital company does not agree with the requirements of the present Law;
there is incompliance with provisions of the present Law as regards the holders of shares and stock, the members of council and board of directors, and auditors of the capital company;
it is stated that funds or property invested into stock capital of the capital company has been acquired in unusual or suspicious manner or there is no documentary approved legal acquisition of those funds and property;
the submitted evaluation plan for the next year of activities does not correspond with the actual state of the market and is economically unjustified;
debt commitments of the capital company are exceeding assets thereof or the capital company is proclaimed to be insolvent.

Section 16. Reregistration of license to organize gambling

The gambling organizer should exercise reregistration of the license to organize gambling each year until the date specified by the decision to allocate the license.

Section 17. Documents to be submitted for reregistration of license to organize gambling

(1) Application and other documents on reregistration of license to organize gambling should be submitted to the Lotteries and Gambling Supervisory Inspection at two months before expiration of the term for reregistration.
(2) To the application for reregistration of license are attached:
1) annual report and resolution provided by the certified auditor with elucidation, that annual report is approved as well as duplicate of the report for past full quarters of the current year;

2) report of arrangements of gambling within period from the said license is received or its previous date of reregistration, as well as profit and loss calculation for the said period;
information on changes to the stock capital and composition of members and stockholders, as well as the composition of council, board of directors and auditors (unless the same has been already submitted);
information about credit liabilities of the capital company, amount of the credit liabilities, and the term of the credit repayment;
evaluation plan of the capital company for the next year of activities, by indication of the planned types of gambling, the projected number of gambling places, gaming-tables and gambling slot machines, number of employees, expected amount and allocation of income and expenditure.

Section 18. Procedure whereunder reregistration of the license to organize gambling shall be decided
(1) Upon reregistration of license to organize gambling, it shall be checked by the Lotteries and Gambling Supervisory Inspection, whether the gambling organizer complies with the law requirements in relation to the license reregistration.
(2) Reregistration of license to organize gambling shall be refused where any condition stipulated by Section 15 of the present Law is evident that may justify refusal to allocate such license.
(3) The Lotteries and Gambling Supervisory Inspection shall make a decision on reregistration of license to organize gambling or refusal to reregister the license within 30 days from the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take a decision to reregister the license to organize gambling within 90 days from the date when additional data and documents are received.

Section 19. Payment of the state duty
(1) The Lotteries and Gambling Supervisory Inspection shall issue the license to organize gambling after the state duty prescribed by the law is paid.
(2) After decision on allocation of the license to organize gambling is made, recipient thereof within 10 days shall settle the state duty for allocation of the license to organize gambling prescribed by the law.
(3) Decision on reregistration of license to organize gambling shall entitle to proceed with organization of gambling only after the state duty prescribed by the law is paid.

Chapter IV
Venues for arrangement of gambling

Section 20. Venues for arrangement of gambling
Gambling may be organized only within casino, gambling halls, bingo halls, as well as in venues of totalizator or bet stakes reception desks, when the relevant license of venue for arrangement of gambling is received.

Section 21. Casino
(1) Casino is a venue for arrangement of gambling, which is marked in the building technical inventory plan as a constructively separated isolated room or a few interconnected rooms, being specially equipped for organizing automatic slot machine games, roulette (cylindrical game), cards and dib and where are set up at least:
ten gaming-tables, if casino is located in Riga;
five gaming-tables, if casino is located in outside of Riga.
(2) It is forbidden to set up and operate gaming- tables of roulette (cylindrical game), cards and dib outside of casino.

(3) Any gambling equipment located within casino should be owned by the capital company having received the relevant license of venue for arrangement of gambling.

Section 22. Gambling hall
(1) Gambling hall is a venue for arrangement of gambling, which is marked in the building technical inventory plan as a constructively separated isolated room or a few interconnected rooms, wherein at least 10 automatic gambling slot machines are installed and operated.
(2) Only automatic gambling slot machines owned or purchased on the basis of financial leasing by the capital company having received the relevant license of venue for arrangement of gambling may be installed within the gambling hall.

Section 23. Bingo hall
Bingo hall is a venue for arrangement of gambling, which is marked in the building technical inventory plan as a constructively separated isolated room or a few interconnected rooms, in which bingo is organized.

Section 24. Venues for installation of automatic gambling slot machines
Automatic gambling slot machines may be installed and operated only in casinos and gambling halls.

Section 25. Venue for totalizator or bet stakes reception desks
Venue for totalizator or bet stakes reception desks shall be the venue for gambling arrangements, which is marked in the building technical inventory plan as a room or part of a room, where stakes for totalizator or betting are accepted.

Section 26. License of casino, gambling hall or bingo hall
(1) The license of casino, gambling hall or bingo hall shall entitle to open casino, gambling hall or bingo hall in the address mentioned on the license, and the said license is being issued to the capital companies having received the license to organize automatic games, roulette, game of cards and dib or bingo.
(2) To receive the license of opening casino, gambling hall or bingo hall, the gambling organizer shall submit an application to the Lotteries and Gambling Supervisory Inspection where is attached:
the transcript of the land register section, which acknowledge the proprietary rights of the submitter to the premises, where it is planned to open casino, gambling hall or bingo hall, or documents (duplicates thereof), which acknowledge rights of the submitter to use the premises where it is planned to open casino, gambling hall or bingo hall, together with relevant transcript of the land register section. If the entities having affixed their signatures to the document acknowledging the right to use the premises is not the owners of the premises, in addition confirmation in writing from the owner of the premises about agreement to open casino, gambling hall or bingo hall in those premises shall be submitted;
the plan of those stories of building wherein it is planed to open casino, gambling hall or bingo hall, by indication of the premises where gambling will be organized;
evaluation plan for next year of activities of the particular casino, gambling hall or bingo hall, specifying the projected kinds of gambling, number of the gaming-tables and of the automatic gambling slot machines, number of employees, expected amount and allocation of income and expenditure;
permission to open casino, gambling hall or bingo hall and organize the relevant gambling in the particular premises, issued by the local municipality pursuant to the present Law;
information about the manager (administrator) of casino, gambling hall or bingo hall, specifying his (her) name, surname, identity number (persons to whom identity number is not issued, title, number, issuing date and name of issuing authority of the identity document);

certification confirming that planning and utilities of premises of casino, gambling hall or bingo hall are in compliance with requirements of those laws and regulations, which are valid in respect of public buildings and constructions, taking into account the number of people to which those are intended to.

Section 27. License of the venue for totalizator or bet stake reception desk
(1) The license of the venue for totalizator or bet stakes reception desk is being issued to the capital companies, which in accordance with this Law have received the license to organize totalizator or betting, and it entitles to take in stakes for participation in the totalizator or betting on the venue indicated in the license.
(2) To receive the license of the venue for totalizator or bet stakes reception desk, the gambling organizer shall submit an application to the Lotteries and Gambling Supervisory Inspection where is attached:

the transcript of the land register section, which acknowledge the proprietary rights of the submitter to the premises, where it is planned to open the totalizator or bet stakes reception desk, or documents (duplicates thereof), which acknowledge rights of the submitter to use the premises where it is planned to open totalizator or bet stakes reception desk, together with relevant transcript of the land register section. If the entities having affixed their signatures to the document acknowledging the right to use the premises are not the owners of the premises, in addition confirmation in writing of the owner of the premises about agreement to open totalizator or bet stakes reception desk in those premises have to be submitted;
the plan of those stories of building wherein it is planed to open totalizator or bet stakes reception desk, by indication of premises where gambling will be organized;
permission to open totalizator or bet stakes reception desk and organize the relevant gambling in the particular premises, issued by the local municipality under the present Law;
evaluation plan for the next year of activities for the particular totalizator or bet stakes reception desk, specifying the projected kinds of gambling, gambling equipment, the intended suggested number of events, number of employees, expected amount and allocation of income and expenditure.

Section 28. Issuance of the license of venue for arrangement of gambling
The Lotteries and Gambling Supervisory Inspection shall take decision to issue or refuse the issuing of the license of venue for arrangement of gambling within 30 days after the day when application is received. Where additional data and documents are requested, the Lotteries and Gambling Supervisory Inspection shall take decision to issue or refuse to issue the license of venue for arrangement of gambling within 30 days from the date when additional data and documents are received.

Section 29. Person-in-charge for the venue for arrangement of gambling
Person-in-charge for the venue for arrangement of gambling shall be manager (administrator) of casino, gambling hall or bingo hall being responsible for the legality of gambling process in the particular casino, gambling hall or bingo hall.

Section 30. Approval of person-in-charge for the venue for arrangement of gambling
(1) Upon issuing the license for casino, gambling hall or bingo hall, the Lotteries and Gambling Supervisory Inspection shall approve the manager (administrator) of the casino, gambling hall or bingo hall.
(2) As the manager (administrator) of the casino, gambling hall or bingo hall is not approved a person where to such person refers at least one of the following conditions:
his(her) incapacity has been declared under procedure provided by the law;
being suspect, accused or sentenced for committing crime;
against whom criminal procedure for malicious crime is terminated on non-vindicatory grounds.

(3) The Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the manager (administrator) of the casino, gambling hall or bingo hall within 30 days after the application is received. Where additional data and documents are requested, the Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the manager (administrator) of the casino, gambling hall or bingo hall within 30 days from the date when additional data and documents are received.
(4) Operation of the casino, gambling hall, bingo hall shall be forbidden if the Lotteries and Gambling Supervisory Inspection has not approved the manager (administrator) thereto.

Section 31. Replacement of person-in-charge for the venue for arrangement of gambling
The gambling organizer within three working days shall inform the Lotteries and Gambling Supervisory Inspection about assignment of a new manager (administrator) of casino, gambling hall or bingo hall as well as for dismissing of the former manager (administrator).
The Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the manager (administrator) of the casino, gambling hall or bingo hall within 20 days after receiving the correspondent announcement.
Within the period of replacement of the manager (administrator) of the venue for gambling arrangement restriction mentioned in the fourth part of Section 30 of the present Law are not applicable.

Section 32. Reregistration of the license for casino, gambling hall or bingo hall
(1) Reregistration of the license for casino, gambling hall or bingo hall shall be performed by the gambling organizer on annual basis until the date indicated in the decision on issuing the license for casino, gambling hall or bingo hall.
(2) Application and evaluation plan of the particular venue of gambling arrangements for reregistration of the license for casino, gambling hall or bingo hall shall be submitted to the Lotteries and Gambling Supervisory Inspection at one month before expiration of the reregistration term.
(3) Upon reregistration of the license for casino, gambling hall or bingo hall it shall be checked by the Lotteries and Gambling Supervisory Inspection, whether the gambling organizer is meeting requirements set forth by the law for reregistration of the license.
(4) Reregistration of the license for casino, gambling hall or bingo hall shall be refused when any document listed by Paragraph 2 of Section 26 of the present Law has become invalid and no new document is submitted to the Lotteries and Gambling Supervisory Inspection instead.
(5) The Lotteries and Gambling Supervisory Inspection shall take decision on reregistration of the license for casino, gambling hall or bingo hall or refusal to reregister such license within 30 days after the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take decision on reregistration of the license for casino, gambling hall or bingo hall or refusal to reregister such license within 30 days from the day when additional data and documents are received.

Section 33. Reregistration of the venue for totalizator or bet stakes reception desk
(1) Reregistration of the license of the venue for totalizator or bet stakes reception desk should be performed by the gambling organizer on annual basis until the date indicated in the decision on issuing the license of venue for totalizator or bet stakes reception desk.
(2) Application and evaluation plan for the next year of activities of the particular venue of gambling arrangements for the purpose of reregistration of the license of the venue for totalizator or bet stakes reception desk shall be submitted to the Lotteries and Gambling Supervisory Inspection at one month before expiry of the reregistration term.

(3) Upon reregistration of the license of the venue for totalizator or bet stakes reception desk it shall be checked by the Lotteries and Gambling Supervisory Inspection, whether the gambling organizer is meeting requirements set forth by the law as regards reregistration of the license.
(4) Reregistration of the license of the venue for totalizator or bet stakes reception desk shall be refused when any document listed by Paragraph 2 of Section 26 of the present Law has become invalid and no new document is submitted to the Lotteries and Gambling Supervisory Inspection instead.
(5) The Lotteries and Gambling Supervisory Inspection shall take decision on reregistration of the license of the venue for totalizator or bet stakes reception desk or refusal to reregister such license within 30 days after the application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take decision on reregistration of the license for the venue for totalizator or bet stakes reception desk or refusal to reregister such license within 30 days from the day when additional data and documents are received.

Section 34. Payment of the state duty
(1) The Lotteries and Gambling Supervisory Inspection shall issue the license for casino, gambling hall or bingo hall after the state duty provided by the law is paid.
(2) Decision on reregistration of the license for casino, gambling hall or bingo hall shall entitle to proceed with organization of gambling only after the state duty provided by the law is paid.

Chapter V
Rights and obligations of the gambling organizers

Section 35. Rights of the gambling organizer
In order to ensure compliance with requirements of laws and regulations, the gambling organizer shall be entitled:
1) to issue regulations of establishment to be observed by visitors of the gambling venue;
2) to require visitors of the gambling venue to produce documents confirming identity and in events specified by this Law to carry out data processing of the natural person;
3) to dispute and to appeal the decisions of the Lotteries and Gambling Supervisory Inspection.

Section 36. General obligations of the gambling organizer
(1) The gambling organizer shall be held responsible for:
legality of the gambling process;
payment of gambling tax and duty under the procedure and in amount provided for by the law;
for the proficiency and professionalism of the staff engaged in the implementation;
availability upon the player's request on the venue for arrangement of gambling of the copy of relevant gambling rules approved by the Lotteries and Gambling Supervisory Inspection.
(2) When the person is buying or changing for money the funds for participating in the game (chips, counters, et. al.) up to amount, which is equivalent to EUR 1000 or even higher, upon conversion in lati according to the exchange rate fixed by the Bank of Latvia at the day when respective activity is performed, the gambling organizer shall fix data identifying the said person, - title, number, date of issue and name of the issuing authority for the document attesting the person. The said information on the player and documents confirming transactions carried out therewith shall be kept by the gambling organizer for at least five years.
(3) The gambling organizer shall ensure handing out of gain to the player, taking into account the following conditions:
1) gain, which does not exceed 500 lats, shall be paid out immediately;
2) gain from 501 lats to 10,000 lats, shall be paid out within 24 hours;
3) gain which exceeds 10,000 lats, shall be paid out under procedure authorized by the gambling rules not later than within 30 days and in no more than two payments;

4) upon the player's request the gain may be paid out in cash or by transfer to the bank account specified by the player.
(4) When any amendments have been made to the documents having underlaid receiving the license to organize gambling or receiving the license for casino, gambling hall or bingo hall, or receiving the license for totalizator or bet stakes reception desk, the gambling organizer shall be under obligation within five working days thereafter to inform in writing the Lotteries and Gambling Supervisory Inspection but as regards changes to the capital company stock capital and stockholders' composition - within five working days after registration of such changes with the Register of Enterprises of the Republic of Latvia.

Section 37. Additional obligations of the gambling organizers in casino, gambling halls and bingo halls
(1) The gambling organizer to whom license for casino, gambling hall or bingo hall is issued, should ensure during working hours of such venues for arrangement of gambling:
1) continuous presence of their employee being authorized to provide information prescribed by the law to the monitoring authorities;
2) maintenance of such electric power supply networks that corresponds to the power supply and usage regulations and guarantees uninterrupted and continuous registration of data from the gambling equipment;
3) prevention of access to such premises of persons younger than 18 years of age;
4) continuous interior and exterior video surveillance of the gambling premises. Video tape record should be stored for at least seven days, counting from the date when it is made;
5) guarding performed by an approved security capital company or a certified security officer and which is responsible for public order and personal safety at the relevant venue for gambling arrangements;
6) information warning that gambling may create addiction. In casinos and gambling halls at a visible space a self-control test should be placed and possibility to receive it in writing, as well as to receive information where to have recourse to when addiction is caused by gambling should be ensured.
(2) The gambling organizer shall be under obligation to make sure on the age of the casino, gambling hall or bingo hall visitors, and in case of doubt to require them to produce a document confirming their identity. Upon request from the gambling organizer's employee the casino, gambling hall or bingo hall visitor shall be under obligation to confirm their identity and age, by producing a document confirming their identity.

Section 38. Special obligations of the gambling organizers on arrangements of gambling in casino
On arrangement of gambling in casino it should be ensured by the gambling organizer:
1) during the casino working hours continuous video recording of each gaming-table, casino entrance, front desk and cashier's desk in a real time mode. Video tape record should be stored for at least seven days, counting from the date when it is made;
2) for the performance of cash counting in the encashment process to be done within the video surveillance area in a room separated from visitors;
3) separate cashier's desk;
4) at least two entrances — isolated for the casino staff and isolated for the casino visitors;
5) registration of each casino visitor before their entry to the room where gambling is organized;
6) compliance with requirements for data protection of natural persons, when the register of casino visitors is administered.

Section 39. Registration of visitors of the casino

(1) Registration of visitors of the casino is aimed at establishment of identity for all the visitors of the casino in order to prevent visits of under-aged persons and to avoid laundering of the proceeds obtained from crime.
(2) The visitors of the casino is being registered each time they visit casino, by asking them to show their identity documents and entering into the visitors' register the following information:
name and surname of the visitor;
identity number (persons to whom identity number is not issued, title, number, issuing date and name of issuing authority of the identity document);
date and time, when person entered into premises, where gambling is organized;
(3) In the case of reiterative visit, instead of identity document the casino visitor can produce a special casino visitor's card issued by the owner of the casino, by which particular casino visitor shall be clearly identified.
(4) Information included in the register of casino visitors until delivery thereof to the Lotteries and Gambling Supervisory Inspection should be stored by electronic means, securing such information against loss or damage, unauthorized becoming at disposal of third parties, and by implementation of a system that in case when the information is lost, it may be re-established to full extent.
(5) Information included in the register of casino visitors shall be summarized on a monthly basis and submitted to the Lotteries and Gambling Supervisory Inspection, which ensures storage of the said information for five years.
(6) Procedure for registration of the casino visitors, procedure for storage, summarization, passing of the information to be included in the register, as well as categories of the information recipients and other technical and managerial measures related to the register of casino visitors ensuring the personal data protection shall be specified by the cabinet of Ministers.

Chapter VI
Restrictions on Arrangement of Gambling

Section 40. Restrictions on business activities of the gambling organizer
The gambling organizer may establish subsidiaries, invest resources in capital companies with foreign investments engaged in arrangement and maintenance of lotteries and gambling, upon prior written notification thereof to the Lotteries and Gambling Supervisory Inspection.

Section 41. Restrictions on Arrangement of Gambling
(1) It is forbidden for the gambling organizer to organize gambling, where at least one of the following conditions is present:
no proper license is received;
the Lotteries and Gambling Supervisory Inspection has not approved the rules of gambling or additional game;
no state duty for receiving the license to organize gambling and the license of venue for gambling arrangement is paid;
upon expiry of the term for reregistration of the gambling organizing license and license of venue for gambling arrangement, no decision is made on reregistration of such license or no state duty for reregistration thereof is paid;
the license to organize gambling received is being given to third party;
persons who are under 18 years of age, are taking part in gambling;
total amount of gain from totalizator, betting and bingo is less than 50 percent from total amount of the deposited stakes, the gain from the automatic game – less than 80 percent from the total amount of the deposited stakes, from game of chance on the phone – less than 45 percent form the total amount of the deposited stakes.

Arrangement of gambling is prohibited in:
public institutions;

churches and cult buildings;
buildings of health care centers and educational institutions;
pharmacies, post departments or credit institutions;
places where public activities is being organized during the same are ongoing, except for totalizator or bet;
areas whereto a market status is granted under the established procedure;
7) in shops, cultural institutions, railway stations, bus stations, airports, ports, besides the gambling halls, places where pari-mutual or betting stakes are being taken up, if the mentioned places are located in premises, isolated by building structures and having a separate entrance only from the street; (with amendments adopted on June 8, 2006)
8) bars and coffee-houses, except for totalizator or bet.;
9) in office hotels;
10) in buildings, where the entrance to the existing flats from the outside of the building is common with the entrance to the gabling hall. (with amendments adopted on June 8, 2006)

(3) For the gambling organizer granting of any type of loans or credits to the players shall be forbidden.
(4) Any loan granted at the venue for gambling arrangement shall be deemed to be a loan deliberately granted for gambling for the purpose of Section 2284 of the Civil Law.
(5) Gambling advertisements shall be forbidden outside the venues for gambling arrangement. At the venues for gambling arrangement only indication of the name of the gambling venue and registered trademark of the gambling organizer shall be allowed.
(6) It is prohibited to invite to play gambling game free of charge, offering it as a present or prize or a compensation for purchase of any goods or services (with amendments adopted on June 8, 2006).

Section 42. Rights of municipal authorities in regulation of gambling.
(1) To obtain permission mentioned in Sections 26. and 27. of this Law for opening of casino, gambling hall, bingo hall, pari-mutual or betting stakes taking place, and gambling organizing games in the premises, the gambling organizer has to submit to the Municipality an application, enclosing the following documents:
1) authorized copy of gambling organizing license;
2) documents (copies of documents), which confirm the title for the premises, where it is planned opening of casino, gambling hall, bingo hall, pari-mutual or betting stakes taking place, and written consent of the owner of the premises for opening of casino, gambling hall, bingo hall, pari-mutual or betting stakes taking place in these premises or documents (copies of documents), proving the rights of applicant to use premises or his ability to gain the rights to use premises, where it is planned to open casino, gambling hall, bingo hall, pari-mutual or betting stakes taking place, together with documents confirming a title for the premises (or copies). If a person who signed the document which confirms his ability to gain the rights to use premises is not an owner of these premises, written consent of the owner of the premises for opening of casino, gambling games hall, bingo hall, pari-mutual or betting stakes taking place in these premises must be additionally submitted.

(2) After receiving the application, mentioned in the part one of this section Municipality evaluates the compliance of gambling place mentioned in the application with the restrictions established by part two of Section 41 of this Law. If at least one of the restrictions mentioned in the part two of Section 41 of this law relates to the place specified in the application, the Municipality denies permission.
(3) If it is planned to organize gambling games in a place, the restrictions established by part two of Section 41.of this Law are not applicable to, the decision on organizing of gambling games in each case takes the Municipality council (board), evaluating if gambling games organizing in the

specified place entrenches on essential legal rights and interests of the State and inhabitants of the relative administrative territory.
(4) The Municipality grants a permission to open casino, gambling games hall, bingo hall, pari-mutual or betting stakes taking place and to organize relative gambling games in the specified premises for indefinite period. The permission becomes inoperative in cases, stipulated in part six of this section, observing the order, stipulated in parts seven and eight.
(5) The decision to grant a permission (or withhold the grant of permission) for opening of casino, gambling games hall, bingo hall, pari-mutual or betting stakes taking place and relative gambling games organizing in the specified premises, the Municipality takes in 45 days from the date the application was received.
(6) If the organizing of gambling in the specified place essentially entrenches on legal rights and interests of the State and inhabitants of the relative administrative territory the Municipality council (board) has a right by his grounded ordinance to denounce the granted permission for opening of casino, gambling games hall, bingo hall, pari-mutual or betting stakes taking place and relative gambling games organizing in the specified premises.
(7) In case mentioned in part six of this section the permission for opening of casino, gambling games hall, bingo hall, pari-mutual or betting stakes taking place and relative gambling games organizing in the specified premises granted by Municipality becomes inoperative in 5 years from the date the relative Municipality council (board) ordinance came into force.
(8) About the decision mentioned in part six of this section Municipality informs to the gambling organizer and Lotteries and Gambling Supervisory Inspection."
(with amendments adopted on June 8, 2006)

Chapter VII
Organization of gambling via electronic communication services

Section 43. Organization of gambling via electronic communication services
As organization of gambling via electronic communication services is considered an organization of gambling where participants thereto in the game use or can use instrumentality of electronic communication services to complete some of the required operations.
Section 44. Types of gambling organized via electronic communication services
(1) Via electronic communication services it is allowed to organize automatic slot machine games, roulette (cylindrical games), cards, dibs, bingo, totalizator, bet (hereinafter referred to as the interactive games) and games of chance on the telephone.
(2) Via electronic communication services it is allowed to receive stakes for participation in the totalizator or bet (hereinafter referred to as the stake receiving).

Section 45. Value of the gains in games of interactive roulette (cylindrical games), cards or dibs
The total amount of the gains in games of interactive roulette (cylindrical games), cards or dibs, may be no less than 80 percent from total amount of the deposited stakes.

Section 46. Rights to organize the interactive gambling
(1) License for organization of the interactive gambling and receiving stakes shall be issued to the capital companies, which have received the license to organize gambling issued by the Lotteries and Gambling Supervisory Inspection under procedure provided by the current Law.
(2) After receiving appropriate license from the Lotteries and Gambling Supervisory Inspection, it is allowed to organize interactive games and to receive stakes.

Section 47. Application and documents to receive the license for organization of the interactive gambling
(1) To receive the license for organization of the interactive gambling [automatic slot machine games, roulette (cylindrical game), cards or dibs, bingo, totalizator or bet], the gambling

organizer shall submit an application to the Lotteries and Gambling Supervisory Inspection where shall be attached:
rules of the specific gambling;
reference about opened account or accounts in the credit institution registered in the Republic of Latvia, which will be used for mutual payments with the players;
information about the programs used for organization of gambling;
conclusion of the independent and internationally approved laboratory about the program test results;
information about the venue, where equipment for organization of gambling will be placed as well as information about the planned security measures that will be carried out to prevent possible third parties influence to the results of the organized gambling;
information about the planned security measures for protecting data of the natural persons;
address of the web page to be used to organize gambling, if the gambling is organized via internet;
information about the person-in-charge for the gambling, identifying their name, surname and identity number (persons to whom identity number is not issued, title, number, issuing date and name of issuing authority of identity document).
(2) Information on programs used in organization of the interactive gambling and receiving stakes performed via electronic communication services, the planned measures for security and data protection of the natural persons shall be submitted pursuant to procedure specified by the Cabinet of Ministers.
(3) The Cabinet of the Ministers shall approve the list of those independent and internationally approved laboratories, which are allowed to give conclusions about the programs used for organization of the interactive games.

Section 48. Procedure whereunder application for organization of the interactive gambling shall be examined
(1) The Lotteries and Gambling Supervisory Inspection shall make a decision to issue the license for organization of the interactive gambling or refusal to issue such license within 60 days from the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take a decision to issue the license for organization of the interactive gambling or refusal to issue such license within 60 days from the day when additional data and documents are received.
(2) The Lotteries and Gambling Supervisory Inspection shall make a decision to issue the license to receive stakes via electronic communication services or refusal to issue such license within 30 days from the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take a decision to issue the license to receive stakes via electronic communication services or refusal to issue such license within 30 days from the day when additional data and documents are received.

Section 49. Refusal to issue the license for organization of the interactive gambling
(1) The Lotteries and Gambling Supervisory Inspection shall refuse allocation of the license for organization of the interactive gambling, if any fact stipulated by Section 15 of the present Law is found.
(2) In addition to what is mentioned in Paragraph 1 of the current Section, the Lotteries and Gambling Supervisory Inspection shall refuse allocation of the license for organization of the interactive gambling, provided that at least one of the following conditions is present:
the submitted gambling rules do not conform to requirements of the present Law;
2) it is specified in the conclusion of the independent and internationally approved laboratory that programs applied to organize the game are failing to ensure compliance of the

total amount of gains to the requirements of Section 45 of the present Law or conformity with other requirements of the present Law;
security measures planned by the submitter which will be carried out, to prevent possible third parties influence to the results of the organized gambling, are inadequate;
conclusion from the competent governmental authority is received that the planned security measures for protecting data of the natural persons and to guarantee security of the game process, are inadequate.

Section 50. License for organization of the interactive gambling
(1) In the license for organization of the interactive gambling and receiving stakes, shall be given:
number, place and date of issue of the license;
license receiver's name, registration number and legal address;
what games the license receiver is allowed to organize, or the games, which stakes can be received via electronic communication services;
web address, if the gambling is organized via internet, used for organizing games or receiving stakes;
telephone numbers to be used to organize the game, if the game is organized using telephone.

Section 51. Person-in-charge for organization of the interactive gambling
(1) Upon issuing the license for organization of the interactive gambling or receiving stakes the Lotteries and Gambling Supervisory Inspection shall approve of the person responsible for compliance of organizing interactive gambling or receiving stakes with requirements of laws and regulations (hereinafter referred to as the person-in-charge).
(2) The Lotteries and Gambling Supervisory Inspection shall not approve the person-in-charge when any condition laid down by Paragraph 2 of Section 30 of the present Law is set.
(3) The Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the person-in-charge within 30 days after the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the person-in-charge within 30 days from the day when additional data and documents are received.
(4) Organization of the interactive gambling or receiving stakes via electronic communication services is forbidden if the Lotteries and Gambling Supervisory Inspection has not approved the person-in-charge.
(5) The gambling organizer within three working days shall inform the Lotteries and Gambling Supervisory Inspection about assignment of a new person-in-charge or dismissal of the former one. The Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the person-in-charge within 20 days after receiving the correspondent announcement. In this case the restriction mentioned in the fourth paragraph of the present Section is not applicable.

Section 52. Annulment of the license for organization of the interactive gambling
The Lotteries and Gambling Supervisory Inspection shall be entitled to annul the license for organization of the interactive gambling, when any of cases listed by Section 87 of the present Law is set or the gambling organizer in mutual settlements with players is using account or accounts, which are not communicated by it to the State Revenue Service or the Lotteries and Gambling Supervisory Inspection.

Section 53. Requirements for organization of the interactive gambling
(1) The organizer of interactive gambling, as well as the organizer of totalizator or bets receiving stakes via electronic communication services, shall ensure:

1) registration of each player, by requiring data identifying their identity from them, before rights are conferred to them to participate in gambling;
2) establishment of special game account for each player on the server of the gambling organizer;
3) upon the player's request transfer of funds placed on their account to account of the same credit institution wherefrom funds intended to take stakes were transferred;
4) unimpeded access of the staff of Lotteries and Gambling Supervisory Inspection to the program used to organize the game and the accounting forms related to performance of the interactive gambling.
(2) On the Internet home page, which is used by the gambling organizer for organization of interactive gambling and receiving stakes, shall be identified:
1) name, legal address and the number of license for organization of gambling for the gambling organizer;
2) games, which may be organized by receiver of this license, or the game, to which stakes may be received via electronic communication services;
3) gambling rules or the web address, where the same may be made known;
4) prohibition to participate in the game for persons under 18 years of age;
6) warning that person may become a gambling addict.
(3) For the organizer of the interactive games in mutual payments with clients use of an account which is opened in the credit company registered in the Republic of Latvia shall be allowed.
(4) For the organizer of the interactive games it is not allowed to transfer gain to the account from which stakes for punting were not deposited.
(5) The program used for organization of the interactive games and the equipment ensuring operation thereof should be located in the territory of the Republic of Latvia. In the case of force majeure it is allowed to use reserve programs and equipment ensuring operation thereof, which are located outside of the territory of the Republic of Latvia, previously informing the Lotteries and Gambling Supervisory Inspection thereon.
(7) The organizer of the interactive gambling, as well as the organizer of totalizator or bet receiving stakes via electronic communication services, not later than at 15 days after the end of quarter of account shall submit to the State Revenue Service and the Lotteries and Gambling Supervisory Inspection pursuant to procedure established by the Cabinet of Ministers the statement on total amount of stakes paid-in and total amount of gains paid-out within the quarter of account together with certification from the credit institution on transactions performed during the quarter of account for mutual settlements with players in the account used.

Section 54. Protection of person in the interactive gambling
The Cabinet of Ministers shall specify procedure for registration of players and for check of identity as well as minimum requirements to be complied with in order to prevent further participation in gambling of players addicted to the interactive gambling.

Section 55. Receiving license for organizing the game of chance by telephone
To receive the license for organizing the game of chance by telephone, the gambling organizer shall submit an application to the Lotteries and Gambling Supervisory Inspection where is attached:
rules of the specific gambling;
information about the programs used for the game of chance by telephone;
confirmation from the provider of electronic communication services to be used for organizing the game of chance by telephone, about the safety of the relevant system;
information about the location, where equipment for organizing the game of chance by telephone will be placed and about the planned security measures which will be carried out to prevent possible third parties influence to the results of the organized gambling;
information about the planned security measures for data protection of the natural persons;
telephone numbers used for organizing the game of chance by telephone;

information about the person responsible for the game of chance by telephone, identifying their name, surname and identity number (persons to whom identity number is not issued, title, number, issuing date and name of issuing authority of the identity document).

Section 56. Obligations of the organizer of game of chance by telephone
The organizer of game of chance by telephone shall provide:
the registration of players;
registration of winning players, requiring data identifying their identity from them and by carrying out player identity checks;
access without hindrance for employees of the Lotteries and Gambling Supervisory Inspection to the program used for gambling organizing and the bookkeeping records, which are in connection with the organizing of game of chance by telephone.

Chapter VIII
Types of lotteries

Section 57. Money or property lotteries
In the lotteries of money and property, as well as in exclusively money or exclusively property lotteries the participants are taking part through purchase of tickets or other payment of participation fee, and the lottery organizer shall offer as gains money, property, securities, et al.

Section 58. Numerical lotteries
In numerical lotteries (lotto, toto, keno, sport lotto, numerical lotto) the gain is being get due to guessing lucky numbers, symbols or other signs or combination of signs mentioned in the rules of lottery, and the gain is depending on volume and amount of the deposit stakes.

Section 59. Moment lotteries
Moment lotteries are lotteries where participants thereto have a possibility to find out their gain immediately after the lottery ticket is purchased.

Section 60. The state scale lottery
(1) In the Republic of Latvia the monopoly of organizing state scale lotteries is owned by the state. In the state scale lotteries tickets or game cards are distributed exclusively within the territory of the Republic of Latvia. Lottery gains are identified in the way of public lottery.
(2) In the state scale lotteries total sum of the value of the lottery tickets in single lottery may not be under 100,000 lati.
(3) Lottery organized within entire territory of the Republic of Latvia shall be deemed to be a state scale lottery.

Section 61. The local scale lotteries
(1) In the local scale lotteries gains are identified in the way of public lottery, and those have to be organized exclusively within the territory of the appropriate city, district, county or parish. It is forbidden for one organizer to organize local scale lotteries or gambling in a few cities, districts or parishes simultaneously.
(2) In the local scale lotteries the total sum of the value of the lottery tickets' shall not exceed 10,000 lati.

Section 62. The local scale single type lotteries
(1) For the local scale single type lottery gains are identified in the way of public lottery, and those have to be organized during the public event and in the place, where it is being organized.

(2) Tickets for the local scale single type lottery can be distributed only during the appropriate public event and only in the place, where it is being organized, and the total sum of the value of the lottery tickets shall not exceed 500 lati.
(3) The local scale single type lottery gains must not be money.

Chapter IX
Organization of lotteries

Section 63. Rights to organize lotteries
(1) State-level lotteries organizes state capital company, where all shares belongs to the state and who‘s stocks are both inalienable and not subject to privatization, — State joint-stock company “Latvia’s Lotto”; (with amendments adopted on June 8, 2006)

(2) The local scale lotteries are organized by the capital companies incorporated with the Register of the Enterprises of the Republic of Latvia the paid-up capital whereof being not less than 10,000 lats is.

(3) Associations, trade unions and religious organizations shall be entitled to organize only the local scale single type lotteries where such lotteries are carried out in a way of public activities or due to public gathering for musical performance, shows of artistic values or sports, application has been submitted to the Lotteries and Gambling Supervisory Inspection and license is received under procedure established by the Cabinet of Ministers.

Section 64. Application to receive or to reregister license to organize the lottery
(1) To receive the license for organizing the state and local scale numerical lotteries and the local scale single type lotteries (moment lotteries), the lottery organizer submits the application for the Lotteries and Gambling Supervisory Inspection where is attached:
1) rules of the specific gambling;
2) the planned calculation of income and expenditure;
3) information about the person responsible for the lottery, identifying their name, surname and identity number, but for persons to whom identity number is not issued - title, number, issuing date and name of issuing authority of identity document.

Section 65. Term for examination of the application
(1) The Lotteries and Gambling Supervisory Inspection shall make a decision to issue the license to organize lottery or refusal to issue such license within 90 days from the day when application is received. Where additional data and documents are requested, the Lotteries and Gambling Supervisory Inspection shall take a decision to issue the license to organize lottery or refusal to issue such license within 90 days from the day when additional data and documents are received.
(2) The Lotteries and Gambling Supervisory Inspection shall make a decision to reregister the license to organize lottery or refusal to reregister such license within 30 days from the day when application is received. Where additional data and documents are requested, the Lotteries and Gambling Supervisory Inspection shall take a decision to reregister the license to organize lottery or refusal to reregister such license within 30 days from the day when additional data and documents are received.

Section 66. Refusal to issue or to reregister the license to organize lottery
The Lotteries and Gambling Supervisory Inspection shall be entitled to make a decision on refusal of the allocation or reregistration of the license to organize lottery if:
there are essential infringements of laws or regulations of the Cabinet of the Ministers established for the license applicant’s activities;
the license applicant has indebtedness to the state budget or to the municipal budget;
in the submitted documents there is false information provided;

4) stock capital of the license applicant does not meet the requirements of the present Law;
the necessary information demanded by the Lotteries and Gambling Supervisory Inspection is not provided within 30 days thereafter;
there is information at disposal of the Lotteries and Gambling Supervisory Inspection being indicative that financial resources invested into stock capital of the capital company are acquired in illegal transactions, or there is no documentary approved legal acquisition of these financial resources;
the submitted evaluation plan for the next year of activities does not correspond with the actual state of the market and is economically unjustified;
the capital company is proclaimed to be insolvent.

Section 67. Person-in-charge for the lottery
(1) Issuing license for organizing lottery, the Lotteries and Gambling Supervisory Inspection shall approve a person who is responsible for the legality of the particular lottery (hereinafter referred to as the – person-in-charge).
(2) The Lotteries and Gambling Supervisory Inspection shall not approve the person-in-charge, if at least one of the following conditions refers thereto;
his(her) incapacity has been declared under procedure provided by the law;
being suspect, accused or sentenced for committing malicious crime;
against whom criminal procedure for malicious crime is terminated on non-vindicatory grounds.
(3) The Lotteries and Gambling Supervisory Inspection shall take a decision to approve or to refuse approval of the person-in-charge within 30 days after the date when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take a decision to approve or to refuse approval of the person-in-charge within 30 days from the day when additional data and documents are received.
(4) The lottery arrangement shall be forbidden if the Lotteries and Gambling Supervisory Inspection has not approved the person-in-charge thereto.
(5) The lottery organizer within three working days shall inform the Lotteries and Gambling Supervisory Inspection about assignment of a new person-in-charge and on dismissal of the former person-in-charge. The Lotteries and Gambling Supervisory Inspection shall take a decision to approve or to refuse approval of the person-in-charge within 20 days after receiving correspondent announcement. In such event the restriction stipulated by Paragraph 4 of the present Section is not applicable.

Section 68. General obligations of the lottery organizer
(1) The lottery organizer shall be held responsible for:
1) legality of the lottery process;
2) payment of tax and duty under the procedure and in amount provided for by the law;
3) for the proficiency and professionalism of the staff engaged in the implementation
(2) The lottery organizer shall ensure handing out of gain to the lottery participants, taking into account the following conditions:
1) gain, which does not exceed 500 lati, shall be paid out immediately;
2) gain from 501 lati to 10,000 lati, shall be paid out within 24 hours;
3) gain, which exceeds 10,000 lati, shall be paid out under procedure authorized by the lottery rules not later than within 30 days from the time when the gain is notified and in no more than two payments;
4) upon request from the lottery participant the gain may be paid out in cash or by transfer to the bank account specified by the player.
(3) When amendments have been made to the documents underlying the receiving of license for organization of the lottery, the lottery organizer shall inform the Lotteries and Gambling Supervisory Inspection within five working days thereafter but where changes have occurred to the capital company stock capital and composition of owners thereof - within five working days after registration of such changes with the Register of Enterprises of the Republic of Latvia.

Section 69. Lottery rules
(1) In the places where lottery tickets are sold the copy of relevant lottery rules approved by the Lotteries and Gambling Supervisory Inspection should be available, and the lottery organizer shall be held responsible for that upon the request from the lottery participant such rules would be presented thereto.
(2) The following information shall be included into the lottery rules:
name, legal address and phone number of the lottery organizer;
title and type of the lottery;
procedure whereunder a participant may take part in the lottery;
lottery ticket price or participation fee;
total number of the lottery tickets of moment lottery;
gain stock, distribution thereof by the gain groups;
procedure whereunder the winning tickets are identified;
procedure whereunder applying for the gain and issuing of the gain is performed;
term whereto participant of the numerical lottery can apply for gain;
where participant can apply in the case of claim as well as procedure of the claim consideration;
other information deemed to be relevant by the lottery organizer.
(3) The Lotteries and Gambling Supervisory Inspection shall be entitled to require additional information from the lottery organizer in order to decide on compliance of the lottery with provisions of the present Law.
(4) The Lotteries and Gambling Supervisory Inspection shall approve rules developed by the lottery organizer within 15 days from the date of receiving thereof.

Section 70. Refusal to approve the lottery rules
The Lotteries and Gambling Supervisory Inspection shall refuse approval of the lottery rules provided that at least one of the following conditions is present:
no information required by this Law is included therein;
they provide for organizing such type of the lottery, which does not agree with the requirements of the present Law;
there is stipulated that gains can be received only when definite number of players is involved in the lottery or if total sales amount has amounted to specific sum;
there is provided that pyramidal lottery is organized, where participation fees (stake) or invested values after a time period are giving gain to unspecified range of persons.

Section 71. Lottery additional game
(1) Moment lottery additional game shall be a possibility derived from lottery rules, which upon compliance with certain conditions shall provide for gaming free of charge, however with winning possibilities.
(2) The following information shall be indicated in the rules for moment lottery additional game:
name, legal address and phone number of the lottery organizer;
title and type of the lottery additional game;
procedure whereunder a participant may take part in the lottery additional game;
gain stock, distribution thereof by the gain groups;
procedure whereunder the winning tickets are identified;
procedure whereunder applying for the gain and issuing of the gain is performed;
date whereto the moment lottery additional game shall be organized;
term whereto participant of the additional game can apply for gain;
where participant can apply in the case of claim as well as procedure of the claim consideration;
other information deemed to be relevant by the lottery organizer.
(3) Numerical lottery additional game shall be a possibility derived from lottery rules, which upon compliance with certain conditions shall provide for participation in additional gaming for a valuable consideration, and getting additional gain.

(4) The following information shall be indicated in the rules for numerical lottery additional game:
name, legal address and phone number of the lottery organizer;
title and type of the lottery additional game;
procedure whereunder a participant may take part in the lottery additional game;
participation fee of the additional game;
amount of gains;
procedure whereunder the winning lottery tickets and lottery coupons are identified;
procedure whereunder applying for the gain and issuing of the gain is performed;
where participant can apply in the case of claim as well as procedure of the claim consideration;
other information deemed to be relevant by the lottery organizer.
(5) The Lotteries and Gambling Supervisory Inspection shall approve or refuse to approve rules for lottery additional game within 15 days from the date of receipt thereof.

Section 72. Lottery tickets or coupons
(1) On the lottery tickets and coupons the following information shall be indicated:
1) name, legal address and phone number of the lottery organizer;
2) address where gain has to be received;
3) final term for delivery of the gain;
4) ticket price, participation fee;
5) serial number.
(2) Before receiving of the license, the local scale lottery tickets and the local scale single type lottery tickets shall be registered with that territorial institution of the State Revenue Service, where the lottery organizer is recorded as taxpayer, and samples of the registered lottery tickets shall be submitted to the Lotteries and Gambling Supervisory Inspection.

Section 73. Restrictions on arrangement of lottery
(1) It is forbidden for the lottery organizer to arrange a lottery, where:
1) no proper license is received;
2) the Lotteries and Gambling Supervisory Inspection has not approved rules for the lottery or additional lottery thereto;
3) upon expiration of the term for reregistration of the lottery organizing license, no decision is made on reregistration of such license or no duty specified by the state is paid;
4) the license received for organizing lottery is being given to third party.
(2) The lottery organizer shall ensure that total amount of gains for any type of lotteries is not less than 45 percent from total amount of the ticket sales;

Chapter X
Organizing of lotteries via electronic communication services

Section 74. Organizing of lotteries via electronic communication services
As organizing of lotteries via electronic communication services is considered such an organizing of lotteries where participants thereto use or can use instrumentality of electronic communication services to complete some of the operations required for participation in the said lottery.

Section 75. Rights to organize lotteries via electronic communication services
(1) The capital companies, which have received the license for organizing such lotteries issued by the Lotteries and Gambling Supervisory Inspection under procedure provided for by the present Law, may sell lottery tickets via electronic communication services.

(2) License for organizing lottery via electronic communication services shall be issued to the state capital company having received the license for organizing state scale lotteries under procedure prescribed by the present Law.

Section 76. Receiving the license to organize lotteries via electronic communication services
(1) To receive the license to organize lotteries via electronic communication services, the lottery organizer shall submit an application to the Lotteries and Gambling Supervisory Inspection where is attached:
rules of the lottery organized via electronic communication services;
information about the procedure whereunder tickets may be acquired in order to participate in the lottery organized via electronic communication services;
information about the programs used for lottery organization or acquisition of the lottery tickets;
confirmation from the provider of electronic communication services to be used for sale of the lottery tickets, concerning safety of the relevant system;
information about the location where equipment to be used for organizing the lottery or for sale of the lottery tickets will be placed, and about the planned security measures which will be carried out, to prevent possible third parties influence to the results of the organized lottery;
information about the planned security measures for data protection of the natural persons;
web address used for organizing the lottery or for sale of the lottery tickets and any domain addresses, where the lottery is organized via internet;
telephone numbers, which will be used for sale of the lottery tickets, where the lottery is organized by means of telephone;
information about the person responsible for the lottery, identifying their name, surname and identity number (persons to whom identity number is not issued, title, number, issuing date and name of issuing authority of the identity document).
(2) The Lotteries and Gambling Supervisory Inspection shall make a decision to issue the license to organize lotteries via electronic communication services or refusal to issue such license within 30 days from the day when application is received. Where additional data and documents are requested, the Lotteries and Gambling Supervisory Inspection shall take a decision to issue the license to organize lotteries via electronic communication services or refusal to issue such license within 30 days from the day when additional data and documents are received.
(3) In the license issued for organizing lotteries via electronic communication services, shall be given:
number, place and date of issue of the license;
license receiver's name, registration number and legal address;
the lottery tickets whereof may be acquired via electronic communication services;
web address used for organizing the lottery, where the lottery is organized via internet.

Section 77. Refusal to issue the license to organize lottery via electronic communication services
(1) The Lotteries and Gambling Supervisory Inspection shall refuse the allocation of license to organize lottery via electronic communication services, if any of conditions stipulated by Section 15 of the present Law has been set.
(2) In addition to what is mentioned in Paragraph 1 of the current Section, the Lotteries and Gambling Supervisory Inspection shall refuse allocation of the license to organize lotteries via electronic communication services, provided that at least one of the following conditions is present:
the submitted lottery rules do not conform to requirements of the present Law;
it is specified in the conclusion of the independent and internationally approved laboratory that programs applied to organize the lottery are failing to ensure compliance of total amount of the gains to requirements of Paragraph 2 of Section 73 of the present Law or conformity with other requirements of the present Law;
security measures planned by the submitter which will be carried out, to prevent possible third parties influence to the results of the organized lottery, are inadequate;

conclusion from the competent governmental authority is received that the planned security measures for data protection of the natural persons and to guarantee security of the lottery process, are inadequate.

Section 78. Annulment of license for organizing lotteries via electronic communication services
The Lotteries and Gambling Supervisory Inspection shall be entitled to annul the license for organizing lotteries via electronic communication services, when any of conditions listed by Section 87 of the present Law has been set or the lottery organizer in mutual settlements with players is using account or accounts, which has not been communicated by it to the State Revenue Service or the Lotteries and Gambling Supervisory Inspection.

Section 79. Person-in-charge for organizing lotteries via electronic communication services
(1) Upon issuing the license for organizing lotteries via electronic communication services the Lotteries and Gambling Supervisory Inspection shall approve a person responsible for legality of particular lottery (hereinafter referred to as the person-in-charge).
(2) The Lotteries and Gambling Supervisory Inspection shall not approve the person-in-charge for organizing lotteries via electronic communication services when any of conditions stipulated by Paragraph 2 of Section 67 of the present Law is set.
(3) The Lotteries and Gambling Supervisory Inspection shall take decision to approve or refuse approval of the person-in-charge within 30 days after the day when application is received. Where additional data and documents are required, the Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the person-in-charge within 30 days from the day when additional data and documents have been received.
(4) The organizing of lottery via electronic communication services shall be forbidden if the Lotteries and Gambling Supervisory Inspection has not approved the Person-in-Charge.
(5) The lottery organizer within three working days shall inform the Lotteries and Gambling Supervisory Inspection about assignment of a new person-in-charge or dismissal of the former one. The Lotteries and Gambling Supervisory Inspection shall take decision to approve or to refuse approval of the person-in-charge within 20 days after receiving the corresponding announcement. In this case the restriction mentioned in the fourth paragraph of this Section is not applicable.

Section 80. Obligations of the organizer of lottery via electronic communication services
(1) The organizer of lottery via electronic communication services shall ensure:
1) record keeping of lottery participants;
2) registration and identification of winning participants under procedure provided by Section 54 of the present Law;
3) unimpeded access of the staff of Lotteries and Gambling Supervisory Inspection to the program used to organize the lottery and the accounting forms related to organization of the lottery via electronic communication services.
(2) On the Internet home page, which is used by the lottery organizer to organize the lottery, shall be identified:
1) name, legal address, telephone number and license number for organizing of the lottery for the lottery organizer;
2) the lottery, tickets whereof may be acquired via electronic communication services;
3) lottery rules or the web address, where the same may be made known;
4) prohibition to participate in the game for persons located in country or area, where participation in such games is prohibited;
5) prohibition to participate in the game for persons, being under 18 years of age.
(3) For the lottery organizer for mutual payments with customers account which is opened in the credit institution registered in the Republic of Latvia shall be allowed to use.
(4) Where the lottery is organized via telephone, the participant thereto may participate in the lottery, by using only a telephone number registered in the Republic of Latvia.

(5) The program to be used in organization of the lottery and the equipment ensuring operation thereof should be located in the territory of the Republic of Latvia. In the case of force majeure it is allowed to use reserve programs and equipment ensuring operation thereof, which are located outside of the territory of the Republic of Latvia, previously informing the Lotteries and Gambling Supervisory Inspection thereon.
(6) Information on the programs applied to organize lottery via electronic communication services, on the relevant measures of security and data protection of natural persons shall be submitted under procedure provided by Paragraph 2 of Section 47 of the present Law.
(7) The lottery organizer selling tickets via electronic communication services, not later than at 15 days after the end of quarter of account pursuant to procedure prescribed by Paragraph 6 of Section 53 of the present Law shall submit to the State Revenue Service and the Lotteries and Gambling Supervisory Inspection the statement on total amount of stakes paid-in and total amount of gains paid-out within the quarter of account as well as certification from the credit institution on transactions performed during the quarter of account in the account used for mutual settlements with players.

Chapter XI
Control and supervision over gambling and lotteries

Section 81. Providers of control and supervision
The control and supervision over the manner in which the gambling and lottery organizers are following the present Law, other laws and regulations and the rules of gambling or lottery is being provided by the Lotteries and Gambling Supervisory Inspection under procedure established by the Cabinet of the Ministers, and by the State Revenue Service under procedure established by the "Law on State Revenue Service", and by the State Police under procedure established by the law "On Police".

Section 82. Lotteries and Gambling Supervisory Inspection
(1) The Lotteries and Gambling Supervisory Inspection is being established and it's statutes are being approved by the Cabinet of Ministers.
(2) Objectives of the Lotteries and Gambling Supervisory Inspection are:
to realize the state policy relating to organization of gambling and lotteries;
to carry out licensing, supervision and control of the organizers of gambling and lotteries;
to work out drafts of the laws and regulations concerning the organizing of gambling and lotteries;
to ensure the systematic registration and statistics analysis of the gambling and lotteries market;
to register automatic gambling slot machines and equipment and to provide information to the governmental and local authorities required for management of the tax of gambling and lotteries.

Section 83. The Council of the Lotteries and Gambling Supervisory Inspection
(1) The Council of the Lotteries and Gambling Supervisory Inspection shall be an advisory body established by the Cabinet of Ministers and having the goal to support compliance with the public interests, development and stability of the lotteries, gambling and lottery market.
(2) Maintenance of the Council of the Lotteries and Gambling Supervisory Inspection shall fall within responsibility of the Lotteries and Gambling Supervisory Inspection.
(3) Statute and composition of the Council of the Lotteries and Gambling Supervisory Inspection shall be approved by the Cabinet of Ministers, by involvement therein of one representative from the Ministry of Finance, the Ministry of Education and Science, the Ministry of Culture, as well as from association representing more than 50 percent of gambling organizers of the Republic of Latvia, and the Latvian Association of Local and Regional Governments each.
(4) The main task of the Council of the Lotteries and Gambling Supervisory Inspection shall be:

1) to assess conformity of drafts of the laws and regulations concerning the organizing of raffles, gambling and lotteries to the developed policy planning documents;
2) to develop proposals for the Minister of Finances for modifications required for performance of the market supervision control activities.

Section 84. Submission of report by the lottery and gambling organizer
(1) The gambling and lottery organizer in the term and under the procedure prescribed in the Section 66 of the law "On the Annual Accounts of Undertakings" shall submit to the Lotteries and Gambling Supervisory Inspection the duplicate of the approved annual account, notification and resolution provided by the certified auditor together with explanation about time when annual account was approved.
(2) The gambling and lottery organizer within 20 days after the end of the quarter under the procedure prescribed by the Cabinet of Ministers shall submit to the Lotteries and Gambling Supervisory Inspection a report about organizing gambling and lotteries in the quarter of reference.
(3) The gambling and lottery organizer does accounting according to the Law "On Bookkeeping", the Law "On the Annual Accounts of Undertakings" and regulations of the Cabinet of Ministers, which are regulating single order of accounting of the gambling and lottery organization.

Section 85. Procedure of appeal against decisions made by the Lotteries and Gambling Supervisory Inspection
(1) Decisions of the Lotteries and Gambling Supervisory Inspection may be disputed to the Director of Lotteries and Gambling Supervisory Inspection.
(2) Decisions of the Director of Lotteries and Gambling Supervisory Inspection may be appealed to the administrative courts.

Chapter XII
Liability for infringements of laws and regulations

Section 86. Suspension of validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling
(1) The Lotteries and Gambling Supervisory Inspection shall be entitled to suspend validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling or operation of the automatic gambling slot machines and the equipment until infringements are eliminated when it is found that statutory acts or other laws and regulations governing arrangement of gambling and lotteries are violated by the gambling and lottery organizer.
(2) The Director of Lotteries and Gambling Supervisory Inspection or deputies thereof shall be entitled to make decisions to suspend validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling or operation of the automatic gambling slot machines and the equipment.
(3) Officials listed by Paragraph 2 of the present Section shall notify the gambling and lottery organizer in writing, by making references to any infringements of laws and regulations found and by setting the terms for elimination of infringements from one month to three months, unless shorter term is agreed by the parties for elimination of infringements.
(4) When there is failure to eliminate all the infringements listed by the notice within the set term, the relevant official shall issue order in writing to suspend validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling or operation of the automatic gambling slot machines and equipment, when officials of the Lotteries and Gambling Supervisory Inspection find that provisions of the "Law on Lotteries and Gambling tax and fee" are violated or there is failure to exercise payments of other taxes to the state budget or municipal budget by the gambling and lottery organizer.

(6) The gambling and lottery organizer shall communicate elimination of infringements of laws and regulations to the Lotteries and Gambling Supervisory Inspection, which within seven days after the communication is received shall examine whether the infringements are eliminated and where the same have been eliminated, shall allocate permission in writing to resume the license validity.
(7) Validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling may be suspended immediately, when the gambling and lottery organizer has submitted application in writing on suspension of the license validity.
(8) Suspension of validity of the license to organize gambling, the lottery organizing license and the license of venue for arrangement of gambling shall provide for no repayment of the paid state duty to the capital company.

Section 87. Annulment of the license to organize gambling and the lottery organizing license
(1) The Lotteries and Gambling Supervisory Inspection shall be entitled to annul the license to organize gambling or the lottery organizing license, when at least one of the following conditions is present:
1) false information has been provided for the purpose of receiving the said license that has exerted significant impact on the decision making;
2) the gambling or lottery organizer fails to comply with requirements of the present Law;
3) debt commitments of the gambling or lottery organizer exceed assets thereof;
4) liquidation procedure has been commenced by the gambling or lottery organizer;
bankruptcy procedure of the gambling or lottery organizer is being commenced as stated by law;
rights provided by the gambling organizing license or the lottery organizing license has been transferred to any other party;
there are regularly infringements of statutory acts and other laws and regulations governing the gambling and lotteries established for the gambling or lottery organizer;
the gambling and lottery organizer has failed to eliminate infringements of statutory acts and laws and regulations being found by the Lotteries and Gambling Supervisory Inspection within the term specified thereby;
the gambling and lottery organizer has submitted application in writing on annulment of the license.
(2) No state duty paid for receiving the license to organize gambling or the lottery organizing license shall be reimbursed upon annulment of such license.
(3) The Lotteries and Gambling Supervisory Inspection shall annul the casino, gambling hall or bingo hall licenses, as well as the totalizator or bet stakes reception desk license, when at least one of the following conditions is present:
uncertified, non-registered or unmarked automatic gambling slot machines and equipment at the venue of gambling arrangements are installed or operated by the gambling organizer;
the document attached to the application for the purpose of receiving the license of venue for gambling arrangements stipulated by Points 1 or 4 of Paragraph 2 of Section 26 and Points 1 or 3 of Paragraph 2 of Section 27 of the present Law has become invalid, and no other relevant valid document has been submitted;
there is repeated failure of the gambling organizer to comply with requirements of Sections 36, 37, 38, 39 and Point 6 of Paragraph 1 of Section 41 of the present Law;
the gambling organizer has submitted application in writing on annulment of the license of venue for gambling arrangements.

Section 88. Administrative responsibility or criminal liability of entities
Entities that organize gambling or lotteries without license issued by the Lotteries and Gambling Supervisory Inspection or organize such gambling or lotteries, which are not mentioned in this Law, are being made to answer with an administrative responsibility or criminal liability provided by the law. The incomes obtained due to the said activities shall accrue to the state budged.

Transitional Provisions

Point 1 of Paragraph 1 of Section 8 of the present Law shall come into force on 1 January 2007. Until 1 January 2007 stock capital of gambling organizers may be no less than 50,000 lats.

The gambling organizer shall ensure that provisions of Section 9 of the present Law concerning requirements set for the members of council and board of directors and for the auditor are fulfilled not later than until 1 July 2006.

Until 1 July 2006 the gambling halls, which does not comply with requirements of paragraph 1 of Section 22 and Points 4 and 6 of Paragraph 1 of Section 37 of the present Law shall be transformed or closed.

The gambling organizer shall ensure separate entrance for gambling halls located in shops, cultural facilities, railway stations, bus stations, airports and ports, with building structures that are specially lined off not later than until 1 July 2006.

Outside casinos and gambling halls automatic gambling slot machines may be installed and operated only in venues, which were registered in the automatic gambling slot machine register of the Lotteries and Gambling Supervisory Inspection as at 30 June 2002.

Outside casinos and gambling halls no more than five automatic gambling slot machines may be installed and operated.

As from 1 January 2006 no licenses for installation and operation of automatic gambling slot machines outside casinos and gambling halls are issued.

As from 1 January 2007 installation and operation of automatic gambling slot machines outside casinos and gambling halls shall be prohibited.

9. Points 8, 9 and 10 of part two of Section 41 shall come into force on 1 January 2007.

10. The Cabinet shall issue regulations mentioned in parts six and seven of Section 4 of this law until 1 January, 2007.

11. The Cabinet shall issue regulations mentioned in Section 81 and part three of Section 83 this law until 1 September, 2006.

12. Until 1 January 2007 the Cabinet of the Ministers shall issue legislation prescribed by Paragraph 6 of Section 39, Paragraphs 2 and 3 of Section 47, Paragraph 6 of Section 53, Section 54, Paragraph 3 of Section 63 and Paragraphs 2 and 3 of Section 84 of the present Law.

13. Until the day when provisions stipulated by Points 11 and 12 of the current transitional provisions come into force, the following Regulations of the Cabinet of Ministers shall apply as far as the same are in no conflict with this Law:
Cabinet Regulation No. 50 of 7 March 1995 “Regulations on organization of lotteries arranged by nongovernmental and religious organizations”;
Cabinet Regulation No. 102 of 14 March 2000 “Procedure whereunder a report have to be submitted concerning organization of lotteries or gambling”;
Cabinet Regulation No. 237 of 18 July 2000 “Regulation on marking of automatic gambling slot machines and equipment”;

Cabinet Regulation No. 435 of 19 December 2000 “Procedure of the lotteries or gambling organization and maintenance supervision and control”;
Cabinet Regulation No. 378 of 20 August 2002 “Procedure for registration of the casino visitors and processing of information to be included into the casino visitors’ register”;
Cabinet Order No. 656 of 24 October 2003 “On independent and internationally recognized laboratories for statement of opinions concerning program applied in organization of the interactive games”;
Cabinet Regulation No. 762 of 23 December 2003 “Single procedure for accounting in the lotteries and gambling organization”;
Cabinet Regulation No. 106 of 24 February 2004 “Procedure whereunder the organizer of interactive games, organizer of lotteries, totalizator or bets using telecommunications submits report on total amount of stakes paid-in and gains paid-out within the quarter of account”;
Cabinet Regulation No. 175 of 25 March 2004 “Procedure of the interactive game players’ registration and identity checks”;
Cabinet Regulation No. 248 of 6 April 2004 “Procedure whereunder information on the interactive game programs, safety measures and measures for data protection of natural persons shall be submitted”.

14. With the coming into force of the present Law, the Law “On Lotteries and Gambling” (Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1994, No.14; 1995, No.22; 1996, No.16; 1997, No.10, 13; 1999, No.24; 2001, No.15; 2002, No.14; 2003, No.15) is repealed.

15. If permission for opening of respective gambling place or for gambling organizing in specified place granted by Municipality to gambling organizer was in force on the day these amendments comes into force, to re-register the license in Gambling Games and Lotteries Supervision Inspection the submission of permit mentioned in Section 42 of this law is not necessary. This rule does not extend to cases, when the permission became inoperative subject to the part six of Section 42.

16. The amendments to the point 7 of the part two of Section 41. - the additions to the point regarding pari-mutual or betting stakes taking places, as well as demand regarding the separate entrance only from outside shall come into force 1 January, 2007.
(with amendments adopted on June 8, 2006)

This Law comes into force on 1 January 2006.
This Law has been adopted by the Saeima on 17 November 2005.
The amendments to Law have been adopted on June 8, 2006.
The amendments come into force on July 4, 2006.

ANNEX V

ANNEX V - LAW ON THE FINANCIAL AND CAPITAL MARKET COMMISSION

13.03.2006
UNOFFICIAL TRANSLATION
Law on the Financial and Capital Market Commission
Passed on June 1, 2000.
In effect as of July 1, 2001
With amendments passed by the Saeima (Parliament) on 8 November 2001, which took effect on 1 January 2002.
With amendments passed by the Saeima (Parliament) on 12 December 2008, which took effect on 1 January 2009.
With amendments passed by the Saeima (Parliament) on 12 February 2009, which took effect on 12 February 2009.
With amendments passed by the Saeima (Parliament) on 1 December 2009, which took effect on 1 January 2010.

SECTION I
GENERAL PROVISIONS

Article 1. This Law shall specify the provisions for the establishment and operation of the Financial and Capital Market Commission (hereinafter, the Commission).
Article 2. (1) The Commission shall enjoy full rights of an independent/autonomous public institution and, in compliance with its goals and objectives, shall regulate and monitor the functioning of the financial and capital market and its participants.
(2) The Commission shall make independent decisions within the limits of its authority, execute functions assigned to it by law, and be responsible for their execution. No one shall be entitled to interfere with the activities of the Commission, except institutions and officials authorised by law.
Article 3. (1) The Commission's legal ability and capacity shall comply with the objectives set forth in this and other laws. The Commission shall be assigned property owned by the state and have an independent balance sheet.
(2) The Commission shall have a seal bearing its full name, other corporate requisites and an account with the Bank ofLatvia.
Article 4. Participants in the financial and capital market shall be issuers, investors, credit institutions, insurers, private pension funds, insurance brokers, stock exchanges, depositories, broker companies, brokers, investment companies, credit unions and investment consultants.

SECTION II
COMMISSION'S GOALS, FUNCTIONS, AUTHORITIES AND RESPONSIBILITIES

Article 5. The goal of the Commission's activities shall be to protect the interests of investors, depositors and the insured, and to promote the development and stability of the financial and capital market.
Article 6. The Commission shall have the following functions:
1) to issue binding rules and take decisions setting out requirements for the functioning of financial and capital market participants and calculation and reporting of their performance indicators;
2) by controlling compliance with laws and regulations and rules and decisions adopted by the Commission, to regulate activities of financial and capital market participants;

3) to specify the qualification and conformity requirement for financial and capital market participants and their officials;
4) to establish the procedure for licensing and registration of financial and capital market participants;
5) to collect and analyse information (data) relating to the financial and capital market and to publish it;
6) to ensure accumulation of funds with the Deposit Guarantee Fund, and Protection Fund for the Insured, their management and payment of compensation from these funds in accordance with the Deposit Guarantee Law and Law On Insurance Companies and Supervision Thereof;
7) to ensure payment of compensations to investors in accordance with the Investor Protection Law;
8) to analyse regulatory requirements pertaining to financial and capital market and draft proposals for their improvement and harmonisation with the regulatory requirements Community;
9) to engage in systemic studies, analysis and forecasting of the financial and capital market development;
10) to cooperate with foreign financial and capital market supervision authorities and participate in international organizations of the financial and capital market supervision institutions.
Article 7. (1) Executing the functions specified under Article 6 hereof, the Commission shall have authority:
1) to issue regulations and take decisions, governing activities of financial and capital market participants;
2) to request and receive information necessary for the execution of its functions from financial and capital market participants;
3) to, in cases stipulated under the regulations, set forth restrictions on the activities of financial and capital market participants;
4) to examine compliance of the activities of financial and capital market participants with the legislation, and regulations and decisions of the Commission;
5) to apply sanctions set forth by the regulatory requirement to financial and capital market participants and their officials in case said requirements are violated;
6) to participate in the general meeting of financial and capital market participants to initiate convening of meetings of financial and capital market participants' management bodies, specify items for their agenda, and participate therein;
7) to request and receive, from the Commercial Register and other public institutions, any information required for execution of its functions free of charge;
8) to cooperate with foreign financial and capital market supervision authorities and, upon mutual consent, exchange information necessary to execute its functions set forth by law;
(2) In order to execute its functions specified by law, the Commission is entitled to carry out other activities permitted under the normative acts.

Article 8. Regulations and decisions adopted by the Commission are binding upon financial and capital market participants. Regulations are effective as of the day following their publication in the government journal Latvijas Vestnesis, if same regulations do not provide for otherwise.
Article 9. The Commission shall be responsible for:
1) stability and development of the financial market;
2) promotion of free competition within the financial market.

SECTION III
Relation of the Commission with the Bank of Latvia and the Ministry of Finance

Article 10. (1) At least once per quarter the Commission shall submit information summary on the situation in the financial and capital market to the Bank of Latvia and the Ministry of Finance.

(2) Of short-term liquidity problems of a particular financial and capital market participant or its potential or actual insolvency, the Commission shall inform the Governor of the Bank of Latvia and the Minister of Finance in writing. The Commission shall be authorised to request the Bank of Latvia to extend a loan against collateral to any such credit institution.
(3) The Commission and Bank of Latvia shall share the statistic relevant to execution of their tasks.
Article 11. The Commission shall provide information on the financial status of specific credit-institutions upon a written request of the Governor of the Bank of Latvia.
Article 12. If not otherwise specified by regulatory requirements, the information referred to in this Section shall be considered restricted.

SECTION IV
Establishment and Management of the Commission

Article 13. (1) The Commission shall be governed by its Board.
(2) The Board shall be comprised of five members: the Chairperson of the Commission (hereinafter, Chairperson), his/her Deputy and three members, who are also directors of the Commission's Departments.
(3) The Parliament shall appoint the Chairperson and his/her Deputy for a period of six years upon a joint proposal of the Minister of Finance and the Governor of the Bank of Latvia.
(4) The Chairperson shall appoint and remove other members of the Board coordinating his/her decision with the Governor of the Bank of Latvia and the Minister of Finance.
(5) A person may be appointed to the position of Chairperson, Deputy Chairperson or a Board member provided that he/she:
1) is competent in financial management;
2) is of good repute;
3) has at least five years experience in the financial and capital market.
(6) The position of Chairperson, Deputy Chairperson or Board member shall not be taken by a person who:
1) has a criminal record for committing a deliberate offence, irrespective of its annulment or removal;
2) has been deprived of the right to engage in a particular or any type of entrepreneurial activity.
Article 14. The Parliament shall dismiss the Chairperson or Deputy Chairperson from his/her position before the end of their terms as specified under Paragraph 2 of Article 13 only if:
1) an application on resignation is submitted by the respective person;
2) a court judgement whereby the Chairperson or his/her Deputy is convicted of criminal offence becomes effective;
3) the Chairperson or Deputy Chairperson is not able to officiate for a period of six consecutive months due to illness or for any other reason;
4) an application submitted jointly by the Governor of the Bank of Latvia and the Minister of Finance, on his/her early dismissal has been received.
Article 15. (1) The meeting of the Board shall be convened and presided over by the Chairperson or, during his/her absence, by the Deputy Chairperson.
(2) The Board shall be considered competent if no fewer than four of its members are present at a meeting, provided that one of them is the Chairperson or Deputy Chairperson.
(3) Each member of the Board shall have the right to call a meeting of the Board by submitting a written application.
(4) Meeting of the Board shall be convened on an as-needed basis, however, not less frequently than once a month.
Article 16. (1) The Board shall pass resolutions by a simple majority. In case of vote parity, the vote of the chairperson of the meeting shall be decisive.
(2) The Governor or Deputy Governor of the Bank of Latvia and the Minister of Finance may participate in Board meetings in the capacity of advisors. Heads of the public organizations

(professional associations) of financial and capital market participants may also take part in Board meetings in such capacity, provided that these meetings have not been declared closed by a resolution of the Board.
(3) All Board members attending a Board meeting shall sign its minutes.
(4) If any Board member does not agree with a resolution of the Board and votes against it, his/her individual opinion shall be recorded in the minutes and he/she shall not be held responsible for this resolution of the Board.
Article 17. The Board shall have the exclusive right:
1) to approve supervisory and regulatory policies for the financial and capital market;
2) to adopt binding regulations and decisions regulating activities of financial and capital market participants;
3) to issue special permits (licenses) or certificates authorising operation in the financial and capital market;
4) to suspend and renew the validity of the special permits (licenses) or certificates issued;
5) to annul any special permit (license) or certificate issued;
6) to take decisions on the applications of sanctions against persons in breach of any of the regulatory requirements pertaining to the financial and capital market;
6.)1 to take a decision on the restriction of rights, fulfilment of obligations and activities of financial and capital market participants;
7) to specify payments to be made by financial and capital market participants to finance the activities of the Commission;
8) to approve the structure of the Commission, its Statutes and structural units;
9) to approve the annual budget of the Commission;
10) to establish remuneration for the Commission's staff;
11) to approve the Commission's performance and annual report;
12) to approve the procedure for registration, processing, storage, distribution and liquidation of information at the disposal of the Commission;
13) to pass resolutions on signing cooperation agreements with the Bank of Latvia and foreign financial supervision authorities on the exchange of information necessary for supervision and regulation of the financial and capital market;
Article 18. (1) The Chairperson shall represent the Commission and shall be responsible for the organization of its activity. In the Chairperson's absence, his/her duties shall be performed by the Deputy Chairperson.
(2) The Chairperson shall hire and dismiss the Commission's staff.
(3) The Chairperson shall represent the Commission in its relations with state institutions, financial and capital market participants and international organizations.

SECTION V
Responsibility of the Officials and Staff of the Commission

Article 19. (1) The members of the Board, heads of its structural units, and other employees are officials of the Commission. The list of the employees to be ranked as government officials shall be approved by the Chairperson;
(2) The restrictions on entrepreneurial activities, gaining income, combining positions, as well as other restrictions and duties of the officials of the Commission, are provided in the Law On Prevention of Conflict of Interest in Activities of Public Officials.
Article 20. (1) The Board members as well as heads and employees of the structural units of the Commission are prohibited from publicly disclosing or disseminating in any other manner, both during the their office term, and after termination of their employment or any other contract relationship with the Commission, data or any other information related to financial and capital market participants that has not been previously published in accordance with procedures set by law or whose disclosure has not been approved by the Board.
(2) The persons specified under Clause (1) of this Article, in compliance with the regulatory

requirements, shall be held responsible for any illegal disclosure of restricted information as well as for any loss incurred by third parties as a result of unlawful actions of the Commission's employees.

SECTION VI
Consultative Council of the Financial and Capital Market Commission

Article 21. (1) Consultative Council of the Financial and Capital Market Commission (hereinafter, the Consultative Council) shall be established to promote the efficiency of the monitoring of the financial and capital market and promotion of its safety, stability and growth. It shall be a collegial, advisory body charged with the following tasks:
1) to review legislation drafted for the regulation of activities of financial and capital market participants;
2) upon a financial and capital market participant's request and prior to consideration by the Commission, to review the participant's complaints regarding the findings of the Commission's inspections;
3) to prepare policy recommendations for the Board relevant to the execution of the Commission's functions as set by law, and improvement and development of the financial and capital market regulation and monitoring;
4) to review the Commission's annual budget and issue its opinion thereupon;
5) to submit proposals to the Chairperson of the Commission regarding improvement of the Commission's activities;
6) to supervise the accrual of funds with the Deposits Guarantee Fund and the Fund for the Protection of the Insured and compensation payments from these Funds.
(2) If the Board's decision does not agree with the opinion previously made by the Consultative Council on the same issue, the minutes of the Board meeting shall reflect the motivation for declining said opinion.
(3) The Consultative Council shall be comprised of representatives of the Commission and heads of the public organizations (professional associations) of financial and capital market participants on the principle of parity.
(4) The Consultative Council shall be considered competent if at least half of its members are present at its meeting. It shall pass resolutions by a simple majority of vote of the members present. In case of vote parity, the resolution shall be considered not passed.
(5) The meeting of the Consultative Council shall be presided by the Chairperson or Deputy Chairperson of the Commission.
(6) The Commission shall be responsible for the record keeping of the Consultative Council.

SECTION VII
Financing of the Commission

Article 22. (1) Activities of the Commission shall be financed from payments of the participants of the financial and capital market made in the amounts specified by the Board and not exceeding the amount set by law. The participants' payments shall be transferred to the Commission's account with the Bank of Latvia and utilized solely for the purpose of financing its activities.
(2) Payments by permanent representative offices and branches of foreign undertakings (business enterprises) engaging in entrepreneurial activity in the Republic of Latvia as participants of the financial and capital market shall be made as provided for under Article 23 of this Law.
Article 23. (1) The Commission's revenue shall be comprised of:
1) insurers' payments calculated from the total sum of the received quarterly insurance premiums:
a) up to 0.4% (inclusive) of life insurance transactions related to the accrual of funds;
b) up to 0.2% (inclusive) of transactions related to the third party mandatory civil liability

insurance of land vehicle owners;
c) up to 0.7% (inclusive) of other insurance;
2) private pensions fund payments of up to 0.4% (inclusive) of quarterly contributions made by or on behalf the pension plan members within pension plans licensed by private pension funds;
3) credit institutions' payments of up to 0.033% (inclusive) of the average quarterly value of their assets;
4) brokerage companies' payments of up to 1% (inclusive) of the average quarterly gross income from their transactions, but not less than 2,000 lats per year;
5) Stock Exchange payments of up to 2% (inclusive) of the average quarterly gross income from the Stock Exchange transactions, but not less than 5,000 lats per year;
6) Depository payments of up to 2% (inclusive) of the average quarterly gross income from the Depositor's transactions, but not less than 5,000 lats per year;
7) investment companies' payments of up to 0.033% (inclusive) of the quarterly average asset value of investment funds managed by the investment companies, but not less than 2,500 lats per year;
8) income from services provided by the Commission as set by law;
9) payments of credit unions for financing the activities of the Commission of up to 0.033% of the average quarterly value of their assets.
(2) Payments for financing the Commission are made by each participant in the financial and capital market in compliance with Paragraph 1 of this Article and Paragraph 2 of Article 22.
Article 24. (1) In accordance with the provision and terms set forth by the Commission, financial and capital market participants shall file with the Commission reports as necessary for the calculation of payments determined by Article 23 and make payments for financing the Commission by 30th day of the first month following the end of each quarter.
(2) The Commission shall issue binding regulations on the filing of the reports specified under Paragraph 1 of this Article and on calculation of payments.
(3) The Payments made by financial and capital market participants for financing the Commission shall be accounted for as their expenditure.
Article 25. (1) A delayed or incomplete transfer of payment to the Commission's account with the Bank of Latvia shall incur a penalty in the amount of 0.05% of the outstanding amount per each of delay.
(2) Financial and capital market participants shall transfer the penalty calculated for the delay in payment to the Commission's account with the Bank of Latvia.
Article 26. The end of the year balance of the Commission's accounts with the Bank of Latvia shall remain at the disposal of the Commission and shall be utilized in the succeeding year for financing the budget expenditure approved by the Board.

SECTION VIII
Control over the Commission's Activity

Article 27. The Commission shall annually – but no later than 1 July – file with the Parliament and the Ministry of Finance a written report on its performance during the proceeding year and full annual accounts audited by a sworn auditor.
Article 28. The Commission shall publish its balance sheet statement and the opinion of the sworn auditor in the government journal Latvijas Vestnesis not later than on July 1 following the end of the reporting year.

Transitional Provisions
1. The Credit Institutions Supervision Department of the Bank of Latvia, the Securities Market Commission and the Insurance Supervision Inspectorate shall merge by June 30, 2001.
2. The Commission shall commence its activities on July 1, 2001.
3. The Commission shall be the legal successor of the rights, obligations and liabilities of the Securities Market Commission and the Insurance Supervision Inspectorate, rights pertaining to

the management of the Deposits Guarantee Fund, and Bank of Latvia's rights, obligations and liabilities credit institution's supervision.
4. By August 31, 2000 the Chairperson shall set the Commission's draft budget for 2001. The expenses related to the establishment pertaining to the supervision of its activities shall be proportionally covered from the funds of the Bank of Latvia, Securities Market Commission and Insurance Supervision Inspectorate.
5. Within the period from July 1, 2001 to December 31, 2006, activities of the Commission shall be financed from payments made by the participants in the financial and capital market, the state budget and the Bank of Latvia as follows:
1) expenses related to the supervision of credit institutions:
a) in the years 2001, 2002 and 2003, 1,200,000 lats shall be provided by the Bank of Latvia;
b) in the year 2004, 960,000 lats shall be provided by the Bank of Latvia and the rest by credit institutions in compliance with the provisions set out in Section VII hereof;
c) in the year 2005, 600,000 lats shall be provided by the Bank of Latvia and the rest by credit institutions in compliance with the provisions set out in Section VII hereof;
d) in the year 2006, 240,000 lats shall be provided by the Bank of Latvia and the rest by credit institutions in compliance with the provisions set out in Section VII hereof;
2) expenses related to the supervision of insurance shall be covered by the insurers in compliance with the provisions set out in Section VII hereof;
3) expenses related to the supervision of the securities market and private pension funds:
a) in the year 2001, 100% of the total shall be covered from the state budget;
b) in the year 2002, 198,962 lats shall be provided by the state budget and 50,000 lats by financial and capital market participants, except credit institutions and insurers, in compliance with the provisions set out in Section VII hereof;
c) in the year 2003, 150,000 lats shall be provided by the state budget and 100,000 lats by financial and capital market participants, except credit institutions and insurers, in compliance with the provisions set out in Section VII hereof;
d) in the year 2004, 100,000 lats shall be provided by the state budget and 150,000 lats by financial and capital market participants, except credit institutions and insurers, in compliance with the provisions set out in Section VII hereof;
e) in the year 2005, 50,000 lats shall be provided by the state budget and 200,000 lats by financial and capital market participants, except credit institutions and insurers, in compliance with the provisions set out in Section VII hereof;
f) in the year 2006, 250,000 lats shall be provided by financial and capital market participants in compliance with the provisions under Section VII hereof;
(4) expenses related to the supervision of credit unions shall be covered by credit unions in compliance with the provisions set out in Section VII hereof.
6. The payment defined under Paragraph 1 of Article 5 of the Transitional Provisions shall be executed by the Bank of Latvia once per quarter by the 15th day of the first month of each quarter in an amount equal to one fourth of the amount that the Bank of Latvia is due to cover in the respective year.
7. Commencing with the year 2007, the activities of the Commission shall be fully financed from the payments of financial and capital market participants.
8. Licenses (permits) and professional qualification certificates issued by the Securities Market Commission, the Insurance Supervision Inspectorate and the Bank of Latvia for operation in the financial and capital market still valid on July 1, 2001 shall be valid until their expiration. Provisions for intensified supervision and restrictions on financial services applied by the Bank of Latvia in accordance with the Law on Credit Institutions that are effective on July 1, 2001 shall remain valid until the Commission resolves to abolish them.
9. Until the passage of the respective regulatory requirements of the Commission, yet not later than by January 1, 2002, the following Cabinet of Ministers Regulations shall remain effective, unless this Law stipulates otherwise:
1) the Cabinet of Ministers Regulation No. 401 of October 6, 1998 for Payments to the

Protection Fund of the Insured;
2) the Cabinet of Ministers Regulation No. 421 of October 27, 1998 for the Annual Reports of Insurance Companies;
3) the Cabinet of Ministers Regulation No. 436 of November 17, 1998 for the Registration Rules for Insurance Companies and Insurers;
4) the Cabinet of Ministers Regulation No. 441 of November 24, 1998 for Accounting for Insurance Broker's Services in Insurance Brokerage Companies;
5) the Cabinet of Ministers Regulation No. 442 of November 24, 1998 for Insurance Brokerage Companies Civil Liability Insurance;
6) the Cabinet of Ministers Regulation No. 18 of January 19, 1999 for the Certification of Insurance Brokers;
7) the Cabinet of Ministers Regulation No. 91 of March 17, 1998 for Special Permits (Licenses) for the Operation of Private Pension Fund;
8) the Cabinet of Ministers Regulation No. 234 of July 7, 1998 for the Calculation of Additional Capital Accrued with Private Pension Fund;
9) the Cabinet of Ministers Regulation No. 253 of July 14, 1998 for the Private Pension Fund's Annual Report.
10. until the adoption of the respective regulatory documents by the Commission, but no later than January 1. 2002, binding regulations, issued by the Securities Market Commission, Insurance Supervision Inspectorate and the Bank of Latvia, governing the operation of financial and capital market participants, calculation of their performance indicators and reporting shall remain effective unless this Law stipulates otherwise.
11. As of July 1, 2001, the Law on the Securities Market Commission shall be no longer in effect (Zinotajs of the Parliament of the Republic of Latvia and the Cabinet of Ministers, 1995, No. 20; 1997, No. 14; 1998, No. 23).
12. Remuneration (salary etc.) provided for in this Law in the year 2009 shall be set in accordance with the Law on Remuneration of Officials and Employees of State and Local Government Institutions in 2009.
13. In accordance with this Law, in establishing remuneration for years 2010 and 2011, the Commission shall not make any incentive payments for the staff performance results as well as vacation benefits."
Source: http://www.fktk.lv/en/law/general/laws/on_the_financial_and_capital_m/
Print date: 22.09.2010 16:51:37

ANNEX VI

ANNEX VI- NOTARIATE LAW

Text consolidated by Tulkošanas un terminoloģijas centrs (Translation and Terminology Centre)
with amending laws of:
17 June 1996;
4 June 2002 (Judgment of the Constitutional Court)
24 October 2002;
12 June 2003;
28 October 2004.
If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The Supreme Council of the
Republic of Latvia has adopted a Law:

Notariate Law
[17 June 1996]

Chapter One
General Provisions

1. The oversight of notarial matters shall be entrusted, under the supervision of judicial institutions, to sworn notaries in accordance with the procedures set out in this Law.

This Law shall regulate the professional and corporate activities of sworn notaries.
[24 October 2002]

2. Sworn notaries are persons belonging to the court system, who are assigned to regional courts and perform duties prescribed to them by law.
3. In respect of their official duties, sworn notaries shall be equivalent to State officials.
[24 October 2002]

4. Sworn notaries shall be appointed to office for life and they may hold this office until seventy years of age.

5. In his or her official duties a sworn notary shall be exclusively subject to law and shall perform his or her duties as an independent and neutral guarantor of civil rights and the lawful interests of natural and legal persons.

5.1 State and local government institutions, courts, prosecutors and pre-trial investigation institutions shall guarantee the independence of sworn notaries in the performance of their duties of office.

Natural and legal persons, as well as officials shall be prohibited from interfering with the professional activity of sworn notaries, and to exert pressure and influence on them.
[24 October 2002]

6. [12 June 2003]

6.1 The Cabinet, having evaluated the point of view expressed by the Council of Sworn Notaries of Latvia, shall determine the places of work of sworn notaries, establish new ones and abolish existing places of work, taking into account changes in the court structure, the number of inhabitants, the economic life of the relevant populated area, the jurisdiction of notarial matters and the age structure of notaries.
[28 October 2004]

7. [12 June 2003]
[24 October 2002; 12 June 2003]

8. Sworn notaries shall be appointed, transferred, removed from office, as well as the list thereof shall be maintained by the Minister for Justice.

The Minister for Justice may transfer a sworn notary to another court region, informing the Council of Sworn Notaries of Latvia and the relevant courts of this.

A sworn notary may terminate his or her activities of office at his or her own request, informing the Minister for Justice of this, who shall issue an order regarding the releasing of the notary from office.
[12 June 2003]

9. The following persons may be sworn notaries:

1) persons who are citizens of the Republic of Latvia;

2) persons who have reached the age of twenty-five years;

3) persons who meet the following educational criteria:

a) they have acquired a higher professional education of the second level in law and a lawyer's qualifications on the basis of the acquisition of an accredited study programme at an institution of higher education, and

b) they have acquired a masters degree in law;

4) persons who are fluent in the official language;

5) persons who have acquired work experience working in one of the following positions:
for at least two years – in an assistant to a sworn notary position,
for at least two years – in the office of a judge,

b) for at least five years - in a sworn advocate position, sworn bailiff position, assistant to a judge position, assistant to a sworn advocate position, chief judge or member of a parish court or Orphan's Court position, the duties of which are equivalent to fulfilment of the work of a sworn notary, or

c) for at least seven years – in other legal specialisation positions; and

6) persons who have demonstrated their knowledge and abilities in the sworn notary examinations.
[4 June 2002; 24 October 2001; 28 October 2004]

10. The following persons may not be sworn notaries:

1) persons who do not meet the requirements prescribed in Section 9 of this Law;

2) persons who have been declared insolvent debtors by a court;

3) persons who are convicted persons, defendants, the accused or suspects in a criminal matter for a criminal offence (a criminal violation or crime) committed deliberately (intentionally);

4) persons who have been convicted of a criminal offence (a criminal violation or crime) committed deliberately (intentionally) although they have been released from serving the sentence because of the limitation period, clemency or amnesty or for which the conviction for these offences has been extinguished or set aside;

5) persons against whom the criminal matter regarding a criminal offence (a criminal violation or crime) committed deliberately (intentionally) has been terminated in connection with the limitation period, settlement, clemency or amnesty;

6) persons who have been removed from office by a court judgment in a criminal matter;

7) persons who have been excluded from the number of sworn advocates or their assistants, dismissed from a prosecutors position or have been dismissed from the office of sworn bailiffs, the assistants thereof, sworn notary, the assistants thereof or office of judge;

8) persons who are under trusteeship; or

9) persons who act as sworn advocates or their assistants and sworn bailiffs or their assistants.

[24 October 2002; 28 October 2004]

11. [12 June 2003]

[24 October 2002; 12 June 2003]

11.1 If a sworn notary place of work is vacant, the Minister for Justice shall invite practising sworn notaries to apply within a period of two weeks for such place of work.

If several sworn notaries apply for one place of work, preference for transfer shall be for the sworn notary who has had the longest practice in office and to whom during the last two years of practice a disciplinary sanction has not been applied. If several sworn notaries conform these criteria, the Council of Sworn Notaries of Latvia shall provide a substantiated opinion regarding the most applicable candidate.

If there is no such applicant, the Minister for Justice shall publish in the newspaper Latvijas Vēstnesis [the official Gazette of the Government of Latvia] an invitation for persons who have completed the sworn notary examination to apply within a period of one month for the vacant notary position.

Preference to be approved to office shall be for an assistant to a sworn notary.

In selecting the most appropriate applicant for the office of sworn notary, the assessment acquired in the sworn notary examination and the substantiated opinion of the Council of Sworn Notaries of Latvia shall be taken into account.

If the vacant sworn notary place of work cannot be filled in the way indicated, the Minister for Justice shall announce in the newspaper Latvijas Vēstnesis sworn notary examinations.

[24 October 2002; 28 October 2004]

11.2 A person who wishes to become a sworn notary shall:

1) submit to the Council of Sworn Notaries of Latvia a submission and documents, which certify his or her conformity to the requirements of Section 9 of this Law and the fact that in the admission of the person into the number of sworn notaries there are none of the obstacles referred to in Section 10, Clauses 2-9 of this Law; and

2) in accordance with the procedures specified by the Council of Sworn Notaries of Latvia, present references regarding his or her professional activity and moral characteristics, as well as a valid sworn notary examination certificate.

[24 October 2002; 28 October 2004]

11.3 If a person whose occupation is not compatible with duties of a notary has submitted a submission for the position of a sworn notary, such person shall be allowed to take an oath and he or she shall be included in the list of sworn notaries after he or she has terminated the occupation referred to.

[24 October 2002; 12 June 2003]

11.4 The Council of Sworn Notaries of Latvia shall post the list of persons who have submitted documents in respect of admission to the number of sworn notaries on its premises.

[24 October 2002; 28 October 2004]

12. The Council of Sworn Notaries of Latvia shall submit to the Minister for Justice documents regarding the applicant to the position of a sworn notary and a decision by the Council of Sworn Notaries of Latvia regarding a proposal to admit him or her to the number of sworn notaries.
[24 October 2002]

13. If the order by the Minister for Justice regarding the appointment to office or transfer of a sworn notary does not provide otherwise, the sworn notary shall commence fulfilling the duties of office within one month from the day when the order regarding appointment to office or transfer was issued.
[24 October 2002]

14. A sworn notary shall be included in the list of sworn notaries and may commence fulfilling the duties of office only after he or she has insured for the risk of possible loss as a result of professional activities (Section 24-32) and has given the following oath to the Chief Justice of the Supreme Court:
"I swear to be loyal to Latvia, honestly and to the best of my conscience and belief fulfil the laws of the State, treat the courts and State authority with respect, observe the instructions and orders by supervisory institutions and their officials, honestly perform the duties of a sworn notary, protect the legal interests of persons and matters and values entrusted to me and not to disclose professional secrets, being aware that I am liable for my actions before the law."
[24 October 2002]

15. The relevant restrictions on the combination of offices of State officials, as well as the duties specified by law shall apply to sworn notaries.
[17 June 1996; 24 October 2002]

Chapter Two
Sworn Notary Examinations

16. Applicants to the position of a sworn notary shall be examined by a special examination commission which shall be appointed by the Minister for Justice, selecting representatives from the Ministry of Justice, courts, judges of Land Registry offices, academic personnel of institutions of higher education and sworn notaries and co-ordinating it with the Council of Sworn Notaries of Latvia. The chairperson of the commission shall be a representative of the Ministry of Justice.

If within a year of the imposition of a disciplinary sanction a repeated disciplinary sanction for violations of laws and other regulatory enactments related to the activity of a sworn notary has been imposed on a sworn notary, the Minister for Justice shall, by an order issued at his or her initiative or upon proposal of the Council of Sworn Notaries of Latvia, determine the testing of the notary's qualifications at an examination organised by the examination commission.
[24 October 2002]

17. The examination commission shall test the knowledge of the applicants in laws necessary for the activity of a sworn notary, drawing up of deeds and record keeping of a sworn notary. The examination shall take place orally and in writing.

The examination commission shall test the knowledge of sworn notaries on the basis of an order issued by the Ministry for Justice.
[24 October 2002]

18. Each year the Council of Sworn Notaries of Latvia shall organise a sworn notary examination for persons who wish to assume a position of a sworn notary.

Persons who meet the requirements of Section 9 of this Law and have paid the examination fee into the account of the Council of Sworn Notaries of Latvia shall be admitted to the examination of sworn notaries.
[24 October 2002]

19. The Minister for Justice shall, upon a proposal of the Council of Sworn Notaries of Latvia, approve the procedures of the sworn notary examination, the composition of the examination commission and the examination questions.
The minimum amount of knowledge for the completion of the sworn notary examination and the examination fee shall be determined by the Cabinet.
[24 October 2002; 28 October 2004]

19.1 The Minister for Justice shall announce the examination day in the newspaper Latvijas Vēstnesis at least a month in advance.

Submissions regarding permission to take the examination shall be submitted to the Minister for Justice at least ten days before the examination.
[24 October 2002]

19.2 The Council of Sworn Notaries of Latvia shall notify the place and time of the examination to the persons who have applied to take the sworn notary examination.
[24 October 2002]

20. The submission shall be accompanied by evidence regarding the citizenship, age, education and practice, and references referred to in Section 11.2 and the examination fee, which shall not be repaid.
[24 October 2002]

21. Persons who have passed the examination shall be issued with a certificate.

22. The period of validity of the examination certificate shall be three years. In calculating this period, the time when the person was in the position of an assistant to a sworn notary shall be deducted.
[24 October 2002]

23. The paid examination fee shall be paid to the members of the examination commission as remuneration.

Chapter Three
Risk Insurance for the Activities of Sworn Notaries

24. The possible risk of loss as a result of the professional activity of a sworn notary shall be compulsorily insured.

The policy-holder shall be a sworn notary who shall enter into an individual professional activity risk (civil liability) insurance contract and the Council of Sworn Notaries of Latvia who shall enter into an insurance contract in respect of professional activity risk insurance of all sworn notaries (group insurance contract).
[24 October 2002]

25. The insurance of possible risk of loss as a result of the professional activity of a sworn notary shall secure claims, which may arise in connection with his or her professional activity and the activity of his or her assistant, while replacing the sworn notary.

[24 October 2002; 28 October 2004]

26. A sworn notary shall enter into an insurance contract before he or she has commenced the fulfilment of his or her duties.
27. The insurance contract shall be maintained in effect for the whole period of official duties of a sworn notary.
[24 October 2002]

27.1 A sworn notary has a duty to notify the Council of Sworn Notaries of Latvia of entering into an insurance contract, as well as all of amendments thereto, the occurrence of an insurable event, suspension or termination of the operation of the contract.
[24 October 2002]

28. The Council of Sworn Notaries of Latvia shall ensure that the insurance contract is in effect without interruption, as well as monitor that insurance payments are duly made.

If the operation of the insurance contract has been suspended or the contract terminated, the sworn notary shall be suspended or dismissed from office.
[24 October 2002]

29. The risk of the notary himself or herself may not be provided for in the insurance contract.

The insurance contract shall specify a period of three years for submission of a notification regarding the occurrence of an insurable event.

The Cabinet shall determine the minimum amount of insurance for an individual and group insurance contract, as well as mandatory provisions to be included in the insurance contract.
[24 October 2002; 28 October 2004]

30. If a sworn notary during the performance of the duties of office due to his or her activity or failure to act has caused losses to somebody, irrespective of the disciplinary or criminal liability of the sworn notary, the insurance institution shall cover such losses from the insurance compensation of the sworn notary on the basis of the insurance contract.

Actions regarding losses, which have arisen in connection with the official duties of a sworn notary, shall be lodged with the regional court under whose supervision the sworn notary is subjected.
[24 October 2002]

31. Insurance institutions are entitled to request compensation for losses from a sworn notary if such losses have occurred because the sworn notary has intentionally, deliberately violated the duties of office or has allowed gross negligence.

32. Insurance institutions, on the basis of the insurance contract regarding the possible risk of loss as a result of the professional activity, shall not cover claims, which do not derive from the official duties of a sworn notary.

Chapter Four
Duties of Office of Sworn Notaries

Sub-Chapter 1
General Provisions

33. Upon commencing activity a sworn notary shall announce the address of the practice and the day of commencing the practice in the newspaper Latvijas Vēstnesis and a local newspaper and notify the relevant courts, the Minister for Justice and the Council of Sworn Notaries of Latvia

thereof. Such an announcement shall be published and notifications given also in the case of a change of address, as well as in terminating his or her activities.
[24 October 2002; 12 June 2003]

34. A sworn notary shall send a sample of his or her signature and seal imprint, as well as a sample of the signature of his or her assistant to all chief judges, heads of Land Registry offices and the Minister for Justice.

35. The working time of a sworn notary shall be subject to the regulations on working time in State institutions. A sworn notary shall ensure access to his or her place of practice for the whole period of the working time. A sworn notary shall receive clients in person at his or her place of practice for at least five hours per working day. The Minister for Justice, in liaison with local governments, may also determine different working times.

In accordance with an agreement with a client a sworn notary may also perform the duties of office outside working time.
[24 October 2002]

36. A sworn notary may have only one place of practice. There shall be a national flag and a copy of the great State coat of arms on the premises of the place of practice.

During working time (Section 35) a sworn notary shall make deeds and certifications in the premises of his or her practice. For persons who cannot appear before the sworn notary he or she may make deeds and certifications at the location of such persons and also outside working time.
[24 October 2002]

37. The Minister for Justice, in co-operation with the chief justice of a regional court, may permit or also instruct a sworn notary to arrive for the performance of his or her duties in towns or villages in the vicinity where there are no sworn notaries on specific days of week or month.
38. A sworn notary shall perform his or her duties of office only in the operational district of that regional court under the supervision of which he or she is subjected.

The effect of a notarial deed or notarial certification shall not cease only because the notarial deed or notarial certification has been made outside the operational district of the regional court of the sworn notary.
[24 October 2002]

39. A sworn notary, while performing his or her duties of office within the boundaries of his or her operational district, shall provide notarial assistance to all persons approaching him or her, even if their place of residence or property, to which a deed or certification refers, is located outside such district.

A sworn notary shall not refuse to perform the duties of office, except for the cases prescribed by law.

In respect of a refusal to perform the duties of office, a sworn notary shall within a period of three days submit the refusal in writing in which shall be indicated the basis thereof and appeal procedures.
[24 October 2002; 28 October 2004]

40. A sworn notary shall refuse to make deeds and certifications if he or she is asked to take part in activities, which obviously serve illegal and immoral purposes.
[24 October 2002]

41. A sworn notary is prohibited from making deeds or certifications in his or her own matters, the matters of his or her spouse, also former spouse, his or her and his or her spouse's kin in a direct line to all degrees, collateral line — to the fourth degree and affines — to the third degree,

as well as persons under the guardianship or trusteeship of the sworn notary or his or her spouse or adopters of adoptees of the sworn notary or his or her spouse.
[24 October 2002]

42. Expressions of intent which have been stated in deeds made or certified by a sworn notary and which are for his or her benefit or the benefit of other persons referred to in the previous (41) Section shall not be in force.
[24 October 2002; 28 October 2004]

43. Upon commencement of the performance of the duties of office, a sworn notary shall receive sworn notary office certificates and insignia of office approved by the Minister for Justice. Types and procedures for use thereof shall be determined by the Minister for Justice.

While performing duties of office a sworn notary shall carry the insignia of office.
[24 October 2002]

44. A sworn notary shall use a seal with the supplemented lesser State coat of arms and a text, which includes the occupational designation, given name and surname of the sworn notary, name of the regional court and the place of office.

A sworn notary may have only one seal with the State coat of arms.
[24 October 2002]

Sub-Chapter Two
Books of Sworn Notaries

45. A sworn notary shall keep:

1) registers for the recording of all deeds and certifications made by him or her;

2) a notarial deed book;

3) a bailment book;

4) a promissory note protest deed book;

5) an alphabetic index of those persons on behalf of whom a notarial activity has been performed; and

6) an alphabetic index of those persons for whom the court has established a trusteeship due to a mental illness or spendthrift lifestyle or whom the court has declared insolvent, or whose authorisation has been withdrawn.

The registers provided for in Paragraph one, Clause 1 of this Section and the alphabetical indexes provided for in Clauses 5 and 6 shall be maintained electronically.

The register provided for in Paragraph one, Clause 1 of this Section, when maintained electronically, shall be printed and kept in a hard copy format each month. At the end of the year the register kept in a hard copy format shall be dealt with in accordance with the procedures specified in Sections 47 and 53 of this Law.

The alphabetical index provided for in Paragraph one, Clause 6 of this Section shall also be maintained in the Council of Sworn Notaries of Latvia in accordance with procedures determined by the Minister for Justice.
[24 October 2002]

46. Pages or sheets of registers and books of sworn notaries shall be numbered in the current number sequence.

47. Registers and bailment books shall be bound with a string and delivered to a judge specified by the chief judge of a regional court.

The judge specified by the chief judge of the regional court and his or her secretary shall verify the conformity of the books with the form specified and the numeration of pages, as well as make a certification inscription on the last page of the book, which shall be signed by the judge and the secretary, indicating the date.

The ends of book strings shall be fixed on the last page with the court seal.

48. A register sheet shall be divided into eight columns in which the following shall be entered:

1) the sequence number, every year starting a new numeration;

2) the month and day when the notarial activity was performed;

3) the title of the deed or certification;

4) the sum of money of the transaction indicated in the deed if such has been specified or such may be specified;

5) the amount of State fee paid for the deed;

6) the amount of remuneration for the official duties of the sworn notary;

7) surname, given name, date and place of birth, as well as place of residence of those persons for whom the notarial activity has been performed; date and place of birth shall be indicated only if such have been noted in the deed or certification; and

8) a notation by the sworn notary as to whom and when the documents have been issued or sent.

[24 October 2002]

49. [24 October 2002]

50. A register may be divided into two volumes so that: 1) both volumes have a common numeration, writing even numbers in one volume but odd numbers in the other, and 2) the number of entries in one volume does not exceed the number of entries in the other volume by more than one number.

51. Blank spaces in columns 3 and 7 of a register shall be crossed out. Errors in register entries shall be justified in column 8 by the signature of the sworn notary.

52. A notarial deed book shall consist of:

1) the originals of notarial deeds (Section 82) with all annexes; and

2) certified copies of the documents referred to in Section 128 of this Law.

[24 October 2002]

53. The deed book shall be bound within the time periods and in accordance with the procedures specified by the Minister for Justice and certified in accordance with the procedures set out in Section 47. The certification inscription shall also state the number of sheets, deeds and of the documents referred to in Section128.

A deed book may consist of several volumes.

54. A sheet of a bailment book shall consist of two pages in an open position with a common current number, it shall be divided into eight columns in which the following shall be entered:

1) the sequence number;

2) year, month and day when the object for bailment was received;

3) surname, given name, date and place of birth, as well as place of residence of the bailor;

4) designation of the object deposited for bailment;

5) the sum in words and its repetition in numbers if money is deposited for bailment;

6) to whom and on what conditions the object for bailment shall be issued;

7) signature of the bailor; and

8) signature of the person to whom the sworn notary has issued the object for bailment or a notation by the sworn notary as to whom and when the object for bailment was issued, indicating the document which substitutes for the signature of the recipient.

55. Blank spaces in columns 3, 4 and 6 of the bailment book shall be crossed out. Errors in entries of columns 1-6 of the bailment book shall be justified in column 7 by the signature of the

bailor, but errors in column 8 – by the signature of persons indicated in this column. The sworn notary shall justify obvious misspelling mistakes by his or her signature.

56. The promissory note protest deed book shall consist of the second copies of protest deeds signed by a sworn notary for which no State fee shall be paid.

The promissory note protest deed book shall be bound separately for each year, numbered by pages, bound with a string and certified by the signature and seal of the sworn notary.

57. The alphabetic index provided for in Section 45, Clause 6 shall specify: the surname and given name of persons lacking the capacity to act, the nature of the incapacity to act, surname and given name of the authorised person and the authorising person, information regarding a revoked authorisation, the court or the sworn notary who has published the announcement, the official Gazette where the announcement regarding deprivation or renewal of capacity to act and revocation of the authorisation was placed, stating the title, year, day, month and edition number of the Gazette.

Note. Before a sworn notary assumes office he or she shall prepare the index provided for in this Section for the previous time period. For such purpose the sworn notary may receive the index of his or her predecessor.

58. A sworn notary shall keep deeds, books, seals, files and valuables in a safe place and take care of the storage thereof in an undamaged condition.

59. A sworn notary shall close registers, deed books and promissory note protest deed books for each year separately. Thereafter they shall not be used.

The closing inscription shall specify the number of entries, as well as the number of deeds and documents.

60. After closing the books referred to in the previous (59) Section a sworn notary shall prepare them for safekeeping in his or her archive together with the requests prescribed in Sections 132 and 134.

61. If a sworn notary has died, is transferred, is suspended, been removed or dismissed from office, the chief judge of a regional court shall give an order to one of the judges to take over the seals, books, files, deeds of the sworn notary and the valuables entrusted to him or her, preparing a detailed list regarding the things taken over.
[28 October 2004]

62. When taking over notarial books and files, the judge and his or her secretary shall close them, certify them in accordance with the provisions of Section 53 and 59 and on the last page thereof make an inscription after the last entries in books or files, specifying in what state the books or files were found, what was the number of pages covered by writing and what was the state of the strings and seals.

63. A judge shall transfer the books, files and deeds referred to in Section 62, as well as bailed valuables to a newly appointed sworn notary or a practising sworn notary from the vicinity of the nearest populated area according to an order by the chief judge of a regional court, making a notation thereon in the bailment book.

If a sworn notary has died, been transferred, been removed or dismissed from office, his or her seals shall be notched with a file and handed over to the Minister for Justice.

If a suspended sworn notary remains in office the things taken over shall be returned to him or her.
[28 October 2004]

64. The instruction regarding the form of sworn notary registers and books and procedures for keeping thereof and regarding the maintenance of an inheritance register and conducting of inheritance matters shall be issued by the Minister for Justice on the basis of a recommendation of the Council of Sworn Notaries of Latvia.
[24 October 2002]

Sub-Chapter Three
Official Duties of Sworn Notaries

[24 October 2002]

General Provisions

65. A sworn notary has jurisdiction to:
1) make notarial deeds;
2) make certifications;
3) accept money, securities and documents for bailment;
4) conduct inheritance matters;
5) draw up property division drafts in cases provided for by law; and
6) perform other activities provided for by laws.
[24 October 2002]

66. A sworn notary is permitted:
1) to ensure the fixing of rights and security of rights in land registers;
2) to secure permits, certificates and other documents, required for the closure or fixing of deeds to be notarially made or certified, from State, local government and private institutions, as well as from officials and private persons;
3) to draw up draft deeds, draft contracts and drafts of other documents related to the activity of a sworn notary, as well as make copies and translations; and
4) to provide any other legal assistance.
In performing the activities referred to in Paragraph one, Clauses 1 and 2 of this Section, the sworn notary shall act on the basis of law, without submitting a power of attorney.
[24 October 2002]

67. A sworn notary shall calculate and collect State fees, as well as account for the sums collected in accordance with the relevant laws, making a notation in the deed or certification regarding the payment of fees or release therefrom.

68. Except for the cases prescribed by law, deeds and certifications shall be written in the official language, sums of money shall be indicated in Latvian currency, but measures and weights — in conformity with the metric system.

69. When making a notarial deed in which a person participates who is not fluent in Latvian and speaks a language in which the sworn notary is not fluent, the person shall invite an interpreter. The invited interpreter shall sign with his or her signature that he or she has been warned of criminal liability in respect of a knowingly false translation.
[24 October 2002]

70. In deeds and books, if signatures have been made in a foreign language, the surname of the signatory shall be written in the official language as it is pronounced; and if the sworn notary is not fluent in this language, the invited interpreter whose signature shall be certified by the sworn notary shall do it.

71. Certifications may also be done in a foreign language, if the sworn notary is fluent in the language and if they are to be certified for presentation in foreign states.
[24 October 2002]

72. Persons who are unable or cannot sign shall entrust another person to do it on their behalf and this person and the sworn notary with their signatures shall certify such. In such case the witnesses specified in Section 1494 of The Civil Law shall be required.

73. All deeds and certifications shall contain the following:

1) year, day and month and, if necessary, also a more detailed time indication and the address where the deeds and certifications were made;

2) given name and surname of the sworn notary;

3) the register number;

4) the signature of the sworn notary; and

5) the amount of State fee and all other amounts collected for the performed deed or certification.

A sworn notary shall put his or her seal on all deeds and certifications.
[24 October 2002; 28 October 2004]

74. Deeds or certifications written on several sheets shall be numbered and bound with a string, the ends of the string shall be fixed on the last page and the binding with a string shall be certified by the signature and seal of the sworn notary.
Separate pages may be glued together, putting the seal on the juncture.

75. When designating persons in deeds and certifications their given name, surname, personal identity number and place of residence shall be indicated, but in deeds and certifications in accordance with which the sworn notary must verify the identity of the persons – also the date and place of birth of these persons.

Information regarding the place of residence in a deed or certification shall be recorded on the basis of an oral declaration by the person.

If it is impossible to ascertain the date and place of birth in accordance with procedures set out in Section 76, the sworn notary shall specify such in the deed or certification.
[24 October 2002; 28 October 2004]

76. If the sworn notary does not know the person for whom the deed or certifications is to be made or who must be identified for another purpose, he or she shall ascertain the identity of such person according to the passport. If the person referred to cannot present a passport, the sworn notary shall ascertain his or her identity according to identity documents which have been issued to the person in the State or local government service by his or her management or according to other reliable documents, if necessary supplementing the information lacking from the testimonies of two witnesses. The manner how the identity of a person was ascertained shall be indicated in the deed or certification.

Witnesses who certify the identity of an unknown person to the sworn notary shall sign with their signature regarding criminal liability in respect of knowingly false testimony.

77. When making deeds and certifications for legal persons, their legal capacity, scope of activity and powers as representatives shall be verified.

77.1 Notarial deeds, certifications and other documents may be drawn up by hand or prepared by technical means.
[24 October 2002]

78. Corrections, deletions and additions shall be indicated at the end of the deed or certification before the signatures.

Deletions in deeds and certifications shall not be permitted, blank spaces and erroneous entries shall be crossed out. Crossing out shall be performed in such manner that the crossed-out text remains visible.
[24 October 2002]

79. A sworn notary and his or her employees shall not disclose the information entrusted to them, as well as provide information regarding the matters entrusted to them and deeds and certifications entered into notarial books to third persons; this provision shall also be in force after they have left office. The sworn notary shall ensure compliance with these requirements also in the work of his or her staff.

A sworn notary shall keep secret all entrusted matters, deeds and documents.
[24 October 2002]

80. Exceptions from the provisions of the previous (79) Section shall be allowed for:

1) officials of courts, the Office of the Prosecutor and pre-trial investigation institutions – in connection with the performance of the duties of office;

2) officials of other agencies and private individuals – with the consent of the participants of the deed or certification or with the permission of the chief justice of the regional court; and

3) in cases provided for by this Law.

Books and files of sworn notaries, as well as separate documents may not be removed from the premises of the practice, even at the request and upon a decision of courts, investigation or other institutions.

If a criminal matter regarding forgery has been initiated, on the basis of a decision of investigation institutions, relevant documents of a sworn notary may be withdrawn from his or her files, leaving copies certified by the sworn notary instead. After the performance of an expert-examination or adjudication of the matter at court, the withdrawn documents shall be returned to the sworn notary.
[24 October 2002]

81. Notarial deeds (Section 82) and certifications (Section 108) made by a sworn notary, except for the documents referred to in Section 116 of this Law, shall be public documents.
[24 October 2002]

II. Notarial Deeds

82. Deeds, which are made by a sworn notary, recording them into a deed book, shall be known as notarial deeds.

82.1 When certifying an expression of intent a sworn notary shall make a notarial deed.

The notarial deed shall specify the expressions of intent of its participants.

Participants of a notarial deed shall be persons who in the presence of a sworn notary express their intent on their own or on other person’s behalf.

A sworn notary shall enter notarial deeds in a notarial deed book.
[24 October 2002]

83. A sworn notary shall verify the identity, capacity to act and the right of representation of the participants of the notarial deed.

A sworn notary shall verify the right of representation according to the public documents submitted to him or her or entries in the Commercial Register or other public registers.

If the right of representation follows from an entry in the Commercial Register or another public register, the sworn notary shall verify this right by consulting such a register not more

than 15 days before the making of the notarial deed or by consulting an extract of the register which not more than 15 days before the making of the notarial deed has been certified by the institution of the relevant register. The sworn notary shall note in the deed the date of the consultation day or the date when the extract was certified.

The sworn notary shall attach the documents, which prove the right of representation of the participant of the notarial deed, in the form of the original or a notarially certified copy in accordance with the procedures prescribed in Section 74 of this Law.
[24 October 2002]

84. Deeds may be made in the presence of witnesses or without them (Section 1474 of The Civil Law).

When making or depositing for safekeeping a will, as well as when performing notarial activities in cases specified in Sections 72 and 94, the presence of two witnesses shall be required; these witnesses may also certify the identity of the participants of the deed (Section 76).

85. A sworn notary shall ascertain the identity of unknown witnesses and interpreters in accordance with the procedures set out in Section 76.
[24 October 2002]

86. The following may not act as witnesses to a notarial deed:

1) illiterates, minors and those who are unable to correctly and completely comprehend and certify a deed due to physical or mental deficiencies, namely the mentally ill, the deaf, the dumb and the blind;

2) those for whose benefit the deed is made or the order issued;

3) those who are in the relations with the sworn notary referred to in Section 41, his or her spouse, participants of the deed or third persons specified in the deed for whose benefit the deed is made or the order is issued;

4) employees of the sworn notary and members of staff of the sworn notary and his or her employees; and

5) persons without knowledge of the official language.

6) [24 October 2002]
[24 October 2002]

87. Participants in the deed shall submit to the sworn notary a ready draft or request the sworn notary to draw it up.

87.1 The sworn notary shall ascertain the intent of the participants in the notarial deed and the terms of the transaction, record notifications by persons clearly and unambiguously, acquaint the participants with the possible legal consequences of the transaction so that ignorance of laws and lack of experience is not used against their best interests.
[24 October 2002]

87.2 A sworn notary shall not make notarial deeds which are prohibited by law or the content of which is in obvious conflict with laws that protect the administrative order, public morals or dignity of persons.
[24 October 2002]

87.3 If the sworn notary has doubts regarding the effect of separate terms of the transaction, he or she shall make it known to the participants of the notarial deed and shall indicate it in the notarial deed.
[24 October 2002]

88. The draft shall be read to the participants of the notarial deed in the presence of the sworn notary, but the attached plans and other images shall be offered to them for examination. If the participants of the notarial deed acknowledge to the sworn notary that they comprehend the content and meaning of the notarial deed and that the notarial deed corresponds to their intent, they and the sworn notary shall sign the draft.
[24 October 2002]

89. If in accordance with law witnesses are to be invited or witnesses have been invited according to the wish of the participants, the deed shall be read out and signed in the presence of the witnesses.

The witnesses and interpreters shall also sign the deed.
[24 October 2002]

90. If the participants of the notarial deed do not wish that the invited witnesses know the content of the deed and they have listened to the content thereof in the absence of the witnesses, then upon the signing of the deed the participants thereof shall inform the witnesses that they have heard it.
[24 October 2002]

90.1 The notarial deed shall be signed in the presence of the sworn notary.

The conditions referred to in Sections 88-90 shall be indicated in the notarial deed.
[24 October 2002]

91. The deed shall be written clearly; the sums, dates and numbers therein shall at least once be written in words, except for the dates and numbers of the legitimacy documents of the participants and witnesses of the deed, as well as the numbers of the buildings which refer to the address of the sworn notary's place of practice or the address of the place of making the deed and the place of residence of the persons referred to.

92. [24 October 2002]

93. If the provisions of Section 78 are not observed the deed shall not have notarial force.
[24 October 2002]

94. In making deeds in which the deaf, the dumb or the blind participate, the presence of at least two witnesses shall be required.

Provisions of Section 90 shall not be applicable to such deeds.

95. A literate deaf person shall read the deed himself or herself and tell whether it expresses his or her intent. It shall also be indicated in the deed.

96. In making a deed an illiterate deaf person in addition to the ordinary witnesses shall also invite a person whom he or she trusts and who is able to communicate with him or her. Such person may be in kinship or affinity with the deaf person but he or she shall meet all the other requirements of Section 86.

97. The sworn notary shall make sure whether the illiterate deaf person understands the signs shown to him or her.

98. A literate dumb person or deaf and dumb person shall read the deed himself or herself and with his or her own hand write that he or she has read it and that it expresses his or her intent.

99. When making a deed for an illiterate dumb or deaf and dumb person, in addition to a person who is capable of communicating with him or her in signs, a second person shall be invited to whom these signs are understandable (an interpreter).

This person may be in kinship or affinity with the dumb or the deaf and dumb, but he or she shall meet all other requirements of Section 86.

100. The original of a notarial deed shall be the deed, which has been recorded in the notarial deed book.

Note. Recording in the notarial deed book shall mean recording of the documents referred to in Section 52 of this Law in the register and placement thereof in the notarial deed book.
[24 October 2002]

101. In respect of the notarial deed recorded in the notarial deed book, the sworn notary shall issue notarially certified extracts of the notarial deed book and copies of notarial deeds.
[24 October 2002]

102. An extract of the notarial deed book shall have the same force as the original of the notarial deed, except for the cases where in conformity with the requirements of the law the original of the notarial deed must be submitted.
[24 October 2002]

103. In issuing extracts of the notarial deed book and copies of notarial deeds, a sworn notary shall comply with the provisions of Sections 73-75 of this Law.

Certifications shall be written on the extract or copy itself.

Extracts and copies shall coincide with the originals word for word.

Corrections, crossings out, additions and deletions in extracts and copies shall not be permitted. Corrections, crossings out and additions appropriately marked in the original (Section 78) need not be indicated repeatedly as such if in the extract or copy they are immediately inserted in the place exactly provided for them in the text.
[24 October 2002]

104. A sworn notary may only issue extracts of the notarial deed book to those persons for which the notarial deed grants the right to receive them or to the representatives, heirs and successors in interest of such persons, but to all other persons – only with the permission of the chief judge of the regional court.

Certification of an extract shall state the evidence, which grants the right to receive the extract.
[24 October 2002]

105. Persons who have already been issued with an extract of the notarial deed book shall be issued with the second and subsequent extracts only with the consent of all other participants of the transaction or with the permission of the chief judge of the regional court.
[24 October 2002]

106. A sworn notary may issue copies of notarial deeds to the participants of the transaction and the persons who have the right to receive extracts of the notarial deed book.
[24 October 2002]

107. A notarial deed shall bear an indication to whom, when and under what registration number extracts or copies have been issued.

Each extract of the notarial deed book shall specify its sequential number.
[24 October 2002]

III. Certifications
1. General Provisions

108. Sworn notaries shall certify:
1) extracts of the notarial deed book and copies of notarial deeds;
2) [24 October 2002];
3) authenticity of signatures;
4) the fact that a person is alive;
5) copies and translations;
6) appearance or non-appearance of contracting parties to enter into legal transactions or perform other duties;
7) the contents of safes and other depositories;
8) date of document presentation;
9) the payment of State fees;
10) protests;
11) revocation of authorisations;
12) submission of notifications;
13) proceedings of meetings, actions and events;
14) giving of submissions, notifications (declarations) and testimonies; and
15) other facts and documents provided for in law.
[24 October 2002]

108.1 A sworn notary shall make a certification as a notarial deed, except for the cases where the law provides that the certifications must be written on the document itself (certification inscription) or provides for another special procedure of certification.
The deed shall indicate the determinations of the notary.
The sworn notary may issue an extract from the notarial deed book in respect of such deed to the person upon whose invitation the certification was made, or his or her representative, heir, or successor in interest.
[24 October 2002]

109. Certifications shall be recorded in the register (Section 48).

2. Certification of Deeds in Accordance with Presentation Procedures

110. [24 October 2002]
111. [24 October 2002]
112. [24 October 2002]

3. Certification of the Authenticity of Signatures

113. When certifying the authenticity of signatures the sworn notary shall verify the identity of the signer.
114. The signature shall be given or acknowledged as one’s own in the presence of the sworn notary.

115. The certification shall be written on the document itself, indicating that the signature has been given or has been acknowledged as one’s own in the presence of the sworn notary.
If the sworn notary also draws up the document itself, he or she shall have the duties prescribed in Section 87.1 of this Law.

[24 October 2002]

116. Documents on which only the authenticity of signatures has been certified shall be recognised as private documents.

The authenticity of signatures shall not be certified on documents the content of which is in obvious conflict with laws, which protect administrative order, public morals or dignity of persons.

A sworn notary shall become acquainted with the content of the document as far as necessary for determining the circumstances referred to Paragraph two of this Section. The sworn notary shall not be responsible for the content of the document and it shall be so noted in the certification. The certification shall also indicate the conditions referred to in Sections 113 and 116 of this Law.
[24 October 2002]

4. Certifications That a Person is Alive

117. When certifying that a person is alive the sworn notary shall ascertain that the person regarding whom the certification is required is really alive. If the sworn notary does not know this person, the identity of such person shall be verified according to the procedures set out in Section 76.

118. The certification shall include the date (year, day, month, hour and minute) when the sworn notary ascertained that the person was alive.

5. Certification of Copies and Translations

119. When certifying copies and translations the sworn notary shall compare them with the submitted documents. Certifications shall indicate submitters of the documents.

The sworn notary shall not verify the legality of the document issued, but verify only their conformity with the documents presented and indicate such in the certification.
[24 October 2002]

119.1 Sworn notaries are entitled to make copies from the certifications, which are kept in their archive files if it is requested by persons who have signed the relevant documents, their representatives, heirs or successors in interest.
[24 October 2002]

120. The certification shall be written on the copy or translation itself.

The certification of copies and translations shall specify what corrections, crossings out, additions, deletions and other peculiarities were in the document, unless it can be seen in the copy or translation itself.

Copies and translations of documents the content of which is in obvious conflict with laws, which protect administrative order, public morals or dignity of persons shall not be certified.
[24 October 2002]

121. If the translation is not written on the document itself, it shall be appended to the document in accordance with the procedures set out in Section 74.

6. Certifications Regarding Appearance or Non-appearance of Contracting Parties to Enter Into Legal Transactions or Perform Other Duties

122. Certifications regarding appearance or non-appearance of contracting parties to enter into legal transactions or perform other duties shall indicate:

1) the date when such persons appeared or failed to appear at the place of sworn notary's practice;

2) the given name and surname of such persons, but for persons who have appeared – also the place of residence and the date and place of birth; and

3) explanations by the persons who have appeared.

The certifications referred to in this Section (122) and Section 139 may be combined.

123. The sworn notary shall verify the identity of the persons who have appeared.

7. Certifications Regarding the Content of Safes and Other Depositories

124. When certifying the content of safes and other depositories the sworn notary shall draw up a report indicating:

1) the person who has invited the sworn notary to certify the contents of a safe or a depository;

2) the date of the certification;

3) the location of the safe or depository; and

4) the contents of the safe or depository.

The persons specified in Section 125 and the sworn notary shall sign the report.

125. The sworn notary shall ascertain the content of the safe or depository in the presence of the person who invited him or her and a representative of the credit institution if the safe or depository is located in a credit institution.

125.1 The report shall be drawn up as a notarial deed.
[24 October 2002]

126. The person who has invited the sworn notary shall be issued with a copy of the report.

8. Certifications Regarding the Date of Document Presentation

127. The date when a document was presented to a sworn notary shall be certified on the document itself, specifying the bearer thereof.

The date of presentation shall not be certified for documents the content of which is in obvious conflict with laws, which protect administrative order, public morals or dignity of persons.

The certification shall specify what corrections, crossings out, additions, deletions and other peculiarities were present in the presented document.
[24 October 2002]

128. If the bearer wishes, the sworn notary may also record the document in the notarial deed book.
[24 October 2002]

129. The inscription of the sworn notary on the document to be returned shall only certify that this document was recorded in the notarial deed book at a specific date.
[24 October 2002]

9. Certifications Regarding Payment of State Fees

130. When certifying the payment of State fees the notary shall act according to the Law on State fees.

10. Protests

131. A sworn notary shall certify protests in accordance with the procedures set out in the relevant laws.

11. Revocation of Authorisations

132. A sworn notary shall certify a request to revoke an authorisation in accordance with the regulations regarding certification of expressions of intent and announce the revocation of the authorisation in the newspaper Latvijas Vēstnesis.

The sworn notary shall verify the identity, the capacity to act of the submitter or his or her representative and the power of attorney of the representative.
[24 October 2002]

133. In compliance with the provisions of Sections 135-139 the authorised representative shall be notified of the revocation of the authorisation if his or her place of residence is known.

12. Notifications

134. A request to notify shall be expressed in writing. Notifications the content of which is in obvious conflict with the laws protecting administrative order, public morals of dignity of persons shall not be permissible.

The sworn notary shall verify the identity of the submitter.

The certification shall be written on the request itself.
[24 October 2002]

135. A sworn notary shall deliver notifications orally or in writing; and if they are delivered in writing, the addressee shall be issued with a copy of the submitted request for which no State fee shall be paid and which copy upon the instructions of the sworn notary may be delivered by his or her employee.
[24 October 2002]

136. A written notification may be delivered to the addressee in person or sent by post as a registered letter, receiving an acknowledgement by the post office regarding its delivery.
[24 October 2002]

137. If the addressee is not at home, the notification shall be left with the members of his or her household, administrator of the building, concierge or a neighbour who agrees to hand over the notification to the addressee.

138. A notification shall be considered to have been issued to the addressee even if the addressee has refused to receive it.

139. Upon the request of the submitter or the addressee the sworn notary shall issue a certificate regarding the delivery of the notification which shall specify the given name, surname and place of residence of the addressee, the content of the notification, the time when the notification was delivered and the reply of the addressee if such was given.

13. Certifications Regarding Proceedings of Meetings, Activities and Events

139.1 When certifying proceedings of meetings, activities and events, the sworn notary shall write a report.

The report shall be drawn up as a notarial deed.

[24 October 2002]

139.2 The sworn notary shall verify the identity of persons who sign the report. The sworn notary shall not be responsible for the identity of other persons referred to in the report.
[24 October 2002]

139.3 When certifying the proceedings of meetings, the sworn notary shall specify in the report the place, date and course of the meetings, which have taken place in his or her presence, the content of decisions and other events, which may be of legal significance.

The chairperson of the meeting and the sworn notary shall sign the report.
[24 October 2002]

139.4 A sworn notary may certify proceedings of activities and events if they may cause legal consequences and have taken place in the presence of the sworn notary and two invited witnesses.

The report shall specify the place, date and course of the activities and events.

The witnesses and the person who has invited the sworn notary shall sign the report.
[24 October 2002]

14. Certifications Regarding Giving of Submissions, Notifications (Declarations) and Testimony

139.5 A sworn notary shall certify the giving of submissions, notifications (declarations) and testimonies in accordance with the regulations regarding certification of expressions of intent.

The sworn notary shall warn the participants of the notarial deed of the criminal liability in respect of the giving of knowingly false submissions, notifications (declarations) and testimonies to the sworn notary. It shall also be specified in the notarial deed.
[24 October 2002]

139.6 The sworn notary shall certify the giving of submissions, notifications (declarations) if the submission of a notarially certified submission, notification (declaration) to State or local government institutions and officials is provided for by law.
[24 October 2002]

139.7 Certifications regarding giving of testimony may not substitute for testimonies obtained in accordance with the relevant procedures at Latvian court and pre-trial investigation institutions in criminal matters, civil matters and administrative proceedings in a court.
[24 October 2002]

IV. Bailment of Money, Securities and Documents

140. A sworn notary shall verify the identity of the bailor and make an entry in the bailment book for each object received for bailment.

141. If a closed envelope is deposited for bailment, its outer appearance shall be described. The envelope shall be sealed with the seal of the sworn notary and the bailor and the sworn notary shall sign thereon.

142. The sworn notary shall issue the bailor with a receipt for receiving the object for bailment.

In respect of acceptance of a will for safekeeping (Section 439, Paragraph 4 of The Civil Law) a notarial deed shall be made.

143. The sworn notary shall pay the money received for bailment into a State credit institution or another credit institution determined by the Minister for Justice.

144. The State shall not be liable for the activities of a sworn notary related to money and securities entrusted to him or her.

145. A sworn notary shall issue the object for bailment to the bailor or a specified third person in return for a signature in the bailment book or in return for a separate receipt.

Chapter Five
Assistants to Sworn Notaries

146. A sworn notary may have assistants.

Assistants to sworn notaries who have acted in this position for at least two years, after passing the sworn notary examination shall have priority to be approved as sworn notaries.
[24 October 2002]

147. The following persons may be assistants to sworn notaries:

1) persons who are citizens of the Republic of Latvia;

2) persons who have reached the age of twenty-one years,

3) they have acquired higher professional education of the second level in law and lawyer's qualifications on the basis of the acquisition of an accredited study programme at an institution of higher education;

4) persons who are fluent in the official language; and

5) persons who have worked with a sworn notary for at least three years.

[24 October 2002; 28 October 2004]

148. The persons specified in Section 10, Clauses 2-9 of this Law may not be assistants to sworn notaries.
[24 October 2002]

149. On the basis of a proposal by a sworn notary and a positive reference by the Council of Sworn Notaries of Latvia an assistant to a sworn notary shall be confirmed in office by the Minister for Justice.
[24 October 2002]

150. The assistant to a sworn notary shall give an oath to the Minister for Justice to perform his or her duties honestly and conscientiously.

151. An assistant to a sworn notary may substitute for the sworn notary during leave, illness, official travel and other justified absence, as well as in the cases provided for in Sections 37 and 174 of this Law when a notarial activity outside the sworn notary's place of practice must be performed. In respect of substitution for the sworn notary during his or her leave, illness, official travel and other justified absence there shall be an order by the Minister for Justice or by an official specified by him or her.
[24 October 2002]

152. When substituting for a sworn notary the assistant to the sworn notary shall have the same disciplinary, criminal and material liability for his or her official duties as provided for sworn

notaries; the sworn notary shall also be subsidiarily materially liable for the official duties of his or her assistant.

153. The Minister for Justice may deprive the assistant of the right to substitute for the sworn notary for a period up to one year if the assistant in his or her activities is negligent or does not fulfil his or her duties.

154. The Minister for Justice may remove an assistant to a sworn notary from office if he or she subsequent to the invitation specified in Section 11.1 of this Law has repeatedly failed to apply to a vacant position of a sworn notary without justifiable reason.
[28 October 2004]

Chapter Six
Candidates for Sworn Notaries

[28 October 2004]

155. [28 October 2004]

156. [28 October 2004]
[24 October 2002; 28 October 2004]

157. [28 October 2004]

158. [28 October 2004]
[24 October 2002; 28 October 2004]

159. [28 October 2004]
[24 October 2002; 28 October 2004]

160. [28 October 2004]
[24 October 2002; 28 October 2004]

161. [28 October 2004]
[24 October 2002; 28 October 2004]

162. [24 October 2002]

Chapter Seven
Remuneration of Sworn Notaries

163. For each official duty (Sections 65 and 66) performed by sworn notaries they have the right to receive remuneration irrespective of the State fees.

The remuneration for the official duties of a sworn notary shall be determined according to the rate (Section 165). Agreements regarding the amount of office remuneration, which differs from the rate, shall be prohibited.
[24 October 2002; 28 October 2004]

164. Postal, telephone, travel, announcement expenses and other actual expenses shall be compensated to sworn notaries separately – in addition to the remuneration provided for by the rate.

165. The rate of remuneration of sworn notaries shall be determined by the Cabinet.

The rate shall be determined taking into account the value of the deed or certification (amount of transaction) and the liability of the sworn notary associated with the deed or certification, the social balance in society and the time necessary for the drawing up of the deed or certification.
[28 October 2004]

166. The Council of Sworn Notaries of Latvia shall determine which natural persons and legal persons may be exempted from the remuneration provided for in Section 163.

167. A sworn notary shall be prohibited from sharing the remuneration for work in his or her position with third persons.

168. A sworn notary may also request remuneration in advance.

If a sworn notary has money in bailment and if he or she has not received remuneration for safekeeping thereof, he or she may deduct remuneration from the money bailed for the whole previous period.

169. Those who have assigned work to a sworn notary shall be jointly liable for the remuneration irrespective of the terms for division of the remuneration to be paid to the sworn notary provided for in the transaction.

170. If a deed or a certification made by a sworn notary has not become effective for reasons independent of the sworn notary, he or she shall nevertheless have the right to a full remuneration.

171. Upon request of the payers the sworn notary shall return the remuneration received for such deeds and certifications, which due to the fault of the sworn notary have not become effective.

172. All disputes in respect of the remuneration for work in the position of a sworn notary shall be settled by a court.

A dispute shall be settled after receiving an opinion from the Council of Sworn Notaries of Latvia.

Chapter Eight
Leave for Sworn Notaries

173. A sworn notary has the right to four weeks' annual leave.

In case of illness or in other important cases a sworn notary may be granted a longer leave, however, not more than seven months per year, but parental leave – up to 18 months.
[28 October 2004]

174. The Minister for Justice shall grant leave to sworn notaries.

In particularly urgent cases a sworn notary may use exceptional leave, which shall not be longer than three days, without requesting permission from the Minister for Justice in advance, however, in such case the sworn notary shall, as soon as possible, inform why and for how long he or she has not been performing his or her duties. In such cases, an assistant to the sworn notary shall perform the duties of the sworn notary.

175. A leave to a sworn notary may only be granted in the case if the sworn notary has a substitute who shall perform the duties of the sworn notary during his or her leave.

176. If an assistant to a sworn notary due to significant reasons may not substitute for a sworn notary or if a sworn notary does not have an assistant, the Minister for Justice may instruct another sworn notary or an assistant to another sworn notary to substitute for such sworn notary.

If a sworn notary is substituted for by another sworn notary or by an assistant to another sworn notary for more than four months, upon an order by the Minister for Justice or by an official specified by him or her, the files of the substituted notary shall be transferred to the substitute.

If a sworn notary or an assistant to the sworn notary substitute for a practising sworn notary in another place, he or she has a duty to fulfil on the weekdays specified in an order of the Minister for Justice sworn notary duties in the substituted sworn notary place of practise.
[24 October 2002; 28 October 2004]

177. In the submission regarding granting of leave a sworn notary shall indicate the person who shall fulfil his or her duties during leave. If another sworn notary or assistant to another sworn notary assumes these duties, the submission shall be accompanied by his or her signature confirming that he or she agrees to fulfil the duties of the sworn notary who is taking leave.

178. The liability of a sworn notary substitute in respect of fulfilment of the duties of office when substituting for a sworn notary, as well as the liability of the sworn notary for the activity of the substitute shall be determined in accordance with Section 152.

Chapter Nine
Liability of Sworn Notaries

179. Sworn notaries shall have disciplinary, civil and criminal liability in respect of their official duties in accordance with the procedures set out in law.
[24 October 2002]

180. For violation of laws and other regulatory enactments, of the articles of association of the Chamber of Sworn Notaries of Latvia, decisions and instructions regulating the activity of sworn notaries, the provisions regarding remuneration for work and the professional ethics norms of sworn notaries, or if a sworn notary in his or her activity is negligent or fails to fulfil his or her duties, or allows reprehensible conduct which discredits the position and dignity of a sworn notary or which is incompatible with his or her remaining in the office or the former place of practice, irrespective of the fact whether the violation has been committed during performance of the duties of office or is not related to the performance of such duties, the Council of Sworn Notaries of Latvia or the Minister for Justice may initiate a disciplinary matter pursuant to a proposal from a court or prosecutor, or pursuant to complaints from persons or on its own initiative.
[24 October 2002]

181. The disciplinary matters committee for examination of disciplinary matters of sworn notaries and provision of opinions shall be elected for three years by the general meeting of sworn notaries. The number of members of the disciplinary matters committee shall be determined by the general meeting of sworn notaries.

The committee shall elect the chairperson of the committee.

The committee is entitled to take a decision if more than a half of the composition of the committee participate in its meeting.

The committee shall take decisions by a simple majority. If any of the members of the committee has separate thoughts, they shall be attached to the opinion of the committee in writing.

Minutes shall be taken of committee meetings. The chairperson of the committee and the recorder of minutes shall sign the minutes.

The committee shall submit to the Minister for Justice its opinion and the opinion of the Council of Sworn Notaries of Latvia. The opinion shall be signed by all members of the committee who participated in the voting for the decision of the committee.

The opinion shall specify whether the offence is to be recognised as a disciplinary violation.

When determining a disciplinary violation the opinion shall also indicate what sanction shall be applied and whether testing of sworn notary's qualifications shall be determined.

Having become acquainted with the opinion of the committee, the Minister for Justice shall take a decision regarding the imposition of a disciplinary sanction and, if insufficient qualification of the sworn notary has been determined, also regarding the testing of the sworn notary's qualifications or send materials to the Council of Sworn Notaries of Latvia for the performance of the relevant measures, or to terminate the disciplinary matter.
[24 October 2002; 28 October 2004]

182. Upon the initiation of a disciplinary matter the Minister for Justice has the right to suspend the sworn notary from the fulfilment of duties until the adjudication of the matter.
183. The Council of Sworn Notaries of Latvia has the right to explain to sworn notaries the wrongfulness of their action, as well as to impose the following penalties for the violations provided for in Section 180, failure to fulfil the obligations undertaken or duties imposed and conduct which is incompatible with the activity of a sworn notary:

1) issue a reproof; or

2) issue a reprimand.

184. The decisions taken by the Council of Sworn Notaries of Latvia in disciplinary matters shall be sent to the Minister for Justice.
[28 October 2004]

185. A decision of the Council of Sworn Notaries of Latvia in disciplinary matters shall come into force unless the Minister for Justice, within two weeks from the receipt of the decision of the Council, notifies:

1) that the decision in the disciplinary matter initiated against a sworn notary regarding the same offence shall be re-examined; or

2) that the disciplinary matter initiated against the sworn notary has been terminated.
[28 October 2004]

186. Upon the request of the Minister for Justice the Council of Sworn Notaries of Latvia shall send to him or her all the materials of the disciplinary matter.

187. If the Council of Sworn Notaries of Latvia while examining a matter regarding a violation by a sworn notary finds that a more serious penalty than provided for in Section 183 is to be imposed on the sworn notary, it shall send the matter together with its opinion to the Minister for Justice.

188. Court, Office of the Prosecutor and pre-trial investigation institutions shall notify the Council of Sworn Notaries of Latvia and the Minister for Justice of all complaints and claims which have been initiated in relation to sworn notaries, as well as send to the Council of Sworn Notaries of Latvia and the Minister for Justice copies of the final judgments made in matters regarding such complaints and claims.
[28 October 2004]

189. In a disciplinary matter the Minister for Justice has the right to apply the penalties specified in Section 183, as well as the right to punish a sworn notary with the following disciplinary sanctions:

1) to transfer to another place of practice for a period up to one year; or
2) to dismiss from office.

190. The Minister for Justice may forward the disciplinary matter initiated by himself or herself to the Council of Sworn Notaries of Latvia for examination.

191. Prior to deciding the issue regarding the imposition of the sanctions specified in Section 189, Clauses 1 and 2 of this Law, the Minister for Justice shall submit the disciplinary matter to the Council of Sworn Notaries of Latvia for it to provide its opinion.
[24 October 2002]

192. Disciplinary matters shall not be initiated and sworn notaries shall not be disciplinarily punished if a year from the commission of the violation has lapsed.

193. The Council of Sworn Notaries of Latvia and the Minister for Justice may not impose on a sworn notary any of the penalties provided for in Sections 183 and 189 of this Law, as well as may not explain the wrongfulness of his or her conduct if the Council has not requested an explanation from the sworn notary in writing in advance.

194. The Council of Sworn Notaries of Latvia, the disciplinary matters committee and the Minister for Justice may impose on a sworn notary a duty to appear in person in order to give explanations orally. For non-appearance the Council of Sworn Notaries of Latvia and the Minister for Justice may impose on the sworn notary the disciplinary sanctions prescribed in Section 183 of this Law.
[24 October 2002]

195. If a sworn notary fails to provide explanations within the time period specified by the Council of Sworn Notaries of Latvia, the disciplinary matters committee or the Minister for Justice or fails to appear without a justifiable reason, a decision shall be taken on the basis of the circumstances ascertained in the matter and the information available.
[24 October 2002]

196. In examining disciplinary matters the Council of Sworn Notaries of Latvia, the disciplinary matters committee and the Minister for Justice has the right to hear also explanations of other persons, request expert opinions, request information and documents from State and local government institutions, as well as other authorities, organisations and companies (undertakings) and officials thereof.
[24 October 2002]

197. Decisions of the Council of Sworn Notaries of Latvia or the Minister for Justice in disciplinary matters, except for those decisions which explain the wrongfulness of sworn notary's conduct, may be appealed to a court by the person who has been disciplinary punished in accordance with the procedures set out in law.

198. If a sworn notary, while performing the duties of office, by wrong or unlawful action or failure to act has caused losses to somebody, then irrespective of the liability in accordance with disciplinary or criminal procedures the losses shall be covered from the insurance compensation of the sworn notary or, if such is insufficient, from any other property of the sworn notary.

199. Action regarding losses, which have arisen as a result of the performance of official duties by a sworn notary, shall be lodged with the court to the supervision of which the sworn notary is subjected.

Chapter Ten
Supervision of Activities of Sworn Notaries

200. Direct supervision of the activities of sworn notaries shall be assigned to that regional court in the district of which their place of office is located.

201. The activities of sworn notaries, books and files may at any time be examined by a judge sent by the regional court.

202. The chief judge of the regional court shall ensure that the activities, books and files of each sworn notary belonging to the relevant regional court are examined at least once a year.

203. The chief judge of the regional court shall ensure the rectification of faults discovered in the activities of sworn notaries by giving instructions and orders to sworn notaries and, if necessary, by proposing that sworn notaries be held disciplinarily or criminally liable.

204. As soon as it is discovered that a sworn notary has misappropriated property entrusted to him or her in relation to his or her official duties, the value of which property exceeds the insurance compensation, the chief judge of the regional court, in order to ensure recovery of the misappropriated property, shall without delay issue an order to attach the movable property of the sworn notary, as well as make a notation in the Land Register in respect of the immovable property of the sworn notary, indicating the sum up to which the guarantee covers.

Chapter Eleven
Complaints Regarding Activities of Notaries

205. Complaints regarding an incorrect action of a sworn notary while performing his or her duties of office, as well as complaints regarding a refusal to fulfil such duties shall be submitted to the regional court under the supervision of which the activities of the sworn notary are subjected within a period of one month from the day when the sworn notary performed the activity in respect of which a complaint has been submitted or when he or she refused to perform such activity.

206. If the chief judge of the regional court does not consider it possible to rectify the faults in the action of the sworn notary indicated in the complaint by giving him or her instructions in accordance with the supervision procedures, the complaint shall be examined by a court.

If the court finds it necessary it shall notify both the other interested persons and the sworn notary himself or herself of the submission of a complaint, and informing of the day when the complaint shall be examined.

207. [28 October 2004]

208. If the court rejects the complaint regarding the action of a sworn notary, the effect of a deed or certification may be contested only by bringing an action.

Chapter Twelve
Removal, Dismissal, Transfer and Suspension of Sworn Notaries

209. The Minister for Justice shall remove a sworn notary from office upon his or her request or without such request if within the last twelve months the sworn notary has not fulfilled his or her duties of office for more than seven months due to illness (Section 173).

210. A sworn notary may be dismissed from office by an order of the Minister for Justice or a judgment of a court.

211. The Minister for Justice shall dismiss from office a sworn notary:

1) who has not concluded an insurance contract or has not made the regular insurance payment within the time period specified;

2) who subsequent to appointment or transfer has not commenced performing the duties of office within the time period specified (Section 13);

3) who has assumed a position in a State and local government institution or an undertaking or in private service (Section 15) without permission;

4) whom the court has declared to be an insolvent debtor;

5) who has been sentenced for the commission of an intentional criminal offence even if he or she has been released from serving the sentence due to the limitation period, clemency or amnesty or for whom the conviction has been extinguished or set aside;

6) who has committed an intentional criminal offence, but against whom the criminal matter has been terminated due to the limitation period, settlement, clemency or amnesty;

7) for whom a trusteeship has been established; or

8) who has not passed the sworn notary qualifications test.

[24 October 2002; 28 October 2004]

212. The Minister for Justice may dismiss a sworn notary from office or transfer him or her to another place of practice in the cases provided for in Section 189.

The appeal of a decision by the Minister for Justice regarding the transfer or removal of a sworn notary shall not suspend the operation thereof.

[28 October 2004]

213. The Minister for Justice may suspended from office a sworn notary if:

1) a criminal prosecution for an intentional criminal offence has been initiated against him or her;

2) a disciplinary matter has been proposed against him or her; or

3) the operation of an insurance contract has been suspended.

[28 October 2004]

Chapter Thirteen
Corporate Activity of Sworn Notaries

Sub-Chapter 1
Chamber of Sworn Notaries of Latvia

214. The Chamber of Sworn Notaries of Latvia is an independent professional corporation of sworn notaries of Latvia, which unites all sworn notaries practising in Latvia. Only the Chamber of Sworn Notaries of Latvia has the rights and duties set out in this Law.

215. The Chamber of Sworn Notaries of Latvia unites sworn notaries according to the occupational principle in order to maintain the prestige of their profession, promote the professional development of sworn notaries, refinement of creative abilities and the acquisition of experience in order to perform the tasks provided for in this Law and other laws.

216. The Chamber of Sworn Notaries of Latvia shall operate on the basis of articles of association as a self-governing autonomous public law subject.

217. Institutions of the Chamber of Sworn Notaries of Latvia are the general meeting of sworn notaries, the Council of Sworn Notaries of Latvia, disciplinary matters committee, internal control commission and the audit commission.

[28 October 2004]

218. The financial resources of the Chamber of Sworn Notaries of Latvia shall be made up of sums, which are paid from the income for the performance of the duties of office of sworn notaries and the legal assistance provided.

219. In order to provide material support to sworn notaries the Chamber of Sworn Notaries of Latvia may set up special funds from the payments of sworn notaries, as well as donations by natural persons and legal persons.

Sub-Chapter Two
General Meeting of Sworn Notaries

220. The general meeting of sworn notaries shall be convened by the Council of Sworn Notaries of Latvia.

221. Only the general meeting of sworn notaries shall:

1) determine the number of members of the Council of Sworn Notaries of Latvia;

2) elect the chairperson, deputy chairperson of the Council of Sworn Notaries of Latvia, members of the Council and Audit Commission for a period of three years;

3) approve the activity report of the Council of Sworn Notaries of Latvia;

4) approve the budget of the Council of Sworn Notaries of Latvia and the report on the implementation of the budget of the previous year;

5) adopt the articles of association of the Chamber of Sworn Notaries of Latvia, a notaries' code of ethics, methodology for the activities of sworn notaries and other acts related to the internal operation of the notariate;

6) determine procedures and amounts of payments to be made by sworn notaries and assistants to sworn notaries for the maintenance of the Chamber of Sworn Notaries of Latvia from the income for the performance of duties of office of a sworn notary and the legal assistance provided; and

7) discuss issues regarding notariate practice.

222. There shall be annual general meetings and extraordinary general meetings. Extraordinary general meetings shall be convened as appropriate, convening thereof may be requested by at least one tenth of all sworn notaries.

223. The general meeting is not entitled to decide the issues specified in Section 221, Clauses 1, 2, 5 and 6 of this Law if it is attended by less than one third of all sworn notaries.

224. If there is no quorum in the general meeting of sworn notaries and therefore the elections of the Council of Sworn Notaries of Latvia have not taken place, the chairperson of the Council not later than within one month shall convene a new general meeting, but if this general meeting is attended by less than one third of all sworn notaries, a report shall be drawn up regarding this fact, new elections shall not be organised, and the Council shall retain its powers until the next annual general meeting.

225. The general meeting of sworn notaries shall be presided over by persons who shall be elected for such purpose by the assembled sworn notaries from among their number. The sworn notaries appointed by the general meeting shall sign the minutes.

226. Election of the Council of Sworn Notaries of Latvia in the general meeting of sworn notaries shall take place after the general meeting has discussed the activities report of the Council of Sworn Notaries of Latvia and the report on the implementation of the budget of the

previous year and has determined the number of members of the Council of Sworn Notaries of Latvia to be elected.

227. The Council of Sworn Notaries of Latvia, its chairperson, deputy chairperson and Audit Commission shall be elected by secret ballot by a simple majority.

The general meeting shall decide other issues by open vote by a simple majority.

228. The newly elected Council of Sworn Notaries of Latvia shall commence performing its duties two weeks after the day of election.

Sub-Chapter Three
Council of Sworn Notaries and Audit Commission

229. The Council of Sworn Notaries of Latvia is a representational and supervisory institution of sworn notaries, as well as administrative and executive institution of the Chamber of Sworn Notaries of Latvia.

230. The Council of Sworn Notaries of Latvia shall:

1) protect the honour and respect of the position of sworn notaries;

2) oversee the organisational matters of the Chamber of Sworn Notaries of Latvia;

3) represent the Chamber of Sworn Notaries of Latvia and legally express the opinion of sworn notaries in relationships with State and local government institutions, other authorities and officials, as well as in relationships with international organisations;

4) ensure professional development of sworn notaries, request and compile information regarding the practice of sworn notaries, secure co-ordination thereof, submit proposals and give opinions on issues regarding legislation and notarial practice;

5) oversee the training of assistants to sworn notaries;

6) supervise and control the activity of sworn notaries and assistants to sworn notaries, examine complaints and reports submitted in respect of them, as well as impose disciplinary sanctions upon them;

7) upon request by a sworn notary or client determine the amount of remuneration for activities of the sworn notary in cases when no rate is provided for or disputes in respect of this have arisen;

8) establish a permanent internal control commission for the official duties of sworn notaries and determine the agenda thereof;

9) according to the procedures specified by the Minister for Justice once every six months submit to him or her a report regarding the activities performed by sworn notaries; and

10) perform other duties, which are specified in regulatory enactments or which have been assigned by the Chamber of Sworn Notaries of Latvia.

[28 October 2004]

231. The meeting of the Council of Sworn Notaries of Latvia shall have a quorum if at least half of all members of the Council, including the chairperson or his or her deputy are participating.

232. The Council of Sworn Notaries of Latvia shall take decisions by open vote by a simple majority. In the event of a tied vote, the vote of the chairperson shall be decisive.

233. Interested persons may appeal the decisions of the Council of Sworn Notaries of Latvia within a period of one month from the date the decision was taken in the cases provided for in law.

234. The financial operation of the Council of Sworn Notaries of Latvia shall be controlled by the Audit Commission.

235. The authorisation of the members of the Council of Sworn Notaries of Latvia shall expire upon their resigning from the position of a member of the Council, dismissal or resigning from the office of a sworn notary, or the termination or suspension of the activity of a sworn notary due to other reasons.

If one or more members (including chairperson or deputy chairperson) of the Council of Sworn Notaries of Latvia terminate their work in the Council due to the reasons specified in Paragraph one of this Section, the Council shall convene a general meeting of sworn notaries within a period of two months and announce elections for additions of the composition of the Council until the current elections.
[24 October 2002]

236. The Council of Sworn Notaries of Latvia shall have a seal with the State lesser coat of arms and the name of the Council of Sworn Notaries of Latvia. The Council of Sworn Notaries of Latvia shall be located in Rīga.

237. The members of the Council of Sworn Notaries of Latvia shall fulfil their duties as a position of honour, without remuneration. Members of the Council have the right to receive compensation from the budget of the Council for travel and other direct expenses if such have arisen while fulfilling the duties of office of a member of the Council.

Chapter Fourteen
Financial Activity of Sworn Notaries

238. Sworn notaries practice a liberal profession.

239. The professional activity (practice) of sworn notaries is intellectual work and its purpose shall not be for the gaining of profit.

240. The practice of sworn notaries shall be organised exclusively in the manner prescribed by this Law.

241. Sworn notaries shall commence their practice only after their inclusion in the list of sworn notaries. The Minister for Justice shall notify the relevant State Revenue Service territorial office thereof. A sworn notary shall notify the relevant State Revenue Service territorial office of the address of his or her place of practice or the change thereof.
[28 October 2004]

241.1 If it is especially necessary in the fulfilment of the duties of office of sworn notary in the relevant populated area in order to ensure the inhabitants access to notarial assistance, for the maintenance of a sworn notary practice funding may be granted from the State budget according to procedures specified by the Cabinet.
[28 October 2004]

242. If a sworn notary has permitted infringement of a client's rights and the consequence thereof is a loss, the client has the right to request satisfaction from the sworn notary in so far as he or she may be at fault for such infringement.

243. Only sworn notaries of Latvia are entitled to offer notarial assistance and legal assistance in the conduct of matters in Land Registry offices, as well as to advertise such assistance.

Advertising provisions for sworn notaries of Latvia shall be provided for in the articles of association of the Chamber of Sworn Notaries of Latvia.

244. In their professional activity sworn notaries shall be financially independent.

245. Sworn notaries shall practice only individually, but co-operation with other sworn notaries shall be permitted in technical and financial matters.

246. Sworn notaries shall practice directly and in person.

247. On the basis of an employment contract, sworn notaries may hire technical, maintenance or advisory staff for whose activity they shall be liable and who shall be prohibited from engaging into the provision of legal assistance.

248. Sworn notaries shall maintain accounts of their income and expenses. Income from the practice of a sworn notary shall consist of client payments for the performance of notarial activities and the legal assistance provided. Expenses of sworn notaries shall be expenses, which are related to the performance of notarial activities, provision of legal assistance or are set out in this Law.
[24 October 2002]

249. [24 October 2002]

Chapter Fifteen
Conduct of Inheritance Matters
[24 October 2002]
Sub-chapter One
General Provisions

250. A sworn notary shall commence an inheritance matter after an inheritance submission has been received.

251. There are the following inheritance submissions:
1) regarding acceptance of an inheritance;
2) regarding confirmation of the right of inheritance;
3) regarding the coming into legal effect of the last will instruction instrument;
4) regarding renunciation of an inheritance;
5) regarding reading of the last will instruction instrument;
6) regarding refusal of a testamentary inheritance;
7) regarding proclamation;
8) regarding invitation of heirs; and
9) regarding protection of an estate.

252. An inheritance submission shall be submitted to a sworn notary who is practising in the operational territory of the regional court where the last place of residence of the estate-leaver was located, but if it is not known – according to the location of the estate or the principal share of the estate.

253. In the inheritance submission the submitter shall indicate the given name and surname of the estate-leaver, his or her date of death and the last place of residence, but if it is not known – the location of the estate or the principal share of the estate.

254. A sworn notary shall make the inheritance submission, which expresses the intent regarding acceptance or renunciation of an inheritance as a notarial deed. Upon commencement of an inheritance matter according to another inheritance submission, a sworn notary shall certify the authenticity of the submitter's signature in accordance with the procedures set out in this Law.

The sworn notary shall not certify an inheritance submission in an already commenced inheritance matter if it does not express an intent of acceptance or renunciation of an inheritance, but shall ascertain the identity of the submitter.

The submission referred to may also be certified by the institutions or officials referred to in Section 1474 of The Civil Law.

255. If an inheritance submission certified by another sworn notary has been submitted to a sworn notary, the sworn notary shall note the date of receipt thereon.

256. If the submitted inheritance submission has not been certified in conformity with the requirements of this Law, the sworn notary shall without delay notify the submitter of the necessity to submit a new, appropriately certified inheritance submission.

257. Prior to the commencement of an inheritance matter the sworn notary shall verify in the inheritance register whether the inheritance matter has not been initiated by another sworn notary.

258. The given name, surname, personal identity number of the estate-leaver, the given name, surname and the address of the place of practice of the sworn notary who conducts the inheritance matter shall be entered in the inheritance register.

The only owner of the inheritance register shall be the State of Latvia. The holder of the inheritance register shall be the Chamber of Sworn Notaries of Latvia.

Interested persons may examine the inheritance register and receive extracts therefrom.

259. If the inheritance register contains no data on the estate-leaver, the sworn notary shall commence an inheritance matter and notify the Council of Sworn Notaries of Latvia thereof for inclusion in the inheritance register.

Sub-chapter Two
Certification of the Rights of the Surviving Spouse

260. A sworn notary in an inheritance matter, on the basis of a submission of the surviving spouse, shall make a certification regarding the share of the property of the spouse of the estate-leaver in the joint spousal property, that is, in the joint property of the spouses or the aggregate spousal property (a certificate regarding the share of the spouse's property).

261. The sworn notary shall certify the submission of the surviving spouse, which specifies the inventory and order of the estate property and the property relations of the spouses (legal or contractual), in accordance with the procedures specified in Section 139.5 of this Law and shall warn the submitter of the criminal liability.

The submission of the surviving spouse shall be accompanied by documents that certify the facts specified in the submission.

262. A sworn notary shall send a notification to the heirs who have acquired the inheritance in accordance with the procedures prescribed in Section 136 of this Law which notification shall specify a time period not shorter than one month for provision of a response.

The notification shall be accompanied by a copy of the notarial deed referred to in Section 261 of this Law.

263. If the heirs who have accepted the inheritance fail to provide a response within the time period specified in the notification, it shall be presumed that they have agreed to the submission of the surviving spouse.

264. If agreement of the surviving spouse and the heirs who have accepted the inheritance has been reached, the sworn notary shall make a relevant notarial deed.

265. If the heirs who have accepted the inheritance have expressed their objections in writing, the surviving spouse shall be acquainted therewith.

The sworn notary shall perform activities to reconcile the opinions of the parties and reach an agreement.

266. If agreement of the parties is not reached or the heirs have not provided their response (Section 263), the sworn notary, on the basis of the documents in the inheritance matter, shall make a certificate regarding the share of the spouse's property.

267. The certificate regarding the share of the spouse's property shall specify:

1) the given name, surname, personal identity number (if it does not exist – date and place of birth) of the estate-leaver;

2) the date of the opening of succession;

3) the given name, surname, personal identity number (if it does not exist – date and place of birth) of the spouse;

4) the facts determined by the sworn notary;

5) the inventory of the property of the spouses; and

6) the share of the spouse's property in the joint spousal property.

268. The sworn notary shall notify the heirs who have accepted the inheritance of the fact that a certificate regarding the share of the spouse's property has been issued.

The certificate regarding the share of the spouse's property may be contested in a court in accordance with procedures applicable to actions.

Sub-chapter Three
Reading and Coming into Legal Effect of Last Will Instructions

269. If an inheritance matter has been commenced by another sworn notary, the inheritance submission together with its accompanying documents shall be sent without delay to the sworn notary who has commenced the inheritance matter and the submitter shall be notified thereof.

270. As soon as the last will instruction instrument (will, inheritance contract) has been submitted the sworn notary who conducts the inheritance matter shall, without waiting for a request, set a date for the reading of the instrument, notify all known heirs thereof and post an announcement in a publicly visible place on the premises of the place of practice of the sworn notary.

271. A sworn notary who has received a last will instruction instrument for safekeeping, as soon as the death of the testator becomes known to him or her, shall set a date for the reading the instrument, notify all known heirs thereof and post an announcement in a publicly visible place on the premises of the place of practice of the sworn notary.

272. On the day set the sworn notary shall open and read the last will instruction instrument.

If there are more than one last will instruction instruments, all of them shall be opened and read. Last will instruction instruments, which are asserted to be unlawful or fraudulent, shall

also be opened and read. In reading a last will instruction instrument, the provisions of Section 785 of The Civil Law shall be complied with.

If there are several original copies of the last will instruction instrument, all with the same content, only one of them shall be read.

The reading of a copy is not equivalent to reading the original, except where the original is lost or if it cannot soon be submitted; in such case the interested persons shall prove in court that the last will instruction instrument actually exists and, if the copy thereof is not properly certified, shall also prove its contents.

273. A notarial deed in respect of the opening and reading of a last will instruction instrument shall be made (a certificate regarding the reading of the last will instruction instrument) which shall specify the bequests included in the will and information regarding the following:

1) if the instrument had been sealed, whether the seals were intact;

2) whether there were objections as to the authenticity or legal effect of the last will instruction instrument; and

3) whether there were any peculiarities in the last will instruction instrument – corrections, crossings-out, deletions, and additions.

The sworn notary shall not himself or herself raise the issue regarding the non-conformity of the last will instruction instrument with the law.

274. Following the reading of a will containing a bequest for generally benevolent and charitable purposes, the sworn notary shall send to a prosecutor an extract from the will together with information regarding the executor of the will or the given names, surnames and places of residence of the persons who submitted the will for the reading thereof.

275. After reading of the last will instruction instrument the sworn notary who read it shall notify the persons specified in the last will instruction instrument who were not been present at the reading of this instrument of the opening of succession and the time periods for acceptance of the inheritance.

The notification shall be sent in a registered letter together with an extract from the notarial deed book regarding the opening and reading of the last will instruction instrument.

276. If in accordance with the inheritance register data the inheritance matter has been commenced by another sworn notary, the notary who has received a last will instruction instrument for safekeeping shall notify such sworn notary of the date and place of the reading of the last will instruction instrument.

After reading of the last will instruction instrument the sworn notary who had received the last will instruction instrument for safekeeping shall send an extract of the notarial deed book regarding the opening and reading of such instrument together with the last will instructions in a registered letter to the sworn notary who has commenced the inheritance matter.

277. If necessary (Section 293), the sworn notary shall announce the opening of succession in accordance with the procedures set out in this Law.

278. If the will specifies a time period for the acceptance of the inheritance, the sworn notary shall take it into account in setting the time period for submission of the inheritance submission.

279. Within the time period specified in the notification a testamentary heir has the right to submit to the sworn notary an inheritance submission, but a person whose rights are infringed upon by the last will instruction has the right to submit objections and contest the will in a court.

280. The original of the last will instruction instrument shall be kept in the files of the sworn notary who conducts the inheritance matter. Interested persons may become acquainted with the

last will instruction instrument; heirs may be issued with copies thereof at their request with an inscription that the last will instruction instrument has been read.

281. When submitting a submission to the sworn notary regarding the coming into lawful effect of the last will instruction instrument the submission shall be accompanied by:

1) the last will instruction instrument if such instrument is not at the disposal of the sworn notary;

2) the death certificate of the estate-leaver;

3) evidence confirming the estate-leaver's last known place of residence; and

4) an inventory of the estate property with property valuation.

The submission shall specify all heirs known to the submitter.

The documents referred to in Paragraph one of this Section shall not be attached to the submission if they are in the inheritance file.

The sworn notary shall certify the submission referred to in this Section in accordance with the procedures prescribed in Section 139.5 of this Law and shall warn the submitter of the criminal liability.

282. If a sworn notary who is conducting an inheritance matter receives a court notification that an action has been brought regarding the contesting of the last will instruction instrument, he or she shall suspend the proceedings in the inheritance matter until the settling of the dispute in court.

283. If a last will instruction instrument is declared invalid in its entirety by a court judgment, the sworn notary shall invite the heirs by intestacy to express their intent regarding acceptance of the inheritance or its renunciation.

284. Upon recognising the inheritance submission as justified, the sworn notary shall make a notarial deed regarding the coming into legal effect of the last will instruction instrument (inheritance certificate) and specify the following:

1) the given name, surname, personal identity number (if no such exists – the date and place of birth) of the estate-leaver;

2) the date of the opening of a succession;

3) the basis for inheriting;

4) the given name, surname, personal identity number (if no such exists – the date and place of birth) of the heir; and

5) the inventory of the estate property.

The sworn notary shall make a certification inscription on the last will instruction instrument regarding the reading thereof and the coming into legal effect in its entirety or part.

285. The sworn notary shall make the notarial deed regarding the coming into legal effect of the last will instruction instrument when the time period for acceptance of the inheritance specified by the estate-leaver has expired, but if no such time period has been specified – the time period for acceptance of the inheritance specified by the sworn notary himself or herself or the time period prescribed by law.

286. If a court declares the last will instruction instrument invalid in part thereof, the sworn notary shall make a deed regarding the coming into legal effect of the last will instruction instrument of the remaining part.

287. A last will instruction instrument with an inscription by a sworn notary regarding its coming into legal effect shall be appended to the notarial instrument regarding the coming into legal effect of the last will instruction instrument inheritance certificate original, but the heir or the executor of the will shall be issued with extracts of the notarial instrument.

Sub-chapter Four
Protection and Trusteeship of an Estate

288. Protection of the estate property shall be provided for by the sworn notary who is conducting the inheritance matter.

289. Protection of the property of a deceased person may be requested by:

1) an heir;

2) the executor of a will or trustee of an estate;

3) the administration of the place of employment of the deceased person – but only with respect to money, things or documents of the place of employment which have remained as part of the property of the deceased person; or

4) creditors – with respect to such claims as have been adjudged or secured in their favour by a court judgment. In such case only that part of the estate property shall be protected as is sufficient to satisfy the claims referred to.

290. In cases provided for by law (Section 659 of The Civil Law) the sworn notary shall provide for protection of the estate pursuant to notification by any person, if he or she is certain of the death of the estate-leaver.

291. Having determined that there is a basis for protection of the estate, the sworn notary shall invite a sworn bailiff to take all actions necessary for protection of the estate.

292. The means for protection of the estate shall be:

1) the sealing thereof;

2) the taking of inventory and valuation thereof; or

3) the placing for safekeeping thereof.

The sworn notary, on the basis of the inheritance matter, shall specify in the invitation the application or the necessity of the relevant means for protection of the estate.

Sub-chapter Five
Announcement Regarding Opening of Succession

293. The sworn notary shall announce the opening of succession at the request of the interested persons or at his or her own discretion (Sections 659 and 665 of The Civil Law) in cases when:

1) heirs are not known;

2) it is not certain that the applicants to the right of inheritance are the only and the nearest heirs;

3) heirs are known but they do not want or cannot accept the inheritance or they express a wish to accept it on the basis of the right of inventory only; or

4) heirs, executors of the will or the trustee of the estate are ignorant of the debts attaching to the estate property.

294. Announcement of the opening of succession may be requested by an heir, a person who has the right to inherit after the person who is invited to inherit (substitute, secondary heir), the executor of the will, the trustee of the estate and persons who have made claims against the estate as legatees or creditors.

295. The submission for announcement shall be submitted to the sworn notary conducting the inheritance matter, but if the inheritance matter has not been initiated – to the sworn notary referred to in Section 251 of this Law.

296. The submission for announcement shall specify:

1) the facts which are the basis for the request for announcement, and evidence corroborating them; and

2) persons interested in the matter as are known to the applicant, and the place of residence of such persons.

297. In the announcement the sworn notary shall invite to apply all those who have rights to the estate as heirs, creditors or in some other capacity. The time period for the invitation shall be determined at the discretion of the sworn notary, unless the law provides otherwise. It shall not be shorter than three months from the date of publishing of the invitation.

298. If the announcement takes place in connection with the reading of a will, the sworn notary shall, by means of the announcement, invite persons who have objections to the will to make application in regard to their rights, indicating that otherwise the will shall be deemed to have come into legal effect.

299. The announcements referred to in Sections 297 and 298 of this Law may be combined.

300. An announcement regarding the opening of succession shall be published in the newspaper Latvijas Vēstnesis, but if the value of the estate property does not exceed one thousand lati according to the information available to the sworn notary, the announcement shall be posted in a publicly visible place on the premises of the place of practice of the sworn notary.

The sworn notary shall without delay notify all interested persons known to him or her and the Council of Sworn Notaries of Latvia regarding the announcement and the contents of the announcement for inclusion in the inheritance register.

Sub-chapter Six
Accepting an Inheritance

301. If heirs have not expressed their intent to accept the inheritance, the persons who have the right to inherit after the person who is invited to inherit (substitutes, secondary heirs), as well as the creditors and legatees of the estate-leaver, may submit to the sworn notary, in compliance with the provisions of Section 293 of this Law, a submission regarding the invitation of the heirs to express their intent regarding acceptance of the inheritance (Sections 697 and 698 of The Civil Law).

302. The submission regarding the invitation of heirs to express their intent regarding acceptance of the inheritance shall specify:

1) the persons invited to inherit, if such persons are known;

2) the basis for inheriting (inheriting on the basis of law, will or inheritance contract); and

3) the submitter's claim regarding the estate.

303. The sworn notary shall not verify the validity of the submitter's claim.

304. If heirs are known, the sworn notary, without announcing the opening of succession, shall invite the heirs specified in the submission, setting a time period in conformity with Section 297 of this Law, to notify whether they wish to accept the inheritance or to renounce it (Sections 697 and 698 of The Civil Law).

305. If the heirs are unknown to the submitter, the sworn notary shall announce the opening of succession in the newspaper Latvijas Vēstnesis, invite the heirs, setting a time period in

conformity with Section 297 of this Law, and notify the known heirs and the Council of Sworn Notaries of Latvia thereof for inclusion in the inheritance register.

306. If the heirs have not applied within the time period specified in the invitation or if they have renounced the inheritance, the sworn notary shall draw up notarial instrument free of charge from State fees regarding the termination of the inheritance matter. An extract of the notarial instrument shall be sent to the Ministry of Finance.

In the instrument regarding the termination of an inheritance matter shall be indicated:

1) the given name, surname, personal identity number (if there is no such – the time and place of birth) of the estate-leaver;

2) the day of the opening of succession;

3) the interested person who has requested the inviting of heirs;

4) the day of proclamation of the inheritance;

5) the composition of the estate property if such is indicated;

6) the submitted claims of creditors; and

7) a determination that the heirs have not applied within the announced time period, the property has been recognised as property without heirs and in accordance with Section 416 of the Civil Law shall escheat to the State.

The instrument referred to in this Section shall be a basis for the registration of property in the name of the State, as well as the recording in the Land Register of immovable property included in the inheritance.
[28 October 2004]

307. A submission regarding acceptance of an estate on the basis of the right of inventory (Section 709 of The Civil Law) may be submitted within two months from the day when the opening of succession became known to the heirs.

308. After a submission is received the sworn notary shall invite a sworn bailiff, but if the estate is located outside a city – then the relevant parish court to draw up an inventory list.

309. A submission in writing regarding refusal of an inheritance or renunciation of an inheritance (Sections 609, 651, 689 and 775-783 of The Civil Law) may be submitted to the sworn notary who conducts the inheritance matter.

S**ub-chapter Seven**
Confirmation of Rights of Intestate Succession

310. Heirs by intestacy may submit to the sworn notary an inheritance submission regarding confirmation of the right of inheritance.

311. The inheritance submission shall be submitted to the sworn notary who is practising in that operational territory of the regional court where the last place of residence of the estate-leaver was located, but if it is not known – according to the location of the estate property or the principal share thereof.

312. The inheritance submission shall be accompanied by:

1) the death certificate of the estate-leaver;

2) evidence regarding the last place of residence the estate-leaver;

3) a list of the estate property with valuation of the property;

4) evidence confirming the right of the submitter to inherit; and

5) information on all known heirs.

The sworn notary shall certify the submission referred to in this Section in accordance with the procedures provided for in Section 139.5 of this Law and shall warn the submitter of the criminal liability.

313. After receipt of the submission the sworn notary shall announce the opening of succession in the cases provided for by this Law.

314. Confirmation of the rights of inheritance shall take place when the time period for acceptance of the inheritance specified in the announcement or the law has expired.
315. If a dispute regarding the right of inheritance arises, it shall be resolved in a court in accordance with procedures applicable to actions.

316. When the sworn notary finds that the submission is justified, the sworn notary shall make a notarial deed regarding confirmation of the rights of inheritance (inheritance certificate) which shall specify whether the submitter has acquired the whole estate as the sole heir or a specified undivided share thereof as a co-heir.

317. In confirming the rights of inheritance, mutual agreements between heirs that are not in conformity with law shall not be considered.

318. The inheritance certificate shall specify:
1) the given name, surname, personal identity number (if no such exists – the date and place of birth) of the estate-leaver;
2) date of the opening of succession;
3) the basis for inheriting;
4) the given name, surname, personal identity number (if no such exists – the date and place of birth) of the heir;
5) the size of the shares, undivided shares of the estate of the heirs; and
6) the inventory of the estate property.

319. Samples of inheritance certificates shall be approved by the Minister for Justice pursuant to a proposal by the Council of Sworn Notaries of Latvia.

Sub-chapter Eight
Division of the Estate

320. An estate may be divided informally or at a notary, except for the case when there is a dispute among the co-heirs regarding division of the estate.

321. When drawing up a draft division of the estate, the sworn notary shall invite all co-heirs. The sworn notary shall take actions to reconcile the opinions of the parties and reach an agreement.

322. The sworn notary who draws up the draft division of the estate may invite a sworn bailiff to draw up an inventory list of the estate and, if necessary, to invite an expert for the valuation of the estate.

323. In the draft division of the estate the sworn notary shall substantiate the procedures for the division of the estate prescribed therein.

324. If co-heirs agree to the draft division of the estate drawn up by the sworn notary, the sworn notary shall appropriately certify the agreement on the division of the estate.

Transitional Provisions

[24 October 2002]

1. If the sworn notary office remuneration rate provides for differing tariffs for the making of a notarial deed and certification of a deed in accordance with the declaration procedures, the lowest rate shall be applied in both cases.

2. The State fee for the making of a notarial deed and certification of a deed in accordance with the declaration procedures is one lats. In such cases the State fee for registration of title and pledge rights in the Land Register shall be collected before registration of such rights in the Land Register in accordance with the procedures and in the amount prescribed by regulatory enactments.

3. Sub-clause ‘b’ of Section 9, Clause 3 of this Law shall come into force on 1 January 2012 and shall be applicable to persons who are appointed to office after 1 January 2012.

4. [28 October 2004]

5. Section 147, clause 3 of this Law shall be applicable to persons who are appointed to office after 1 January 2003.

6. In cases when the law provides for notarial certification, public certification or certification in accordance with declaration procedures of expressions of intent, the sworn notary shall make a notarial deed (Section 82). In cases where the law provides for notarial certification, public certification or certification in accordance with declaration procedures of signatures the sworn notary shall also certify the capacity to act.

7. Up to the day of the coming into force of Cabinet regulations, but not later than 1 April 2005, the Ministry of Justice recommendations of 17 February 1998, Remuneration Rates for Legal Assistance provided by Sworn Notaries, and the Ministry of Finance regulations of 13 February 1995, Regulations regarding the Civil Liability Insurance of the Professional Work of Sworn Notaries, shall be in effect.
[28 October 2004]

8. The Cabinet shall by 1 April 2005 issue the regulations referred to in Sections 6.1 and 19 of this Law.
[28 October 2004]

Chairperson of the Supreme
Council of the Republic of Latvia A. Gorbunovs

Secretary of the Supreme
Council of the Republic of Latvia I. Daudišs

Rīga, 1 June 1993

ANNEX VII

ANNEX VII - NOTARY REGULATION ON THE REPORTING PROCEDURE OF UNUSUAL AND SUSPICIOUS TRANSACTION

Approved by
The Council of the Sworn Notaries of Latvia
On March 6, 2009
Protocol Nr.3, Clause 2.4.

I Objectives and Tasks

The purpose of this regulation is to ensure identification of unusual or suspicious financial transaction and to determine how the sworn notaries comply with the requirements of Section 30 of the Law "On the Prevention of Money Laundering and Terrorism Financing" (hereinafter – the Law) and the Provision of the Cabinet of Ministers of the Republic of Latvia Nr. 1071 "On the List of Unusual Transactions and the Procedure According to which Reports on Unusual and Suspicious Transactions shall be made" (hereinafter - the Provisions) Section 2, this means to report to the Office of the Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter the Financial Intelligence Unit) regarding each planned, proposed, commenced, deferred, executed or approved transaction the indications of which conforms to at least one of the indicators determined in the Provisions, or report about such suspicious transaction.

II Transactions, Which Have to Be Reported

The following of the transactions, stated in the list of indicators of unusual transactions are probable to be encountered while performing the notarial activity, and their conducting or attempt of conducting shall be reported to the Financial Intelligence Unit:
a transaction, in which a client participates who is suspected of committing a terrorist act or of participation therein and is included on the list of persons regarding which the subjects of the Law and their supervisory and control authorities has informed the Financial Intelligence Unit (Section 8.1. of the Provisions);
customer impounds cash the amount of which is 10 000 and more lats (Section 8.9.1. of the Provisions);
when fulfilling the specified duties of office of the Notariate Law, provided consultation or carried out transaction certification the indications of which comply with at least one indication included in the list of unusual transaction indications and which apply to Section 3, Paragraph 1, Clause 4 of this Law, when sworn notaries acting on behalf of their customers, assist in the planning or execution of transactions, participate or approve a transaction for the benefit of their customers concerning the following:
buying and selling of an immovable property, shares of the commercial company;
managing of customer's money, financial instruments and other funds;
opening or managing of all kinds of accounts in credit institutions or financial institutions;
creation, management or provision of operation of legal arrangements as well as in relation to organization of contributions necessary for the creation, operation or management of a legal arrangement (Clause 8.9.2. of the Provisions);
as well as in the cases if it complies with at least one indication specified in the Provisions (Clause 8 of the Provisions).

III Content of the Report and Reporting Procedure

Sworn notaries shall complete the form specified in the appendix of the Provisions – the Report on Unusual or Suspicious Transaction (view a copy in the appendix of the Provisions). The report to be submitted to the Financial Intelligence Unit shall comprise the following:

customer identification data;
a decision of the planned, proposed, consulted, commenced, deferred, executed or approved transactions, as well as the identification data of the person participating in the transaction and the amount of the transaction, the time and place of the transaction executed and if there are documents attesting to the transaction at the disposal of the subject of the Law, the copies of such documents;
the basis on which the subject of the Law considers the transaction to be suspicious, or the unusual transaction indication to which the relevant transaction conforms.
Reports shall be submitted in a written or electronic form (Section 30, Paragraph 4 of this Law).
Reports to be submitted in a written form together with the cover letter which specifies the documents and electronic storage medium (if such exists) (Clause 4 of the Provisions).
If sworn notary submits the report in a written form, the form specified in the second appendix of the Provisions shall be completed (Clause 5 of the Provisions).
Sworn notary has an obligation to notify the Financial Intelligence Unit regarding each unusual and suspicious transaction without delay.
Sworn notary shall notify to the Financial Intelligence Unit regarding refraining from executing a transaction not later than on the following working day.

IV Duties of the Sworn Notaries

In accordance with the section 245 and 246 of the Notariate Law, sworn notaries practice only individually, directly and in person, therefore a sworn notary has an obligation to prepare and report without delay regarding each consulted, planned, proposed, commenced, deferred, executed or approved unusual transaction, the indications of which comply with at least one indication specified in the Provisions or such suspicious transaction.
All the reports are confidential.

V Closing Provisions

Regulation comes into force upon signature and introduction into the Notariate Internal Information System.
Invalidate Regulation on the Reporting Procedure of the Unusual Transaction approved by the Council of the Sworn Notaries on November 19, 2001, Protocol Nr.24, and amended by the Council of the Sworn Notaries of Latvia on August 27, 2004, Protocol Nr.12.

Council President Ilze Pilsetniece

ANNEX VIII

ANNEX VIII - REGULATION OF THE LOTTERIES AND GAMBLIG SUPERVISORY INSPECTION

REPUBLIC OF LATVIA
CABINET OF MINISTERS
<0}{0>gada<}0{>{0>Noteikumi nr.<}0{>Regulation No. 176<0}
Adopted 25 March 2004
Riga

(prot. Nr.16 5.§)

Adopted pursuant to
Paragraph 1 of Section 16 of the State Administration Structure Law

I. General

1. Lotteries and Gambling Supervision Inspection (hereinafter referred to as the Inspection) is an authority of direct administration under supervision of the Ministry of Finance.

2. Purpose of the Inspection activities shall be implementation of the government functions within supervision of arrangement of draws, gambling and lotteries of goods and services (hereinafter referred to as the games), in order to ensure compliance with and performance of the statutory law requirements governing the said area.

3. Inspection is financed from the state main budget.

II. Functions, tasks and scope of the Inspection

4. Functions of the Inspection:
4.1. to license the arrangement of games;
4.2. to take an account of and supervise automates and equipment of games of chance;
4.3. to monitor and to control the arrangement of games;
4.4. to perform other functions determined by the statutory law governing the supervision of the games of chance.

5. To ensure the performance of functions, the Inspection shall perform tasks assigned by the law "On Gambling and Lotteries" and Law on Lotteries of Goods and Services (Sales promotion), as well as shall:
5.1. evaluate documents and other information submitted for registration of fruits and equipment, to assign identification numbers of gambling automats and equipment and marking notes of each quarter, cancel entries in the registrar concerning assignment of the marking note and records in the register of assignment of marking note and records in the games of chance register and equipment register concerning assignment of the identification number;
5.2. issue reports on account of each slot machine counter for the games of chance, as well as arrange the registrar of reports;
5.3. receive and aggregate information concerning location of slot machines and equipment for the games of chance, form the data base, as well as submit the aggregated information to the State Revenue Service, in order the management of gambling and lottery fees and tax;
5.4. maintains the information system of casino visitors;

5.5. perform accounting and statistic analysis of gambling and lottery market on a systematic basis, as well as summarization of statistic information with regard to lotteries of goods and services;
5.6. develop and submit to the Ministry of Finance proposals concerning activities to be performed in the spheres of activities falling within the scope of inspection, as well as concerning elaboration of draft laws and regulations;
5.7. upon requirement from the Ministry of Finance give opinions regarding draft documents of policy planning and of laws and regulations developed by other agencies falling within issues under the scope of Inspection;
5.8. carry out the transactions of private law on behalf of the state, required to ensure activities of the Inspection;
5.9. exercise cooperation with other government bodies pursuant to procedure provided by the laws and regulations;
5.10. communicates activities of the Inspection to the public;
5.11. perform other tasks specified by the laws and regulations governing the supervision over games of chance.

6. Inspection shall be entitled:
6.1. in cases specified by the statutory laws and regulations to require and to receive free of charge from entities the information and documents needed to perform the tasks of Inspection;
6.2. to carry out cooperation with foreign public government agencies, international and non-governmental bodies, representatives thereof and experts;
6.3. to implement other rights provided by the laws and regulations governing the supervision over games of chance.

III. Structure of Inspection and area of the officials' authority

7. Activities of the Inspection are managed by the Director of Inspection. Director of Inspection is appointed to and dismissed from office by the Minister of Finance after candidacy is approved by the Cabinet of Ministers.

8. Director of Inspection shall perform functions of the head of institution of direct administration provided by the State Administration Structure Law.

9. Director of Inspection may have deputies. Area of authority for deputies of the Director of Inspection, as well as structural units of Inspection directly subordinated to respective deputy Director shall be determined by the Director of Inspection.

10. Departments, units thereof and permanent units are structural units of the Inspection.

11. Functions and objectives of units of the Inspection are provided by rules of the Inspection.

12. Departments and permanent units are subordinated to the Director of Inspection or his deputy subject to the specified distribution of functions.

13. Officers of Inspection while performing their official duties shall have identity cards. Pattern and procedure of production of identity cards is approved by the Director of Inspection.

14. There is a ban for officers and employees of Inspection:
14.1. during performance of office and employment responsibilities as well as after termination of office and employment relations to disclose to third parties (with exception of the law enforcing bodies, having within their area of authority obtaining the relevant information) information become known thereto, while performing the official duties;

14.2. to disclose to third parties (with exception of the law enforcing bodies, having within their area of authority obtaining the relevant information) data of entities having provided to the Inspection an information concerning violations of statutes and other laws and regulations;
14.3. during performance of duties of office and employment, as well as within three years after termination of office and employment relations to participate in person or via third parties in trade activities of the entities arranging lotteries and games of chance.

15. Mandate of control and supervision shall be vested with the following officers of the Inspection: Deputy Directors of Inspection, Heads and Deputy Heads of structural units of the control and supervision, Chief Inspectors, Inspectors, Junior Inspectors, Senior Experts and Experts.

16. Officials stipulated by Clause 15 of the current regulations in accordance with area of authority and the specified mandate, upon performance of state supervision and control, shall be entitled to:
16.1. without prior notice, special permission, fee and other restrictions, on production of identity card, to visit any facility within the territory of Latvia without hindrance irrespective of holding or procedure of visiting thereof, provided that games are organized or planned to be organized, except institutions and territories of specific regime, visits whereto shall be approved by administration of respective institution or administration of the territory;
16.2. to demand that the persons subject to control ensure the required work conditions in the facility for Inspectors;
16.3. to require and to receive free of charge from the game organizers, the administration and control agencies, as well as from municipal institutions the information needed for performance of tasks of the Inspection concerning entities engaged or planning to engage in the arrangement of games;
16.4. on site of organization of the games or in location of the organizer of games to examine bookkeeping documents and other documents related to organization of games of the organizer of games and to obtain the required explanations, certifications, as well as to receive documents or certified copies thereof under procedure provided by the laws and regulations;
16.5. to adopt decisions, to give opinions, to draw statements and protocols, to review materials relating to violations of laws and regulations entailing organization of games, as well as to exercise other activities provided by the laws and regulations.

IV. Mechanism to safeguard legitimacy for the Inspection activities and reports on the Inspection activities

17. Legitimacy of the Inspection activities are safeguarded by the Director of Inspection. Director of Inspection shall bear responsibility for establishment and operations of the system of interior control of the institution and of examination of the management decisions.

18. Director of Inspection shall be entitled to cancel illegitimate decisions of the Inspection officers and interior laws and regulations.

19. Director of Inspection shall make decision concerning administrative act issued by the Inspection officer disputed by a private person or actual action of the Inspection officer and employee, unless otherwise provided by the external laws and regulations.

20. Administrative acts issued and actual action by the Director of Inspection may be disputed by a private person under procedure provided by the Administrative Procedure Law.

21. At least once a year the Inspection shall provide to the Minister of Finance a report concerning compliance with the functions of Inspection and application of budgetary resources.

22. The Minister of Finance shall be entitled at any time to require the report on compliance with the functions of Inspection, as well as on activities of the Inspection.

V. Final point

23. To declare as invalid the Cabinet Regulation No 392 of 2 December 1997 "By-laws of the Lotteries and Gambling Supervisory Inspection of the Ministry of Finance" (Latvijas Vēstnesis, 1997, No 314; 1998, No 109/110; 1999, No 446/451; 2000, No 272/274).

Acting for the Prime Minister –
Minister of Defence A.Slakteris

Minister of Finance O.Spurdziņš

ANNEX IX

ANNEX IX - REGULATION ON UNUSUAL TRANSACTION INDICATOR LIST AND PROCEDURE FOR REPORTING UNUSUAL AND SUSPICIOUS TRANSACTIONS

Unofficial translation

In force from 01.01.2009. Published in:Vēstnesis 201 29.12.2008

Republic of Latvia
Cabinet

22.12.2008 Regulation nr. 1071

Regulation on unusual transaction indicator list and procedure for reporting unusual and suspicious transactions

(prot. No.94 § 32)

Issued pursuant to
part 2 of article 30
of the Law on the Prevention
of Laundering the Proceeds
from Criminal Activity (Money Laundering)
and of Terrorist Financing

1. These Regulations establish unusual transaction indicators and procedure for reporting unusual and suspicious transactions and approve form of the report.

2. The subjects of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing (hereinafter – the Law) in accordance with the Law report without delay to the Office for the Prevention of Laundering the Proceeds from Criminal Activity (hereinafter – Control Office) about each consulted, intended (planned), notified, initiated, delayed, executed or confirmed unusual transaction, which meets at least one of the indicators of an unusual transaction set out in these regulations or about such suspicious transaction.

3. The subjects of the Law shall report each transaction in the amount established by these regulations in Lats or the equivalent amount in any other currency at the exchange rate set by the Bank of Latvia on the date of transaction. If a currency involved in a transaction has no official exchange rate by the Bank of Latvia, calculations shall be based on the exchange rate published weekly on the first working day in the source of information specified by the Bank of Latvia.

4. Reports on the transactions mentioned in point 2 of these Regulations shall be submitted in writing together with the covering letter disclosing documents and electronic carriers (if there are such) added.

5. When the subject of the Law submits the report on paper, the form in Annex 1 to the Regulations shall be filled in, but when the subject of the Law submits the report electronically, the form in Annex 2 to the Regulations shall be filled in. The form in Annex 2 to the Regulations shall be filled in by Excel program.

6. When filling in the form of the report in Annex 1, there is no information for any of the field groups, it shall be marked by "Z". When filling in the form of the report in Annex 2, there is no information for any of the field groups, it shall remain blank.

7. When sending the report and the required additional information to the Control Office the subjects of the Law shall ensure submitting it personally or by authorized person in such a manner that content of the report and required additional information do not become known to other persons.

8. Transaction shall be considered unusual when it meets at least one of the following indicators:
8.1. regarding all the subjects of the Law – transaction where one of the parties is a person suspected of committing a terrorist act or of participation therein and is included on the list of persons regarding which the Control Office has informed the subjects of the Law and their supervisory and control authorities;
8.2. regarding credit institutions:
8.2.1. cash transaction in the amount of 40 000 lats and more (except disbursement of salaries, pensions and social benefits, credits and interbank transactions);
8.2.2. a transaction in the amount of 1000 lats and more, where coins or banknotes of a low par value are exchanged for banknotes of a higher denomination (or vice versa) or for other banknotes of the same denomination;
8.2.3. a client withdraws 40 000 lats and more in cash using credit cards or other payment cards within a period of a month;
8.2.4. a client sells or purchases foreign currency in cash without opening an account in the amount the equivalent of which is 5000 lats and more;
8.3. regarding insurance merchants, private pension funds and insurance intermediaries – insurance premium installments or investments in a pension plan by a legal person, association or other unity (for example, foundations, investment funds, trusts, natural or legal person groups or their representatives formed on the basis of a contract or verbal agreement) being located, formed or founded in a tax free or low tax country or territory named by the Cabinet of Ministers, and the amount of the premium is 25 000 lats and more;
8.4. regarding investment broker companies and credit institutions – for services received and in transactions in transferable securities, a client of a credit institution or brokerage company pays by making a single payment in cash the amount of which is 10 000 lats and more;
8.5. regarding organizers of lottery and gambling:
8.5.1. a client wins 5000 lats and more;
8.5.2. a client obtains the means for participation in a game in the amount of 5000 lats and more;
8.5.3. in order to obtain the means for participation in a game a client exchanges currency equivalent to the amount of 5000 lats and more;
8.6. regarding capital companies that buy and sell foreign currency in cash – a client buys or sells foreign currency equivalent to the amount of 5000 lats and more;
8.7. regarding money remittance and transfer services providers entitled to provide such services (excluding credit institutions) – transaction in the amount of 25 000 lats and more when providing transferring or remitting services;
8.8. regarding sworn auditors, sworn auditor companies (within the framework of audit volume and sampling) tax advisors, external accountants – when in the accountable period client has received a loan from natural persons (including capital company owner) 40000 lats or more in cash (for owner of the capital company – when loans to the capital company in cash exceeds the amount of dividends received for 40000 lats or more);
8.9. regarding sworn notaries:
8.9.1. client deposits cash in the amount of 10000 lats and more;
8.9.2. when officiating in accordance with the Notariate Law a consultation is given or a verification of a transaction complying with at least one indicator of the unusual transactions

named in these regulations is made, and it refers to the actions named in the point 4 of the first part of Article 3 of the Law;
8.10. regarding sworn advocates and other independent legal services providers:
8.10.1. a client deposits or receives cash in the amount of 10000 lats and more, authorizing to perform financial intermediation;
8.10.2. a consultation is given in regard to the transaction complying with at least one indicator of the unusual transactions named in these regulations and referring to the actions named in the point 4 of the first part of Article 3 of the Law;
8.11. regarding merchants dealing with real estate trading or intermediation in such trading:
8.11.1. a client purchasing real estate concludes an agreement that foresees payment in one or several installments in cash in the amount of 15000 lats and more;
8.11.2. a client concluding agreement on cooperation for real estate purchase pays to the merchants cashier cash in the amount of 20000 lats and more;
8.12. regarding merchants dealing with car trading or intermediation in such trading – client purchasing a car pays cash in one or several installments in the amount of 20000 lats and more;
8.13. regarding merchants dealing with precious metals, precious stones and articles thereof:
8.13.1. a client purchasing precious metals, precious stones and articles thereof pays cash in the amount of 10000 lats and more;
8.13.2. a client sells or offers for sale precious metals, precious stones and articles thereof for the price not exceeding 50% of the market value determined according to the rate named by the Bank of Latvia.

9. Cabinet Regulation No. 127 of 20 March 2001, Regulations on List of Elements of Unusual Transactions and Procedure for Reporting (Latvijas Vēstnesis, 2001, No. 48) is considered ineffective.
10. Regulations become effective on 1 January 2009.

Prime Minister I. Godmanis

ANNEX X

ANNEX X - CREDIT INSTITUTION LAW

Text consolidated with amending laws of:
7 March 1996;
30 May 1996;
17 October 1996;
30 October 1997;
21 May 1998;
1 June 2000;
11 April 2002;
24 October 2002;
8 May 2003;
20 November 2003;
20 November 2003-2;
11 December 2003;
27 May 2004;
28 October 2004;
26 May 2005;
9 June 2005;
22 June 2006;
22 February 2007;
12 February 2009;
26 February 2009;
16 July 2009;
22 October 2009;
28 January 2010;
11 March 2010;
23 September 2010;
23 December 2010

The Saeima1 has adopted and
the President has proclaimed the following law:

Chapter I
General Provisions

Section 1.

The following terms are used in this Law:
1) credit institution - a capital company, which accepts deposits and other repayable funds from an unlimited circle of clients, grants credits for its own account and provides other financial services:
2) branch of a credit institution – a territorially or otherwise separated structural unit of a credit institution which does not have the status of a legal person and which acts in the name of the credit institution;
3) representative office – a structural unit of a credit institution which is located in another state and represents the interests of the credit institution, but does not engage in commercial activities;
4) financial services:
a) attraction of deposits and other repayable funds;

b) crediting;
b1) financial leasing;
c) payment services;
d) issuance and servicing of clearing payment instrument not related to payment service provision;
e) trading for own accounts or for accounts of customer with currency or financial instruments;
f) fiduciary operations (trust);
g) provision of investment services and non-core investment services;
h) issuance of guarantees and other binding obligations, which create an obligation to be liable to the creditor for the debt of a third person;
i) safekeeping of valuables;
j) [20 November 2003]
k) consultations with clients regarding issues of a financial nature;
l) [20 November 2003]
m) provision of such information as is related to the settlement of the debt obligations of a client; and
n) other transactions, which are similar in nature to the above-mentioned financial services;
o) electronic money issue;
5) credit – reimbursement transaction where a credit institution grants, on the basis of a written contract, money or other goods to the possession of a client and which obliges a client to return the money or other goods to a credit institution within a specified time;
6) deposit – keeping of monetary funds in an account of a bank for a specific or an unlimited period, with or without interest;
7) own funds – capital, reserves and obligations elements reflected in the audited financial statement of a credit institution, which are freely accessible to the credit institution with the usual operational risks associated, but not yet identified possible covering of losses;
8) [22 February 2007]
9) client – a person to whom a credit institution provides financial services;
10) parent company – a commercial company that controls other commercial companies;
11) subsidiary company – a commercial company that is controlled by another commercial company. Any subsidiary company of a subsidiary company shall also be considered a subsidiary company of the original parent company;
111) parent credit institution of a Member State – a credit institution, which is registered in a Member State, which has a subsidiary company – credit institution or financial institution – or which is a participant in a credit institution or financial institution, but which itself is not a subsidiary company of a credit institution licensed in such Member State or a subsidiary company of a financial holding company registered in such Member State;
112) parent financial holding company of a Member State – a financial holding company, which is registered in a Member State, but which itself is not a subsidiary company of a credit institution licensed in such Member State or a subsidiary company of a financial holding company registered in such Member State;
113) European Union parent credit institution – a parent credit institution of a Member State, which is not a subsidiary company of a credit institution licensed in any Member State or a subsidiary company of a financial holding company registered in any Member State;
114) European Union parent financial holding company – a financial holding company of a Member State, which is not a subsidiary company of a credit institution licensed in any Member State or a subsidiary company of a financial holding company registered in any Member State;
115) parent credit institution of the Republic of Latvia – a credit institution registered in the Republic of Latvia which has a subsidiary company – credit institution or financial institution – or which is a participant in a credit institution or financial institution, but which itself is not a subsidiary company of a credit institution registered in the Republic of Latvia or a subsidiary company of a financial holding company registered in the Republic of Latvia;

116) parent financial holding company of the Republic of Latvia – a financial holding company, which is registered in the republic of Latvia, but which itself is not a subsidiary company of a credit institution registered in the Republic of Latvia or a subsidiary company of a financial holding company registered in the Republic of Latvia;
12) control – a condition where a person has control over a commercial company if:
a) such person has a deciding influence in the commercial company on the basis of holdings;
b) such person has a deciding influence in the commercial company on the basis of a group of companies agreement; or
c) between such person and the commercial company there exist any other analogous relations to the relations referred to in Clauses "a" or "b" of this Sub-paragraph;
13) [22 February 2007]
14) fiduciary operations (trusts) – transactions in which the relationship between a credit institution and a client is based on mutual trust and in accordance with the regulations of which the credit institution undertakes the responsibility for the management of property owned by the client for the benefit of the client, managing such property separately from its own property;
15) a qualifying holding – a participating interest acquired, directly or indirectly, by a person or several persons acting in concert under their agreement that covers 10 and more per cent of the share capital, or the number of voting shares, of a commercial company or which renders it possible to substantially influence the financial and operational policy of the commercial company;
151) participation – rights to the capital shares of a commercial company (irrespective of whether such rights are documented or not), which in establishing a long-term link with such commercial company, are utilised to participate in the management thereof, or holdings acquired by direct or indirect means, which encompasses 20 or more per cent of the equity capital or number of voting stock (shares) of the commercial company;
16) exposures – operations shown in the asset items and in off-balance-sheet items of a credit institution, from which the credit institution may suffer losses;
17) [11 April 2002]
18) a group of connected clients – two or more persons:
a) who constitute a single joint risk for a credit institution because one of such persons controls another person or other persons directly or indirectly, except for cases where a credit institution proves that the persons in relationship of control do not constitute a single joint risk for a credit institution,
b) between whom there are no relationship of control, but who constitute a single joint risk for a credit institution because they are associated in such manner that the financial problems of one person, in particular funding or repayment difficulties, may cause difficulties for another person or other persons regarding funding or repayment of debts;
19) persons associated with a credit institution – persons that are:
a) stockholders (shareholders) of a credit institution who have qualifying holdings in the credit institution, and the spouses, parents and children of such stockholders (shareholders) who are natural persons;
b) subsidiary companies of a credit institution, and commercial companies in which the credit institution has a participation;
c) the chairperson and members of the council, board of directors, the head and members of the internal audit service, the company controller and other employees of a credit institution who are authorised to conduct the planning, management and control of the operations of the credit institution and who are liable for it, as well as the spouses, parents and children of such persons;
d) commercial companies in which the persons referred to in Clauses a) and c) of the explanation of this term have qualifying holdings;
20) financial institution – a commercial company which has been founded in order to provide one or more financial services (except the attraction of deposits and other repayable funds), or in order to acquire holdings in the equity capital of other commercial companies;

21) financial holding company – a financial institution, which is not a mixed-activity financial holding company and the subsidiary companies of which are either exclusively or primarily credit institutions or financial institutions, one at least of which is a bank;
22) transit credit – a Government credit which is granted through credit institutions to entrepreneurs for the implementation of particular goals and which is not included in such assets of the credit institution as may be subject to the claims of creditors in case of liquidation or bankruptcy of a credit institution;
23) tax administration – authorities specified in the Law On Taxes and Fees;
24) voluntary liquidation – termination of the operations of a credit institution in accordance with a decision of a meeting of the stockholders (shareholders) of the credit institution;
25) liquidation – termination of the operations of a credit institution in the case of voluntary liquidation, pursuant to a court adjudication, or in case of bankruptcy;
26) insolvency – the state of a credit institution established by a court judgment, when it is unable to fulfil its debt obligations;
27) actual insolvency – a state of a credit institution when it is unable to fulfil its debt obligation until the initiation of an insolvency matter;
28) insolvency proceedings – proceedings which are carried on at a credit institution from the day when an insolvency petition is submitted to a court, until the day when the court takes a decision to reject the insolvency petition or to terminate the insolvency proceedings;
29) restoration – a solution to the state of insolvency, which manifests itself as a set of planned legal measures with the purpose of preventing a possible bankruptcy of an institution, to restore its solvency and to satisfy the legal claims of the creditors;
30) bankruptcy – a resolution of the state of insolvency, when the credit institution is liquidated and the funds which are obtained through insolvency proceedings, by alienating the property of the credit institution in accordance with the procedures specified by this Law, are used in order to satisfy the legal claims of the creditors;
31) criminal bankruptcy – the bringing of a credit institution into insolvency or bankruptcy, if such was caused by intentional action or neglect, and if such has caused substantial harm to the State, to a local government, or to the rights and interests of another natural or legal person, which are protected by law, and if such has been established by a judgment of a court;
32) creditor – the State, a local government, a natural or a legal person, or a group of natural or legal persons, associated pursuant to a contract, and which has the right of claim against a credit institution;
33) secured creditor – a creditor whose claim rights (claim) against a credit institution is secured by a pawn-pledge, a commercial pledge or a mortgage recorded in the Land Register or the Ship Register;
34) liquidator – a person elected by a meeting of the stockholders (shareholders) of a credit institution (in case of voluntary liquidation), or a person appointed by a court pursuant to a recommendation from the Financial and Capital Market Commission, who exercises the authorisation specified by this Law and is liable in accordance with the procedures specified by this Law;
35) administrator – a person appointed by a court, who exercises the authorisation specified by this Law and is liable in accordance with the procedures specified by this Law;
36) interested persons with respect to a credit institution are:
a) the stockholders (shareholders) of a credit institution, the chairperson and members of the council, board of directors and administrative institutions which are equivalent to these, or the head and members of the internal audit service or the company controller, as well as the spouses, parents and children of such persons;
b) persons who are in a lawful employment relationship with the credit institution; and
c) persons who have been interested persons in accordance with the provisions of Clauses a) and b) of this Sub-paragraph during the previous six months up to the initiation of an insolvency case;

37) financial leasing – crediting which is performed in accordance with the basic principles specified by the UNIDROIT Convention on International Financial Leasing;
38) payment instrument – a means of payment (separately or together with other payment means) or payment instrument, which allows its user to receive cash or other things, receive or conduct payments, give orders for the transfer of monetary funds or approve the transfer of monetary funds and as a payment instrument is accepted also by those persons who have not placed in circulation this payment instrument. As payment instruments shall be considered cash, cheques, payment cards (credit cards, debit cards and other similar cards), automatic teller machine cards, payment documents, electronic money, remote electronic credit institution operations (in the World Wide Web or utilising a computer or telephone) software and other similar means;
39) [23 December 2010]
40) close links – the mutual obligations between two or more persons as:
a) type of participation,
b) control, and
c) where they are linked with one and the same person by control;
41) meeting of creditors – an organised form of joint activity by creditors in the restoration process of a credit institution;
42) committee of creditors – a body elected by the meeting of creditors, which in the case of the restoration of a credit institution represents the meeting of creditors in conformity with the specified amount of authorisation
43) mixed-activity holding company – a parent company, which is not a credit institution, financial holding company or a mixed-activity financial holding company, but from the subsidiaries of which is at least one is a bank;
44) Member State – a European Union or European Economic Area state;
45) foreign state – a state, which is not a Member State;
46) state of domicile – a Member State in which the credit institution is registered and to which a license for credit institution operations has been issued or in another way has been given permission for credit institution operations;
47) participating state – a Member State, which is not the state of domicile and in which a branch of the credit institution registered in the state of domicile has been established or in which the credit institution of the state of domicile provides financial services without opening a branch;
48) outsourced service provider – a person who on the basis of a written contract with a credit institution undertakes to provide or provides outsourced services to the credit institution;
49) initial capital – capital which is made up of:
a) paid up stock or share capital (equity capital), which is reduced by the value of cumulative preferential stocks (shares) with a dividend saving value,
b) stock (share) premium,
c) reserves (except for revaluation reserves),
d) retained profits or losses from the previous year, and
e) profits of the current operational year if there is a report by a sworn auditor or a sworn auditor commercial company regarding the existence of a profit and if it is calculated taking into account all the necessary provisions for the reduction of the value of assets, expected tax payments and dividends, and if the Financial and Capital Markets Commission has consented to the inclusion of the profits of the current operational year in initial capital;
50) competent authorities – state administrative institutions, courts, liquidators, administrators and other institutions or persons who in conformity with the authorisations specified by the appropriate laws decide regarding reorganisation measures or liquidation, perform reorganisation measures or liquidations or supervise the course of reorganisation measures or liquidations;
51) reorganisation measures – insolvency proceedings, including restoration, as well as other activities of a legal nature, which may influence the rights of third persons and which are performed in order to preserve or restore the solvency of credit institutions, including the branches thereof;

52) free capital – the value of assets personally owned by a person, which are reduced by the obligations value of such person and the value of such assets as are considered to be long-term investments;
53) netting of claims and obligations – prior to the commencement of the liquidation of a debtor or the coming into effect of insolvency recognised by the procedures specified by law, the expression of the legal relations between a debtor and creditor established on the basis of a written contract of claims and obligations arising from mutual contracts in one claim or obligation such that only one claim is brought and only one obligation needs to fulfilled;
54) set-off of claims and obligations – mutual conversion of claims and obligations into one claim or one obligation to the effect that only one claim may be demanded and one obligation is owed;
55) mixed-activity financial holding company – a parent company, which is not a credit institution, insurance company or investment broker company and which together with its subsidiary companies, of which at least one is credit institution, insurance company or investment broker company registered in a Member State, and other companies form a financial conglomerate;
56) foreign currency – the currency of any state, except the Republic of Latvia;
57) dilution risk – a risk that the purchased debtor debt may be reduced by cash or credit granted to the debtor by another means;
58) certificate – a document issued in accordance with regulatory enactments, which certifies the professional competence of an administrator and entitles him/her to perform the duties of an administrator in the process of legal protection and insolvency proceedings;
59) subordinated liabilities – liabilities arising to a credit institution from loans (irrespective of the type of transaction) that under the contract entered into enable a creditor to make a claim for repayment of loans before the maturity only in case of insolvency or winding up of a credit institution and after claims of all the other creditors are met, but before shareholders' claims are met;
60) consolidating supervisor – a Member State authority responsible for exercise supervision on a consolidated group basis of the EU parent credit institution and a credit institution controlled by the EU parent financial holding company;
61) college of supervisors – a consultative unit set up by supervisory authorities operating on the basis of cooperation agreements between relevant supervisory authorities.
[30 May 1996; 30 October 1997; 21 May 1998; 1 June 2000; 11 April 2002; 24 October 2002; 20 November 2003; 28 October 2004; 9 June 2005; 22 February 2007; 26 February 2009; 22 October 2009; 11 March 2010; 23 December 2010]

Section 2.

(1) This Law determines the legal status of credit institutions, regulates their operations, liability and supervision, as well as determining the rights, duties and liability of those persons to whom the requirements of this Law are related.
(2) The rights and obligations of credit institutions regarding prevention of the laundering of proceeds from crime are determined by the Law On the Prevention of the Laundering of the Proceeds from Crime.
(3) If a credit institution in accordance with the Law On Final Accounting Payments and Financial Instrument Accounting System is a participant in the system, during the insolvency proceedings of the credit institution, as well as when if the Financial and Capital Markets Commission has partly or fully suspended the provision of financial services, in relation to final accounting security payments and the financial instrument accounting system, the Law On Settlement Finality in Payment and Security Settlement Systems shall be applied.
[21 May 1998; 11 April 2002; 11 December 2003]

Section 3.

(1) In the Republic of Latvia, credit institutions registered in a Member State, the branches thereof or branches of foreign credit institutions.
(2) In the Republic of Latvia, a credit institution may be founded only as a stock company.
(3) [23 December 2010]
(4) [23 December 2010]
[11 April 2002; 28 October 2004; 22 February 2007; 23 December 2010]

Section 4.

(1) The founding, operation, reorganisation and liquidation of a credit institution shall be regulated by this Law, the Commercial Law, the Financial Instrument Market Law and other laws, observing the provisions included in this Law.
(2) Unless otherwise provided for under the Law on Bank Takeover, provisions of this Law shall be applicable to a takeover of a credit institution.
[21 May 1998; 11 April 2002; 20 November 2003; 28 October 2004; 12 February 2009]

Section 5.
[21 May 1998; 11 April 2002]

Section 6.

(1) The founding, operation, reorganisation and liquidation of a branch of a foreign credit institution shall be regulated by this Law, except for Section 27, Sub-paragraph 5; Sections 35, 39, 42, 43, 49 and 51; Section 57, Sub-paragraph 1; Sections 58, 59, 77, 78, 79, 80, 83, 84, 85, 86, 87, 90, 109 and 125; Sub-paragraphs 1, 2 and 4 of Section 102; Sections 109, 113-118, 121, and 125; Section 126, Paragraph one, Sub-paragraphs 1 and 3; Sections 127 and 128; Section 129, Paragraph two; Sections 137, 138, 140, 141, 142, 143, 144, 145, 149, 152, 170, 172, 173, 174, 175, 176, 177, 184, 185, 188, 189 and 190, as well as by other laws.
(2) [23 December 2010].
(3) For a credit institution registered in another Member State, which is entitled to provide financial services in the Republic of Latvia, the Republic of Latvia regulatory enactments regarding the provision of statistical information and the protection of the public interest shall be binding, as well as the requirements of Sections 12.1, 37, 95, 96 and 97; Chapter V, Section 108.1 and Chapter XVI of this Law.
[21 May 1998; 11 April 2002; 28 October 2004; 9 June 2005; 22 February 2007; 29 May 2008; 12 February 2009; 16 July 2009; 23 December 2010]

Section 7.

(1) Credit institutions shall be bound by the regulatory regulations and orders issued by the Financial and Capital Market Commission pursuant to this Law and other laws, regarding disclosure of information, regulatory requirements for the operation of credit institutions and the procedures for the calculation of indicators characterising the operation of credit institutions, and for the submission of reports.
(2) Credit institutions shall be bound by the regulatory directives and regulations approved by the Bank of Latvia pursuant to this Law and the Law On the Bank of Latvia, which are issued in order to ensure the fulfilment of the functions and tasks of the Bank of Latvia specified in this Law and the Law On the Bank of Latvia.
[1 June 2000; 22 February 2007]

Section 8.

(1) Credit institutions and persons to whom the requirements of this Law apply have a duty to submit to the Financial and Capital Market Commission and the Bank of Latvia, within the time periods specified by them, all of information requested by them, which is necessary for the Financial and Capital Market Commission and the Bank of Latvia to perform their functions as specified by law.
(2) Credit institutions have a duty to prepare public reports in order to inform the public regarding the activities and financial indicators of the credit institution. The public reports shall include a minimal amount of information and the Financial and Capital Market Commission shall determine the procedures for publication.
(3) The credit institution's supervisory board and executive board have a duty to notify the Financial and Capital Market Commission in writing of all circumstances, including suspicious and fraudulent transactions that may essentially affect stable further management and activities of the credit institution in accordance with regulatory enactments or that may essentially threaten reputation of the credit institution. The credit institution shall inform the Financial and Capital Market Commission also about the shareholders that have a qualifying holding in a credit institution, current and potential financial difficulties or the impact of such persons on the activities of credit institution.
[30 May 1996; 1 June 2000; 11 April 2002; 28 October 2004; 11 March 2010]

Section 9.

(1) A persona that provides financial services in the Republic of Latvia shall be forbidden from usingin its name (a company) or for the purposes of self-advertising the words “kredītiestāde” [credit institution], “banka” [bank] in any grammar case and combinations thereof, that may result in misleading idea of its operations under this Law .
(2) [23 December 2010];
(21) The Financial and Capital Market Commission in order to ensure the unmistakeable use of firm names of credit institutions registered in another Member State may request that the firm name of the branch of such credit institution in the Republic of Latvia is added to with explanatory information.
(3) Only credit institutions registered in the Republic of Latvia and foreign credit institution branches, as well as other Member State credit institutions and the branches thereof, which according to the procedures specified in this Law have commenced the provision of financial services in the territory of the Republic of Latvia, are permitted to solicit the receipt of deposits and other repayable funds, and to receive them.
(4) [23 December 2010];
(5) [11 March 2010]
(6) [23 December 2010]
(7) [23 December 2010].
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004; 22 February 2007; 11 March 2010; 23 December 2010]

Section 10.

A credit institution is prohibited from distributing advertising that provides false information regarding its operations.

Section 10.1

(1) Outsourced services are entitled to be provided by only such outsourced services provider as has the necessary qualification and experience to fulfil the duties delegated to him or her.
(2) Outsourced services within the meaning of this Law is a service, which conforms to the following characteristics:

1) such service is provided to a credit institution by an outsourced services provider who has not obtained a licence (permit) of a Member State relevant supervisory institution for the provision of the specific service; and

2) it is one of the following services:

a) organising of the accounting of a credit institution, administration or development of information technologies or systems, organisation of internal control systems, the performance of the duties of an internal audit service, or

b) the provision of the financial services of a credit institution or one of the essential elements thereof.

(3) A credit institution may delegate the duties of an internal audit service only to a sworn auditor, a sworn auditor commercial company or a credit institution parent company – a credit institution registered in a Member State.

(31) If a credit institution delegates provision of investment services, non-core investment services or provision of any significant element of such service to the provider of outsourced services, in addition to requirements of this Law it shall comply also with requirements for investment firms prescribed in the Law on the Financial Instruments Market regarding delegating outsourced services.

(4) A credit institution may not delegate the credit institution administrative institution duties, which are specified in accordance with regulatory enactments or the articles or association of the credit institution, as well as:

1) the attraction of deposits and other repayable funds;

2) the issuance of guarantees and other binding obligations with which it has undertaken a duty to be liable to the creditor for the debt of a third person; and

3) [29 May 2008]

(5) Prior to the receipt of outsourced services, the credit institution shall submit to the Financial and Capital Market Commission a motivated written submission regarding receipt of the planned outsourced services. The submission shall have appended the outsourced service policy, a written description of procedures and the original of the outsourced service contract or a certified copy thereof.

(6) In the outsourced services contact shall be determined:

1) a description of the outsourced services to be received;

2) precise requirements in relation to the amount and quality of the outsourced services;

3) the rights and duties of the credit institution and the outsourced service provider, including:

a) the right of the credit institution to continually supervise the quality of the provision of the outsourced service,

b) the right of the credit institution to give to the outsourced service provider mandatory instructions to be implemented in respect of issues, which are associated the fair, qualitative, timely and in conformity with regulatory enactments fulfilment of outsourced services,

c) the right of credit institutions to submit to the outsourced service provider a motivated written request to terminate without delay the outsourced service contract if the credit institution has determined that the outsourced service provider does not fulfil the requirements specified in the outsourced service contract in relation to the amount or quality of the outsourced service,

d) the duty of the outsourced service provider to ensure for the credit institution the possibility to continually supervise the quality of the provision of the outsourced service, and

e) the duty of the outsourced service provider to terminate without delay the outsourced service contract after receipt of a motivated written request from the credit institution;

4) the right of the Financial and Capital Market Commission to become acquainted with all documents, accounting and document registers and to request from the outsourced service provider any information, which is associated with the provision of outsourced services and the performance of the functions of the Financial and Capital Market Commission.

(7) A credit institution, which is planning to obtain outsourced services according to the procedures specified in this Law, shall develop a relevant outsourced service policy and procedures. The outsourced service procedures shall determine:

1) the internal procedures by which decisions are taken regarding the receipt of outsourced services;

2) the procedures for the entering into, supervision of fulfilment and termination of outsourced services contracts;

3) regarding co-operation with the outsourced service provider and regarding the responsible persons and structural units for the supervision of the amount and quality of the outsourced services, as well as the rights and duties of the relevant persons; and

4) the actions of the credit institution in cases if the outsourced service provider does not fulfil or will not be able to fulfil the provisions of the outsourced service contract.

(8) The Financial and Capital Market Commission has the right to examine the activities of the outsourced service provider at the location thereof or the place of provision of the outsourced services, including becoming acquainted with all documents, accounting and document registers, make copies of documents, as well as to request from the outsourced service provider any information, which is associated with the provision of outsourced services and the performance of the functions of the Financial and Capital Market Commission.

(9) An outsourced service provider shall commence the provision of outsourced services to a credit institution if the credit institution within a period of 30 days from the day of the submission of the submission referred to in Paragraph five of this Section have not received a prohibition from the Financial and Capital Market Commission to receive outsourced services.

(10) The Financial and Capital Market Commission shall prohibit a credit institution from receiving the planned outsourced services if:

1) the provisions of this Law have not been observed;

2) the receipt of the outsourced services may restrict the possibility of the credit institution to provide financial services, as well as may infringe upon the lawful interests of the clients and depositors of the credit institution;

3) the receipt of the outsourced services may restrict the possibility of the administrative institutions of the credit institution to perform the duties specified for them in regulatory enactments, the articles of association of the credit institution or in other internal instruments of the credit institution;

4) the receipt of the outsourced services shall prohibit or restrict the possibility of the Financial and Capital Market Commission to perform the functions specified by law; or

5) the outsourced service contract does not conform to the law and does not provide a fair and true representation regarding the intended co-operation between the credit institution and the outsourced service provider and the requirements in relation to the amount and quality of the outsourced services.

(11) The receipt of outsourced services shall not release a credit institution from the liability that is specified by law or in contracts with clients thereof. The credit institution shall be liable for the performance of the outsourced service provider in the same degree as it is regarding its own services.

(12) The Financial and Capital Market Commission has the right to request that a credit institution rectify deficiencies, which have been caused by the receipt of outsourced services, and to specify the time period for the rectification of such deficiencies. If the deficiencies are not rectified within the time period specified by the Financial and Capital Market Commission, the Financial and Capital Market Commission shall request that the credit institution terminate the outsourced service contract and shall determine the time period for such termination.

(13) The Financial and Capital Market Commission is entitled to request that a credit institution terminate an outsourced services contract that is in effect if the Financial and Capital Market Commission determines that:

1) the credit institution has not performed continuous supervision of the outsourced services or performs it irregularly and inadequately;

2) the credit institution has not performed risk management associated with the outsourced services or performs it irregularly and inadequately;

3) the activities of the outsourced service provider has significant deficiencies, which threaten or may threaten the fulfilment of obligations by the credit institution; or

4) one of the circumstances referred to in Paragraph ten of this Section comes into effect.

(14) If a credit institution determines that the outsourced service provider does not comply with the requirements specified in the outsourced services contract in relation to the amount or quality of outsourced services, it shall without delay inform the Financial and Capital Market Commission regarding this.

(15) The receipt of outsourced services shall release a credit institution and the administrative institutions thereof from the duty to perform risk management associated with the activities of credit institutions specified in regulatory enactments.

(16) A credit institution shall submit to the Financial and Capital Market Commission amendments, which are made to the outsourced services policy and procedures not later than the next working day after the relevant amendments have been approved.

(17) An outsourced services provider is entitled to delegate the provision of outsourced services further to another person only after it has informed the Financial and Capital Market Commission in writing regarding this and has submitted the documents referred to in this Section. The provisions of this Law shall apply to the further delegation of the provision of outsourced services and the final provider of outsourced services.

(18) Appeal against the administrative acts issued by the Financial and Capital Market Commission referred to in Paragraphs ten, twelve and thirteen of this Law shall suspend the implementation thereof.

[28 October 2004; 22 February 2007; 29 May 2008]

Section 10.2

A separate law shall regulate legal relations associated with financial collateral.

[28 October 2004]

Chapter II
Licensing of Credit Institutions

Section 11.

(1) Credit institutions may begin their operations in the Republic of Latvia only after the receipt of a licence (permit) issued by the Financial and Capital Market Commission and the performance of the registration of commercial operations in accordance with the procedures specified by law.

(11) In evaluating conformity of the credit institution’s shareholders to the requirements of this Law and information included in the documents referred to in Sub-paragraph 1 of Section 15 hereof, the Financial and Capital Market Commission shall be entitled to indicate activities of the credit institution in the licence (permit), inter alia terms and conditions for the provision of financial services.

(2) [22 February 2007]

(3) [23 December 2010].

(4) [22 February 2007]

(5) The Financial and Capital Market Commission shall issue the licence (permit) for the operation of a credit institution for an indeterminate time.

(6) [23 December 2010].

[1 June 2000; 11 April 2002; 28 October 2004; 22 February 2007; 22 October 2009; 23 December 2010]

Section 11.1

[22 February 2007; 23 December 2010]

Section 12.

(1) In order to open a branch in a foreign state credit institutions of the Republic of Latvia shall obtain a permit from the Financial and Capital Market Commission.
(2) [29 May 2008]
(3) Foreign credit institutions shall notify the Financial and Capital Market Commission regarding the opening of representation offices in the Republic of Latvia.
[1 June 2000; 11 April 2002; 28 October 2004; 29 May 2008]

Section 12.1

(1) Credit institutions registered in another Member State may open branches in Latvia without obtaining the licence (permit) specified in this Law only after:

1) the Financial and Capital Market Commission has received from the credit institution supervisory institution of the relevant Member State a notification, which includes:

a) a confirmation that the relevant credit institution has a licence (permit) for the operation of a credit institution that is in effect,

b) the operations programme of the branch,

c) the address of the branch,

d) given name and surname of the head of the branch,

e) information regarding the amount of the credit institution's own funds and indicators of capital adequacy,

f) information regarding indicators of capital adequacy of the credit institution's parent company, which is a credit institution or financial holding company, and

g) information regarding the investment guarantee system of which the relevant credit institution is a participant.

2) the Financial and Capital Market Commission has received from the relevant Member State credit institution supervisory institution written confirmation that it shall inform the Financial and Capital Market Commission in a timely manner regarding examinations of the credit institution's branches in Latvia and shall not hinder representatives of the Financial and Capital Market Commission in participating in such examinations, as well as without delay after the end of the examination it shall submit to the Financial and Capital Market Commission a notice regarding the results of the conducted examination; and

3) the Financial and Capital Market Commission has informed the credit institution supervisory institution of the relevant Member State that it is ready to commence supervision of the credit institution branch, as well as regarding Republic of Latvia regulatory enactments, which protect the public interest, or two months have passed since the day when the Financial and Capital Market Commission has received notification from the credit institution supervisory institution of the relevant Member State.

(2) A credit institution registered in another Member State has a duty to inform the Financial and Capital Market Commission one month in advance regarding any amendments to the information referred to in Paragraph one, Sub-paragraph 1 of this Section, as well as regarding an intention to suspend the operation of a branch.
(3) For the fulfilment of Paragraph one, Sub-paragraph 1 of this Section documents shall be submitted that give a clear representation regarding the operational strategy of the credit institution branch, financial forecasts for the next two years, a market research plan, organisational structure with precisely specified and divided unit tasks and duties of heads of units, as well as policy and procedures for the administration of essential risks, main principles of accounting policy and organisation of records, a description of the management information system, regulations for the protection of assets and information systems, policy and procedures

for internal audits, as well as a description of the procedures for the identification of suspicious financial transactions.
(4) A credit institution registered in another Member State of the European Union shall, within 30 days after it has submitted the relevant notification regarding the provision of financial services in the Republic of Latvia to the credit institution supervisory institution of such state, commence to provide financial services in Latvia without opening a branch.
(5) If within 30 days after the notification referred to in Paragraph four of this Section has been received, the Financial and Capital Market Commission does not issue a justified written refusal to the credit institution supervisory institution of the relevant Member State, it shall be deemed that it does not object to the provision of financial services by such credit institution in the Republic of Latvia.
[11 April 2002; 28 October 2004; 22 February 2007]

Section 12.2

(1) A credit institution registered in the Republic of Latvia shall open a branch in another Member State according to the procedures specified in this Section.
(2) The credit institution shall inform the Financial and Capital Market Commission in writing that it wishes to open a branch in another Member State. In the application it will indicate the Member State in which it is intended to open the branch, the given name, surname of the head of the branch and personal identification number if such number has been granted.
(3) To the application referred to in Paragraph two of this Section, the credit institution shall append documents that provide a true and fair representation regarding the operation of the branch, the financial services to be provided, and the relevant structure and work organisation of the branch for them.
(4) The application for the opening of a branch in another Member State shall be examined by the Financial and Capital Market Commission within a period of 30 days after receipt of all the necessary, prepared in conformity the requirements of regulatory enactments, documents and shall inform in writing the credit institution supervisory institution of the relevant Member State and the relevant credit institution of its decision.
(5) The Financial and Capital Market Commission shall inform the credit institution supervisory institution of the relevant Member State regarding the amount of the credit institution's own funds and the capital adequacy indicators, as well as make known its point of view regarding the appropriateness of the head of the branch to the position.
(6) [22 February 2007]
(7) A branch of a credit institution shall be established and commence operations in another Member State if the credit institution has obtained a certification from the credit institution supervisory institution of the relevant Member State or two months have passed from the day when the credit institution supervisory institution of the relevant Member State has received the notification referred to in Paragraph four of this Section.
(8) The credit institution not later than 30 days prior to the making of amendments to the information referred to in Paragraphs two and three of this Section shall in writing notify the Financial and Capital Market Commission and the credit institution supervisory institution of the relevant Member State regarding this. The Financial and Capital Market Commission shall decide regarding the approval of the amendments and shall make known its decision to the credit institution supervisory institution of the relevant Member State and the credit institution according to the procedures and in the time period referred to in Paragraph four of this Section.
(81) Irrespective of the number of branches established in another Member State, they shall be deemed to be one branch in the relevant Member State.
(9) [22 February 2007]
[11 April 2002; 28 October 2004; 9 June 2005; 22 February 2007]

Section 12.3

(1) A credit institution registered in the Republic of Latvia shall commence the provision of financial services in another Member State, without opening a branch, according to the procedures specified in this Section.
(2) The credit institution shall inform in writing the Financial and Capital Market Commission that it wishes to commence the provision of financial services in another Member State, without opening a branch there. In the submission the credit institution shall indicate the Member State in which it is intended to provide financial services, and the financial services it intends to provide.
(3) The application regarding the provision of financial services in another Member State, without opening a branch, shall be examined by the Financial and Capital Market Commission within a period of 30 days after its receipt and shall inform in writing the credit institution supervisory institution of the relevant Member State and the relevant credit institution of its decision.
[11 April 2002; 28 October 2004; 22 February 2007]

Section 12.4

(1) Another Member State financial institution, which is controlled by one or more credit institutions, may provide financial services in the territory of the Republic of Latvia with or without opening a branch if it conforms to all of the following conditions:

1) the credit institution or credit institutions, which control the financial institution have obtained a licence (permit) for operations in the Member State in accordance with which the law the relevant financial institution operates;

2) the financial institution provides financial services in the territory of its Member State in accordance with which the law the relevant financial institution operates;

3) the credit institution or credit institutions, which control the financial institution own at least 90 per cent of the voting right stock of the financial institution;

4) the credit institution or credit institutions, which control the financial institution ensure the prudent management of such financial institution in conformity with the requirements of the relevant credit institution or the relevant credit institutions state of domicile supervisory institution;

5) the credit institution or credit institutions, which control the financial institution have publicly revealed information regarding their joint and several liability for the financial obligations of such financial institution and the relevant credit institution or the relevant credit institutions state of domicile supervisory institution has not objected to this; and

6) the operations of the financial institution is subordinated to the controlling credit institution or the controlling credit institutions consolidated supervision, especially in relation to capital sufficiency, large risk transactions and participation in other commercial companies.

(2) Financial institutions registered in the Republic of Latvia are entitled to commence the provision of financial services in another Member State according to the procedures specified in Section 12.2 of this Law or, in not opening a branch according to the procedures specified in Section 12.3 of this Law.
(3) Financial institutions registered in the Republic of Latvia are entitled to commence the provision of financial services in other Member States if the relevant Member State supervisory institution has received a notification from the Financial and Capital Market Commission, which certifies the conformity of such financial institution with the conditions referred to in Paragraph one of this Section.
(4) A financial institution registered in another Member State is entitled to commence the provision of financial services in the Republic of Latvia according to the procedures specified in Section 12.1 of this Law after the Financial and Capital Market Commission has received a notification from the relevant Member State supervisory institution, which includes the following documents:

1) documents in which is included the information specified in Section 12.1, Paragraph one, Sub-paragraph 1, Clauses a), b), c), d) and e) of this Law;

2) documents in which is included information regarding the amount of own funds of the financial institution and the controlling credit institution or the controlling credit institutions consolidation group's capital sufficiency indicators; and

3) a statement, which certifies the conformity of the financial institution to the conditions referred to in Paragraph one of this Section.

(5) If the Financial and Capital Market Commission receives a notification from the state of domicile supervisory institution of the financial institution regarding the fact that the financial institution no longer conforms to conditions referred to in Paragraph one of this Section, it shall without delay send a notification to the relevant financial institution. The notification shall indicate that from the day of receipt of the notification the financial institution has lost its right to provide financial services in the territory of the Republic of Latvia according to the procedures specified in this Section. In order to provide licensed financial services in the territory of the Republic of Latvia, the financial institution registered in another Member State may turn to the Financial and Capital Market Commission with a submission to obtain a licence (permit) according to general procedures.

(6) If a financial institution registered in the Republic of Latvia, which has commenced the provision of financial services in the territory of another Member State according to the procedures specified in this Section, no longer conforms to the conditions referred to in Paragraph one of this Section, the Financial and Capital Market Commission shall without delay inform the involved state supervisory institution of the financial institution and the financial institution regarding its non-conformity to the conditions referred to in Paragraph one of this Section.

[28 October 2004; 22 February 2007]

Section 12.5

28 October 2004; 22 February 2007; 23 December 2010]

Section 13.

(1) A newly founded credit institution prior to its recording in the Commercial Register shall submit to the Financial and Capital Market Commission an application to obtain a licence (permit). The registration of the credit institution in the Commercial Register shall be made only after the decision of the Financial and Capital Market Commission to issue a licence (permit) for credit institution operations has been submitted to the Commercial Register.

(2) [21 May 1998]

(3) The founders of the credit institution shall organise the payment of money into a temporary account at the Bank of Latvia and shall fully pay in the credit institution's founding equity capital up to the examination of the application referred to in Paragraph one of this Section in the Financial and Capital Market Commission. The founding equity capital of the credit institution may be deposited only in money.

(4) The Financial and Capital Market Commission shall determine the procedures and documents to be submitted for the issue of the licence (permit) for credit institution operations and other permits provided for by this Law and issuing of notifications, as well as restrictions associated with credit institution operations.

(5) Recording in the Commercial Register shall be made only after the receipt of the relevant licence (permit) specified in this Law.

[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004]

Section 14.

(1) The Financial and Capital Market Commission shall examine an application regarding the issuance of a licence within three months after the receipt of all the necessary documents, but not later than within 12 months after the day when an application for receipt of the licence (permit) was submitted. The Financial and Capital Market Commission has the right not to issue a licence for a new credit institution if:
1) in the founding of such institution the law has not been complied with;
2) the close links of the credit institution with third persons may threaten its financial stability or restrict the right of the Financial and Capital Market Commission to perform the supervisory functions specified by law;
3) the laws and other regulatory enactments of other states that apply to persons who have close links with the newly founded credit institution, restrict the right of the Financial and Capital Market Commission to perform the supervisory functions specified by law;
4) the documents submitted by the credit institution contain false information;
5) one or more of the persons referred to in Section 24 of this Law do not conform to the requirements specified by law;
6) the Financial and Capital Market Commission determines that the financial means which are invested in the equity capital of the credit institution have been acquired in unusual or suspicious financial transactions or there are no documents to prove the lawful acquisition of such financial means; or
7) the newly founded credit institution is a subsidiary company of some foreign credit institution or financial institution in the registration state of which supervision requirements equal to those accepted by Member States on the basis of a consolidated financial report are not performed, or if the foreign institution responsible for such supervision has not entered into an agreement with the Financial and Capital Market Commission regarding co-operation and the exchange of information.
(2) The Financial and Capital Market Commission shall refuse to issue a licence (permit) in case credit institution regulatory framework provides for location of a credit institution including its management outside the Republic of Latvia and that a credit institution is not related to any financial group.
[1 June 2000; 11 April 2002; 28 October 2004; 26 February 2009; 23 December 2010]

Section 15.

In order to receive a licence from the Financial and Capital Market Commission for the operation of a credit institution, the founders of the credit institution shall ensure the following:
1) founding documents, articles of association and documents regulating the operation of the credit institution, which give a clear overview of the planned operations and its organisation appropriate thereto;
2) payment of the minimum initial capital; and
3) nominations of candidates in accordance with the requirements of law for the chairpersons and members of the council, board of directors and internal audit service of a credit institution, and for the heads of a branch of a foreign credit institution. If the duties of the internal audit service have been delegated to the parent company of the credit institution, the founders of the credit institution shall submit to the Financial and Capital Market Commission the original of the contract entered into with the parent company. If the duties of the internal audit service have been delegated to a sworn auditor or a sworn auditor commercial company, the founders of the credit institution shall submit the documents referred to in Section 10.1 of this Law.
[21 May 1998; 1 June 2000; 11 April 2002; 24 October 2002; 28 October 2004; 22 February 2007]

Section 16.

(1) A credit institution may be founded by:

1) natural persons who are of the age of majority and have the capacity to act;
2) legal persons which:
a) have a period of operations of which is not less than three financial years (this provision shall not apply to a financial and capital market participant who is licensed in a foreign state, which is a member of the World Trade Organisation), as well as legal persons whose sole participant or sole shareholder is a Member State, Member of the Organisation for Economic Cooperation and Development;
b) whose financial reports are prepared in accordance with international accounting (financial reports) standards and audited in accordance with international auditing standards, as well as they attached thereto an opinion by a sworn auditor [Member State registered legal (registered) persons financial reports may be prepared in accordance with the accounting standards in effect in the relevant Member State]; and
3) the State or local governments.
(2) The persons referred to in Paragraph one of this Section must have an unimpeachable reputation and free capital.
(3) In evaluating a person's reputation and free capital, the Financial and Capital Market Commission has the right to examine the identity, criminal record and documents, which will allow the Commission to be convinced regarding the sufficiency of free capital for the amount of investment made to the capital and reserves of the credit institution, as well as regarding the fact whether the invested funds have not been acquired in unusual or suspicious transactions.
(4) As founders of a credit institution may not be natural persons, as well as legal (registered) persons to which founders (stockholders (shareholders)) and owners (actual beneficiaries) – the natural person referred to in Section 19 of this Law – Section 25, Paragraph one, Sub-paragraphs 1, 2 or 3 of this Law or who have fulfilled the duties of a member of the board of directors or council of credit institution or financial institution, which has been recognised as insolvent during the period of fulfilling the relevant duties, or who have fulfilled the duties of a member of the board of directors or council of another commercial company and due to their negligence or intentionally have brought such commercial company to criminally convicted insolvency or bankruptcy.
[28 October 2004; 9 June 2005]

Section 17.

The Financial and Capital Market Commission has the right to request additional information regarding persons referred to in Sections 16 and 29 of this Law, in order to evaluate their financial condition and reputation when investigating the above-mentioned person for the following purposes:
1) the adequacy of their financial resources;
2) the operations and management plans of the credit institution; and
3) their previous activities, competence and experience.
[1 June 2000]

Section 18. [11 April 2002]
[30 October 1997; 11 April 2002]

Section 19.

The Financial and Capital Market Commission has the right to verify the identity of the founders of a credit institution. If the founders of the credit institution are legal (registered) persons, the Financial and Capital Market Commission has the right to verify information regarding their founders (stockholders (shareholders)) and owners (actual beneficiaries), until information is acquired regarding owners (actual beneficiaries) – natural persons. The legal persons referred to in this Section have a duty to ensure such information for the Financial and Capital Market

Commission if such is not accessible in public registers from which the Financial and Capital Market Commission is entitled to receive such information.
[1 June 2000; 28 October 2004]

Section 19.1

(1) The Financial and Capital Market Commission shall consult with the relevant Member State credit institution supervision institution prior to the granting of a licence (permit) to such a newly founded credit institution:
1) which is a subsidiary company of a credit institution, insurance company or investment broker company registered in the relevant Member State;
2) which is a subsidiary company of such a parent company, another subsidiary company of which is a credit institution, insurance company or investment broker company registered in the relevant Member State; and
3) which is controlled by a natural person or legal person who also controls the credit institution, insurance company or investment broker company registered in the relevant Member State.
(2) The Financial and Capital Market Commission prior to the granting of a licence (permit), as well as during the course of supervision of a licensed credit institution shall request and evaluate information from the relevant Member State credit institution supervision institution regarding the suitability of the stockholders (shareholders) of the credit institution and the reputation and experience of the credit institution manager thereof, which is involved if the management of another of the group's undertakings, in which the newly founded credit institution shall be included.
[28 October 2004; 9 June 2005; 22 February 2007]

Section 20.

(1) A foreign credit institution may open a branch in Latvia, if the minimum initial capital of such credit institution meets the requirements of Section 21 of this Law, and its period of operations is not less than three financial years.
(2) The provisions of this Section regarding the period of operation of a credit institution is not applicable to a credit institution which is registered in a foreign state, which is a member of the World Trade Organisation.
[11 April 2002; 28 October 2004; 9 June 2005]

Section 21.

(1) The minimum initial capital of a credit institution shall be equal to five million euro, which have been converted to lats in accordance with the exchange rate set by the Bank of Latvia on the day when the decision to issue a licence (permit) for the operation of the credit institution has been taken.
(2) [23 December 2010].
(3) The own funds of the credit institution may not become less than the minimum initial capital specified in this Section.
[11 April 2002; 28 October 2004; 22 February 2007; 23 December 2010]

Section 22.
[11 April 2002; 30 October 1997; 11 April 2002]

Section 23.
[11 April 2002; 9 June 2005]

Section 24.

(1) The chairperson of the board of directors, members of the board of directors, head of the internal audit service, company controller, head of a branch of a foreign credit institution, as well as such persons who in the name of the credit institution take essential decisions and create for the credit institution civil legal obligations, may be persons:
1) [22 February 2007]
2) who are competent in issues of financial management;
3) who have the necessary education and three years professional work experience in an undertaking, organisation or institution of relevant size;
4) who have an unimpeachable reputation; and
5) who have not had revoked the right of engaging in commercial activities.
(2) It is necessary for the chairperson of the board of directors, members of the board of directors, head of the internal audit service and the company controller to have a higher education.
(3) The council of the credit institution has a duty on its own initiative or at the request of the Financial and Capital Market Commission to remove without delay from office the persons referred to in Paragraph one of this Section if they do not conform to the requirements specified in this Section.
(4) An appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Section shall not suspend the execution thereof.
[11 April 2002; 28 October 2004; 22 February 2007]

Section 25.

(1) The chairperson of the board of directors, the members of the board of directors, head of the internal audit service, company controller, head of a branch of a foreign credit institution, as well as such persons who in the name of the credit institution take essential decisions and create for the credit institution civil legal obligations, may not be persons:
1) who have been convicted of the intentional commission of a crime, including bankruptcy in bad faith;
2) who have been convicted of the intentional commission of a crime, even though released from serving the sentence because of a limitation period, clemency or amnesty; or
3) against whom criminal proceedings for the intentional commission of a crime have been terminated due to a limitation period or amnesty.
(2) The duty of the council of a credit institution or – in relation to the company controller – the duty of the meeting of stockholders (shareholders) is on its own or on the basis of a request from the Financial and Capital Market Commission to remove from office without delay the persons referred to in Paragraph one of this Section if Paragraph one, Sub-paragraphs 1, 2 or 3 of this Section may be applied to them.
(3) An appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Section shall not suspend the execution thereof.
[11 April 2002; 28 October 2004; 9 June 2005]

Section 26.

(1) The chairperson of the council and the members of the council of a credit institution may be persons who conform to the requirements of Section 24, Paragraph one, Sub-paragraphs 2, 3, 4 and 5 of this Law. The chairperson of the council and the members of the council of a credit institution may not be persons to whom Section 25, Paragraph one, Sub-paragraphs 1, 2, or 3 of this Law may be applied.

(2) The meeting of stockholders (shareholders) has a duty on its own initiative or at the request of the Financial and Capital Market Commission to remove without delay from office the persons referred to in Paragraph one of this Section if they do not conform to the requirements specified in this Section.
(3) An appeal against an administrative act issued by the Financial and Capital Market Commission regarding the removal from office of the persons referred to in Paragraph one of this Section shall not suspend the execution thereof.
[11 April 2002; 28 October 2004]

Section 27.

(1) The Financial and Capital Market Commission may withdraw the licence (permit) of a credit institution, if:
1) the credit institution has not commenced its operations within 12 months after the day when the licence (permit) was issued;
2) it is determined that the credit institution has submitted false information to receive the licence (permit);
3) the credit institution has suspended its operations for a period that is longer than six months;
4) the credit institution has commenced the self-liquidating process;
5) the credit institution withdraws from the licence (permit) in the case of a reorganisation;
6) a court has confirmed a decision taken in accordance with the procedures determined by this Law regarding the commencement of credit institution bankruptcy proceedings;
7) the credit institution for more than two months after a warning by the Financial and Capital Market Commission regarding the cancellation of the licence (permit) for credit institution operation has not voluntarily and in full measure made payments to the Investment Guarantee Fund;
8) the credit institution fails to observe the requirements of this Law and other laws regulating the operations of credit institutions, and the regulatory regulations and orders of the Financial and Capital Market Commission;
9) in case of occurrence of a prohibition from the utilisation of stock-voting rights owned by shareholders having a qualifying holding in a credit institution and its duration is more than six months.
(2) The licence (permit) of a credit institution shall not be renewed if the Financial and Capital Market Commission has cancelled it.
(3) An appeal against an administrative act issued by the Financial and Capital Market Commission regarding the cancellation of licence (permit) shall not suspend the execution thereof.
[21 May 1998: 1 June 2000; 11 April 2002; 28 October 2004; 26 May 2005; 23 December 2010]

Section 27.1

(1) The Financial and Capital Market Commission not later than 30 days from the day when a decision to issue a licence (permit) for the operation of a credit institution was taken, shall notify the European Commission regarding such decision.
(2) The Financial and Capital Market Commission not later than 30 days from the day when a decision to cancel a licence (permit) for the operation of a credit institution was taken, shall notify the European Commission regarding such decision.
(3) The Financial and Capital Market Commission shall inform the European Commission regarding a refusal to a credit institution registered in the Republic of Latvia to open a branch in another Member State, a refusal to a credit institution registered in another Member State to open a branch in the Republic of Latvia and measures which the Financial and Capital Market Commission has performed in accordance with Section 108.1, Paragraphs three and four of this Law.

(4) The Financial and Capital Market Commission not later than 30 days from the day when a decision has been taken regarding:

1) the issuing of a licence (permit) to a credit institution for credit institution operations regarding the control of which directly or indirectly is implemented by a foreign merchant, shall notify the European Commission and the other Member State credit institution supervision institutions. The notification to the European Commission shall indicate the structure of the credit institution's group;

2) the acquisition of qualifying holdings in a credit institution, shall notify the European Commission and the other Member State credit institution supervision institutions if the acquirer of such qualifying holdings is a foreign merchant and in acquiring a qualifying holding the credit institution has become a subsidiary company of the foreign merchant. The notification to the European Commission shall indicate the structure of the credit institution's group;

3) the issuing of a licence (permit) to a branch of a foreign credit institution for credit institution operations shall notify the European Commission and the European Banking Committee.

(5) The Financial and Capital Market Commission shall inform the European Commission regarding problems with which a credit institution registered in the Republic of Latvia come into contact in commencing or performing credit institution operations in a foreign state.

(6) The Financial and Capital Market Commission shall inform the European Commission regarding the regulatory enactments, which regulate the founding and operations of credit institutions in the Republic of Latvia.

[28 October 2004; 9 June 2005; 22 February 2007]

Chapter III
Qualifying Holdings

Section 28.

(1) Only a person who meets the requirements of Section 16 of this Law and ensures fulfilment of the conditions of Section 19 and criterion laid down in Paragraph five of Section 29 may acquire qualifying holdings in a credit institution; moreover, such person needs to have been financially stable, in order that the person, if necessary, is able to perform additional investments for the renewal of the capital of the credit institution, ensure the conformity of the capital of the credit institution to the requirements of law and the fulfilment of the regulating requirements for the operation of the credit institution.

(2) The Financial and Capital Market Commission has the right to request information from persons who have intended to acquire a qualifying holding (the actual acquirer of a qualifying holding or a person suspected of holding such an acquired holding), including legal (registered) person owners (actual beneficiaries) – natural persons, in order to evaluate conformity of those persons to the criteria of Paragraph five Section 29.

(3) The Financial and Capital Market Commission has the right to identify legal (registered) person founders (stockholders (shareholders)) and owners (actual beneficiaries) who aspire to a qualifying holding (the actual acquirer of a qualifying holding or a person suspected of holding such an acquired holding), until information is acquired regarding the owners (actual beneficiaries) – natural persons. For the identification of such persons, the referred to legal persons have a duty to submit to the Financial and Capital Market Commission the information requested by it, if such information is not accessible in public registers from which the Financial and Capital Market Commission is entitled to receive such information.

(4) If the persons regarding which suspicions are held regarding acquisition of qualifying holdings in a credit institution do not submit or refuse to submit the information referred to in Paragraph two or three of this Section and altogether the participation thereof encompasses 10 or more per cent of the equity capital of the credit institution or number of stock with voting rights, such stockholders (shareholders) many not utilise all of the voting rights belonging to them. The

Financial and Capital Market Commission shall without delay inform the relevant stockholders (shareholders) and the credit institution regarding this fact.
[28 October 2004; 26 February 2009]

Section 29.

(1) Any person intending to acquire a qualifying holding in a credit institution shall first notify the Financial and Capital Market Commission thereof in writing. The notification shall include information on the size of the intended holding as a percentage of the credit institution's share capital or the number of voting shares. Information required for evaluating compliance of a person with criteria set in Paragraph five of Section thereof as stipulated in regulatory requirements of the Financial and Capital Market Commission shall be attached to the notification. List of information to be attached to the notification shall be published on the official website of the Financial and Capital Market Commission.
(2) If a person intends to increase its qualifying holding, reaching or exceeding 20, 33 or 50 per cent of the share capital or the number of voting shares of a credit institution, or if the credit institution becomes a subsidiary of such person, the person shall first notify the Financial and Capital Market Commission thereof in writing. The notification shall include information on the size of the intended holding as a percentage of the credit institution's share capital or the number of voting shares. Information required for evaluating compliance of a person with criteria set in Paragraph five of Section thereof as stipulated in regulatory requirements of the Financial and Capital Market Commission shall be attached to the notification. List of information to be attached to the notification shall be published on the official website of the Financial and Capital Market Commission.
(3) The Financial and Capital Market Commission, within two working days of receipt of the notification referred to in Paragraph one or two of this Section, or in two working days of receipt of required additional information shall in writing notify the person of receipt of the notification or additional information and the date of the expiry of the assessment period.
(4) The Financial and Capital Market Commission during an assessment period determined in Paragraph five of this Section and no later than on the 50th working day of the assessment period, shall be entitled to request additional information about the persons referred to in this Section for the assessment of compliance of those persons with criteria set in Paragraph five of this Section.
(5) The Financial and Capital Market Commission, no later than within 60 working days from sending information to the person about receipt of the notification referred to in Paragraph three of this Section, shall assess the availability of free assets, their financial stability and financial soundness of the intended acquisition, to ensure the sound and prudent management of the credit institution in which the person has intended an acquisition, as well as the likely influence of the person on the management and activities of credit institution. During the assessment process, the Financial and Capital Market Commission shall consider also the following criteria:
1) an impeccable reputation of the person and compliance with requirements set for the founders of a credit institution;
2) an impeccable reputation and professional experience of the person who will direct the business of the credit institution as a result of intended acquisition;

3) financial soundness of the person in particular regarding to the type of business activities pursued or intended in the credit institution in which the acquisition is intended;

4) whether the credit institution will be able to comply with the regulatory requirements of this Law and other rules and laws, and whether a structure of business group of which it will become a part does not limit capacity of the Financial and Capital Market Commission to exercise supervision functions as provided in the law, to ensure effective exchange of information among

the supervisory authorities and determine the allocation of responsibilities among the credit institution supervisory authorities;

5) whether there are reasonable grounds to suspect that, in connection with the intended acquisition, money laundering or terrorist financing has been committed or attempted, or that the intended acquisition could increase the risk thereof.
If the Financial and Capital Market Commission interrupts the assessment period in accordance with Paragraph six of this Section, this interruption period shall not be included in the assessment period.
(6) When requesting additional information referred to in Paragraph four of this Section, the Financial and Capital Market Commission may only once interrupt the assessment period until the day when information has been received, but not exceeding 20 working days. The Financial and Capital Market Commission shall be entitled to extend interruption of the assessment period up to 30 working days, if the person intending to acquire, has acquired or intending increase or has increased its qualifying holding in a credit institution is not subject to supervision of credit institutions, insurance companies, reinsurers, credit institutions, investment management companies or investment firms or the person's home (registration) country is in a foreign country.
(7) The Financial and Capital Market Commission within a time period referred to in Paragraph five of this Section shall adopt a decision preventing the person from acquisition or increasing a qualifying holding in a credit institution if:
1) the person does not meet criteria referred to in Paragraph five of this Section;
2) the person does not provide or refuses to provide information as provided for in this Law to the Financial and Capital Market Commission or additional information required by the Financial and Capital Market Commission;
3) the person cannot obtain information as provided for in this Law or additional information required by the Financial and Capital Market Commission for reasons not attributable to the person.
(8) The Financial and Capital Market Commission within two working days, not exceeding the assessment period determined in Paragraph five of this Section, upon making a decision referred to in Paragraph seven of this Section shall send it to the person who is prevented from acquiring or increasing its qualifying holding in a credit institution.
(9) In case the Financial and Capital Market Commission does not send to the person a decision preventing the person from acquiring or increasing its qualifying holding in a credit institution within the time period referred to in Paragraph five of this Section, it shall be deemed that it has agreed to acquiring or increasing its qualifying holding in a credit institution by the person.

(10) The provisions of Paragraph seven, Sub-paragraph 3 of this Section shall not apply to a legal (registered) person if its shares are quoted on a regulated of any Member State or on a regulated market whose organiser is a full-fledged member of the Federation of International Stock Exchanges and this legal (registered) person submits to the Financial and Capital Market Commission information on its shareholders having a qualifying holding in it.
(11) If the Financial and Capital Market Commission has given its consent to the acquisition or increase of a qualifying holding in a credit institution by a person, this person shall acquire or increase its qualifying holding in the credit institution not later than within six months of submitting information on the notification or receipt of additional information referred to in Paragraph three of this Section. If, by the end of the said term, the person has not acquired or increased its qualifying holding in the credit institution, the consent given by the Financial and Capital Market Commission to the acquisition or increase of its qualifying holding becomes invalid. Upon receipt of a substantiated application in writing from the person the Financial and Capital Market Commission may decide on extending the said term.

(12) Lodging an appeal against the administrative act issued by the Financial and Capital Market Commission referred to in Paragraph five of this Section shall not suspend the execution of the act.
[21 May 1998; 1 June 2000; 11 April 2002; 24 October 2002; 28 October 2004; 26 February 2009]

Section 30.
[21 May 1998]

Section 30.1

In evaluating notifications referred to in Paragraphs one and two of Section 29 of this Law, the Financial and Capital Market Commission shall consult with the supervisory authorities of the relevant Member State, if the acquirer of the qualifying holding is a credit institution, an insurance company, a reinsurer, an investment management company, an investment firm registered in a Member State, or a parent company of a Member State-registered credit institution, a Member State-registered insurer, a Member State reinsurer, a Member State-registered investment management company or a Member State-registered investment firm, or a person that exerts control over a Member State-registered credit institution, a Member State-registered insurer, a a Member State-registered reinsurer, a Member State-registered investment management company or a Member State-registered investment firm, and if, upon the acquisition or increase by the relevant person of the qualifying holding, the credit institution becomes a subsidiary of this person or becomes subject to its control.

[24 October 2002; 28 October 2004; 9 June 2005; 26 February 2009]

Section 31.

If a person wishes to terminate his or her qualifying holdings in a credit institution, he or she shall notify in writing the Financial and Capital Market Commission regarding such decision. The notification shall indicate the person's remaining share of the equity capital of the credit institution or the number of stock with voting rights in percentages. If a person wishes to reduce his or her qualifying holdings to under 20, 33 or 50 per cent of the equity capital of the credit institution or of the number of voting stocks (shares) or the credit institution ceases to be a subsidiary company of such person, he or she shall notify in writing beforehand the Financial and Capital Market Commission regarding such decision.
[1 June 2000; 24 October 2002; 28 October 2004]

Section 32.

(1) A credit institution shall without delay according to specified procedures inform the Financial and Capital Market Commission in writing regarding the acquisition, increase or reduction in the qualifying holdings of each person. The notification shall indicate the amount of holding by the relevant person as a percentage of the equity capital of the credit institution or the number of stock with voting rights or information regarding the termination of the qualifying holding.
(2) [26 February 2009]
[1 June 2000; 24 October 2002; 28 October 2004; 26 February 2009]

Section 33.

(1) If the influence of a credit institution stockholder (shareholder) on the credit institution threatens or may threaten its financially stable, prudent and in conformity with regulatory enactments management and operations or the person who has acquired a qualifying holding

does not conform to the requirements specified by the founders, is not financially stable or does not submit or refuses to submit the information referred to in Section 28, Paragraph two or three of this Law, the Financial and Capital Market Commission is entitled to:

1) request that such influence cease without delay;

2) request the removal of the board of directors (council) of the credit institution or one of the members of the board of directors (council); and

3) prohibit the stockholder (shareholder) from the utilisation of all those stock-voting rights belonging to him or her.

(2) A stockholder (shareholder) does not have the right to utilise all those stock-voting rights belonging to him or her in a credit institution, and a decision of a meeting of stockholders (shareholders), which was taken utilising such stock-voting rights, shall be void from the moment of being taken, and on such a basis a request may not be made to make an entry in the commercial register and other public registers if:

1) the Financial and Capital Market Commission in the cases referred to in this Law has prohibited the person the utilisation of all those stock-voting rights belonging to him or her;

2) the person has acquired or increased a qualifying holding in a credit institution prior to the submission of the notification referred to in Section 29, Paragraph one or two of this Law to the Financial and Capital Market Commission; and

3) the person has acquired or increased a qualifying holding in a credit institution during the examination of the notification referred to in Section 29, Paragraph one or two of this Law.

(3) If a credit institution stockholder (shareholder) has been prohibited from the utilisation of all those stock-voting rights belonging to him or her, the total number of stock with decision-making rights shall be calculated by taking the total number of stock with voting rights and subtracting such stock the utilisation of voting rights of which has been prohibited. The provisions of this Law regarding qualifying holdings is not applicable to those credit institution stockholders (shareholders) whose qualifying holding in the credit institution has been created due to the prohibition of voting rights applied to other stockholders (shareholders).

(4) An appeal against the administrative act referred to in Paragraph one of this Section issued by the Financial and Capital Market Commission shall not suspend the execution thereof.

[1 June 2000; 11 April 2002; 24 October 2002; 28 October 2004]

Section 33.1

(1) In determining the amount of holdings acquired by a person in an indirect way in a credit institution, the following acquired voting rights of such persons (hereinafter – specific person) in the credit institution shall be taken into account:

1) voting rights, which third persons are entitled to utilise, with whom the specific person has entered into an agreement, imposing as duty to co-ordinate the utilisation of the voting rights and action policy in the long-term in relation to the specific issuer management;

2) voting rights, which third persons are entitled to utilise in accordance with an agreement, which has been entered into with the specific person and provides for the temporary transfer of voting rights;

3) voting rights, which arise from stocks (shares), which the specific person has received as security, if he or she may utilise the voting rights and has expressed his or her intention to utilise them;

4) voting rights, which the specific person is entitled to utilise in an unlimited time period;

5) voting rights, which a commercial company controlled by the specific person is entitled to utilise or which such commercial company may utilise in accordance with the provisions of Sub-paragraphs 1, 2, 3 and 4 of this Paragraph;

6) voting rights, which arise from stocks (shares) transferred to and held by the specific person, and which the person is may utilise on his or her own initiative if special instructions have not been received;

7) voting rights, which arise from stocks (shares) in the name of third persons and held for the benefit of the specific person;

8) voting rights, which the specific person may sell as an authorised person, when he or she is entitled to utilise voting rights on his or her own initiative if special instructions have not been received; and

9) voting rights, which arise from any other indirect way acquired stocks (shares) by the specific person.

(2) A person who wishes to acquire, has acquired, wishes to increase or has increased a qualifying holding in a credit institution in an indirect way, on the basis of a request from the Financial and Capital Market Commission shall submit to it information, which allows it to ascertain the conformity of such person to the requirements of Chapters II and III of this Law.
[24 October 2002; 28 October 2004; 22 February 2007]

Section 33.2

Investment funds and foundation equivalent to them are not entitled to acquire a qualifying holding in a credit institution.
[28 October 2004]

Chapter IV
Requirements Regulating the Operations of Credit Institutions

Section 34.

A credit institution shall perform crediting in accordance with its credit policy, which specifies the procedures for granting and repayment of credits, the procedures for the supervision of the granted credits and the criteria for the assessment of their quality.
[28 October 2004]

Section 34.1

A credit institution shall ensure the establishment and operation of a comprehensive and effective internal control system, which is applicable to the nature, volume and complexity of its operations. The internal control system shall include the following basic elements:

1) an organisation structure in conformity with the size and operational risks of the credit institution, in which in relation to the performance of transactions and control between the credit institution structural units and responsible employees there is a clearly specified, unambiguous and systematic division of duties, authorisations and responsibilities;

2) an appropriate to the operation of the credit institution and possible risk identification, management, supervision and reporting system;

3) internal control procedures;

4) remuneration system.
[22 February 2007; 23 December 2010]

Section 35.

(1) A credit institution shall ensure own funds the amount of which shall always be greater or equal to the total amount of the following capital requirements:

1) credit risk and dilution risk capital requirements. The credit risk requirements shall be calculated as 8 per cent of the total of the risk-weighted exposure amounts;

2) foreign-exchange risk capital requirements and commodities risk capital requirements;

3) debt instrument and equities position risk capital requirements, and settlement risk and counter-party risk capital requirements in trading-book business risk transactions and, if a permit

has been obtained from the Financial and Capital Market Commission to exceed the large exposure limits in trading-book business risk transactions, capital requirements for such excess; and

4) operation risk capital requirements.

(2) In the calculation of credit risk capital requirements a credit institution may apply the Standardised Approach or, if the Financial and Capital Market Commission allows it – the approach based upon Internal Ratings.

(3) Having received permission to apply the Internal Ratings Based Approach for the calculation of credit risk capital requirements, the credit institution shall also calculate the dilution risk capital requirements.

(4) For the calculation of foreign-exchange risk capital requirements, commodities risk capital requirements, debt instrument and equities position risk capital requirements a credit institution may apply the Standardised Approach or, if the Financial and Capital Market Commission allows it – internal models.

(5) For the calculation of operational risk capital requirements a credit institution may apply a basic indicators approach, the Standardised Approach or, if the Financial and Capital Market Commission allows it – the alternative Standardised Approach, or the Advanced Measurement Approach for operational risk.

(6) The Financial and Capital Market Commission shall determine the elements to be included in own funds and the procedures for the calculation thereof.

[28 October 2004; 22 February 2007]

Section 35.1

(1) For the calculation of the credit risk capital requirements referred to in Section 35 of this Law, credit institutions may utilise only the credit assessments performed by such foreign credit assessment institutions (rating agencies) as the Financial and Capital Market Commission has recognised as applicable.

(2) The Financial and Capital Market Commission shall perform evaluation of the foreign credit assessment institutions (rating agencies) and shall recognise as applicable for credit assessment in the calculation of credit risk capital requirements the institutions that meet the following requirements:

1) whose credit assessment methodology is objective, independent, transparent and is continually reviewed;

2) whose credit assessments conform to plausibility and transparency requirements.

(21) The assessment methodology of the foreign credit assessment institution (rating agency) shall be considered as appropriate to requirements referred to in Paragraph two, Sub-paragraph 1 of this Section provided that the foreign credit assessment institution (rating agency) is registered in accordance with the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. No additional evaluation of the methodology shall be required.

(3) The Financial and Capital Market Commission shall determine the conformity of the credit assessment performed by the foreign credit assessment institutions (rating agencies) to the credit quality level, which is utilised for the specification of credit risk capital requirements.

(4) If the competent authorities of another Member State have recognised a foreign credit assessment institution (rating agency) as applicable in their state, the Financial and Capital Market Commission may recognise such institution are applicable without performing an evaluation thereof. If the competent authorities of another Member State have specified in their state the conformity to the credit quality level, which utilised in the specification of credit risk capital requirements, of the credit assessment (rating) performed by a foreign credit assessment institution (rating agency), the Financial and Capital Market Commission may recognise this and not specify the conformity to the credit quality level of the credit assessment (rating) performed by the relevant foreign credit assessment institution (rating agency).

(5) The Financial and Capital Market Commission shall determine the requirements for the recognition of foreign credit assessment institutions (rating agencies), the information to be submitted to the Financial and Capital Market Commission and the procedures for the examination of the submission.
[22 February 2007; 23 December 2010]

Section 35.2
[22 February 2007; 23 December 2010]

Section 36.
[22 February 2007]

Section 36.1
[9 June 2005; 22 February 2007]

Section 36.2

(1) In addition to the requirements referred to in Section 35 of this Law, a credit institution shall ensure for the covering of appropriate to the operation of the credit institution and possible risk, adequate capital, determining the elements and structure thereof.
(2) A credit institution shall develop an appropriate, comprehensive, substantiated and effective strategy and procedures for the nature, volume and complexity of its operations and shall implement necessary measures for continuous capital assessment and the maintenance of adequate capital.
[22 February 2007]

Section 36.3

(1) A credit institution shall communicate to the public information regarding the aims, methods and policies appropriate to the management of risks inherent in the credit institution activities, regarding the requirements for own funds and capital adequacy as well as remuneration policy and its implementation as regards those officials or employees of credit institutions whose professional activities have an essential impact on the risk profile of a credit institution.
(2) The Financial and Capital Market Commission shall determine the requirements for the disclosure of the information referred to in Paragraph one of this Section.
[22 February 2007; 23 December 2010]

Section 36.4

(1) A credit institution on the basis of a request from a commercial company, which wishes to obtain credit, shall explain the rationale for granted internal rating, if necessary, ensuring also a written explanation.
(2) The explanation shall be prepared if the preparation cost thereof is commensurate with the size of the credit.
(3) The Financial and Capital Market Commission is entitled to specify the requirements for the disclosure of the information to be included in the granted internal rating explanation if in the banking sector there is an accepted practice not to ensure compliance to satisfy the requirements specified in Paragraph one of this Law.
[22 February 2007]

Section 37.

(1) A credit institution shall place its assets in such a way as to ensure that the legally justified claims of its creditors shall be satisfied at any time.
(2) The regulatory regulations for ensuring such claims in relation to credit institutions registered in the Republic of Latvia (liquidity requirements) shall be determined by the Financial and Capital Market Commission.
(21) In co-operation with the Member States credit institution supervisory institutions; the Financial and Capital Market Commission shall supervise the compliance of liquidity requirements for branches of credit institutions registered in the Republic of Latvia in Member States and branches of credit institutions registered in Member States in the Republic of Latvia.
(3) [23 December 2010].
(4) [23 December 2010].
(5) [23 December 2010].
[1 June 2000; 28 October 2004; 22 February 2007; 23 December 2010]

Section 38.
[1 June 2000]

Section 39.

(1) The exposure to a credit institution shall be qualified as large, if the amount of the transaction exceeds 10 per cent of the own funds of the credit institution.
(2) A credit institution shall develop substantiated large exposure management and accounting procedures and appropriate internal control mechanisms in order to identify and register in sufficient time all large exposures and further changes in the amounts thereof and to supervise such risk transactions in accordance with credit intuition policies in relation to the restriction of risk transactions.
[22 February 2007; 26 February 2009]

Section 40.
[23 December 2010]

Section 41.
[21 May 1998]

Section 42.
(1) The exposure amounts to one client or a group of connected clients may not exceed 25 per cent of the own funds of a credit institution. The Financial and Capital Market Commission shall be entitled to authorize that exposures to trading portfolio exceed that amount if a credit institution calculates and complies with the capital requirement for relevant excess.
(2) If a client is a credit institution or an investment firm that is subject to capital adequacy requirements under financial instruments market regulatory enactments, or one or several credit institutions or above investment firms are included in a group of connected clients, exposure amounts to such clients or group of connected clients may not exceed 25 per cent of own funds of credit institutions or 100 million euro equivalent in lats, recalculated according to the exchange rate set by the Bank of Latvia depending on the largest amount, and at the same time taking into consideration that the exposure amounts to all other clients of a group of connected clients, that are not credit institutions or investment firms, shall not exceed 25 per cent of credit institution own funds. If 100 million euro equivalent in lats according to the exchange rate set by the Bank of Latvia exceeds 25 per cent of credit institution own funds, a credit institution on its own shall set limits to exposure amounts to such clients so that exposure amounts do not exceed credit institution own funds. Above limits shall be set pursuant to credit institution's risk management policy and procedures.

(3) The Financial and Capital Market Commission shall be entitled to exceed limits referred to in Paragraph two of this Section in exceptional cases for certain period of time if it is determined in the amount of the credit institution's own funds, however, it may not exceed 100 million euro equivalent in lats according to the exchange rate set by the Bank of Latvia.
(4) The Financial and Capital Market Commission shall determine total amounts of exposures to one client or a group of connected clients that are subject to limits, as well as procedure for determining their amounts, potential exemptions from exposure amounts and calculation of own funds.
[22 February 2007; 23 December 2010]

Section 43.

(1) [23 December 2010]
(2) The exposures to persons that are linked with the credit institution may not in total exceed 15 per cent of the own funds of the credit institution. This restriction shall not apply to the exposures to parent company of credit institution, subsidiaries and subsidiaries of parent company, as well as holdings of a credit institution in the equity capital of those subsidiaries and commercial companies in which a credit institution has participation.
(3) (3) The procedure according to which exposure amounts which are subject to limits to persons that are linked with the credit institution are determined and own funds calculated by the Financial and Capital Market Commission.
[21 May 1998; 28 October 2004; 22 February 2007; 23 December 2010]

Section 44.

(1) Qualifying holdings of a credit institution in the equity capital of such commercial company, which is not a credit institution, financial institution, insurance company or a reinsurer, may not exceed 15 per cent of the own funds of the credit institution.
(2) [23 December 2010]
[21 May 1998; 28 October 2004; 9 June 2004; 23 December 2010]

Section 45.

The total amount of the qualifying holdings of a credit institution in the equity capital of such commercial companies, which are not credit institutions, financial institutions, insurance companies or reinsurers, may not exceed 60 per cent of the own funds of the credit institution.
[21 May 1998; 28 October 2004; 9 June 2005]

Section 45.1

A credit institution or a financial holding company prior to the acquisition of a holding in the equity capital of a commercial company registered in a foreign state as a result of which the commercial company in accordance with this Law shall be subject to consolidated supervision, shall ascertain that the credit institution will be able to obtain the necessary information for consolidated supervision from the relevant commercial company.
[22 February 2007]

Section 46.
[24 October 2002]

Section 47.
[21 May 1998; 28 October 2004; 9 June 2005; 22 February 2007]

Section 48.

A credit institution may not grant, directly or indirectly, credit for the acquisition of the stocks issued by itself or by its parent or subsidiary company, as well as accept the own stocks (shares) as credit security.

Section 49.

The open foreign exchange position of a credit institution may not exceed:
1) in a single foreign currency – 10 per cent of own funds; and
2) in all foreign currencies altogether – 20 per cent of own funds.

Section 50.

The Financial and Capital Market Commission has the right to set additional requirements regulating the operations of credit institutions, in order to reduce the exposure in the operations of credit institutions and to protect the interests of creditors.
[1 June 2000]

Section 50.1
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004]

Section 50.2
[28 October 2004; 22 February 2007]

Section 50.3
[28 October 2004; 22 February 2007]

Section 50.4
[28 October 2004; 22 February 2007]

Section 50.5
[28 October 2004; 9 June 2005; 22 February 2007]

Section 50.6
[28 October 2004; 9 June 2005; 22 February 2007]

Section 50.7
[9 June 2005; 22 February 2007]

Section 50.8

(1) A credit institution shall comply with the requirements of Sections 34.1, 35, 42, 43 and 49 of this Law on an individual basis.
(2) A credit institution, which is neither Republic of Latvia registered and parent company subject to consolidated supervision, nor are subsidiary company thereof, as well as any credit institution, which is not subject to the consolidated supervision specified in Section 50.9 of this Law, shall implement the requirements of Sections 36.2, 44 and 45 of this Law on an individual basis.
(3) A credit institution, which is neither a parent company, nor a subsidiary company, as well as any credit institution, which is not subject to the consolidated supervision specified in Section 50.9 of this Law, shall implement the requirements of Sections 36.3 of this Law on an individual basis.

(4) A Republic of Latvia parent credit institution subsidiary company need not comply with the requirements of Paragraph one of this Section on an individual basis if the conditions indicated further have been fulfilled in order to ensure the appropriate division of own funds between the parent company and subsidiary company, and the Financial and Capital Market Commission has consented to it:

1) there does not exist nor is it there expected to exist any significant practical or legal obstacles in order that the parent company may perform an immediate transfer of own funds to the subsidiary company or to settle the obligations of the subsidiary company;

2) the parent company has ensured an appropriate management of the subsidiary company and guarantees the fulfilment of the obligations of the subsidiary company, or also the subsidiary company risks are insignificant at the level of the consolidated group;

3) the parent company risk evaluation, measurement and control procedures also apply to the subsidiary company; and

4) the parent company has more than 50 per cent of the voting stocks (shares) of the subsidiary company, or the parent company has the right to appoint or remove a majority of the members of the management body of the subsidiary company.

(5) The exemption referred to in Paragraph four of this Section may be utilised also by a Republic of Latvia parent financial holding company subsidiary company, which complies with the requirements of Section 50.9 of this Law at the level of the consolidated group if the Financial and Capital Market Commission has consented to it.

(6) The procedures by which the regulating requirement characteristic indicators of credit institution activity are calculated, which the credit institution complies with on an individual basis, as well as the procedures for the establishment of an internal control system, with the provision of reports associated with separate events, preparation and submission of reports regulations and the procedures for the preparation and submission of necessary information for the supervision of credit institutions, and the obtaining of the necessary permits, shall be determined by the Financial and Capital Market Commission.

[22 February 2007; 23 December 2010]

Section 50.9

(1) A Republic of Latvia parent credit institution shall comply with the implementation of the requirements of Sections 35, 36.2, 42, 44 and 45 of this Law at the level of the consolidated group.

(2) A credit institution, which is a Republic of Latvia parent financial holding company subsidiary company, shall comply with the requirements of Paragraph one of this Section at the level of the holding company consolidated group.

(3) A European Union parent credit institution registered in the Republic of Latvia shall comply with the requirements of Section 36.3 of this Law at the level of the consolidated group. The European Union parent credit institution shall determine which of its subsidiary companies registered in the Republic of Latvia shall comply with the requirements of Section 36.3 of this Law on an individual basis or at the level of the consolidated sub-group.

(4) A credit institution shall comply with the requirements of Paragraph three of this Section at the level of the holding company consolidated group if the parent company thereof is a European Union parent financial holding company registered in the Republic of Latvia and determines which of its subsidiary companies registered in the Republic of Latvia shall comply with the requirements of Section 36.3 of this Law on an individual basis or at the level of the consolidated sub-group.

(5) The Financial and Capital Market Commission may fully or partially exempt a credit institution registered in the Republic of Latvia, which is a foreign parent company subsidiary company from the implementation of the requirements of Section 36.3 of this Law if the referred to parent company ensures information equivalent to the requirements of Section 36.3 of this Law.

(6) If a credit institution, which is Republic of Latvia parent company or Republic of Latvia parent financial holding company subsidiary company, or its parent financial holding company is a foreign subsidiary company, which is a credit institution, financial company or an investment trust company, or it has a holding in such institution or company, such a credit institution shall comply with the requirements of Sections 35, 36.2, 42, 44 and 45 of this Law at the level of the consolidated sub-group.
(7) The parent companies and subsidiary companies referred to in this Section shall comply with the requirements Sections 34.1 of this Law at the level of the consolidated group or sub-group and shall ensure that the internal control system thereof is adequately consequent and integrated in order to ensure the preparation of all of the necessary data and information for consolidated supervision.
(8) The procedures by which the regulating requirement characteristic indicators of the activity of the credit institutions referred to in this Section are calculated at the level of the consolidated group or sub-group, as well as the procedures for the establishment of an internal control system, with the provision of reports associated with separate events, preparation and submission of reports regulations and the procedures for the preparation and submission of necessary information for the supervision of credit institutions, and the obtaining of the necessary permits, as well as the total of commercial companies included the consolidated group or sub-group, the consolidation methods thereof and the inclusion of the different requirements included in the regulatory enactments of other Member States in the calculation of the capital requirements of the consolidated group or sub-group, shall be determined by the Financial and Capital Market Commission.
[22 February 2007; 23 December 2010]

Section 51.

Credits, which exceed, separately or in total, 1000 lats and are granted to the same person associated with a credit institution, shall be granted by a unanimous decision taken by the board of directors of the credit institution.
[28 October 2004]

Section 52.

(1) Before and after the granting of the credit, a credit institution shall continually investigate and document the ability of the credit borrower to fulfil the obligations specified in the contract.
(2) The Financial and Capital Market Commission shall issue credit institution credit risk management regulations.
[28 October 2004]

Section 53.
[21 May 1998]

Section 54.

In granting credit, a credit institution shall enter into a contract in which the purpose of the credit, its amount, the procedures for granting and repayment, the interest rate and the procedures for calculation of interest, the credit security and other conditions are indicated.
[28 October 2004]

Section 55.

A credit institution shall assess the quality of its assets in accordance with this law and the regulatory directives of the Financial and Capital Market Commission.

[1 June 2000; 16 July 2009]

Section 56.
[21 May 1998; 1 June 2000; 28 October 2004; 22 February 2007]

Section 56.1

A credit institution which has be selected by the Financial and Capital Market Commission on the basis of competition procedures, from the credit institution to be liquidated shall take over in full the obligations arising from its issued mortgage debentures to the holders of such debentures together with assets, which are included in the mortgage debenture cover register.
[11 April 2002]

Section 57.

(1) A credit institution shall obtain the permission of the Financial and Capital Market Commission if the credit institution is reorganised.
(11) The Financial and Capital Market Commission shall determine the documents to be submitted and the procedures by which it shall evaluate the conformity of the members of the council and board of directors, head of the internal audit service and head of the foreign credit institution branch to the requirements of this Law.
(12) In order to ascertain regarding the conformity of the members of the council and board of directors, head of the internal audit service and head of the foreign credit institution branch to the requirements of this Law, the Financial and Capital Market Commission has the right to summon the relevant persons for discussions.
(13) The Financial and Capital Market Commission, within a period of 30 days from the day when it has received all the necessary documents, has the right to not allow members of the council and board of directors, head of the internal audit service and head of the foreign credit institution branch to commence the performance of their duties if the referred to persons do not conform to the requirements of this Law or the Financial and Capital Market Commission cannot ascertain the conformity thereof to the requirements specified in this Law.
(2) The credit institution, not later than 15 days prior to the taking of a relevant decision, shall notify in writing the Financial and Capital Market Commission regarding an intention to change the name of the credit institution If within a period of seven days after receipt of the credit institution notification, the Financial and Capital Market Commission has not provided a reasoned objection against the change of the name of the credit institution, it shall be considered that the Financial and Capital Market Commission has given permission for the change of the name of the credit institution.
(3) The credit institution shall submit according to the specified procedures of the Financial and Capital Market Commission to the Financial and Capital Market Commission information regarding the composition of the council or board of directors, stockholders (shareholders) and the commencement of the provision of new credit institution financial services.
[1 June 2000; 11 April 2002; 28 October 2004; 9 June 2005; 29 May 2008]

Section 58.

If a credit institution is divided into two or more credit institutions, the own funds of the newly founded credit institutions may not be less than the minimum initial capital specified by law.
[28 October 2004]

Section 59.

The own funds of a credit institution formed by a merger of credit institutions may not be less than the minimum initial capital specified by law.
[28 October 2004]

Section 59.1

(1) In the case of reorganisation, each credit institution involved in the reorganisation in accordance with Section 345 of the Commercial Law have a duty to publish in the newspaper Latvijas Vēstnesis a notice that a decision has been taken regarding reorganisation, and to send the notification to all known creditors, which up to the taking of the decision referred to in Section 345 of the Commercial Law regarding reorganisation had claim rights against the credit institution. The referred to notification need not be sent to creditors whose claim rights were created by the credit institution providing such creditors with financial services.
(2) The provisions of Paragraph one of this Section shall not apply to reorganisation measures, which are performed in accordance with Chapter XVI if this Law.
[9 June 2005]

Section 59.2

(1) Authorisation shall be issued by the Financial and Capital Market Commission in order to transfer a disposal group of credit institution or independent part of it, including a branch, total separable assets, totality of assets or liabilities, or totality of standard agreements entered into with clients of a credit institution (hereinafter – credit institution disposal group) to the ownership or use of another person (hereinafter - transfer of credit institution disposal group). To receive authorization, a credit institution shall submit to the Financial and Capital Market Commission a transitional proposal of credit institution disposal group, supplemented by the assessment of common value of assets and liabilities that are part of credit institution disposal group within functioning market conditions, which is performed no earlier than 30 days before the submission of the proposal by an expert listed on the list approved by the Commercial Register. Transfer of credit institution disposal group with regard to which authorisation from the Financial and Capital Market Commission is not received shall be deemed as void.
(11) The provisions of Section 20 (1) of the Commercial Law regarding joint and several liability of a transferor of credit institution disposal group and acquirer of credit institution disposal group shall not be applicable to transfer of credit institution disposal group – financial services agreement.
(2) In the event of transfer of credit institution disposal group after receipt of authorisation from the Financial and Capital Market Commission, it shall not be necessary to receive consent from creditors of the credit institution involved in transfer of the credit institution disposal group or other persons, including consent for validity of obligations of credit institution disposal group or independent part thereof between those persons and the acquirer of the credit institution disposal group, as well as effectiveness of subordinated liabilities at the moment of the transfer of the credit institution disposal group unless otherwise provided for under a proposal for the transfer of credit institution disposal group.
(21) In the event of transfer of a credit institution disposal group provision of information to the acquirer of the credit institution disposal group regarding the credit institution's creditors, debtors or other persons, with whom the contracts are entered into form the transferable credit institution disposal group or independent part thereof, shall not be regarded as the violation of the requirements of law.
(3) With regard to property of a credit institution, which is located outside the Republic of Latvia, transfer of credit institution disposal group shall be effective irrespective of the law of any other state applicable to such property or individual items, rights or obligations contained therein.

(4) Appeal against an administrative act issued by the Financial and Capital Market Commission regarding permission for the transfer of credit institution disposal group shall not withhold execution thereof.
[12 February 2009; 22 October 2009; 11 March 2010]

Section 59.3

(1) In case the Financial and Capital Market Commission in accordance with Section 113, Paragraph one, Sub-paragraph 6 of this Law has appointed an authorised person who is empowered under provisions of Section 117, Paragraph one, Sub-paragraph 3 of this Law, a decision on submission of proposal on the transfer of credit institution disposal group to the Financial and Capital Market Commission shall be taken by the appointed authorised person. Provisions of Section 20 (1) of the Commercial Law regarding joint and several liability of a transferor of credit institution disposal group and acquirer of credit institution disposal group shall not be applicable to an acquirer of credit institution disposal group. In such a case the Financial and Capital Market Commission shall permit a transfer of credit institution disposal group, provided that a transaction is performed for the purpose to ensure security and stability of the national economy or credit institution sector or in interests of depositors of the credit institution and provisions of Section 170 of the Commercial Law regarding claims for the benefit of a company are not applicable to such transfer.
(2) Transfer of credit institution disposal group that has taken place by a decision of an authorised person appointed by the Financial and Capital Market Commission shall not be recognised as invalid. [12 February 2009]

Section 59.4

(1) Decision to put credit institution disposal group into the credit institution liquidation process shall be taken by a liquidator.
(2) Decision on a transfer of credit institution disposal group in an insolvency process of the credit institution shall be taken by an administrator, and provisions of Section 20 (1) of the Commercial Law regarding joint and several liability of a transferor of credit institution disposal group and acquirer of credit institution disposal group shall not be applicable to the acquirer of the undertaking.
[12 February 2009]

Section 59.5

(1) If the Cabinet of Ministers upon a request of the executive board of a credit institution has made a decision on the acquisition or increasing of a qualifying holding in a credit institution by the state, the supervisory board of a credit institution shall be entitled to make a decision on the increasing of credit institution share capital in the capacity of a shareholders' meeting and to approve regulations for increasing of share capital without summoning a shareholders' meeting.
(2) In cases referred to in Paragraph one of Section hereof, the previous shareholders of credit institution shall have no priority rights to acquire the shares of a new issue.
(3) Increasing of share capital as set forth in Paragraph one of Section hereof the supervisory board shall make amendments to the articles of association of the credit institution. If the nominal value of all shares of new issue is not paid up timely as set forth in the regulations for increasing of share capital, the increasing of share capital shall be deemed as non-occurred and amendments to the articles of association shall become void as of the date of their approval.
[26 February 2009]

Section 59.6

(1) In case a credit institution in accordance with regulatory enactments regarding support for commercial activities receives such support, a credit institution is forbidden from fulfilling subordinated liabilities, including from the repayment of loans, calculation, accumulation or payment of interest of such loans and other compensations as from the allocation of support for commercial activities till the termination of support.
(2) In case the Financial and Capital Market Commission has set deposit restrictions on a credit institution, a credit institution is forbidden from fulfilling subordinated liabilities, including repayment of loans, calculation, accumulation or payment of interest on such loans and other compensations as from the date of imposing restrictions till the date of lifting such restrictions.
(3) If the credit institution's subordinated liabilities have arisen after granting support for commercial activity or after the date of setting deposit limits, restrictions on the fulfilment of liabilities referred to in Paragraphs one and two of Section thereof shall not be applicable.
[22 October 2009]

Section 59.7 pants.

(1) In case a transaction of credit institution disposal group transfer is entered into between two credit institutions, the Financial and Capital Market Commission, upon performing such transaction, shall be authorized to exempt the credit institution that turns over disposal group from part of regulatory requirements and the credit institution that takes over the disposal group from one or several credit institution regulatory requirements as follow:
compliance with the requirement for the amount of own funds;
compliance with the requirement for the structure of own funds;
compliance with limits set out in Sections 42, 44 and 45.
(2) The Financial and Capital Market Commission shall be entitled to set exemption referred to in Paragraph one of this Section to each credit institution for a period not exceeding 36 months of the date when a permit for the transfer of disposal group is received.
(3) A credit institution, to which an exemption from compliance with credit institution regulatory requirements is applied, during a waiver period shall not be eligible to take new deposits and other payment assets from an unlimited circle of clients, as well as grant new loans or increase existing credit limits.
(4) If until the expiry of exemption term from compliance with credit institution regulatory requirements set by the Financial and Capital Market Commission, a credit institution does not ensure conformity of its activities to requirements of this Law and other credit institution regulatory requirements, the Financial and Capital Market Commission shall cancel its licence (permit).
[23 December 2010]

Section 59.8

(1) The Financial and Capital Market Commission shall require that a credit institution which receives support for commercial activities review their remuneration system and, if required, establish also limits to the remuneration of credit institution's executive board members to an extent to ensure sound risk management and long-term growth.
(2) A credit institution, which receives support for commercial activities, shall establish limits to their total net revenue as a percentage of total revenue that may be used to make performance-based payments in order to ensure maintenance of the amount of own funds appropriate to sound institution and timely termination of commercial support provision.
(3) A credit institution, which receives support for commercial activities, shall not prescribe remuneration for the executive board members, which depends on the performance. Supervisory board of such credit institution having assessed each particular case shall decide on prescribing such payment in case of exception.
[23 December 2010]

Chapter V
Relationships between Credit Institutions and Clients

Section 60.

(1) Relationships between a credit institution and a client shall be regulated by law and by the contracts that have been entered into.
(2) [21 May 1998]
(3) [21 May 1998]
(4) [21 May 1998]
[30 May 1996; 21 May 1998]

Section 61.

(1) It is the duty of a credit institution to guarantee the confidentiality of the identity, accounts, deposits and transactions of clients.
(2) In accordance with the regulatory directives and regulations of the Bank of Latvia, a credit institution shall submit to the Bank of Latvia, for the carrying out of macroeconomic analysis, the necessary statistical information regarding payments that have been made between residents and non-residents.
(3) The Bank of Latvia has the right to submit the compiled information referred to in Paragraph two of this Section to the Central Statistics Bureau.
(4) [28 October 2004]
[21 May 1998; 1 June 2000; 28 October 2004]

Section 62.

(1) Information regarding the accounts of and the transactions conducted by natural persons shall be provided to such persons themselves and to their lawful representatives.
(2) Information regarding the accounts of credit institution operations (transactions) legal persons shall be provided to authorised representatives of such legal persons and to their highest institutions pursuant to the request of the heads of such institutions.
(3) [26 May 2005]
(4) Information regarding a client, his or her accounts and transactions performed in accordance with a written agreement shall be provided to third persons if in respect of such provision of information to a third person, the client has unequivocally consented with an agreement entered into with the credit institution.
(5) Information regarding a client and his or her transactions, which the credit institution acquires in providing financial services in accordance with an entered into contract, is confidential information, which does not contain official secrets.
(6) Information regarding a client, his or her financial instrument accounts and money accounts, which are associated with financial instrument accounting, as well as regarding transactions performed with financial instruments included in regulated markets shall be provided to the organisers of regulated markets on the basis of their request if such information is necessary to the market organisers in order to ensure the performance of the supervision functions granted for the prevention of the utilisation of insider information and market manipulation.
(7) Information regarding accounts and banking operations (transactions) performed by a natural person and legal person shall be reported to the person's insolvency process administrator for performance its obligations, based on claim supplemented by a copy of court judgment on the appointment of an insolvency process administrator in the insolvency proceedings against relevant natural or legal person.
[21 May 1998; 11 April 2002; 26 May 2005; 9 June 2005; 16 July 2009]

Section 63

(1) Confidential information at credit institution's disposal shall be submitted to the following State institutions or officials, or other institution and official in accordance with the procedures and to an extent as specified by this law in cases:
1) the Financial and Capital Market Commission – for the exercise of the supervisory functions as specified by law;
2) the Office for the Prevention of Laundering Proceeds Derived from Criminal Activity in accordance with the procedures and to an extent as specified by the Law on the Prevention of Laundering of the Proceeds Derived from Criminal Activity (Money Laundering) and of Terrorist Financing;
3) courts – within the framework of matters in adjudication on the basis of a ruling of a court (judge);
4) investigation authorities – within the framework of a pre-trial criminal procedure on the basis of a decision of the investigative judge;
5) a prosecutor's office - within the framework of pre-trial criminal procedure on the basis of a decision of the investigative judge;
6) operative agents – within the framework of operative registration cases on the basis of a request of an operative agent, which is accepted by the chairman of the Supreme Court or his authorised judge of the Supreme Court;
7) the Corruption Prevention and Combating Bureau – in cases referred to in sub-paragraphs 4 and 6 of paragraph one of this Section, as well as on the basis of a request of the director or an authorised person, which is accepted by the chairman of the Supreme Court or a specially authorised judge of the Supreme Court, if the information is necessary to ensure the control over restrictions for State officials provided by the Law on Prevention of Conflict of Interests in Activities of State Officials and find out non-cash savings, income obtained, transactions performed by State officials or their obligation of demand; or in case the information is necessary to ensure the control over the norms specified by the Law on Financing Political Organizations (Parties), to clarify annual financial activities of political organisations and their unions, authenticity and legitimacy of financing and contributions (donations) received as stated by income declarations on expenditure of pre-election campaigns, election income and expenditure declaration;
8) bailiffs – on the basis of a request with enclosed copy of the judgement of court or other institution, or a State official for execution of which official activities are taken; or on the basis of a request only – in cases when the information is necessary for drafting the inventory list as well as for a description of property for the purposes of the distribution of a joint property or an inheritance matter;
9) the State Treasury - on the basis of a request of the head or an authorised official in respect of accounts and transactions of budget-financed institutions;
10) the State Audit Office - on the basis of a request accepted by the Auditor General, in respect of legal persons which have the capacity to act with State or municipal property, or which are financed from State or municipal budgetary resources, or which provide State procurement and supply;
11) the State Revenue Service - on the basis of a request accepted by the Director General of the State Revenue Service or the Deputy Director or the Head or the Deputy Head of Tax Administration structural unit pursuant to regulatory enactments of the Republic of Latvia and the European Union and international agreements approved by the Saeima (Parliament) of the Republic of Latvia on taxpayers having account and transactions carried out, if:

a) a taxpayer does not submit to the tax administration the declarations or tax calculations specified in the pertinent tax laws,

b) during an audit of a taxpayer, violations in the accounting records or regulatory enactments regarding tax have been established, or

c) a taxpayer does not make tax payments in compliance with the requirements of tax laws;
12) the State Revenue Service if a credit institution pays out income from provisions pursuant to paragraph one of Section 45 of the Law on Taxes and Fees or ensures paying of income from provisions in accordance of third paragraph of Section 45 of the mentioned Law;
13) a notary who carries on the inheritance matter, the information which is necessary for clarifying the bulk of inheritance of a legal person – testator;
14) the Orphan's Court on the basis of the Chairperson of Orphan's court about:
a) the bulk of inheritance, transactions carried out in the name of a child or other capacitated person and account balances if a parent, guardian or trustee does not provide information requested about a child's or other capacitated person's property management or there is grounded suspicion that information provided by a parent, guardian or trustee is untrue,
b) natural person's – the testator's – account balances necessary for drafting the inventory list (inheritance inventory list);
15) the State Revenue Service – data on natural persons' income from deposits in the cases prescribed in the Law on Personal Income Tax;
16) the Bank of Latvia – for the implementation of its statutory functions.
(2) With the exception of the case referred to in paragraph one, sub-paragraphs 1, 12 and 15 of this Section, a State institution or official or other institution and official requires the necessary information in writing, titling the information precisely and specifying its amount as well as the justification of the request – relevant normative enactment, international agreement or the regulatory enactments of the European Union.
(3) A credit institution immediately but not later than in 14 days shall submit the required information, if the procedure is observed as specified in Paragraphs one and two of this Section. In the case referred to in Sub-paragraph 12 of Paragraph one of this Section, a credit institution shall provide information in accordance with the procedure and time limit as specified by the Law on Taxes and Fees, in the case referred to in Sub-paragraph 15 – in accordance with the procedure and time limit as specified by the Law on Personal Income Tax. In the case referred to in Sub-paragraph 11 of Paragraph one of this Section data are requested in cases when it is impossible for the State Revenue Service to obtain data from a taxpayer or data provided are untrue.
(31) A credit institution on the basis of requests of institutions referred to in Paragraph one, Sub-paragraphs 2, 3, 4, 5 or 6 of this Section shall submit data on customer account transaction monitoring with the purpose to prevent, stop or detect a crime. Customer account transaction monitoring shall mean a procedure carried out by a credit institution in accordance with time limit specified by law in order to find out and submit data (information) on transactions notified or executed in the given period and persons involved in the transaction. In case of transaction monitoring procedure and time limit for data submission shall be based on the Cabinet of Ministers' Regulations.
(4) Confidential information that is not to be divulged to a Member State or a foreign judicial and investigation institution shall be submitted by a credit institution as specified by international agreements.
(5) Control services for the prevention of laundering of proceeds derived from criminal activity or financing of terrorism of a Member State and a foreign country or a Latvian authority relevant to a credit institution supervisory authority shall provide information on the basis of a mutual cooperation agreement or an agreement of another kind. The relevant authority of the Republic of Latvia shall obtain the confidential information as specified by paragraphs one and two of this Section. This authority must verify that the protection is ensured against the divulging of the respective information before submitting information to a Member State or foreign authority.
(6) A credit institution shall submit the confidential information at credit institution's disposal to another credit institution, which is registered in a Member State or a foreign country and with which correspondent relations are established in accordance with the procedures specified by the

Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing.
(7) A credit institution shall be entitled to appeal to the Administrative District Court information request from the State Revenue Service on confidential information at the disposal of a credit institution in accordance with procedure as specified in the Administrative Procedure Law, by submitting an application within 10 days after the receipt of a request. The Court shall review the case at the Court of First Instance by a three-judge panel within 20 days after taking proceedings. If the law prescribes time limit for any of procedural actions, but execution of the relevant procedural action in the given time limit would be an impediment for ensuring time limit specified in the second sentence of this Paragraph, the Court on its own shall define appropriate time limit for the completion of the relevant procedural action. The judgement of the Administrative District Court shall not be reversible.
(8) In cases when a credit institution outsources any of its duties or provision of financial service (the essential part), the data requests referred to in this section shall be submitted to the credit institution providing confidential information in accordance with the procedure specified by the law. Outsourcing provider shall not be entitled to divulge confidential data.
[the wording of the Law of 26 May 2005 with the amendments by the Laws of 22 June 2006, 22 February 2007, 17 May 2007, 29 May 2008, 28 January 2010 and the Law of 11 March 2010]

Section 63.1

(1) In cases prescribed by laws and international agreements approved by the Saeima, a credit institution is not entitled to provide information to a client or a third person in respect of the provision of information regarding a client's account or his or her transaction (transactions) to a court or prosecutor's office.
(2) In cases when the law or international agreement imposes a ban on providing information to a client or a third person about the receipt of data request, in addition to the information mentioned in paragraph two of Section 63 of this Law, a court, a prosecutor's office, an investigation institution or an operative agent shall indicate upon a request of the information regarding accounts of natural and legal persons and their transactions that a credit institution is not entitled to notify a client or third persons of the receipt of such an inquiry as well as the law and international agreement under which such a ban is imposed.
(the wording of the Law of 27 May 2004 with amendments by the Law of 26 May 2005, 22 February 2007 and the Law of 28 January 2010; 11 March 2010)

Section 64.

(1) Everyone who has, intentionally or unintentionally, made public or divulged information regarding accounts of the clients of a credit institution, or financial services provided to the clients, to persons who do not have the right to receive the relevant information, if such information has been entrusted to or become known to the person as an owner of the stocks or shares of the credit institution, as the head or a member of the council, the board of directors and the head or a member of internal audit service, as a company controller or trusted person, as an employee of the credit institution, as an employee of the Bank of Latvia, the Financial and Capital Market Commission or a State institution, as a representative of the sworn auditors or as a person referred to in Section 62, Paragraph four or Section 110.1, Paragraph five of this Law or a representative of State institution, consultative council, working group or a union of persons or as a sworn auditor shall be held criminally liable in accordance with the procedures specified by law.
(2) Persons who have committed violations referred to in this Section shall be punishable also if such violations were committed after the persons referred to in Paragraph one of this Section have terminated contractual relations or the performance of their duties at, or employment relationship with the credit institution, the Bank of Latvia, the Financial and Capital Market

Commission, any other State institution, consultative council, working group or a union of persons or as representatives of the sworn auditors.
[30 May 1996: 21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004; 26 February 2009]

Section 65.

(1) Attachment of the monetary funds and other valuables of legal persons, which are placed at a credit institution, or imposition of arrest on them may only occur on the basis of a court issued execution document, a bailiff's order or by the sanction of a prosecutor, but a partial or complete suspension of the account operations of such persons shall be performed at the request of the State Revenue Service.
(2) Collection of the monetary funds and other valuables of legal persons may be exercised on the basis of a court issued execution document, a bailiff's order or also at the request of the tax administration – in cases provided for in the tax laws, but at the request of the State Revenue Service – also in cases provided for by other laws.
(3) Collection of the budgetary funds of local governments, which are located at a credit institution, may be exercised by uncontested procedures at the request of the State Treasury in cases provided for by other laws.
[7 March 1996; 30 October 1997; 24 October 2002]

Section 66.

(1) Attachment of the monetary funds and other valuables of natural persons, which are placed at a credit institution, or imposition of arrest on them may only occur on the basis of a court issued execution document, a bailiff's order or by the sanction of a prosecutor.
(2) Collection of the deposits and other valuables of natural persons may be exercised on the basis of a court issued execution document, a bailiff's order or a decision of the taxation administration regarding the collection of late tax payments in accordance with the Law On Taxes and Fees.
[11 April 2002l; 24 October 2002; 28 October 2004]

Section 67.

(1) The types of deposits are as follows:
1) demand deposits – for an indefinite period with an obligation to pay at demand; and
2) time deposits:
a) for a definite period; or
b) for an indefinite period, to be paid upon a client's prior notice regarding withdrawal.
(2) Time deposits, which have been deposited for an indefinite period, may be withdrawn not earlier than one month after the moment of the acceptance of the deposit. An application regarding withdrawal of the deposit shall be submitted 10 days before the withdrawal of the deposit, unless provided otherwise by the contract.

Section 68.

Time deposits for which the time of payment has become applicable and the contract in respect of which has not been extended or concluded anew shall be regarded as demand deposits, unless provided otherwise by the contract.

Section 69.

The amount of the interest rate and the procedures for the payment of interest shall be specified in the contract upon mutual agreement of the credit institution and the client.
[28 October 2004]

Section 70.

If the contract does not specify otherwise:
1) the time period for the calculation of interest rate shall be the number of calendar days of the granted credit or the deposit. Such calculations shall be based on year which is deemed to have 360 days; and
2) the interest shall be paid each year on 31 December and upon the complete repayment of a credit or a deposit.

Section 71.

(1) A client shall lose the right of claim against a credit institution, if no transactions have been performed with the deposit for a period of 60 years.
(2) The limitation period shall start:
1) with respect to time deposits for a definite time period – from the last day of payment from the deposit; and
2) with respect to demand deposits and time deposits for an indefinite period – from the day when the last transaction with such deposit was performed on behalf of the client.
[21 May 1998; 28 October 2004]

Section 72.

Deposits, in respect of which the limitation period has become applicable, shall be credited as income to the credit institution.
[28 October 2004]

Section 72.1

[28 October 2004; 22 February 2007; 23 December 2010]

Section 73.

Upon requesting a credit or entering into other contractual relationship with a credit institution, or submitting a report regarding the fulfilment of obligations, the client has the duty to provide, pursuant to the request of the credit institution, complete and accurate information about his or her financial situation and property, including all encumbrances on the property, as well as other information which is necessary in order that the credit institution may ascertain whether the client is associated with the credit institution or constitutes a group of connected clients for the credit institution.

Section 74.

[30 May 1996; 21 May 1998]

Section 74.1

(1) A credit institution shall ensure effective examination procedures for client applications and complaints (disputes) with the credit institution regarding financial service provision. Written information regarding the referred to the applications and complaints (disputes) review procedures shall be freely available in the credit institution and electronically in the home page of the credit institution in the Internet network if such home page has been established.

(2) A credit institution shall reply in writing to the applications and complaints (disputes) regarding financial service provision within 30 days of receipt of the applications and complaints (disputes). If the credit institution is unable to observe that term due to objective circumstances

the credit institution shall be eligible to prolong notifying the submitter of it in writing.[11 April 2002; 23 December 2010]

Section 74.2

A credit institution not later than within a period of five days after the receipt of a submission from a client shall inform the Financial and Capital Market Commission regarding a dispute between the client and the credit institution regarding the transfer of non-cash means of payment, which exceeds 200 000 lats.
[22 February 2007]

Section 74.3

In opening and closing the sight deposit accounts of legal persons – residents of the Republic of Latvia, as well as non-resident permanent representations in Latvia, a credit institution has a duty according to the procedures and the time periods specified by the Cabinet to provide the State Revenue Service the following information: name (firm name), unified registration code, the sight deposit account number and the currency.
[22 February 2007]

Chapter VI
Accounting and Annual Accounts

Section 75.

A credit institution shall keep accounts in accordance with the Law On Accounting and the regulatory norms of the Financial and Capital Market Commission, which must be in compliance with the laws of the Republic of Latvia and internationally accepted accounting standards.
[1 June 2000; 16 July 2009]

Section 76.

The Financial and Capital Market Commission is entitled to request from a credit institution and commercial companies associated with it consolidated accounts, the procedures for the preparation and submission of which shall be specified by the Financial and Capital Market Commission.
[1 June 2000; 28 October 2004]

Section 77.

A credit institution shall prepare an annual account for each operational year, in which the financial statements, as well as a management report and notification of management responsibility shall be included.
[11 April 2002; 16 July 2009]

Section 78.

The accounting year shall coincide with the calendar year. The first reporting period may be shorter than the calendar year, but it shall not be longer than 18 months.

Section 79.

The annual account shall be prepared in compliance with this Law and the regulatory norms of the Financial and Capital Market Commission issued based on this Law.
[1 June 2000; 16 July 2009]

Section 80.

If it is not possible to obtain a true and clear view of the credit institution in accordance with the requirements of Section 79 of this Law, the annual accounts shall include relevant additional information.

Section 81.
[29 May 2008]

Section 82.
[29 May 2008]

Section 83.

(1) The report shall include a description of the financial situation of the credit institution and its development. If the results of the operations of a credit institution, which are reflected in the annual accounts, have been substantially affected by special circumstances, or the annual accounts cannot be considered adequate, the additional information shall be provided in a separate paragraph of the report.
(2) The report shall also provide information on important events, if such have occurred after the end of the accounting year, on the expected development of the credit institution and important development measures.

Section 84.

The management report or the financial statements shall provide proposals regarding the distribution of the profit of the credit institution, including the value of dividends or the compensation of losses.
[16 July 2009]

Section 85.

(1) A sworn auditor shall examine the annual accounts of a credit institution. If such examination has not been performed, it is prohibited to approve the annual accounts at the meeting of the stockholders (shareholders) of the credit institution.
(2) If the opinion of the sworn auditors contains notes, dividends may be paid only after co-ordination with the Financial and Capital Market Commission.
(3) A credit institution shall, one month prior to the meeting of stockholders (shareholders), notify the Financial and Capital Market Commission regarding an intention to pay out dividends. The Financial and Capital Market Commission has the right to prohibit the credit institution from paying out dividends if as a result of the paying out of dividends the credit institutions shall not comply with the requirements for capital sufficiency or the restrictions on large exposure.
[1 June 2000; 11 April 2002; 28 October 2004]

Section 86.

(1) The annual accounts of a credit institution shall be examined in accordance with this Law and international auditing standards recognised in Latvia.

(2) The Financial and Capital Market Commission has the right to request that a credit institution change the sworn auditor selected for the annual report examination if in performing supervision of credit institutions, the Financial and Capital Market Commission determines that the qualifications of the sworn auditor or professional experience is inadequate for the performance of a qualitative examination, or it is determined that the auditor does not comply with international auditing standards recognised in Latvia or ethical norms. The Financial and Capital Market Commission shall inform the Sworn Auditors Association of Latvia of the decision taken.
[22 February 2007]

Section 87.

In conducting the examination of annual accounts, the sworn auditors have the right to become acquainted with the assets of the credit institution, accounting entries, documents verifying such entries, and other information. It is the duty of the board of directors, the executive manager and employees of the credit institution to provide all necessary information to the sworn auditors.

Section 88.

(1) It is the duty of a credit institution to inform the Financial and Capital Market Commission regarding all circumstances, which may substantially affect the further operations of the credit institution.
(2) A sworn auditor shall verify whether the credit institution complies with the requirement referred to in Paragraph one of this Section. The sworn auditor shall inform without delay, in writing, the management of the credit institution and the Financial and Capital Market Commission regarding any violations of regulatory enactments and other deficiencies determined during the provision of the audit services and during the fulfilment of specialist or entrusted tasks, due to which the fulfilment of the obligations or further operations or interests of the credit institution clients of this credit institution are threatened.
(3) The sworn auditor has a duty to submit without delay, in writing, a notification to the Financial and Capital Market Commission regarding the facts referred to in Paragraph two of this Section, which are discovered in providing audit services to clients with whom the credit institution is associated in relations of holdings or close links in a control way, or in fulfilling expert or entrusted tasks given by such clients.
(31) The Financial and Capital Market Commission is entitled to request from a sworn auditor the necessary information and work documents for the performance of its assignments.
(4) The provision of the information referred to in Paragraphs two, three and 31 of this Section to the Financial and Capital Market Commission shall not be deemed as the disclosure of confidential information, and civil legal liability for the sworn auditor shall not come into effect.
[1 June 2000; 11 April 2002; 22 February 2007]

Section 89.
[1 June 2000; 28 October 2004; 16 July 2009]

Section 89.1
(1) A credit institution shall submit to the State Revenue Service a copy of annual accounts and a sworn auditor's report accompanied by an extract from the shareholders' meeting minutes on the approval of annual accounts no later than within 10 days of the approval of annual accounts and no later than in three months after the end of accounting year. A credit institution, which draws up consolidated annual accounts, in addition to requirements referred to in the first sentence of this Paragraph shall submit to the State Revenue Service a copy of consolidated annual accounts and a sworn auditor's report accompanied by an extract from the shareholders' meeting minutes on the approval of consolidated annual accounts no later than within 10 days of the approval of

consolidated annual accounts and no later than in three months after the end of accounting year. A credit institution shall submit above documents in paper or electronically.
(2) The State Revenue Service shall electronically submit the documents referred to in Paragraph one of this Section if they are submitted electronically or electronic copies of those documents if they are submitted in paper to the Enterprise Register no later than in five working days. The Enterprise Register shall ensure public availability of the submitted documents. The procedure for submission and approval of electronic documents shall be prescribed by inter-institutional agreement between the State Revenue Service and Enterprise Register.
(3) Upon receipt of documents referred to in Paragraph two of this Section the Enterprise Register shall no later that within five working days publish a notification in the official newspaper Latvijas Vēstnesis on the availability of information referred to in Paragraph one of this Section in the Enterprise Register.
[29 May 2008]

Section 90.

(1) The full report of the sworn auditor addressed to the management of a credit institution shall be submitted by a credit institution to the Financial and Capital Market Commission within 10 days after its approval at the meeting of the stockholders (shareholders) of a credit institution, but not later than three months after the end of the accounting year.
(2) The Financial and Capital Market Commission is entitled to request from the credit institution to additionally submit the expanded report prepared by the sworn auditor with comments regarding the applicability of the internal control system, analysis of the operations risk of the credit institution and assessment of conformity to the requirements of regulatory enactments and regulating regulations and orders of the Financial and Capital Market Commission.
[1 June 2000; 11 April 2002; 28 October 2004; 17 May 2007]

Section 91.

A credit institution in addition to the requirements prescribed in Paragraph one of Section 89.1 of this Law shall on its own to ensure that annual accounts and consolidated annual accounts after their approval, accompanied by a sworn auditor's report are published no later than until 1 April of the year following the accounting year. Above annual accounts and consolidated annual accounts shall be identical to those audited by a sworn auditor. A credit institution may publish relevant information on its website or use any other appropriate media and locations.
[29 May 2008]

Section 92.
[1 June 2000; 17 May 2007; 29 May 2008]

Section 93.
[11 April 2002]

Section 94.
[29 May 2008]

Section 95.

(1)[29 May 2008]
(2) The annual accounts of a foreign credit institution or a credit institution of other Member State must be examined in accordance with international auditing standards.
[21 May 1998: 1 June 2000; 11 April 2002; 28 October 2004; 29 May 2008]

Section 96.

A branch of a foreign credit institution or a credit institution of other Member State shall ensure that annual accounts of a foreign credit institution or a credit institution of other Member State are published no later than seven months after the end of accounting year. At least an account reflecting the financial situation at end of accounting period, a financial statement for the accounting period and a sworn auditor's opinion shall be translated in Latvian. A branch of a foreign credit institution or a credit institution of other Member State may publish relevant information on their website or use any other appropriate media and locations.
[11 April 2002; 28 October 2004; 29 May 2008; 16 July 2009]

Section 97.

[28 October 2004; 29 May 2008]

Section 98.

A credit institution shall perform the preparation, registration, and storage of record-keeping and other documents in accordance with the documentation standards determined for the State and the Law on Archives.
[1 June 2000; 16 July 2009]

Chapter VII
Supervision of the Operations of Credit Institutions

Section 99.

[1 June 2000]

Section 99.1

(1) In order achieve the security, stability and development of Latvia's credit institution sector, the Financial and Capital Market Commission shall perform supervision of credit institutions. While exerting supervision and before making a decision the Financial and Capital Market Commission, based on information in its possession, shall assess a potential impact of decisions on the financial system stability of other Member State.
(2) The Financial and Capital Market Commission has a duty to take measures without delay in accordance with the specifications of this Law in order to prevent deficiencies in the operations of credit institutions and the credit institution sector, which threaten or may threaten the stable operation of a credit institution or the whole credit institution sector, interfere in the conduct of proper transactions, the provision of financial services or may cause significant losses to the whole of the State economy.
(3) An administrative act issued by the Financial and Capital Market Commission in accordance with this Law may be appealed to the Administrative District Court. The Court shall review the case at the Court of First Instance by a three-judge panel. The judgement of the Administrative District Court may be appealed to a Court.
[11 April 2002; 22 February 2007; 23 October 2008; 16 July 2009]

Section 100.

(1) The Financial and Capital Market Commission shall conduct supervision of credit institutions if not otherwise specified by law.
(2) The Financial and Capital Market Commission in accordance with this Law and other laws shall perform the supervision of a branch of the credit institution in a foreign state if it is not specified otherwise in the regulatory enactments of the relevant foreign state.

[1 June 2000; 28 October 2004]

Section 101.

The Financial and Capital Market Commission shall determine the procedures for the supervision process in accordance with this Law and other laws.
[1 June 2000]

Section 101.1

The Financial and Capital Market Commission has the right not to allow a credit institution to be establish close links or to request the termination of the close links with third persons, or to prohibit transactions with them if such links may threaten or threaten the financial stability of the credit institution, or restrict the rights of the Financial and Capital Market Commission to perform the supervisory functions specified by law.
[11 April 2002]

Section 101.2

(1) If a credit institution has planned to commence a new, until now the provision of an unperformed financial service or to significantly modify the procedures for the provision of one of the financial services, it shall, not later than 30 days prior, submit to the Financial and Capital Market Commission a substantiated submission. The submission shall have appended the relevant risk administration policy and a description of procedures.
(2) Upon receipt of the submission referred to in Paragraph one of this Section, the Financial and Capital Market Commission not later than within a period of 30 days shall examine the submitted documents and evaluate the risk administration of the provision of the planned financial service and the impact thereof on the operations of the credit institution and the whole of the credit institution sector.
(3) The Financial and Capital Market Commission has the right to request additional information regarding the planned financial service or the procedures for the provision thereof in order to evaluate the impact of the provision of the relevant financial service on the credit institution and the whole of the credit institution sector and the quality of risk administration.
(4) The Financial and Capital Market Commission shall take a decision regarding the prohibition of a new, until now the provision of an unperformed financial service or to significantly modify the procedures for the provision of one of the financial services of a credit institution, and without delay shall notify the relevant credit institution regarding this if the planned operations thereof endanger or may endanger the stable operations of such credit institution or the whole of the credit institution sector, interferes with the proper performance of transactions or the provision of financial services.
(5) An appeal against the administrative act issued by the Financial and Capital Market Commission regarding the issues referred to in this Section shall not suspend the execution thereof.
[28 October 2004]

Section 101.3

(1) The Financial and Capital Market Commission shall evaluate the strategy, procedures and measures of credit institutions, which they have implemented in order to comply with requirements of this Law, other regulatory enactments and Financial and Capital Market Commission regulatory regulations and orders, and shall evaluate the appropriate to the operation of the credit institution and possible risks.

(2) The Financial and Capital Market Commission shall determine the amount and regularity of the evaluations referred to in Paragraph one of this Section depending upon the size, systemic importance, and the volume, diversity and complexity of the operations (transactions) performed. The Financial and Capital Market Commission not less often than once per year shall review and update the information included in the evaluation referred to in Paragraph one of this Section.
(3) Based upon the evaluation performed, the Financial and Capital Market Commission shall evaluate whether the strategy, procedures and implemented measures of the credit institution ensure adequate risk management and whether the own funds of the credit institution is adequate to cover the appropriate to the operation of the credit institution and possible risks.
(4) The evaluation referred to in Paragraph one of this Section includes also an assumption regarding the fact when a significant loss may occur in the credit institution due to the interest rate risk of risk transactions not included in the trading-book business, and considerations regarding the circumstances in which such losses may occur.
(5) The Financial and Capital Market Commission shall determine the procedures by which a reduction of the economic value of the credit institution shall be calculated due sudden and unexpected changes in interest rates.
(6) If the calculation referred to in Paragraph five of this Section shows that the economic value of the credit institution shall reduce by 20 per cent or more of own funds, the credit institution shall perform measures in order to ensure the conformity of own funds to the size of the interest rate risk of risk transactions not included in the trading-book business.
(7) If the Financial and Capital Market Commission determines that a credit institution does not comply with requirements of Section 34.1, 36.2 or 39, Paragraph two, or the credit institution's own funds are inadequate for the covering of the appropriate to the operation of the credit institution or possible risks, the Financial and Capital Market Commission is entitled to:

1) specify the duty of the credit institution to maintain a higher own funds level than is specified in Section 35 of this Law;

2) request the credit institution to apply a special deposit policy or an active policy arising from the requirements of own funds; and

3) impose a duty on the credit institution to improve its strategy, procedures and measures to be performed, which the credit institution has implemented in the implementation of the requirements of Section 34.1 or 36.2 of this Law.

(8) An appeal against the administrative acts issued by the Financial and Capital Market Commission connected with the issues referred to in this Section shall not stop the execution thereof.
[22 February 2007]

Section 101.4
[22 February 2007; 16 July 2009; 23 December 2010]

Section 101.5
[22 February 2007; 23 December 2010]

Section 101.6
[22 February 2007; 23 December 2010]

Section 101.7
[22 February 2007; 23 December 2010]

Section 101.8
[22 February 2007; 23 December 2010]

Section 101.9
[22 February 2007; 23 December 2010]

Section 101.10
[22 February 2007; 23 December 2010]

Section 101.11
[22 February 2007; 23 December 2010]

Section 101.12 [
[22 February 2007; 23 December 2010]

Section 101.13
[22 February 2007; 23 December 2010]

Section 101.14
[22 February 2007; 23 December 2010]

Section 101.15
[22 February 2007; 23 December 2010]

Section 102.
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004; 9 June 2005; 22 February 2007]

Section 103.
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004; 22 February 2007]

Section 104.
[1 June 2000; 28 October 2004; 22 February 2007]

Section 105.
[1 June 2000; 22 February 2007]

Section 106.

(1) The Financial and Capital Market Commission or an authorised person thereof has the right to perform an examination of the operations of a credit institution or its subsidiary companies, which are included in a financial holding company and a consolidated group.
(2) The Financial and Capital Market Commission or an authorised person thereof has the right to become acquainted with all the documentation, assets and liabilities of a credit institution or its subsidiary companies, which are included in a financial holding company and a consolidated group, as well as to receive from the responsible persons of parent company or subsidiary companies explanations and information regarding commercial companies in which a consolidated group has investments
(3) An authorised representative of the Bank of Latvia has the right to examine the compliance with its approved regulatory directives and regulations by the credit institution, as well as to become acquainted with all the documentation, assets and liabilities of the credit institution and to receive from the responsible persons of the credit institution the necessary explanations and information for the conduct of the examination.
(4) [17 May 2007]
(5) [17 May 2007]
(4) Credit institutions, the subsidiary companies thereof, which provide financial services associated with credit risk, credit unions and insurers have the right to, directly or through an institution established specifically for this purpose, mutually exchange information regarding

debtors and the course of the fulfilment of their obligations. Credit institutions according to the procedures specified in this Paragraph have the right to mutually exchange information regarding all cases when a client fails to comply, fully or partially, with the requirements of Section 73 of this Law.
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004; 22 February 2007; 17 May 2007; 23 December 2010]

Section 106.1

(1) Information regarding its debtors and their warrantors, their liabilities and the performance of their obligations to the extent and in accordance with the procedures prescribed by the regulations approved by the Bank of Latvia shall be provided by following commercial companies that provide financial services associated with credit risk:
1) a credit institution;
2) a commercial company which has close relationship with a credit institution.
(2) The Bank of Latvia shall accumulate and store the information referred to in Paragraph one of this Section in the Credit Register which has been set up and operating in accordance with the regulations approved by the Bank of Latvia.
(3) The amount of information and the procedure according to which the information held in the Credit Register shall be provided to the debtor, their warrantor, the Financial and Capital Market Commission, to a commercial company referred to in Paragraph one of this Section, as well as other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities shall be prescribed by the Bank of Latvia.
(4) To cover the Credit Register maintenance expenses, a commercial company referred to in Paragraph one of this Section and the Financial and Capital Market Commission shall pay for the use of Credit Register to the Bank of Latvia. Other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities shall make payments for the use of Credit Register to the Bank of Latvia every time upon receipt of data from the Credit Register to cover the Credit Register maintenance expenses related to information receipt. The amount and procedure for payment shall be prescribed by the Bank of Latvia.
(5) A commercial company referred to in Paragraph one of this Section, as well as other person from a Member State of the European Union or the European Economic Area that carry out consumer lending activities may not divulge information received from the Credit Register to the third persons except for the person on whom the data have been obtained.
(6) The Bank of Latvia shall use the Credit Register information for the purposes of exercising functions prescribed in the law. The Bank of Latvia shall have rights to partially cover the Credit Register maintenance expenses.
(7) If before starting tax audit the State Revenue Service has reasonable grounds to consider that a natural person's (resident) expenses could exceed income, a director general of the State Revenue Service or a deputy director general, or a head of structural unit or their deputy for tax administration authorized by director general of the State Revenue Service shall be eligible to request in writing data from the Credit Register during the tax audit for the purposes of analysis, i.e. information about the type of debtor's obligations, initial and maturity date, the amount, balance and currency code, as well as creditor's data. The Bank of Latvia shall provide the State Revenue Service with such information about the relevant natural person (resident) from the Credit Register in writing and free of charge without delay but no later than in 14 days upon receipt of request from the State Revenues Service.
[17 May 2007; 29 May 2008; 26 February 2009, 23 September2010; 23 December 2010]

Section 107.
[21 May 1998; 1 June 2000; 11 April 2002; 28 October 2004]

Section 107.1

(1) Another Member State supervision institution has the right to perform examinations of the relevant Member State credit institution branches and representations registered in the Republic of Latvia, as well as the credit institutions and commercial companies thereof, which have submitted information to such Member State supervision institution for the performance of consolidated supervision, as well as to become acquainted with documentation and receive explanations and information that is necessary with framework of examination.
(2) Prior to the commencement of the examination, another Member State supervision institution shall in a timely manner inform in writing the Financial and Capital Market Commission regarding this. A representative of the Financial and Capital Market Commission has the right to participate in such examination. The other Member State supervision institution shall submit to the Financial and Capital Market Commission a copy of the report prepared regarding the results of the examination performed.
(3) The Financial and Capital Market Commission has the right to provide another Member State supervision institution in accordance with their mutual agreement with information which shall not be further divulged, which is necessary for the performance of the supervision of the relevant Member State credit institutions branches and representations registered in the Republic of Latvia, as well as the credit institutions and commercial companies thereof, which has submitted information to such Member State supervision institution for the performance of consolidated supervision referred to in Paragraph one of this Section, if the legislation of the relevant Member State provides for liability regarding the divulging of information not to be divulged.
[28 October 2004; 22 February 2007; 26 February 2009]

Section 107.2

The rights of a Member State supervision institution specified in Section 107.1 of this Law shall also be applied to a foreign supervision institution insofar as it is necessary for the performance of supervision of a credit institution, based upon consolidated financial accounts and an agreement between the Financial and Capital Market Commission and the relevant foreign credit institution supervision institution.
[28 October 2004]

Section 108.

(1) A written report shall be submitted to the management of the credit institution on the results of an examination, which mentions the violations and gives directions regarding the necessary changes in the further operations and credit policy of the credit institution.
(2) If a credit institution does not agree with the opinion of the examination by the Financial and Capital Market Commission, it may submit a complaint to the council of the Financial and Capital Market Commission, which is entitled to determine a new examination or to decide to make amendments to the opinion of the examination, or to reject the complaint.
(3) If the decision of the council of the Financial and Capital Market Commission does not satisfy the credit institution, it is entitled to appeal the decision to the court.
(4) If the credit institution does not agree with the opinion of the examination by the Bank of Latvia, it is entitled to submit a complaint to the council of the Bank of Latvia, which is entitled to determine a new examination or to decide to make amendments to the opinion of the examination, or to reject the complaint.
(5) If the decision of the council of the Bank of Latvia does not satisfy the credit institution, it is entitled to appeal the decision to the court.
[1 June 2000]

Section 108.1

(1) If the Financial and Capital Market Commission determines that the branch of a credit institution that is registered in another Member State, which operates in Latvia, or a credit institution that is registered in another Member State, which provides financial services without opening a branch performs operations that are in contradiction to the laws of Latvia, it shall without delay request that such credit institution terminate such operations.
(2) If the branch of a credit institution that is registered in another Member State, which operates in Latvia, or a credit institution that is registered in another Member State, which provides financial services without opening a branch does not discontinue operations that are in contradiction to the laws of Latvia, the Financial and Capital Market Commission shall inform without delay the relevant Member State supervisory institution, the duty of which is to act so that the violations are rectified. The other Member State supervisory institution shall inform the Financial and Capital Market Commission regarding the measures taken.
(3) If the branch of a credit institution that is registered in another Member State, which operates in Latvia, or a credit institution that is registered in another Member State, which provides financial services without opening a branch continues to perform operations that are in contradiction to the laws of Latvia, the Financial and Capital Market Commission shall inform the relevant Member State supervisory institution, and shall take measures so that such violations are rectified.
(4) The requirements specified in Paragraphs one, two and three of this Section shall not prevent the Financial and Capital Market Commission from performing activities in order to rectify violations, which are in contradiction with the laws of Latvia that safeguard the interests of society, and to apply penalties for them.
(5) The provisions of this Section shall not hinder a credit institution that is registered in another Member State to disseminate advertising in Latvia regarding the financial services provided by it.
(6) In a crisis situation, without observing the procedures referred to in this Section, the Financial and Capital Market Commission may implement measures in order to protect the interests of depositors, investors and other recipients of the services of a credit institution, and in respect of such measures informing the relevant Member State supervisory institution and the European Commission.
[11 April 2002; 28 October 2004; 22 February 2007]

Section 108.2

To ensure supervision of activities of credit institutions which operate in one or several Member States through their branches, the Financial and Capital Market Commission shall cooperate with relevant supervisory authorities involved, provide and receive the necessary information from those authorities regarding the management and shareholders of credit institutions, as well as information on the receipt of a licence, commencing of operation of branches and credit institution regulatory requirements, in particular regarding liquidity, solvency, deposit guarantees, the limiting of large exposures, administrative and accounting procedures and internal control mechanisms.
[23 December 2010].

Section 108.3

(1) The Financial and Capital Market Commission, indicating reasons, shall request a credit institution which not a part of a consolidated group but has a branch registered in the Republic of Latvia, home supervisory authority or consolidating supervisor which exercises supervision of the consolidated group the part of which is the credit institution, which has a branch registered in the Republic of Latvia, to reach agreement in order to take a decision (hereinafter – a joint decision) on considering a branch registered in the Republic of Latvia as significant.

(2) In assessing of significance of a branch, the Financial and Capital Market Commission shall take into consideration such criteria:
1) the market share of a branch in terms of deposits exceeds 2% of in the Republic of Latvia;
2) suspension or closure of the operations of a branch may likely have an impact on the market liquidity and the payment and clearing systems in the Republic of Latvia;
3) importance of the amount of assets and the number of clients of a branch for the credit institution sector or financial system of the Republic of Latvia.
(3) The Financial and Capital Market Commission and supervisory authority of home country of a branch or the consolidating supervisor shall collaborate and do everything in their power to reach a joint decision on the recognition of a branch as being significant within two months of making request referred to in Paragraph one of this Section.
(4) Appeal against a decision referred to in Paragraph three of this Section may be made in a home country of a consolidating supervisor or a branch under the laws of the relevant country.
(5) If no joint decision is reached within two months of making a request referred to in Paragraph one, the Financial and Capital Market Commission, taking into account an opinion of home supervisory authority or consolidating supervisor, shall have rights to take its decision on the recognition of a branch as being significant within a further period of two months without agreeing views.
(6) Supervisory authority of other Member State may request the Financial and Capital Market Commission to recognize a branch of a Latvia-registered credit institution, which is registered in the relevant Member State, as being significant or, if the Financial and Capital Market Commission is a consolidating supervisor, request to recognize branches of credit institutions, which are part of a consolidated group. The Financial and Capital Market Commission shall do everything in its power to reach a joint decision on the recognition of a branch as being significant within two months of receipt of the request. If no joint decision is reached, the Financial and Capital Market Commission conform to decisions taken by supervisory authority of other Member States on the recognition of the relevant branch as significant.
(7) Appeal against a decision referred to in Paragraph six of this Section shall be made in the Administrative District Court.
(8) A decision regarding the recognition of a branch as significant shall be communicated to the relevant supervisory authorities of subsidiary companies and branches of a Latvia-registered credit institution, which are registered in other Member States.
(9) Recognition of a branch as significant shall not have an impact on the rights and duties set for supervisory authorities.
(10) The Financial and Capital Market Commission shall cooperate with supervisory authorities of significant branches of Latvia-registered credit institutions in Member States involved, exchanging in information referred to in Sub-paragraphs 3 and 4 of Paragraph one of Section 112.7 and exercising supervision referred to in Sub-paragraph 3, Paragraph one of Section 112.3.
(11) If the Financial and Capital Market Commission establishes an emergency situations, including adverse developments in the financial market, that affect a credit institution, it shall, considering regulations on the divulging of restricted access information and using already established information exchange mechanisms, immediately warn about the emergency situation the central banks of relevant countries or other competent authorities responsible for monetary system and supervisory authorities of relevant countries and communicate all the relevant material information.
(12) If a Latvia-registered credit institution has significant branches in other Member States and a credit institution is not a part of a college of supervisors set up within a consolidated group, the Financial and Capital Market Commission shall establish and manage a college of supervisors from involved supervisory authorities of countries where mentioned significant branches of credit institutions have been registered, to ensure cooperation with supervisory authorities with mentioned Member States under Paragraphs ten and eleven of this Section and Section 108.2. The Financial and Capital Market Commission shall establish a college of

supervisors by entering into a cooperation agreement with supervisory authorities of relevant Member States.
(13) The Financial and Capital Market Commission, taking into account importance of the planned and coordinated supervisory activities for supervisory authorities of the relevant countries and potential impact on the stability of the financial system in the relevant member States, in particular in emergency situations, shall decide which supervisory authorities are obliged to participate in meetings of a college of supervisors.
(14) The Financial and Capital Market Commission shall timely inform all members of the college of supervisors regarding meetings of college, key issues on the agenda and planned activities as well as decisions taken in the meetings or measures applied.

[23 December 2010].

Section 109.

The Financial and Capital Market Commission may request the announcement of a meeting of the stockholders (shareholders) or a meeting of the board of directors of the credit institution and determine the issues to be discussed. Authorised representatives of the Financial and Capital Market Commission have the right to participate in such meetings.
[1 June 2000; 11 April 2002]

Section 110.
[1 June 2000; 21 May 1998; 1 June 2000]

Section 110.1

(1) Information regarding a credit institution and the clients thereof, credit institutions and the operations of the clients thereof, which has not been previously published according the procedures specified by law, or the divulging of which has not been determined by other laws, or which has not been approved by the council of the Financial and Capital Market Commission, as well as the information referred to in Section 20 of the Financial and Capital Market Commission Law, shall be deemed to be restricted access information and shall not be divulged to third persons other than by way of overviews or compilations such that it is not possible to identify a concrete credit institution or the client thereof.
(2) The provisions of Paragraph one of this Section shall not restrict the Financial and Capital Market Commission in conformity with its competence to exchange restricted access information with other Member State Financial and capital market participants supervision institutions, preserving the restricted access status of the information provided.
(3) The Financial and Capital Market Commission is entitled to enter into information exchange agreements with foreign credit institution supervision institutions or relevant foreign institutions, which are comparable to the institutions referred to in Paragraphs five and six of this Section, if the regulatory enactments of such foreign states provide for liability equivalent to that specified in the regulatory enactments of the Republic of Latvia regarding unauthorized divulging of restricted access information. Such information shall only be utilised in order to perform the supervision of participants in the Financial and capital market or the functions specified by law for the relevant institution. The relevant foreign institution is entitled to disclose the received information only with the written consent of the Financial and Capital Market Commission and only for the purposes for which such consent was given.
(4) The Financial and Capital Market Commission is entitled to utilise the information received according to Paragraphs two, five and six of this Section only for the performance of its supervision function:

1) in order to ascertain compliance with regulatory enactments which regulate the founding and operations of credit institutions, especially in relation to liquidity, insolvency, large risk transactions, organisation of management and accounting and internal control mechanisms;

2) in order to apply the restrictions of rights and penalties specified by law; and

3) in the court proceedings procedure, in which the administrative acts issued by the Financial and Capital Market Commission or its actual actions are disputed.

(5) The provisions of Paragraphs one and four of this Section shall not restrict the Financial and Capital Market Commission in conformity with its competence to exchange restricted access information with:

1) financial and capital market participants supervision institutions and Ministry of Finance of other Member State;

2)State institutions, consultative councils, working groups or unions of persons, which in Member States or international organisations are responsible for the suspension of credit institution payments, insolvency, liquidation, crisis management or the procedures for the examination of the accounting of credit institutions and other financial institutions;

3) persons, which in a Member State perform as specified by law internal examinations and audits of credit institutions, insurers, investment brokers, investment management companies and other financial institutions; and

4) Member State institutions, which manage investments and investment compensation schemes if such information is necessary for the performance of the functions thereof.

(6) The provisions of this Section shall not prohibit the Financial and Capital Market Commission from exchanging restricted access information with the Member State central credit institutions and other institutions, which are responsible for the monitoring of the payment system if such information is necessary for the performance of the functions thereof specified by law.

[11 April 2002; 28 October 2004; 22 February 2007; 26 February 2009]

Section 111.

(1) The employees of the Bank of Latvia, the Ministry of Financial and the Financial and Capital Market Commission, the authorised representatives and sworn auditors of the Financial and Capital Market Commission, the authorised persons of the Bank of Latvia and the Financial and Capital Market Commission or other persons who have acted pursuant to the instructions of the authorised representatives or sworn auditors of the Financial and Capital Market Commission, shall be considered to be officials and shall be punishable for the divulging of confidential information, if they have, intentionally or unintentionally, made public or disclosed information regarding a credit institution to other persons.

(2) The provisions of Paragraph one of this Section shall not apply to the information which is submitted by the employees of the Bank of Latvia and the Financial and Capital Market Commission in accordance with the procedures specified in this Law, as well as in the cases and procedures specified by other laws.

(3) Information regarding a credit institution may be submitted to a court and the Office of the Prosecutor in a criminal matter, as well as disclosed in a court, if an insolvency or liquidation matter of the credit institution has been initiated.

(4) If the Bank of Latvia or the Financial and Capital Market Commission determines violations of law in the operations of a credit institution, it has the right to notify the State Revenue Service, the Office of the Prosecutor, the State police, and other State institutions, which are entitled to perform enquiry and pre-trial investigations.

(5) An employee and authorised person of the Financial and Capital Market Commission shall not be liable to third parties in respect of any loss caused to third persons whilst the employee is fulfilling their professional responsibilities or authorised person is performing their assignment.

(6) The Financial and Capital Market Commission shall be liable for loss caused to third parties by the actions of the Financial and Capital Market Commission whilst performing its functions

as set forth by law only in case the Financial and Capital Market Commission has intentionally acted unlawfully or allowed gross negligence.
(7) The Financial and Capital Market Commission shall be liable for loss caused to third parties by the actions of employee or authorised person of the Financial and Capital Market Commission in performance of their professional responsibilities or assignment only in case the employee or authorised person has intentionally acted unlawfully or allowed gross negligence.
[17 May 2007; 12 February 2009]

Section 112.
[21 May 1998; 28 October 2004; 22 February 2007]

Section 112.1
[28 October 2004; 23 December 2010].

Chapter VII1
Supervision of Credit Institutions on a Consolidated Basis

Sections 112.2 - 112.14
[amending Law of 23 December 2010]

Chapter VIII
Restrictions Applicable to Credit Institutions

Section 113.

(1) If the Financial and Capital Market Commission ascertains that a credit institution fails to adhere to the provisions of this Law, directly applicable rules issued by European Union institutions, or decisions or regulatory requirements issued by the Financial and Capital Market Commission; or if the activities of a credit institution are threatening its stability or solvency, security or stability of the credit institution sector in the Republic of Latvia, or if such activities impose threat of causing significant loss to the national economy, or if an excessive outflow of deposits or other assets is occurring from a credit institution, the Financial and Capital Market Commission by adopting a decision shall have the right to implement one or more of the following actions:
1) to require that a credit institution without delay take the necessary steps to remedy such situation or submit its action plan to the Financial and Capital Market Commission until a set deadline;
2) to issue a warning to a credit institution;
3) to give credit institution supervisory institutions, their managers and members binding written instructions required to remedy such situation;
4) to establish restrictions on the rights and actions of a credit institution, including entirely or partially suspending the provision of financial services, as well as restrictions on fulfilment of obligations, except for the restrictions on fulfilment of obligations referred to in Sub-paragraph 5 of Paragraph hereof;
5) to impose upon a credit institution restrictions on execution of deposit liabilities (hereafter - decision to impose deposit restrictions);
6) to appoint to a credit institution one or more authorised persons from the Financial and Capital Market Commission (hereafter - decision on appointment of authorised person);
7) to impose upon the credit institution an obligation of mitigating risk related to its transactions, services and settlement systems;
8) to impose the fines provided for in this Law;
9) to set limits to total net revenue of a credit institution as a percentage of total revenue that may be used to make performance-based payments in order to ensure maintenance of the own

funds amount appropriate to sound operation of institution and timely termination of commercial support provision;
10) to require that a credit institution use profit for investments in elements of own funds.
(2) The Financial and Capital Market Commission shall have the right to implement one or more of the measures set forth in Paragraph one hereof even if the activities of the commercial company within the credit institution consolidated group threatens or may threaten the stable operation of the respective credit institution or the entire credit institution sector.
(3) If the restrictions referred to in Paragraph one, Sub-paragraph 4 are established upon a credit institution servicing transit credit, the Ministry of Finance shall adopt a decision regarding continuation of transit credit servicing at this credit institution or its transfer to other credit institutions.
[17 May 2007; 12 February 2009; 23 December 2010].

Section 114.

(1) A decision to impose deposit restrictions may be adopted only with regard to a credit institution, which at the time of adoption of such decision is capable of satisfying the legal claims submitted by its creditors. Such a decision may also be adopted upon request of the respective credit institution.
(2) A decision to impose deposit restrictions shall set forth the types of restrictions and periods of effectiveness, which shall not exceed 12 months.
(21) The time period referred to in Paragraph two of Section thereof for a credit institution to which support for commercial activities is granted may be extended till the end of provision support for commercial activities.
(3) A decision to impose deposit restrictions shall be applicable to any credit institution client.
(4) The Financial and Capital Market Commission may impose upon a credit institution binding instructions regarding the manner in which a decision to impose deposit restrictions shall be implemented.
[17 May 2007; 12 February 2009; 22 October 2009]

Section 115.

(1) The decision on appointment of authorised person shall state the purpose, assignments and functions of authorised person's activities; the scope and term of authorisation; remuneration of authorised person; admissible amount of expenditures for performance of authorised person's assignments; as well as other conditions that the Financial and Capital Market Commission considers significant.
(2) If more than one authorised person is appointed, then in addition to the decision referred to in Paragraph one of this Section regarding appointment of authorised person, the decision shall define the division of their powers and their mutual subordination.
(3) No individual may be appointed as an authorised person without having provided with the person's written consent. [12 February 2009]

Section 116.

(1) Authorised person may be:
1) a natural person, including an employee of the Financial and Capital Market Commission, who satisfies the requirements of Paragraph two of this Section and to whom Paragraph three of this Section shall not be applicable;
2) a legal person (capital company) to the board members of which restrictions set forth in Paragraph three of this Section shall not be applicable, and the majority of the board members which meet the requirements of Paragraph two of this Section.

(2) As authorised person may be appointed a natural person about whose objectivity of conduct with regard to a specific credit institution there is no doubt and who has:
1) second-level professional higher education as recognised by the state or academic higher education and corresponding qualification;
2) corresponding competence and sufficient professional work experience;
3) an impeccable reputation.
(3) Natural person shall not be appointed as authorised persons if:
1) a person is recognised as having an interest with regard to a credit institution or is a person related thereto;
2) against whom as a debtor insolvency proceedings have been completed or initiated or who is regarded as a debtor's representative in pending insolvency proceedings;
3) who has been sentenced for a crime against the state; unlawful transactions in relation to property, administration procedures or jurisdiction; or unlawful transactions in national economy sector or in the service of state institutions, irrespective of being absolved of or released from culpability;
4) against whom criminal proceedings have been initiated or who are suspects in a criminal activity;
5) who has been sentenced for intentionally committing a criminal act referred to in Sub-paragraph 3 hereof, irrespective of having been absolved of punishment due to statute of limitations, pardon or amnesty;
6) against whom criminal proceedings for intentionally committing a criminal act referred to in Sub-paragraph 3 hereof has been terminated due to statute of limitations or amnesty;
7) against whom respective restrictions on rights of performing certain commercial activities or hold certain positions have been imposed in accordance with the provisions of the Criminal Law;
8) who has held a position of member of managerial institution of commercial company or procurist in a commercial company and due to criminal negligence or on purpose led the commercial company to insolvency.
(4) If a decision on appointment of authorised person states in accordance with Sub-paragraph 3 of Paragraph one of Section 117 that the authorized person shall perform management of the credit institution, then in addition to the provisions and restrictions referred to in Paragraphs one, two and three of this Section, such authorized person shall be only the legal person mentioned in Paragraph one of this Section or the natural person who is an employee of the Financial and Capital Market Commission or who has obtained certificate of insolvency process administrator.
[12 February 2009]

Section 117.

(1) The decision on appointment of authorised person may state that upon coming into effect of such decision:
1) authorised person is authorised to summon the meetings of credit institution shareholders or participants, as well as supervisory board or executive board meetings and participate in them with the right to propose issues to be reviewed in above meetings;
2) authorized person shall decide on whether to permit a credit institution to carry out payments, conclude new transactions as well as to amend or terminate existing transactions so as to ensure execution of the restrictions imposed on a credit institution set forth in Section 113, Paragraph one, Sub-paragraphs 4 or 5;
3) management of the credit institution shall be performed by an authorised person.
(2) If the decision on the appointment of authorized person stipulates his/her rights to summon the meeting of credit institution shareholders or participants, as well as supervisory board or executive board meetings and participate in them in accordance with Paragraph one hereof, then the decision made by relevant management institution of credit institution shall not be passed if opposed by the authorized person.

(3) If the Financial and Capital Market Commission decides on suspension of the operations of credit institution shareholders or participants' meeting, supervisory board, executive board and other credit institution management institutions, as well as activities of persons that result in civil obligations for a credit institution upon taking significant decisions in the name of a credit institution and forfeiting the right to act with its property, as well as property owned by third parties that is in the possession or holding of a credit institution then these rights shall be acquired by an authorized person in accordance with Sub-paragraph three of Section hereof.
(4) For performance of his/her assignments, an authorised person shall be entitled:
1) to issue instructions binding to all units and employees of the credit institution;
2) to disregard restrictions set forth in the articles of association, bylaws and regulations of a credit institution (policies, descriptions of procedures and other operational instructions);
3) to submit to the Financial and Capital Market Commission proposals on transfer of credit institution disposal group, to carry out confiscation or transfer of credit institution's assets, fixed and intangible assets, agreements and liabilities, if the purpose of these activities is to ensure repayment of deposits made with the credit institution;
4) to prepare and approve financial reports of credit institution in the name of credit institution's management institution.
[12 February 2009; 23 December 2010]

Section 118.

(1) The Financial and Capital Market Commission shall render remuneration to an authorised person and cover the necessary expenses of an authorised person for performance of the assignments in the amount as set forth in a decision on appointment of authorised person. A credit institution shall compensate the Financial and Capital Market Commission for the expenses set forth in Paragraph therein.
(2) An authorised person shall not have the right to receive compensation of any sort or income in addition to that set forth in a decision on appointment of authorised person for performance of assignments of authorised person. [12 February 2009]

Section 119.

(1) Credit institution management institutions, units, employees and other credit institution representatives and shareholders shall have the responsibility to cooperate with an authorised person and upon his/her demand:
1) to transfer items to him (documents, keys, access codes, passwords, etc.);
2) to provide him with any necessary information, documents, explanations and render assistance.
(2) An authorised person shall without delay notify the Financial and Capital Market Commission of failure to adhere to the terms set forth in Paragraph one of this Section, as well as other obstacles to execution of the assignments of the authorised person. [12 February 2009]

Section 120.

(1) An authorised person shall have responsibility under the terms set by the Financial and Capital Market Commission to provide it with reports on his/her performance and without delay to notify the Financial and Capital Market Commission regarding any facts discovered that might affect the financial status of a credit institution.
(2) In executing his/her assignments, an authorised person shall maintain the interests of national economy, the security and stability of the Latvian credit institution sector and protection of the interests of depositors, as well as prudential and cautious management of a credit institution. [12 February 2009]

Section 121.

(1) An authorised person shall have the right to waive his/her responsibilities by submitting to the Financial and Capital Market Commission a substantiated application. Such application shall be attached to a report on performance during the entire time period of an authorised person's activity.
(2) The Financial and Capital Market Commission shall review an application from an authorised person regarding a waiver to perform his/her responsibilities within one month of receipt thereof and adopt a relevant decision. Until acceptance of this decision and transfer of the matter, an authorised person shall continue performance of the responsibilities designated to him/her. [12 February 2009]

Section 122.

(1) The Financial and Capital Market Commission shall supervise activities of an authorised person and has the right at any time at its discretion to dismiss him/her.
(2) An authorised person's authorisation shall terminate:
1) upon expiry of the term of a decision to appoint an authorised person; or
2) upon dismissal of an authorised person.
(3) The Financial and Capital Market Commission shall review the issue of dismissal of an authorised person if it establishes that an authorised person in performing his/her responsibilities fails to adhere to the terms of this Law and other regulatory requirements, as well as judgements of court, an authorised person does not satisfy the requirements set forth in this Law, or if an authorised person abuses his authority.
(4) Upon termination of powers an authorised person shall transfer matters by the terms set by the Financial and Capital Market Commission to a person designated by it. [12 February 2009]

Section 123.

In relation to the executing of actions referred to in Chapter VIII, appeal against the administrative act issued by the Financial and Capital Market Commission shall not withhold execution thereof. [12 February 2009]

Section 124
[2 February 2009]

Section 125
[12 February 2009]

Chapter IX
Liquidation of a Credit Institution
[30 May 1996]

Section 126.

(1) The liquidation of a credit institution may be performed:
1) in accordance with a decision of a meeting of the stockholders (shareholders) of the credit institution (voluntary liquidation);
2) in accordance with a court adjudication; and
3) in case of bankruptcy.
(2) It is prohibited to liquidate a credit institution in order to perform its reorganisation.
(3) It is prohibited to reorganise a credit institution by re-registering it as another commercial company, unrelated to the operations of a credit institution, without written permission from the

Financial and Capital Market Commission, which shall be issued by the Financial and Capital Market Commission if the credit institution has fulfilled all the obligations towards the depositors, which are recorded in the accounting registers of the credit institution.
[1 June 2000; 11 April 2002; 28 October 2004]

Section 126.1

(1) Reorganisation measures or liquidation legal relations, which arise from employment contracts, shall be regulated by only those Member State regulatory enactments, which relate to entered into employment contracts.
(2) Reorganisation measures or liquidation rights in relation to:

1) immovable property shall be regulated by those Member State regulatory enactments in the territory of which the immovable property is located;

2) ships or aircraft shall be regulated by those Member State regulatory enactments within whose purview the relevant public register is located in which the relevant ship or aircraft is recorded (registered); and

3) financial instruments, which are to be registered in public registers, credit institution accounts or a central depository, and the approved rights thereof, shall be regulated by those Member State regulatory enactments in accordance with which the ownership rights of the credit institution to the relevant financial instruments is certified.
[28 October 2004]

Section 127.

A decision of a meeting of the stockholders (shareholders) of a credit institution cannot suspend or discontinue a previously taken decision of a meeting of the stockholders (shareholders) to commence the process of voluntary liquidation or to perform reorganisation measures. The commencement of the voluntary liquidation of a credit institution (also the branches thereof in the involved state) shall not restrict the commencement of the liquidation thereof by court adjudication or the commencement of bankruptcy proceedings.
[30 may 1996; 11 April 2002; 28 October 2004]

Section 128.

(1) A credit institution, which is preparing to commence voluntary liquidation (also the branches thereof in the involved state), shall submit to the Financial and Capital Market Commission a draft submission regarding voluntary liquidation within a period of five days after such decision has been taken. The draft submission shall have appended the most recent report of the credit institution reflecting financial situation at end of accounting period and which has been prepared in conformity with the regulatory norms of the Financial and Capital Market Commission regarding the preparation of annual accounts, and information regarding the possible liquidator.
(2) The Financial and Capital Market Commission shall examine, within a period of 30 days after the receipt of all the necessary documents, which certify the information referred to in Paragraph one of this Section, whether the credit institution is able to fulfil within a specified time period and in the full amount the obligations towards creditors, which are recorded in the accounting registers of the credit institution, and shall decide regarding the acceptance of the credit institution submission and the cancellation of the licence (permit) issued for the operations of the credit institution.
(3) Voluntary liquidation of a credit institution (also the branches thereof in the involved state) shall be performed by a liquidator elected by a meeting of the stockholders (shareholders). The credit institution shall prepare a deed of delivery of property (for example, documents, objects). The liquidator upon the commencement of the fulfilment of his or her duties shall accept and sign the deed.

(4) The liquidator upon completion of the voluntary liquidation of a credit institution (also the branches thereof in the involved state) shall take a decision regarding the completion of the voluntary liquidation and submit it to the Financial and Capital Market Commission.
[1 June 2000; 11 April 2002; 28 October 2004; 9 June 2005; 16 July 2009]

Section 129.

(1) If the Financial and Capital Market Commission cancels, in accordance with the provisions of Section 27, Sub-paragraphs 1, 2, 3, 4 and 8 of this Law, the licence (permit) issued for the operations of a credit institution, the Financial and Capital Market Commission shall appoint an authorised representative and submit to a court an application regarding the liquidation of such credit institution and the appointment of a liquidator, simultaneously nominating a candidate for the liquidator.
(2) After the cancellation of a licence, the meeting of the stockholders (shareholders) of the credit institution is not entitled to decide on voluntary liquidation and the appointment of a liquidator.
(3) If the licence issued for the operations of a credit institution of the credit institution is cancelled, the Financial and Capital Market Commission shall without delay inform the Bank of Latvia in writing of this.
[1 June 2000; 11 April 2002; 9 June 2005; 22 February 2007]
(4) Appeal against the administrative act issued by the Financial and Capital Market Commission with regard to appointment of an authorised person shall not withhold execution thereof.
[12 February 2009]

Section 130.

In case of bankruptcy, an administrator in accordance with the requirements of Chapter XIV of this Law shall perform the liquidation of a credit institution.

Section 131.

(1) The liquidator of a credit institution, if the credit institution is to be liquidated by a court adjudication, may be:
1) sworn advocates;
2) sworn auditors; and
3) companies whose primary activity is auditing services.
(2) If the appointed liquidator is a legal person, it shall authorise, in writing, a natural person who will represent the liquidator in the liquidation proceedings and to whom the requirements specified in Paragraph one of this Section and the restrictions specified in Section 132 of this Law shall apply.

Section 131.1

(1) As a credit institution administrator in the credit institution insolvency proceedings may be:
1) a natural person who has acquired certificate of insolvency process administrator; and
2) a sworn auditor commercial company.

(2) If a sworn auditor commercial company is appointed as an administrator, it shall authorise in writing a natural person to perform the duties of an administrator who conforms to the requirements of Paragraph one of this Section and to whom the restrictions specified in Section 132.1 of this Law do not apply.
[22 February 2007; 12 February 2009]

Section 132.

(1) The following persons may not be appointed as liquidators:
1) a person who is considered to be an interested person with respect to the credit institution to be liquidated, or is associated with the credit institution to be liquidated;
2) a person against whom the credit institution to be liquidated has a right of claim;
3) a person against whom another insolvency matter has been initiated as against a debtor, or who is considered to be a representative of a debtor in another insolvency matter and that other matter has not been terminated;
4) a person who has been sentenced for crimes against the State, criminal offences against property, management procedures or jurisdiction or criminal offences in the economy or in State institution service, regardless of whether or not the sentence has been extinguished or set aside; and
5) a person against whom criminal prosecution has been initiated, or who is a suspect in a criminal matter.
(2) A natural person, or a natural person authorised by a legal person, may perform the duties of a liquidator or an administrator of a credit institution only in one insolvency or liquidation proceeding at a time.
(3) The Financial and Capital Market Commission in conformity with the competence specified in this Law has the right to control the activities of a liquidator. For this purpose, the authorised representative of the Financial and Capital Market Commission has the right to become acquainted with all the documentation of the credit institution, all the documentation of the liquidator which is related to the credit institution, as well as to receive explanations and any other necessary information, which are necessary for the performance of the supervisory function of the Financial and Capital Market Commission from the liquidator.
[1 June 2000; 11 April 2002; 22 February 2007]

Section 132.1

(1) The following persons may not be appointed as administrators:
1) a person who is considered to be an interested person with respect to the credit institution to be administered, or is associated with the credit institution to be administered;
2) a person against whom the credit institution to be administered has a right of claim;
3) a person against whom another insolvency matter has been initiated as against a debtor, or who is considered to be a representative of a debtor in another insolvency matter and that other matter has not been terminated;
4) a person who has been sentenced for crimes against the State, criminal offences against property, management procedures or jurisdiction or criminal offences in the economy or in State institution service, regardless of whether or not the sentence has been extinguished or set aside; and
5) a person against whom criminal prosecution has been initiated, or who is a suspect in a criminal matter.
(2) A natural person, or a natural person authorised by a legal person, may perform the duties of an administrator or a liquidator of a credit institution only in one insolvency or liquidation proceeding at a time.
(3) The Financial and Capital Market Commission in conformity with the competence specified in this Law has the right to control the activities of an administrator. For this purpose, the authorised representative of the Financial and Capital Market Commission has the right to become acquainted with all the documentation of the credit institution, all the documentation of the administrator which is related to the credit institution, as well as to receive explanations and any other necessary information, which are necessary for the performance of the supervisory function of the Financial and Capital Market Commission from the administrator.
[22 February 2007]

Section 133.

(1) The liquidator of a credit institution shall submit, not later than within three days after the acceptance by the Financial and Capital Market Commission of the decision of a meeting of the stockholders (shareholders) of the credit institution or after the adoption of a court adjudication on liquidation, for publication in the newspaper Latvijas Vēstnesis and at least in two other newspapers, a notice regarding the liquidation of the credit institution, in which the following shall be indicated:
1) the date when the decision on voluntary liquidation or the court adjudication was taken, and the date from which the credit institution is considered to be liquidated;
2) the time period during which the claims and other demands of creditors and other persons are to be submitted; and
3) the given name and surname of the liquidator (if the liquidator is a legal person, its name and the name of its authorised representative), the place of operations and the telephone number.
(2) The time period referred to in Paragraph two, Sub-paragraph 2 of this Section, shall be three months. The time period shall begin to run from the day when the notice is published in the newspaper Latvijas Vēstnesis.
(3) A liquidator of the credit institution shall ensure the use of the word "likvidējamā" [to be liquidated] in all the particulars of the credit institution.
(4) The rights, duties and powers of an administrator specified in Chapter XI of this Law, except for Section 160, Paragraph three of Section 161 and Section 166 shall apply to a liquidator of a credit institution appointed by a court.
(5) The rights, duties and powers of an administrator specified in Chapter XI of this Law, except for Section 155, Paragraph two of Section 156, Paragraphs two and three of Section 157, Section 160, Paragraph three of Section 161 and Sections 166-169 shall apply to a liquidator of a credit institution elected by a meeting of the stockholders (shareholders).
[1 June 2000; 11 April 2002]

Section 134.

(1) The liquidation expenses of a credit institution shall be covered by the credit institution to be liquidated.
(2) The following payments shall be included in the liquidation expenses:
1) the remuneration to the liquidator and the assistant to the liquidator in the amount specified in Section 135 of this Law;
2) the salaries to be paid to the employees, calculating from the day when the decision on the liquidation of the credit institution was taken, and the severance pay to be paid;
3) the necessary expenses for the maintenance of the property of the credit institution to be liquidated and for the maintenance of the necessary work premises during the liquidation;
4) court costs;
5) expenses for the placement of publications in newspapers;
6) expenses for the organisation of auctions; and
7) expenses, which are associated with the making of entries in public registers during the liquidation process.
[30 May 1996; 17 October 1996; 28 October 2004]

Section 135.

(1) In the case of voluntary liquidation of a credit institution, the remuneration to the liquidator shall be determined by a meeting of shareholders (founders) or a stockholders' (shareholders) meeting of the credit institution, and such remuneration may not exceed 15 minimum monthly wages per month.

(2) If the liquidation occurs pursuant to a court adjudication, the total amount of remuneration to the liquidator and the assistant to the liquidator shall be:
1) 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats;
2) if the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets exceed ten thousand lats – 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats, and 10 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed ten thousand lats, but which are not more than one hundred thousand lats; or
3) if the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets exceed one hundred thousand lats – 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats, and 10 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed ten thousand lats, but which are not more than one hundred thousand lats, and five percent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed one hundred thousand lats.
(3) The money in the cashier's office of the credit institution, the monetary assets that were obtained through selling financial instruments quoted on the regulated market, and the monetary assets that were obtained by using rights of claim against the Bank of Latvia, credit institutions of Latvia and foreign credit institutions, the operation of which has not been suspended or stopped, the State of Latvia or a foreign state, remuneration (commission) in respect of the financial services provided by the credit institution, as well as monetary assets that are acquired by the sale of the ancillary claim of the claim referred to in this Section, and fruits which are acquired from the liquidation process of the property of the credit institution shall not be considered as recovered assets for the determination of remuneration.
(4) If in the liquidation, which takes place in accordance with a court adjudication, no monetary assets (also monetary assets, which in accordance with Paragraph three of this Section are not considered to be actual recovered assets for the determination of remuneration) have been actually recovered and paid into the account of the credit institution at the Bank of Latvia, the liquidator and the assistant to the liquidator shall receive a once-only remuneration, the amount of which shall be mutually agreed to by the liquidator and the Financial and Capital Market Commission.
[11 April 2002; 20 November 2003]

Section 136.

(1) If liquidation is carried out pursuant to court adjudication, the liquidator shall submit, after the completion of the liquidation, a report on the entire liquidation period to the court and to the Financial and Capital Market Commission. The court shall approve the report on the entire liquidation period. The court shall take a decision on the completion of liquidation proceedings.
(2) If voluntary liquidation of a credit institution is carried out, the liquidator shall submit, within a period of five days after the receipt of a written request from the Financial and Capital Market Commission, a report on the liquidation proceedings of the credit institution to the Financial and Capital Market Commission. After completion of voluntary liquidation, the liquidator shall submit a report on the entire period of voluntary liquidation to the Financial and Capital Market Commission.
(3) The report of the liquidator shall provide a true and clear presentation of the entire period of the liquidation.
(4) Within the first ten days of each month the liquidator shall submit, for publication in the newspaper Latvijas Vēstnesis, the balance sheet of the credit institution a monthly report for the previous month of credit institution in liquidation, reflecting financial situation at end of

accounting period and a report on the recovered assets including property and the liquidation expenses of the previous month.
[1 June 2000; 16 July 2009]

Section 137.

(1) If a liquidator determines that the stockholders (shareholders), the chairperson or the members of the council or the board of directors, the executive manager, the head or members of the internal audit service, company controller, auditors or sworn auditors, have exceeded their authority or not complied with the law, the regulations of the Cabinet, the regulatory instructions and regulations of the Bank of Latvia, the requirements of the regulatory regulations and orders of the Financial and Capital Market Commission, the provisions of the articles of association of the credit institution or the decisions of the meeting of the stockholders (shareholders) of the credit institution, or also have acted neglectfully or in bad faith, it is the duty of the liquidator to inform law enforcement institutions regarding such in accordance with jurisdiction.
(2) If losses have been incurred by the creditors or stockholders (shareholders) as a result of the actions referred to in Paragraph one of this Section, the liquidator shall bring an action in a court against the offenders for the compensation of such losses.
[1 June 2000; 11 April 2002; 28 October 2004]

Section 138.

(1) If a liquidator determines, during the course of liquidation of a credit institution, that the credit institution to be liquidated does not have enough property to fully satisfy the claims of all of the creditors, it is the duty of the liquidator to take a decision on the initiation of bankruptcy proceedings and to submit an insolvency petition to a court, petitioning the court in the name of the credit institution to declare the credit institution insolvent and to take a decision on the initiation of bankruptcy proceedings.
(2) Upon the declaration of insolvency of a credit institution after a court has examined the petition referred to in Paragraph one of this Section, a decision on the initiation of bankruptcy proceedings shall be simultaneously taken.
(3) In such case, as the administrator of the credit institution shall be appointed by a court adjudication the liquidator, if the requirements of Section 131.1 of this Law have been complied with and the restrictions specified in Section 132.1 do not apply.
[22 February 2007]

Section 139.

The liquidator, observing the provisions of Section 191-195 of this Law, shall determine procedures for the making of payments and settling of debts.

Chapter X
Insolvency of Credit Institutions
[21 May 1998]

Section 140.

(1) A credit institution may submit an insolvency petition if it is unable to, or under circumstances that can be proved will not be able to adequately fulfil its debt obligations.
(2) A credit institution has the duty to submit an insolvency petition if at least one of the following circumstances applies:

1) the credit institution is unable to fulfil its debt obligations within eight days after the time period for the fulfilment of the obligations has expired, and no written agreement with the creditors regarding the settlement of the debt has been reached; or
2) the debt obligations of the credit institution exceed its assets.

Section 141.

All the provisions of Section 138 and Section 140, Paragraph one of this Law shall apply to an insolvency petition, which is submitted by the liquidator of a credit institution.

Section 142.

(1) The administrator in another insolvency proceeding may submit an insolvency petition against a credit institution, which has a debt obligation to the debtor represented by the administrator.
(2) In such event all the provisions of Section 143 of this Law shall apply to the petition of the administrator.

Section 143.

A creditor or a group of creditors may submit an insolvency petition, if at least one of the following circumstances exists:
1) within five days after a creditor has submitted a statement of claim to the credit institution, the claim is neither satisfied, nor are objections raised to it, and after the expiration of this time period the creditor has informed the credit institution, in writing, about his or her intention to submit an insolvency petition at least three days before submitting it, and the credit institution has not been able to settle the debt also during this time period; or
2) the credit institution has informed the creditor, in writing, about its actual insolvency.

Section 143.1

(1) If the permanent place of residence of a creditor or the location of management is outside of the Republic of Latvia, his or her right to submit creditor claims and other objections is the same as the rights of a creditor registered or residing permanently in the Republic of Latvia.
(2) If the permanent place of residence of a creditor or the location of management is outside of the Republic of Latvia, his or her right in respect of reorganisation measures or liquidation is the same as the rights of a creditor registered or residing permanently in the Republic of Latvia.
[28 October 2004]

Section 144.

(1) An insolvency petition may not be submitted by secured creditors. Until the initiation of an insolvency matter the claims of secured creditors against a credit institution regarding the collection of debts shall be examined in accordance with general procedures.
(2) An insolvency petition may be submitted by such secured creditors whose claim against a credit institution is not secured in full.

Section 145.

The Financial and Capital Market Commission may submit an insolvency petition to a court if at least one of the following circumstances exists:
the credit institution is unable to adequately fulfil its debt obligations; or
2) the debt obligations of the credit institution exceed its assets.

[1 June 2000]

Section 146.

(1) A credit institution, a liquidator of a credit institution, a creditor or a group of creditors, and an administrator in another insolvency proceeding shall first submit the insolvency petition to the Financial and Capital Market Commission.
(2) The Financial and Capital Market Commission shall examine the insolvency petition within five days from the receipt of such petition, and in the case of a determination of actual insolvency, or a possibility of its occurrence, shall decide on the submission of the petition to a court in accordance with the procedures determined by law. The Financial and Capital Market Commission shall submit the insolvency petition to the court within three days after it has taken a decision on the submission of the petition to a court.
(3) The Financial and Capital Market Commission may decide on suspension of the petition for a definite time period which does not exceed one month, if it is in possession of evidence that the actual insolvency of a credit institution is temporary and related to temporary problems of liquidity. If solvency of the credit institution has not been restored by the end of the time period specified for the suspension of the petition, the Financial and Capital Market Commission shall submit the petition to a court, in accordance with the procedures determined by law, within three days after the expiration of the time of suspension.
(4) If the Financial and Capital Market Commission has not determined the actual insolvency of a credit institution, or a possibility of its occurrence, in such case it shall take a substantiated decision according to the procedures and in the time periods specified in the Administrative Procedure Law regarding the rejection of the petition and inform the submitter of the petition regarding such within three days from the date of the taking of the decision, indicating the grounds of the decision. Rejection of an insolvency petition by the Financial and Capital Market Commission shall not be an obstacle for its submission to a court. In such case, however, such means of claim enforcement as prevent the credit institution from providing financial services shall not apply for the securing the claims of creditors.
(5) The Financial and Capital Market Commission shall without delay inform the Bank of Latvia in writing regarding the submission of an insolvency petition to a court.
[1 June 2000; 28 October 2004; 22 February 2007]

Section 147.
[1 June 2000; 11 April 2002; 22 February 2007]

Section 148.

(1) A creditor is prohibited to perform, from the initiation of an insolvency case, transactions whereby losses are incurred by other creditors or third persons.
(2) Property rights which a creditor or a third person has gained as a result of the acts referred to in Paragraph one of this Section, shall be deemed, on the basis of a submission by the creditor or the administrator, to be void in accordance with the procedures determined by law.
(3) Simultaneously with initiation of insolvency proceedings, the Financial and Capital Market Commission shall appoint an authorised person.
(4) Appeal against the administrative act issued by the Financial and Capital Market Commission with regard to appointment of an authorised person shall not withhold execution thereof.
[12 February 2009]

Section 149.

Upon the declaration of a credit institution as insolvent:

1) the credit institution shall lose the right to administer its property, as well as the property of third persons in the possession or care of the credit institution, and such rights shall be acquired by the administrator;
2) the operations of the administrative institutions of the credit institution shall be suspended, and the management of the credit institution shall be conducted by the administrator; and
3) increases in late charges and interest for the creditor claims shall be discontinued, except for tax debts where the calculation of increases in principal debt amounts and late charges shall be discontinued in accordance with the Law On Taxes and Fees.

Section 150.

(1) Adjudication on the termination of the insolvency proceedings shall be made by a court.
(2) The administrator may submit to a court an application regarding the termination of insolvency proceedings, attaching written evidence, if one of the following conditions applies:
1) the credit institution has fulfilled all its debt obligations by the due date for their performance, and after the fulfilment of such obligations, its assets exceed the outstanding debt amount, and the requirements of this Law, the regulatory directives and regulations of the Bank of Latvia and the regulatory regulations and orders of the Financial and Capital Market Commission have been complied with; or
2) bankruptcy proceedings have been terminated.
(3) Insolvency proceedings shall be terminated if a court rejects the insolvency petition or terminates the insolvency case.
[1 June 2000]

Section 151.

(1) If the insolvency proceedings are terminated due to the restoration of solvency of a credit institution, the powers of the administrator in the relevant insolvency proceedings shall terminate and the right of the credit institution to control its property shall be restored, as well as the operations of the administrative institutions of the credit institutions shall be restored. A deed of acceptance and delivery of property shall be prepared and signed within 30 days after court adjudication on termination of the insolvency proceedings comes into effect. Until the time of the signing of such deed, the administrator shall continue the performance of his or her duties and shall be liable in accordance with this Law.
(2) If insolvency proceedings are discontinued in connection with the completion of the bankruptcy procedures of a credit institution, the powers of the administrator shall terminate upon the making of a court adjudication regarding the termination of insolvency proceedings. The administrator shall transfer the documents for preservation in the archives in accordance with the Law On Archives.
(3) Upon the termination of the powers of an administrator, the identification document of the administrator and the seal referred to in Section 156 of this Law shall be transferred to a court.

Section 152.

(1) Insolvency proceedings shall be financed from the funds of the credit institution.
(2) In case of a criminal bankruptcy, the court may collect the expenses for the insolvency proceedings jointly from the chairperson and the members of the council and the board of directors of the credit institution.

Section 153.

The following payments shall be included in the expenses of insolvency proceedings:

1) the remuneration for the administrator and the assistant to the administrator in the amount specified in Section 166 of this Law;
2) the salaries to be paid to the employees, starting from the day when an adjudication was made on the insolvency of the credit institution, and the severance pay to be paid;
3) the necessary expenses for the maintenance of the property of the credit institution and for the maintenance of work premises during the insolvency proceedings;
4) court costs;
5) expenses for the placement of publications in newspapers;
6) expenses for the organisation of auctions;
7) expenses, which are associated with registration of insolvency measures in public registers.
[28 October 2004]

Chapter XI
Administrators in Insolvency Proceedings
[21 May 1998]

Section 154.

(1) Administrators may be the persons referred to in Section 131.1 of this Law.
(2) All the restrictions specified in Section 132.1 of this Law shall apply to administrators.
(3) If a legal person is appointed as administrator, it shall authorise, in writing, a natural person who will represent the administrator in the insolvency proceedings and to whom the requirements specified in Section 131.1, Paragraph one of this Law and the restrictions specified in Section 132.1 of this Law shall apply.
(4) The Financial and Capital Market Commission is entitled to control the activities of an administrator. For this purpose, the authorised representative of the Financial and Capital Market Commission has the right to become acquainted with all the documentation of a credit institution, which is related to the credit institution, as well as to receive explanations and any other necessary information, which is associated with the insolvency proceedings of the credit institution from the administrator.
[1 June 2000; 11 April 2002; 22 February 2007]

Section 155.

(1) An administrator shall have security for such cases when he or she causes harm, through his or her activities, upon creditors or other persons.
(2) The security shall be civil liability insurance for the activities of the administrator.
(3) Regulations for the civil liability insurance for the activities of an administrator shall be issued by the Cabinet.

Section 156.

(1) An administrator shall have a personal seal with the inscription "Administrators (kreditiestādes nosaukums) maksātnespējas procesā" [Administrator of insolvency proceedings for (the name of the credit institution)] and his or her given name, surname or the name of the legal person, if a legal person has been appointed administrator.
(2) An administrator shall have an identification document with his or her photograph, given name and surname, or the photograph, given name and surname of the natural person authorised by the legal person, and the inscription "Adminstrators (kreditiestādes nosaukums) maksātnespējas procesā" [Administrator of insolvency proceedings for (the name of the credit institution)]. The Chief Judge of a court with his or her signature and the seal of the court shall approve the identification document.

Section 157.

(1) After the appointment and until the examination of the matter in court the administrator shall conduct the following activities:
1) prepare a list of the employees, stockholders (shareholders) and other persons whose participation in the insolvency proceedings is mandatory, and submit such list to the court;
2) prepare a summary of the assets including property of the credit institution in accordance with its real (market) value and submit it to the court;
3) ascertain any property of third persons that is in the possession or care of the credit institution; and
4) prepare a list of creditors based on the data in the accounting registers of the credit institution, indicating information on creditors, the amount of debt obligations, and the time periods for fulfilment.
(2) Within three days after the initiation of insolvency proceedings and the appointment of an administrator, the administrator and the chairperson of the board of directors of the credit institution shall jointly begin an inventory of the documents and property of the credit institution. If the chairperson of the board of directors is temporarily absent or his or her location is not known, the inventory shall be conducted by the administrator and the members of the board of directors. After completion of the inventory, an inventory document and a deed of acceptance and delivery of property (documents, objects etc.) shall be prepared and signed.
(3) If all members of the board of directors are temporarily absent, or their location is unknown, the administrator shall inform, in writing, the Financial and Capital Market Commission regarding such and conduct the inventory alone. After completion of the inventory the administrator shall prepare and sign an inventory document, and it shall be considered also as a deed of acceptance and delivery of property (documents, objects, and the like).
[1 June 2000; 11 April 2002; 16 July 2009]

Section 158.

(1) The performance of reorganisation measures or liquidation activities in relation to credit institutions (also the branches thereof) shall not influence netting of claims and obligations, repurchase and set-off of claims and obligations or the fulfilment of other similar activities in the sense of legal consequences if such activities are allowed by law in relation to credit institution claims.
(2) Transactions, which are based upon netting of claims and obligations or repurchase contracts, shall be regulated only by those laws which relate to netting of claims and obligations or repurchase contracts in accordance with which such transactions were entered into.
(3) The provisions of Paragraph two of this Section shall not restrict the fulfilment of Section 218 of this Law.
(31) Full of partial set-off of claims and obligations of credit institution and its client shall not permissible in the insolvency proceedings, except the cases where:
1) a credit institution and its client have performed set-off of similar claims and obligations on a regular;
2) credit institution's claim was due before occurrence of credit institution's insolvency.
(32) During the insolvency proceedings mutual set-off of the loan granted by a credit institution by deposit is not permissible.
(4) Interested persons have the rights to dispute the fulfilment of the activities specified in Paragraphs one and two of this Section.
[1 June 2000; 11 April 2002; 28 October 2004; 11 March 2010]

Section 159.

(1) Within three days after the credit institution is declared insolvent, the administrator shall send a notice and a copy of the court judgment to the Bank of Latvia, the Enterprise Register and the Land Registry Office according to the location of the immovable property, indicating in a covering letter his or her given name, surname (if the administrator is a legal person, its name and the given name and surname of its authorised representative), the place of operations and the telephone number.
(2) The Enterprise Register has the duty to record the submitted information in accordance with the procedures determined by the Law On the Enterprise Register of the Republic of Latvia.
(3) The Land Registry Office has the duty, in accordance with the Land Register Law, to make an entry in the relevant section of the Land Register regarding the declaration of the insolvency of the owner.
(4) If insolvency proceedings are terminated in connection with the renewal of the solvency of the credit institution, the administrator shall send the court adjudication to the Enterprise Register and the relevant Land Registry Office for expunging the entries.
(5) If insolvency proceedings are terminated due to the completion of bankruptcy proceedings, the administrator shall send to the Enterprise Register the court adjudication regarding the completion of bankruptcy proceedings, for the deletion of the credit institution in the Enterprise Register.
[1 June 2000]

Section 160.

(1) Within three days after the declaration of the insolvency of a credit institution, the administrator shall submit a notice of the declaration of the insolvency of the credit institution for publication in the newspaper Latvijas Vēstnesis and at least two other newspapers.
(2) The notice shall include:
1) the date of the court judgment, as well as the date from which the credit institution has been declared insolvent; and
2) the given name, surname (if the administrator is a legal person, its name and the given name and surname of its authorised representative), the place of operations and the telephone number of the administrator.

Section 161.

(1) After a credit institution has been declared insolvent, the administrator has all the duties, rights and powers of the administrative institutions and the heads of such institutions, provided for by law and in the articles of association of the credit institution.
(2) Administrators have the following duties:
1) to ensure the lawful and effective progress of the insolvency proceedings;
2) to receive the property, documentation and seal of the credit institution, as well as the property of third persons that is in the possession or care of the credit institution;
3) to control the property of the credit institution;
4) to evaluate the financial situation of the credit institution, to take, within a month after the declaration of insolvency, a decision on the solution to the insolvency (restoration, bankruptcy) and its provisions, and to submit it to the Financial and Capital Market Commission for approval in accordance with the provisions of this Law;
5) to prepare a list of the property against which the claims of the secured creditors and other creditors may be made;
6) to complete the inventory of the documentation and property of the credit institution which was begun in accordance with the procedures specified in Section 157, Paragraph two of this Law;

7) not later than within one month after the receipt of the request from the Ministry of Finance, to transfer the servicing of transit credits to the Ministry of Finance or to a credit institution indicated by it;
8) to inform the court about the application of restoration and forward the decision on the application of restoration to the court for its information, and to submit to the court a petition regarding the initiation of bankruptcy proceedings in accordance with the procedures determined by law;
9) to provide information regarding the insolvency proceedings to the Financial and Capital Market Commission and the Bank of Latvia, and to submit all the requested information that is necessary for them to perform their functions, within the terms specified by them;
10) within the first ten days of each month, to submit for publication in the newspaper Latvijas Vēstnesis a monthly report for the previous month of credit institution reflecting financial situation at end of accounting period and a report on the recovered assets including property and the expenses of the insolvency proceedings during the previous month;
11) to conduct the accounting in accordance with the requirements of Section 75 of this Law;
12) to provide the information provided for in this Law and in the Law On the Enterprise Register of the Republic of Latvia, as well as in the Land Register Law, to the Enterprise Register and the Land Registry Office;
13) in accordance with the procedures determined by law, to submit reports and materials to competent authorities regarding the facts discovered during the insolvency proceedings, which may be the basis for initiation of criminal proceedings;
14) to report to law enforcement institutions according to jurisdiction, if the administrator determines that the stockholders (shareholders), the chairperson or members of the council or the board of directors, the executive manager, the head or members of the internal audit service, company controller, auditors or sworn auditors, have exceeded their authority or have not complied with the law, the regulations of the Cabinet, the regulatory instructions and regulations of the Bank of Latvia, the requirements of the regulatory regulations and orders of the Financial and Capital Market Commission, the provisions of the articles of association of the credit institution or the decisions of the meeting of the stockholders (shareholders) of the credit institution, or also have acted neglectfully or in bad faith, as well as bring an action in a court against the offenders regarding compensation of losses if as a result of actions by such persons losses have been incurred by the creditors or stockholders (shareholders);
15) to convene the first meeting of creditors in the case of the restoration of the credit institution;
16) to calculate and compile in conformity with the Law On Protection of Employees in case of Insolvency of Employer the claims of employees and to submit applications regarding the satisfaction of employee’s claims to the Insolvency Administration. After the receipt of monetary assets from the Insolvency Administration, the administrator shall pay out to third persons on the basis of the execution documents from the relevant monetary amount of the employee claim to those whom it is applicable. The administrator shall include in the unsecured creditor claims list the employee claim amounts satisfied by the Insolvency Administration;
17) prior to the transfer of the obligations arising from mortgage debentures and the assets included in the debenture cover to another credit institution, to perform payments to the holders of mortgage debentures if the time period for the payment of interest or the extinguishing of mortgage debentures has come into effect, ensuring that the payments are performed from the assets included in the debenture cover register, and not allow the performance of other payments from the assets included in the debenture cover register or the making of other amendments to the mortgage debenture register;
18) not later than within a period of 10 days after the receipt of the order from the Financial and Capital Market Commission, to transfer to the credit institution indicated by the Financial and Capital Market Commission the obligations arising from a credit institution to be liquidated issued mortgage debentures against the holders of such debentures together with the assets, which are included in the mortgage debenture cover register; and

19) regularly, but not less often than once per year inform known creditors regarding the course of the insolvency.
(3) Other duties of an administrator in specific stages of the insolvency proceedings are specified in Sections 178, 180, 182-184, 187 and 190 of this Law.
(4) An administrator has the following rights and powers:
1) to alienate the property of the credit institution in accordance with the procedures determined by this Law;
2) to close divisions (branches) or representative offices of the credit institution;
3) to bring an action in a court in order that transactions of the credit institution which the credit institution has entered into, within five years before being declared insolvent, with third persons, or for the benefit of third persons, whereby, losses to the creditors have been or may be incurred, as well as transactions which have been entered into with any of the creditors whereby losses to other creditors have been or may be incurred, be declared void;
31) unilateral withdrawal from a contract if the execution of the contract results in a decrease in credit institution's assets and the contract does not regulate provision of financial services;
4) to submit to the court any claim of the credit institution against a third person;
5) to represent the credit institution in court and in relationships with natural or legal persons, and to appear on its behalf;
6) to insure the transactions of the credit institution and the property of the credit institution;
7) to prepare and sign any document in the name of the credit institution;
8) to employ and discharge from employment the assistant to the administrator;
9) to employ and discharge from employment employees, including those employees who were employed before the initiation of the insolvency proceedings;
10) to cover the expenses of the insolvency proceedings from the funds of the credit institution;
11) to lease out any property of the credit institution, as well as to acquire by lease any property, if it is in the interests of all creditors;
12) to waive any claim against a third person or to enter into any settlement in the name of the credit institution in respect of the claims of the credit institution against third persons, if such actions result in the increase of the possibility to satisfy the claims of creditors, or in a more rapid repayment of debts, without a substantial reduction of the amount of the compensation to be paid to the creditors;
13) to require that the stockholders (shareholders) of the credit institution perform the obligations determined by a relevant decision of a meeting of the stockholders (shareholders) with respect to the equity capital or other property of the credit institution, or to bring an action in court regarding compulsory fulfilment of such obligations;
14) to submit a petition to a court regarding the declaration of insolvency of any such third person who has debt obligations towards the credit institution, and to represent the claims of the credit institution, if an insolvency matter is initiated against the third person on the basis of such petition;
15) to change the registered legal address of the credit institution;
16) to require and receive from natural persons, State and local government authorities, commercial companies, information regarding the credit institution and its representatives which is necessary for the insolvency proceedings;
17) to represent the credit institution in criminal proceedings and to request that security measures be determined for the relevant representatives of the credit institution, if in connection the particular insolvency matter, criminal proceedings have been initiated; and
18) request and receive from creditors and other persons translations of claims and other objections in the official language of the Republic of Latvia.
(5) If the administrator terminates the employment contract with the employees of the credit institution after the credit institution has been declared insolvent, the lawful basis of the termination of the employment contract shall be considered to be the provisions of Section 101, Paragraph one, Sub-paragraphs 9 and 10 of the Labour Law, if no other lawful basis for the

termination of the employment contract exists. In case of termination of the employment contract the discharged employees acquire the status of creditors:
1) to the extent of the unpaid salaries and related receivable payments; and
2) to the extent of remuneration for an occupational accident or an occupational disease for the whole unpaid period, and to the extent of such payments that are to be made for three years thereafter into the special State social insurance budget if the occupational accident occurred, or the occupational disease was incurred, by 1 January 1997.
[1 June 2000; 11 April 2002; 28 October 2004; 12 February 2009; 16 July 2009; 11 March 2010]

Section 162.

(1) Persons have a duty to submit to the administrator such information within their control, which is significant in the insolvency proceedings.
(2) The representatives of the credit institution and the persons whose participation in the insolvency proceedings or in the liquidation of the credit institution is compulsory have the duty to submit the information requested by the administrator within fifteen days from the date when the request was sent. The request shall be delivered to a representative of the credit institution or to a person whose participation in the insolvency proceedings or in the liquidation of the credit institution is compulsory, in person, or sent by registered post.
(3) The representatives of a credit institution and persons, whose participation in the insolvency proceedings or the liquidation of the credit institution is compulsory, shall submit the requested information in writing, confirming its accuracy by their signatures.

Section 163.

(1) Administrators shall be fully liable for the losses that have been incurred by the creditors through their fault.
(2) In case of the appointment of several administrators, the administrators shall be liable only for their own actions and in proportion to the losses, which have been incurred by creditors through their own fault. In such case the scope of liability of each administrator shall be determined by a court.
(3) Administrators shall not be liable for losses, which were incurred by creditors before they commenced the performance of their duties.

Section 164.

(1) Actions regarding losses occasioned by administrators may be brought in a court by creditors in accordance with general procedures.
(2) Actions against administrators may be brought not later than within three years after the termination of the insolvency proceedings.
(3) If an administrator has occasioned through his or her activities, losses to creditors or other interested persons, and the court has established the constituent elements of a criminal offence in such activities, the action against the administrator shall be subject to the general limitation period.
(4) The requirements of this Section apply to all administrators who have participated in the relevant insolvency process, regardless of the time or duration of the participation, and each administrator shall be liable only for his or her activities.

Section 165.

The administrator may authorise, in writing, his or her assistant, or any employee of the credit institution, to perform particular activities which are within the powers of the administrator in

accordance with this Law. The administrator shall be liable for losses occasioned by the assistant to the administrator or an employee who acts on the basis of such authorisation.

Section 166.

(1) The total proportional amount of remuneration for the administrator and the assistant to the administrator shall be:
1) 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats;
2) if the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets exceed ten thousand lats – 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats, and 10 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed ten thousand lats, but which are not more than one hundred thousand lats; or
3) if the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets exceed one hundred thousand lats – 15 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which do not exceed the first recovered ten thousand lats, and 10 per cent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed ten thousand lats, but which are not more than one hundred thousand lats, and five percent of the actually recovered and paid into the account of the credit institution at the Bank of Latvia monetary assets, which exceed one hundred thousand lats.
(2) The administrator and the assistant to the administrator shall receive a fixed remuneration in the following cases and in the following total amounts:

1) from the day of appointment of the administrator up to the adjudication of the insolvency proceedings – a once-only remuneration to the amount of ten minimum monthly wages;

2) up to the completion of bankruptcy proceedings if no monetary assets have been actually recovered – a once-only remuneration the amount of which shall be mutually agreed to by the administrator and the Financial and Capital Market Commission by entering into a relevant written contract, but the maximum amount of which may not exceed 20 minimum monthly wages;

3) in the case of restoration – a monthly salary of 20 minimum monthly wages; or
4) in the case, that the insolvency proceeding is terminated because of the renewal of solvency if solvency is renewed – a once-only remuneration of five per cent of the own funds of the credit institution on the day of the termination of the insolvency proceedings.
(3) in calculating the total proportional remuneration of the administrator and the assistant to the administrator it shall be reduced by the amount of the calculated fixed remuneration.
(4) The money in the cashier's office of the credit institution, the monetary assets that were obtained through selling financial instruments quoted on the regulated market, and the monetary assets that were obtained by using rights of claim against the Bank of Latvia, credit institutions of Latvia and foreign credit institutions, the operation of which has not been suspended or stopped, the State of Latvia or a foreign state, remuneration (commission) in respect of the financial services provided by the credit institution, as well as monetary assets that are acquired by the sale of the ancillary claim of the claim referred to in this Section, and fruits which are acquired from the insolvency process of the property of the credit institution shall not be considered as recovered assets for the determination of remuneration.
(5) If credit institution has inadequate monetary assets in order to ensure the remuneration specified in Paragraph two of this Section, as well as has inadequate monetary assets, which in accordance with Paragraph four of this Section are not considered to be actual recovered assets for the determination of remuneration, the administrator and the assistant to the administrator shall receive remuneration from the Financial and Capital Market Commission. The amount of

the remuneration, which may not exceed 20 monthly minimum wages shall be mutually agreed to by the administrator and the Financial and Capital Market Commission by entering into a written contract and:
1) taking a decision to initiate bankruptcy proceedings; and
2) submitting applications to a court regarding confirmation of the procedures for the covering of administration costs and debts, specifying of the time period for the covering of costs and debts, commencement of bankruptcy proceedings and termination of insolvency proceedings.
[1 June 2000; 11 April 2002; 20 November 2003]

Section 167.

(1) The duties of an administrator shall be terminated:
1) if the administrator is discharged in accordance with Section 168 of this Law;
2) if the administrator resigns in accordance with Section 169 of this Law;
3) if the insolvency proceedings are terminated in accordance with Section 150 of this Law; or
4) in case of death of the administrator, or if the administrator is a legal person and a decision has been taken and recorded in the Enterprise Register regarding the insolvency or liquidation of such legal person.
(2) If a change of administrators takes place in accordance with the provisions of Paragraph one, Sub-paragraph 1 or 2 of this Section, the new administrator shall commence the performance of his or her duties after the deed of acceptance and delivery of property (documents, objects, and the like) has been signed. The deed shall be accompanied by a report on the actions of the previous administrator. Until the signing of such deed, the previous administrator shall continue the performance of duties and shall be liable in accordance with the procedures specified by law.
(3) Upon the termination of the powers of the administrator, a court shall declare the administrator's identification document and seal referred to in Section 156 of this Law as invalid.
(4) A court shall publish the information regarding the termination of the powers of the administrator, and the declaration of the administrator's identification document and seal as invalid, in the newspaper Latvijas Vēstnesis.
[11 April 2002]

Section 168.

(1) If the Financial and Capital Market Commission expresses a lack of confidence in an administrator, it shall request a court to discharge such administrator and to appoint another, recommending a new candidacy for the administrator.
(2) It is the duty of the discharged administrator to submit to the Financial and Capital Market Commission and a court, within 15 days from the day of discharge, a report that must present a true and clear view of his or her activities.
[1 June 2000]

Section 169.

(1) Administrators are entitled to withdraw from the fulfilment of their duties, informing the Financial and Capital Market Commission and submitting a written submission to a court regarding their withdrawal, and a report which must present a true and clear view of their activities. The application shall include the reasons why they are unable to, or do not wish to, continue the performance of an administrator's duties.
(2) An administrator whose withdrawal has been approved by a court shall receive remuneration in accordance with Section 166 of this Law.
[1 June 2000]

Chapter XII

Property of Credit Institutions During Insolvency Proceedings

[21 May 1998]

Section 170.

The property of a credit institution during insolvency proceedings shall be:
1) the assets including property of the credit institution on the day when the insolvency petition was submitted to the court;
2) the fruits that were gained from the assets including property of the credit institution during the insolvency proceedings; and
3) other assets including property lawfully obtained during the insolvency proceedings.
[16 July 2009]

Section 171.

(1) After the declaration of the insolvency of a credit institution, only the administrator shall have the right to administer the property of the credit institution.
(2) The administrator shall administer the property of a credit institution and act with it within the scope of the powers determined by this Law.
(3) Monetary funds that were obtained through the recovery of property during the insolvency proceedings or the selling of the assets of the credit institution shall be paid in to the account of the credit institution in the Bank of Latvia. An administrator has the right to keep cash in the cashier's office in amounts that are necessary to cover the current expenditures of the insolvency proceedings.

Section 172.

(1) The list of the property of the credit institution shall include deposits and interest on deposits, but shall not include other property belonging to third persons that is held by the credit institution and assets of State funded pension scheme investment plans, private pension fund pension plans, assets assigned to meet obligations under pension plans and insurance contracts if such condition is provided for in a deposit contract and assets of the Guarantee Fund of Mandatory Civil Liability Insurance for Owners of Road Transport.
(2) An administrator shall ensure safekeeping of the property belonging to third persons until its transfer to the owner. An administrator is entitled to collect from third persons the expenditures incurred in relation to the safekeeping of their property.
(3) If the property belonging to third persons has been alienated, and the owners of the property have submitted their claims within the specified time period, the value of such property shall be compensated in full, prior to the satisfaction of other claims. The amount, which has been paid, shall be collected from the person through whose fault the property of the third person was alienated.
(4) If the owners do not take possession of the property belonging to third persons that is in the possession or care of the credit institution by the beginning of the auction of the property of the credit institution, the administrator shall transfer it for safekeeping to a notary. Safekeeping applies to money, documents and financial instruments existing in paper form.
(5) The property belonging to third persons, referred to in Paragraph four of this Section, which is in the possession or care of the credit institution and is not money, documents or financial instruments existing in paper form, shall be sold by the administrator at an open auction, and the funds thereby obtained shall be transferred for safekeeping to a notary together with the documents regarding the organisation and progress of the auction.
[20 November 2003; 26 February 2009]

Section 173.

(1) Pursuant to the request of an administrator, transactions of a credit institution may be declared void regardless of the type of such transactions, if:
1) they have been concluded after the day when the insolvency came into effect, and the credit institution has occasioned losses to creditors thereby;
2) they have been concluded within five years before the day when the insolvency came into effect, the credit institution has knowingly occasioned losses to creditors thereby, and the person with whom, or on behalf of whom, the transaction was concluded, has known about the occasioning of such losses; or
3) they have been concluded within five years before the day when insolvency came into effect and a court has determined that the credit institution was brought to insolvency by a criminal offence and the person with whom, or on behalf of whom, the transaction was concluded, knew about such offence.
(2) If the transactions by which losses have been occasioned to creditors have been concluded by the credit institution with the interested persons with respect to the credit institution, or on behalf of such persons, it shall be considered that such persons knew of the occasioning of losses or the criminal offence, if they do not prove the contrary.
(3) A secured creditor may submit an action to a court to have a transaction concluded by the administrator declared to be void, if the transaction relates to property pledged for claim security, and the rights of the secured creditor have been violated.
(4) Transfer of credit institution disposal group that is performed in accordance with Section 59.3 or Section 59.4, Paragraph two of this Law shall not be considered invalid.
[12 February 2009]

Section 174.

(1) A gift agreement for the property of the credit institution may be declared void in accordance with the provisions of Section 1927 of the Civil Law.
(2) Transactions concluded within five years before the day when insolvency came into effect, or after such day, in which inequality of mutual obligations indicates that actually a gift has been made, may be declared void.
(3) Donations to public organisations registered in Latvia, which promote culture, science, education, sport, health protection or social assistance may not be declared void. A donation to such organisation may be declared void and reclaimed, if there is evidence that the donation is fictitious or is not utilised for the intended purposes.

Section 175.

(1) A pledge agreement may be declared void upon the request of the administrator, if:
1) the right of pledge of the creditor of the credit institution was established after the day when insolvency came into effect, or within the last six months before the day when insolvency came into effect, for such creditor's claim against the credit institution which had not been, until then, previously secured;
2) it was entered into after the day when insolvency came into effect, or within a year before it, and the pledgee was an interested person with respect to the credit institution; or
3) the pledge was alienated in order to satisfy a claim of a secured creditor after the day when insolvency came into effect, or six months before it, and the alienation did not take place at an open auction in cases when the pledge was to be sold at such auction in accordance with law or with the agreement.
(2) If a pledge agreement is declared void, the relevant secured creditor shall acquire the status of an unsecured creditor.

Chapter XIII
Restoration of a Credit Institution

[21 May 1998]

Section 176.

Restoration is a planned set of legal measures with the purpose of preventing a possible bankruptcy of a credit institution, to restore solvency and to satisfy the legal claims of creditors. Restoration of a credit institution is performed in accordance with a restoration plan adopted pursuant to the procedures specified by this Law.

Section 177.

(1) A restoration plan may be submitted by:
1) the administrator;
2) a creditor or group of creditors; or
3) the stockholders (shareholders) of the credit institution who jointly represent not less than one tenth of the paid up equity capital of the joint-stock company.
(2) A restoration plan shall include:
1) the specific measures that will be performed in order to restore solvency of the credit institution;
2) the time periods for the execution of such measures;
3) the necessary funds and the sources of their acquisition;
4) the anticipated time periods for the improvement of solvency of the credit institution, and the amount;
5) the time periods when the credit institution will be able to satisfy all the requirements of law and the regulatory regulations and orders of the Financial and Capital Market Commission; and
6) the procedures by which it is planned to make payments in order to satisfy the claims of creditors, and the time periods for so doing.
[1 June 2000; 22 February 2007]

Section 178.

An administrator shall specify the time period for the preparation of a restoration plan, but it may not exceed a month from the day when the credit institution was declared insolvent.

Section 179.

(1) The decision on the implementation of restoration shall be taken by the administrator. The decision on the implementation of restoration and the restoration plan shall come into effect after its approval by the Financial and Capital Market Commission and the meeting of creditors. The restoration of the credit institution shall be managed by the administrator in accordance with the restoration plan adopted and approved by the Financial and Capital Market Commission and the meeting of creditors.
(2) A court may revoke a decision on the implementation of a restoration plan on the basis of an application by an administrator, meeting of creditors or the Financial and Capital Market Commission if the adoption of such decision has been achieved by fraud or duress, or a misleading influence has occurred.
[1 June 2000; 11 April 2002]

Section 179.1

The meeting of creditors and the committee of creditors of the credit institution, administrator and persons the participation of whom in the insolvency proceedings is mandatory, shall be involved in the restoration process.

[11 April 2002]

Section 179.2

(1) The first meeting of creditors shall be convened by the court appointed administrator not later than within a period of three weeks after the decision has been taken regarding the application of restoration (Section 179) for the credit institution.
(2) The administrator shall notify the creditors of the place, time and agenda of the meeting of creditors, not later than two weeks before the specified date of the meeting. The notice regarding the first meeting of creditors shall be published in the newspaper Latvijas Vēstnesis and two other newspapers.
(3) If there are more than three hundred creditors, the administrator shall when notifying regarding the meeting of creditors, invite creditors the claims of whom does not exceed one per cent of the whole of the claim amount to authorise a common representative.
[11 April 2002]

Section 179.3

(1) All creditors have the right to be represented at a meeting of creditors, irrespective of the amount of claim. Participation in the meeting of creditors is personal or through the mediation of a lawful or contractual representative.
(2) If the number of creditors more than three hundred, only those creditors who represent not less than one per cent of the whole of the claim amount are entitled to personally participate in the meeting of creditors. In such case one person shall represent several creditors.
(3) Voting rights in the meeting of creditors at which a vote is taken on a restoration plan are also for secured creditors for the full amount of the claim. If the restoration plan is adopted, voting rights in the meeting of creditors during the period of restoration are also for those secured creditors whose rights to sell debentures are restricted.
(4) Secured creditors in the meeting of creditors have voting rights to the extent of the unsecured part of the debt. Secured creditors may withdraw from the security or its part and declare a claim, thus gaining voting rights to the extent of the whole debt or the unsecured part of the debt.
(5) To meetings of creditors shall be invited person the participation of whom in the insolvency proceedings is mandatory.
[11 April 2002]

Section 179.4

(1) The meeting of creditors shall:
1) elect the committee of creditors;
2) approve or reject the restoration plan, as well as amendments to it;
3) take a decision regarding the reduction of equity capital in accordance with the restoration plan if the own funds of the company has been less than three-quarters of the company's equity capital or the subscribed equity capital of the company and the shareholders or stockholders (shareholders) have not taken a decision regarding the reduction of equity capital in conformity with the Commercial Law prior to a court adjudication regarding the insolvency of the credit institution; and
4) take a decision regarding an increase in equity capital in accordance with the restoration plan, providing for right of first refusal for the existing shareholders or stockholders (shareholders) to the shares or stocks in conformity with the Commercial Law.
(2) If only one creditor participates in the insolvency proceedings, he or she has all the authorisations of the meeting of creditors provided for in this Law.
[11 April 2002]

Section 179.5

(1) The meeting of creditors is chaired by the administrator.
(2) The meeting of creditors is entitled to take a decision irrespective of the amount of debt represented in it if all known creditors were notified of the convening of the meeting within the time period provided for in this Law and if to the meeting persons whose participation in the insolvency proceedings is mandatory have been invited.
(3) The non-attendance at the meeting of creditors of those persons whose participation in the insolvency proceedings is mandatory shall not be an obstacle for its proceeding if the meeting of creditors has been convened according to the procedures specified in this Law.
(4) The meeting of creditors shall take decisions with a simple majority of those creditors with voting rights on the basis of amount of claims. The number of votes of each creditor shall be specified proportional to his or her declared amount of debt, as well as the amount reflected in the debtor – credit institution documents (accounting records registers) if the creditor claim has not been declared.
(5) The number of votes in the meeting of creditors shall be determined by granting one vote for the smallest known creditor claim (amount of claim); the remaining number of votes shall be specified by dividing the claim (amount of claim) of each creditor with the smallest known creditor claim (amount of claim). The number of votes of each creditor shall be determined before each meeting of creditors taking into account changes in the composition of unsecured creditors and the amount of claims.
(6) Minutes shall be taken during the course of the meeting of creditors. The minute taking shall be ensured by the chairperson of the meeting of creditors.
(7) The meeting of creditors with its justified decision may be suspended for a period of up to one month if more than half of the creditors present on the basis of amounts of claim voted for this, indicating the time, place and agenda for the recommencement of the meeting.
[11 April 2002]

Section 179.6

(1) The meeting of creditors may elect a committee of creditors.
(2) It is mandatory for the meeting of creditors to elect a committee of creditors if more than fifty creditors have declared their claims in the insolvency proceedings.
(3) The committee of creditors shall be elected from among the participants with voting rights at the meeting of creditors composed of not less than five and not more than nine members for the whole of the insolvency proceedings period. In the committee of creditors shall be represented all the groups of creditors involved in the relevant insolvency proceedings (Sections 192 and 193).
[11 April 2002]

Section 179.7

(1) The committee of creditors has the authorisations in the insolvency proceedings specified in this Law for the meeting of creditors.
(2) The meeting of creditors has the right to remove the committee of creditors.
(3) After its election, the committee of creditors from among its members shall without delay elect a chairperson of the committee of creditors. If the meeting of creditors considers it necessary, it may entrust the chairperson of the committee of creditors, one or more of its members to permanently control the observation of the interests of creditors during the course of the restoration process. In such case, the meeting of creditors shall determine the remuneration for such person, which shall be included in the costs of administration.
(4) A member of the committee of creditors may withdraw from the fulfilment of duties, providing a warning in writing to the administrator one month beforehand. If the number of

members of the committee of creditors becomes less than five, the administrator shall convene a meeting of creditors, which shall elect new members of the committee of creditors.
[11 April 2002]

Section 179.8

(1) The form of activity of the committee of creditors is meetings.
(2) The meetings of the committee of creditors are convened and chaired by the chairperson of the committee of creditors. The administrator may request that the chairperson of the committee of creditors convene a meeting of the committee of creditors within a period of one week from day of the submission of the request.
(3) The committee of creditors is entitled to take decisions if more than half of the members elected at the meeting of creditors take part in the meeting. Decisions shall be taken by the committee of creditors by a simple majority of votes of the members of the committee present. If the votes are divided equally, then the deciding vote shall be the vote of the chairperson of the committee of creditors.
[11 April 2002]

Section 179.9

(1) A creditor to represent him or her at the meeting of the creditors may authorise not more than one person. The authorised person shall represent the creditor to the full amount of the creditor's claim.
(2) A group of creditors to represent them at the meeting of the creditors may authorise not more than one person. The authorised person shall represent the group of creditors to the full amount of the group of creditors' claim.
[11 April 2002]

Section 180.

(1) The restoration of a credit institution shall be managed by the administrator in accordance with the restoration plan approved by the Financial and Capital Market Commission and the meeting of creditors.
(2) In addition to the rights and powers of an administrator in the course of restoration, specified in Section 161, Paragraph four of this Law, an administrator is entitled to acquire or borrow funds in the name of the credit institution and to pledge the property of the credit institution, respectively co-ordinating this with the meeting of creditors.
(3) If there has been a substantial change in the circumstances, which affect, or may affect, the fulfilment of a restoration plan, the administrator shall make, with the consent of the meeting of creditors, amendments to the restoration plan and submit it to the Financial and Capital Market Commission for approval or take a decision on revocation of restoration or discontinuation of restoration.
[1 June 2000; 11 April 2002]

Section 181.

(1) The decision on the implementation of restoration, the restoration plan and subsequent decisions regarding amendments to such plan shall be approved by the Financial and Capital Market Commission within 15 days from the day of their submission and the administrator shall submit them for approval to the meeting of creditors.
(2) If the Financial and Capital Market Commission or the meeting of creditors does not approve the restoration plan, or if restoration is revoked or discontinued, the administrator shall take a decision on the initiation of bankruptcy proceedings.

(3) If the Financial and Capital Market Commission or the meeting of creditors does not approve the decision regarding amendments in the restoration plan, the restoration shall be continued in accordance with the previously approved plan.
[1 June 2000; 11 April 2002]

Section 182.

(1) The time period for restoration may not exceed six months from the day when the decision on the implementation of restoration and the restoration plan were approved by the Financial and Capital Market Commission and the meeting of creditors. The time period for restoration shall commence after the restoration plan has been approved by the meeting of creditors. After the end of the initial time period for restoration, the administrator may, with the consent of the Financial and Capital Market Commission and the meeting of creditors, extend the time period for restoration each time by a three-month period, counting from the day when the decision regarding the extension of the time period for restoration and the amendments to the restoration plan were consented to by the meeting of creditors.
(2) The total time period for restoration may not exceed two years.
[1 June 2000; 11 April 2002]

Section 183.

(1) An administrator may request the Financial and Capital Market Commission or the meeting of creditors to discontinue the restoration, if:
1) restoration actions are not taking place in accordance with the restoration plan;
2) the solvency of the credit institution has not improved to the extent anticipated in the time period specified in the restoration plan; or
3) it is determined that the restoration plan cannot be executed.
(2) In case of discontinuation of restoration, the administrator shall take a decision to submit a petition to the court on initiation of bankruptcy proceedings.
[1 June 2000; 11 April 2002]

Section 183.1

(1) If restoration of the credit institutions is not implemented or it has been unsuccessful, as well as when if other reorganisation measures are not implemented or they have been unsuccessful and a decision is taken regarding the commencement of bankruptcy proceedings for the credit institution, the Financial and Capital Market Commission shall withdraw the licence (permit) issued to the credit institution for credit institution operations.
(2) After the cancellation of a licence (permit) issued to the credit institution for credit institution operations if according to procedures specified by law the administrator of the credit institution or other relevant authorised persons have not been changed, the administrator or other relevant authorised person who has performed the restoration activities or other reorganisation measures has the right to continue the relevant activities in conformity with the administrator authorisations provided for in the credit institution bankruptcy proceedings by law up to the day when a credit institution bankruptcy proceedings administrator is appointed.
(3) If activities are performed, which are associated with bankruptcy proceedings of a credit institution (also the branches thereof in the involved state) registered in the Republic of Latvia or a credit institution, which in the involved state provides financial services without opening a branch, the Financial and Capital Market Commission in performing supervision in conformity the requirements of this Law shall co-operate with the relevant competent authorities of the involved state.
[28 October 2004]

Chapter XIV
Bankruptcy Proceedings for Credit Institutions
[21 may 1998]

Section 184.

(1) A decision on initiation of bankruptcy proceedings shall be taken, upon receipt of a petition, by a court.
(2) A decision of an administrator on the submission of a petition to a court shall be approved by the Financial and Capital Market Commission.
(3) After a court has taken a decision on initiation of bankruptcy proceedings, the administrator shall ensure the use of the phrase "likvidējamā" [to be liquidated] on all particulars of the credit institution.
[1 June 2000]

Section 185.

(1) The basic purpose of bankruptcy proceedings is to gain maximum income from the sale of the assets including property of a credit institution, thereby ensuring the satisfaction of the creditors' claims as fully as possible.
(11) The administrator shall accomplish the target referred to in Paragraph one hereof by implementing transfer of credit institution disposal group as stated by the Law.
(2) The sale of the assets including property of a credit institution shall take place in public auctions, if the law does not specify other alienation procedures in respect of the particular property. Auctions shall be organised by and auction regulations shall be prepared by the administrator.
[12 February 2009; 16 July 2009]

Section 186.

(1) Within three days after a court has taken a decision on the initiation of bankruptcy proceedings, the administrator shall submit a notice regarding the initiation of bankruptcy proceedings for the credit institution for publication in the newspaper Latvijas Vēstnesis and at least in two other newspapers.
(2) The notice shall include:
1) the date of the court judgment on initiation of bankruptcy proceedings;
2) the time period within which the creditors and other persons must submit their actions and other statements of claims; and
3) the given name and surname of the administrator (if the administrator is a legal person, its name and the given name and surname of its authorised representative), the location of operations and the telephone number.
(3) The time period referred to in Paragraph two, Sub-paragraph 2 of this Section shall be three months. The running of the time period shall begin on the day of publication of the notice in the newspaper Latvijas Vēstnesis.
(4) Claims of creditors submitted after the expiration of the time period specified in Paragraph three of this Section, also claims of the State and local government institutions responsible for tax administration and control, shall be satisfied according to the group of creditors' claims provided for in Section 193, Sub-paragraph 3 of this Law.

Section 187.

The administrator shall specify the day for beginning the auction of the property of the credit institution and provide notice of it in the newspaper Latvijas Vēstnesis and in at least two other

newspapers. If it is impossible to begin the auction within the specified time period, the administrator shall decide on the postponement of the day for beginning the auction.

Section 188.

An auction shall include the property of a credit institution referred to in Section 170 of this Law, except monetary funds, as well as the property, which serves as security for the secured creditors in accordance with the valid contracts entered into by the credit institution.

Section 189.

(1) An auction of the property of a credit institution shall take place pursuant to The Civil Law, the Civil Procedure Law and other regulatory enactments, taking into account the exceptions specified in this Section.
(2) The activities of a bailiff provided for in the Civil Procedure Law shall be performed by the administrator.
(3) In the first auction the bidding shall proceed with an ascending step. If the property is not sold at the auction, the bidding in subsequent auctions shall proceed with a descending step.
(4) After the bidder has paid the determined price for the immovable property, the administrator shall prepare and sign a purchase contract, on the basis of which an entry shall be made in the Land Register.
[11 April 2002]

Section 190.

(1) The regulations for a voluntary auction of the pledged property of a credit institution, and the initial price, shall be co-ordinated by the secured creditor with the administrator. The administrator shall represent the interests of the credit institution at the auction, and he or she has the right to request the auction documents (the auction sheet, the minutes of the auction) from the organiser of the auction.
(2) Upon selling of the pledged property of a credit institution at the open market in accordance with Section 1321 of the Civil Law, a property alienation agreement shall be entered into in writing and be co-ordinated with the administrator.
(3) If the provisions of Paragraphs one and two of this Section have not been complied with, there are grounds for disputing the alienation agreement for the pledged property.
(4) If an amount of money has been received for the pledged property of the credit institution, which exceeds the expenditures for the secured claims and the auction, the administrator shall arrange that the surplus is credited to the account of the credit institution in the Bank of Latvia.

Section 191.

(1) The monetary funds of a credit institution that have been obtained from such mortgage and substitute coverage as has been included, pursuant to the Law on Mortgage Bonds, in the register of mortgage bond coverage, shall be utilised for the fulfilment of obligations arising from the issuance of the mortgage bonds. Only when the aforementioned obligations have been fulfilled, the remaining funds may be used to cover other expenses and debts. Procedures for the coverage of other expenses and debts shall be determined by the administrator in accordance with the provisions of Sections 192-195 of this Law.
(2) From those funds of the credit institution that are not included in the register of the mortgage bond coverage, the costs of the insolvency proceedings or liquidation shall be first be fully covered.

Section 192.

After the covering of the expenses of the insolvency proceedings or liquidation, the remaining funds shall be distributed, for the satisfaction of the principal sums (without interest) of the creditors' claims, according to the following groups:
1) payments to depositors, who in accordance with the law are entitled to a guaranteed compensation. Payments shall be specified in the amount of the guaranteed compensation provided for by law. If the depositor has several accounts at a credit institution, it shall be deemed that the depositor has one deposit in the total amount of all the deposits. If a depositor has received the guaranteed compensation, he or she shall lose the right of claim with respect to the amount received, and claims of the deposit guarantee fund against the credit institution shall be treated as claims of this group;
2) claims of employees with respect to the salary for the last three months of legal employment relations in the 12 month period prior to the court judgment regarding the declaration of insolvency of the debtor; with respect to annual vacation pay to which rights were acquired in the 12 month period to the court judgment regarding the declaration of insolvency of the debtor; with respect to compensation for other types of paid leave for the last three months of legal employment relations in the 12 month period prior to the court judgment regarding the declaration of insolvency of the debtor; with respect to severance pay in the minimum amount specified by law; with respect to compensation for injuries related to an occupational accident or an occupational disease – for the whole unpaid time period, and the payments of such compensation which are to be made three years in advance, if the occupational accident occurred, or the occupational disease was incurred up to 1 January 1997, as well as in cases if the former employee who is not deemed to be an insured person in accordance with the Law On Mandatory Social Insurance Against Accidents at Work and Occupational Diseases, the cause of which is the work performed by such employee in harmful working conditions up to 1 January 1997; the mandatory payments of State social insurance and personal income tax payments which are related to the payments referred to in this Sub-paragraph, or the claims of the State agency Maksātnespejās administrācija [Insolvency Administration] if it has satisfied the previously referred to claims from the funds of the employees claims guarantee fund in accordance with the Law On Protection of Employees in case of Insolvency of Employer;
3) taxes and other payments (debts) to the State budget and the budgets of local governments, as well as such transit credits and interest payments for the use of such credits which were paid back to the credit institution before the day when insolvency was declared or the day when the court adopted an adjudication on the liquidation of the credit institution;
4) such debts to creditors which have arisen from a credit institution accepting, but failing to fulfil, payment orders from a client regarding money transfer to accounts of the State or local government budgets; and
5) State claims regarding repayment of credits guaranteed by the State.
[11 April 2002; 20 November 2003]

Section 193.

After complete satisfaction of the creditors' claims provided for in Section 192 of this Law, the remaining funds shall be distributed for the satisfaction of creditors' claims according to the following groups:
1) the remaining legal claims of the creditors (principal sums without interest), including claims of such creditors as have obtained the status of a creditor after the initiation of insolvency proceedings or the adoption of the court adjudication on liquidation, if they are not, in accordance with this Law, treated as if they were the creditors' claims provided for in Section 192. Deferred tax payments after the performance of payments of the creditors' claims provided for in Section 192 of this Law, the remaining deposits of natural persons and salary debts, as well as other payments arising from lawful employment relations, shall be treated as if they were claims of this group. If a creditor's deposit has been insured and the creditor has received

insurance compensation, the claims of the relevant insurance company (fund) against the credit institution shall be treated as if they were claims of this group;
2) claims regarding interest payments to the creditors;
3) claims of such creditors who have submitted their claims after the specified time limit; and
4) claims regarding the funds which creditors have loaned to the credit institution for a definite time period, with the condition that they may be requested before the expiration of such time period only in the case of liquidation of the credit institution.

Section 194.

The claims of each subsequent group of creditors shall be satisfied only after complete satisfaction of the previous group of creditors. If the funds of the credit institution are inadequate to fully satisfy all claims of the creditors of one group, such claims shall be satisfied proportionately to the amount due to each creditor within such group.

Section 195.

The funds, which remain after the satisfaction of the claims referred to in Sections 192 and 193 of this Law shall be distributed to the stockholders (shareholders) of the credit institution proportionately to the amount of the contribution of each.
[11 April 2002]

Chapter XV
Liability
[21 May 1998]

Section 196.

For attraction of deposits and other repayable funds without obtaining a licence (permit) from the Financial and Capital Market Commission:
1) the Financial and Capital Market Commission shall impose a fine from 5000 lats to 100 000 lats upon a legal person; and
2) a natural person shall be subject to administrative or criminal liability.
[21 May 1998; 1 June 2000; 23 December 2010]

Section 197.

Administrative or criminal liability applies to a person who:
1) has knowingly submitted false or incomplete information, or has not provided the information requested in accordance with this Law; and
2) has hindered an authorised representative of the Bank of Latvia in performing examinations, has not submitted information, documents or explanations within the specified time period, or has submitted imprecise or false information.

Section 197.1
[17 May 2007; 12 February 2009]

Section 198.

(1) If a credit institution does not fulfil the requirements of Section 8 of this Law, the Financial and Capital Market Commission and the Bank of Latvia are entitled to impose a fine on the credit institution from 1000 lats to 10 000 lats.

(2) If a credit institution does not fulfil the requirements of Sections 32, 90, 91, 95 and 96 of this Law, the Financial and Capital Market Commission is entitled to impose a fine on the credit institution of from 1000 lats to 10 000 lats.
(3) If a commercial company referred to in Paragraph one of Section 106.1 of this Law does not fulfil the requirements of Paragraph one thereof or requires data from the Credit Register without reason, the Bank of Latvia is entitled to impose a fine on a commercial company thereof of up to 5000 lats.
(4) For activities as a result of which the requirements of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing have been violated, the Financial and Capital Market Commission shall impose a fine on the credit institution of from 5000 up to 100 000 lats;
(5) For entering into a consumer loan agreement where the amount of a loan is equal to the amount of 100 minimum monthly wages or exceeds it, if no statement from the State Revenue Service or other state tax administration is received regarding consumer income, the Financial and capital market Commission shall impose on a credit institution a fine, 1000 lats. For similar actions, if repeated within a year after imposing mentioned fine, the Financial and Capital Market Commission shall impose on a credit institution a fine, 3000 lats;
(6) For granting a loan the amount of which is equal to the amount of 100 minimum monthly wages or exceeds it, and repayment is secured with mortgage, of over 90 per cent of the market value of relevant real estate the Financial and Capital Market Commission shall impose on a credit institution a fine, 1000 lats. For similar actions, if repeated within a year after imposing mentioned fine, the Financial and Capital Market Commission shall impose on a credit institution a fine, 3000 lats;
(7) [29 May 2008]
(8) If a person has acquired or increased a qualifying holding in a credit institution prior to submission of notification referred to in Paragraphs one and two of Section 29 of this Law to the Financial and Capital Market Commission or during review of notification, the Financial and Capital Market Commission has the right to impose a fine on the person from 10 000 lats to 100 000 lats.
(9) If a credit institution does not comply with requirements of Section 34.1 of this Law, the Financial and Capital Market Commission has the right to impose on the credit institution a fine from 5000 lats to 100 000 lats.
[21 May 1998; 1 June 2000; 28 October 2004; 26 May 2005; 17 May 2007; 29 May 2008; 26 February 2009; 23 December 2010]

Section 199.

For other activities as a result of which violations have occurred of the requirements of this Law or of the regulatory enactments arising from it or directly applicable regulatory enactments issued by European Union institutions:
1) the Financial and Capital Market Commission and the Bank of Latvia shall impose a fine up to 100 000 lats on a legal person; and
2) a natural person shall be subject to administrative or criminal liability.
[1 June 2000; 9 June 2005; 22 February 2007]

Section 200.

If the chairperson or the members of the council or the board of directors, the executive managers or the employees of a credit institution have intentionally granted unjustified priority rights to any creditor, or have agreed that such rights be granted, the relevant person shall be subject to administrative or criminal liability.

Section 201.

The fines collected for the violations specified in Sections 196, 198 and 199 of this Law shall be paid into in the State budget.
[1 June 2000]

Section 202.

Persons who, due to neglect or intentionally, have brought a credit institution to a state of insolvency, the result of which is manifested as a criminal bankruptcy, shall be subject to criminal liability.
[21 May 1998]
Section 203.

If the chairperson or the members of the council or the board of directors of a credit institution, or the liquidators of a credit institution, have failed to submit an insolvency petition in the cases provided for by Section 138 and Section 140, Paragraph two of this Law, the offenders shall be subject to criminal liability for the failure to submit an insolvency petition in the cases provided for by law.
[21 may 1998]

Section 204.

(1) If an insolvency petition has been held to be knowingly false, its submitter shall cover the court costs and the expenses of the insolvency proceedings.
(2) A petition in which knowingly false information has been submitted or information has been concealed, and due to which the credit institution may be, or has been, unjustifiably declared insolvent, shall be considered to be a knowingly false insolvency petition.
(3) The petition of a creditor shall not be considered to be a knowingly false insolvency petition, if the credit institution, while being solvent, has not fulfilled the commitments.
[21 May 1998]

Section 205.

(1) For submission of a knowingly false insolvency petition the debtor or the creditor shall be subject to criminal liability.
(2) The submitter of a knowingly false insolvency petition shall be liable for the harm occasioned to the credit institution as a result of the false petition.
[21 may 1998]

Section 206.

A creditor or another person interested in the insolvency proceedings of a credit institution may be subject to criminal liability for the knowing violation of the insolvency proceedings, which is manifested as a failure to provide, or concealment of, the information requested by a court or an administrator and prescribed by law, the submission of false information, the avoidance of participation in the examination of the matter, the illegal alienation of property during the insolvency proceedings, the concealment, destruction or falsification of property, transactions, documents, or other knowingly acts which hinder the course of the insolvency proceedings.
[21 May 1998]

Section 207.

An administrator may be subject to criminal liability for knowingly concealing of information from a court, for misleading it, for the performance of transactions, not provided for by this Law, in favour of one creditor or one group of creditors at the expense of other creditors.
[21 May 1998]

Section 208.
[28 October 2004]
[11 April 2002; 28 October 2004]

Chapter XVI
Special Features of the Reorganisation Measures or Liquidation of Credit Institutions and Foreign Credit Institutions (also the Branches thereof)
[28 October 2004]

Section 209.

(1) The norms of this Chapter shall be applicable to:
1) credit institutions registered in the Republic of Latvia, which have established branches in another Member State;
2) other Member State credit institutions, which have branches in the Republic of Latvia;
3) foreign credit institutions, which have at least one branch located in the Republic of Latvia and one in another Member State; and
4) credit institutions registered in the Republic of Latvia, which have creditors in another Member State.
(2) Other reorganisation measure or liquidation regulating norms shall be applicable in such amount insofar as they not in contradiction to the norms of this Chapter.
[28 October 2004; 22 February 2007]

Section 210.

(1) Only the country of domicile competent institution has the right to take a decision in conformity with the competence specified by law of the relevant state regarding activities, which are associated with the country of domicile registered credit institution (also the branches thereof) reorganisation measures or liquidation in an involved state.
(2) In the Republic of Latvia the decisions referred to in Paragraph one of this Section are binding commencing from the day that they have come into effect in Member State in which they were taken.
(3) The decisions referred to in Paragraph one of this Section taken in the Republic of Latvia are binding on other Member States commencing from the day that they have come into effect in the Republic of Latvia.
(4) Reorganisation measures or liquidation shall be regulated by the regulatory enactments of the relevant country of domicile if it is not specified otherwise in this Law.
[28 October 2004]

Section 211.

(1) The Financial and Capital Market Commission or other competent institution, each in conformity with the competence specified in its regulatory enactments, prior to taking a decision regarding such reorganisation measures or liquidation of a credit institution, which has creditors in another Member State or branch in an involved state or which in the involved state has submitted financial services without opening a branch, shall without delay inform the relevant involved state competent institution regarding such activities.

(2) The Financial and Capital Market Commission shall ensure the publication of the notification associated with reorganisation measures or liquidation received from another Member State competent institution in the newspaper Latvijas Vēstnesis and the Internet home page of the Financial and Capital Market Commission.
(3) If a court makes an adjudication or another competent institution decides regarding a credit institution registered in the Republic of Latvia the creditors of which are in another Member State, or a credit institution which in the involved state provides financial services without opening a branch, regarding reorganisation measures, liquidation or reorganisation measures or liquidation activities in which the credit institution branches are involved in another Member State, the administrator or person authorised by other laws shall without delay after the coming into effect of such adjudication or decision ensure the publication in the newspaper Latvijas Vēstnesis of the adjudication or decision associated with the reorganisation measures or liquidation specified by law, as well as sending a notification regarding the adjudication or decision taken to the European Union official publications bureau for publication in the official publication "Official Journal of the European Union" and to two of each of such involved state level newspapers in which the Republic of Latvia registered credit institution branches or creditors are located.
(4) The notification referred to in Paragraph three of this Section shall be prepared in the official language of the Republic of Latvia. The notification shall indicate its purpose, the legal basis, identification data of the administrator or person authorised by other laws, the final time period (date) for the submission of claims or complaints and the full address of the institution, which is entitled to examine complaints regarding reorganisation measures or liquidation.
(5) The non-publication of the notification specified in this Section shall not influence the course of reorganisation measures or liquidation and cannot be a basis for the appeal or dispute of the court adjudication or the decision of a competent institution regarding reorganisation measures or liquidation.
[28 October 2004; 22 February 2007]

Section 212.

(1) A liquidator or administrator, or person authorised by other laws regarding reorganisation measures or liquidation shall without delay in writing notify each of the known creditors irrespective of their location.
(2) A liquidator or administrator, or person authorised by other laws shall indicate in the notification to creditors their binding time periods, the consequences of not complying with the time periods, the competent institution, which has the right to receive submitted claims or other notifications associated with claims, as well as other information, which creates, amends or terminates creditor obligations.
(3) A liquidator or administrator, or person authorised by other laws shall provide the notification in the official language of the Republic of Latvia utilising the form, which in all Member State official languages is headed "Invitation to submit a claim. Time periods to be observed in submitting claims".
(4) All creditors irrespective of their location have the right to submit their claims and objections in accordance with Section 143.1, Paragraph one of this Law. A creditor is entitled to submit a creditor claim in the Member State official language thereof (or in one of the official languages), which is the place of residence or management location of the creditor. In such case, on the basis of a request from the creditor, the application shall indicate the heading "Kreditora prasījuma pieteikums" [Creditor claim application] in the official language of the Republic of Latvia.
(5) A liquidator or administrator, or person authorised by other laws has the right to request that the creditor ensure the translation of the application in the official language of the republic of Latvia only when if regarding this, the creditors have been previously notifies in the notification specified in this Section.
[28 October 2004]

Section 213.

(1) The Financial and Capital Market Commission prior to the court making an adjudication or another competent institution taking a decision regarding reorganisation measures or liquidation activities of a foreign credit institution in which a branch of the credit institution in the Republic of Latvia is involved, but if that is not possible then after the making of the relevant adjudication or the taking of the decision, shall without delay inform those Member State competent authorities in which the relevant credit institution has opened a branch regarding the referred to court adjudication or institution decision.
(2) The Financial and Capital Market Commission in the performance of its functions shall utilise the information published by the European Union official publications bureau in the official publication "Official Journal of the European Union" regarding the performance of such activities as are associated with the involvement of branches in reorganisation measures or liquidation.
(3) The Financial and Capital Market Commission shall perform supervision in accordance with this Law and shall co-operate with the relevant Member State competent authorities.
(4) [22 February 2007]
(5) A liquidator or administrator, or person authorised by other laws shall co-operate with the authorised persons of other states, which have the right to perform reorganisation measures or liquidation.
[28 October 2004; 22 February 2007]

Section 214.

The regulatory enactments of the Republic of Latvia shall regulate issues, which are associated with:
1) assets or activities with assets, which have been acquired or transferred after the commencement of liquidation or insolvency proceedings;
2) administrative institution and liquidator or administrator rights and duties;
3) netting of claims and obligation, set-off of claims and obligations, repurchase or the fulfilment of other similar activities in the sense of legal consequences;
4) the influence of liquidation or insolvency proceedings on contracts entered into, where the contracting party is a credit institution, as well as on contracts, which have been entered into by the branches thereof;
5) the influence of liquidation or insolvency proceedings on court proceedings brought by individual creditor, except the unfinished court proceedings provided for in Section 223 of this Law;
6) claims, which have been submitted against the credit institution, and claims, which have been submitted after the commencement of liquidation or insolvency proceedings;
7) the requirements of regulatory enactments, which determine applications, examinations and recognition of claims;
8) the requirements of regulatory enactments, which determine the alienation of credit institution assets, the division of income acquired from the alienation of assets, the grouping of claims, and such creditor rights, which are partially satisfied after the commencement of liquidation or insolvency proceedings in accordance with property law or with accounting, or other similar activities in the sense of legal consequences;
9) the requirements of regulatory enactments, if the liquidation or insolvency proceedings are terminated (also utilising settlement);
10) creditor rights after the termination of liquidation or insolvency proceedings;
11) the requirements of regulatory enactments regarding the costs of liquidation or insolvency proceedings; and

12) the provisions of regulatory enactments, which restrict all the rights specified for creditors or determine prohibitions or restrictions in order that in relation to creditors to prevent unequal conditions or losses.
[28 October 2004]

Section 215.

If such reorganisation measures or liquidation are performed for Republic of Latvia registered credit institutions (also the branches thereof in involved states) or credit institutions, which in the involved state provide financial services without opening a branch, the liquidator or administrator or person authorised by other laws shall regularly, but not less often than once per year inform known creditors in other Member States regarding the reorganisation measures or liquidation.
[28 October 2004]

Section 216.

Reorganisation measures or liquidation shall not restrict creditor or third person property rights in relation to property, which belongs to the credit institution and during reorganisation measures or liquidation are located in the territory of another Member State.
[28 October 2004]

Section 217.

(1) Reorganisation measures or liquidation in relation to a credit institution, which has acquired assets prior to the commencement of the relevant reorganisation measures or liquidation shall not influence the rights of the transaction partner – seller of assets, if at the moment of the commencement of such reorganisation measures or liquidation the relevant assets were located in the territory of such Member State, which was not the Member State in the territory of which the referred to reorganisation measures or liquidation is performed.
(2) The performance of reorganisation measures or liquidation in relation to a credit institution, which sells assets prior to the commencement of the relevant reorganisation measures or liquidation, after the transfer of such assets the buyer shall have no basis to revoke or suspend the transaction and shall not influence the rights of the transaction partner – buyer, if during such reorganisation measures or liquidation the assets are located in the territory of such Member State as is not the Member State in the territory of which the referred to reorganisation measures or liquidation are being performed.
(3) Interested persons have the right to dispute the transactions specified in this Section.
[28 October 2004]

Section 218.

If after a decision regarding the performance of reorganisation measures or liquidation has been taken and the relevant activities have been commenced, assets are alienated, such activities shall be regulated in relation to:
1) immovable property – by those regulatory enactments in the territory of which the immovable property is located;
2) ships or aircraft - by those Member State regulatory enactments in the purview of which public registers are located; and
3) financial instruments, which are to be registered in public registers, credit institution accounts or in a central depository, and the rights approved thereof – by those regulatory enactments in accordance with which the ownership rights of the credit institution to the relevant financial instruments is certified.

[28 October 2004]

Section 219.

(1) The rights and duties of participants in a regulated market in transactions with financial instruments in relation to the performance of reorganisation measures or liquidation shall be regulated only by those laws, which are applicable to transactions with financial instruments in a regulated market.
(2) The provisions of Paragraph one of this Section shall not restrict the fulfilment of Section 126.1, Paragraph two of this Law.
(3) Interested persons have the right to dispute the activities or rights specified in this Section.
[28 October 2004]

Section 220.

(1) The authorisations of a liquidator or administrator or person authorised by other laws appointed by another Member State competent institution shall be certified by a certified copy of the original decision of such institution or another certification, which conforms to the regulatory enactments of the relevant state. Competent authorities have the right to request that the referred to document be translated into the official language of the Republic of Latvia.
(2) A liquidator or administrator or person authorised by other laws appointed by another Member State has the right to implement such authorisations thereof in the Republic of Latvia, which he or she may implement in the territory of the relevant Member State. A liquidator or administrator or person authorised by other laws has the right to appoint (authorise) persons who shall assist such administrator or liquidator or another person or represent him or her during reorganisation measures or liquidation.
(3) A liquidator or administrator or person authorised by other laws appointed by another Member State in implementing the authorisations thereof in the Republic of Latvia, shall comply with the regulatory enactments of the Republic of Latvia, especially in relation to activities, which are associated with the sale of assets and the provision of information to employees.
[28 October 2004; 22 February 2007]

Section 221.

(1) A liquidator or administrator or person authorised by other laws appointed in the country of domicile in implementing the authorisations thereof has a duty to register reorganisation measures or liquidation in the public registers of the Republic of Latvia if the need for such registration is determined by the regulatory enactments of the Republic of Latvia.
(2) A liquidator or administrator or person authorised by other laws appointed in the Republic of Latvia in implementing the authorisations thereof has a duty to register reorganisation measures or liquidation in the public registers of the involved state if the need for such registration is determined by the regulatory enactments of the relevant Member State.
(3) Expenses, which are associated with the registration of reorganisation measures or liquidation in the public registers of the Member State, shall be included in the costs (expenses) of such processes.
[28 October 2004]

Section 222.

The regulatory enactments of the Republic of Latvia shall not be applied to the right to specify prohibitions or restrictions to payments or transactions in order that in relation to creditors to prevent unequal conditions or losses if the person who acquires benefits from such transactions can prove that:

1) the activity, which affects the interests of other creditors arises from such Member State laws which the Republic of Latvia does not have; and
2) the regulatory enactments of the republic of Latvia do not provide for the possibility of disputing the activities of a person who has gained a benefit.
[28 October 2004]

Section 223.

The influence of reorganisation measures or liquidation on matters in existing court proceedings shall be regulated by the regulatory enactments of such Member State in the territory of which the relevant court proceedings take place.
[28 October 2004]

Section 224.

(1) Competent institution, which in the fulfilment of functions specified by law receive information regarding reorganisation measures or liquidation, shall ensure that above information is not divulged.
(2) The procedures for the divulging of the information referred to in Paragraph one of this Section shall be regulated by the regulatory enactments of the relevant Member State.
[28 October 2004]

Transitional Provisions

1. With the coming into force of this Law, the Law on Banks (Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs, 1992, No. 22/23 and No. 44/45; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 1994, No. 11), Cabinet Regulation No. 212, Regulations for Commercial Banks issued in accordance with the procedures of Article 81 of the Constitution (Latvijas Vēstnesis, 1995, No. 109), Cabinet Regulation No. 213, Regulations Regarding Compensation of Deposits for Natural Persons (Latvijas Vēstnesis, 1995, No. 109), and Cabinet Regulation No. 211, Regulations Regarding Restoration and Bankruptcy of Commercial Banks (Latvijas Vēstnesis, 1995, No. 109) are repealed.
2. Sections 42, 43 and 49 of this Law shall come into force on 1 January 1996.
3. In applying the requirements of Section 35, Paragraph two, and Section 59 of this Law:
1) the registered credit institutions shall observe that the minimum founding capital of a credit institution is:
- from the day of the coming into force of this Law until 31 March 1996 – not less than 100 000 lats,
- from 1 April 1996 until 31 March 1998 – not less than 1 000 000 lats, and
- from 1 April 1998 until 31 December 1999 – not less than 2 000 000 lats.
2) [30 October 1997]
4. The norms of Section 38 of this Law shall not apply to the recognised internal debt of the State from the moment of the coming into force of the 1 October 1992 decision No. 411 of the Council of Ministers of the Republic of Latvia (Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs, 1992, No. 49/50).
5. Registered credit institutions shall fulfil the requirements of Section 21 of this Law by 31 December 1999.
6. With the coming into force of this Law, pawnshops shall continue to operate in accordance with the Law On Joint-Stock Companies and other laws, but the licences issued by the Bank of Latvia shall be annulled. They shall be transferred to the Bank of Latvia by 1 December 1995.
7. Compensation payments to depositors – natural persons – whose deposits are located in commercial banks, which have become bankrupt or have been declared insolvent by the day of

the coming into force of this Law, shall be continued in accordance with the procedures specified by the Cabinet.
8. In accordance with the provisions of Sub-paragraph 7 of the Transitional Provisions of this Law, the right of claim in the amount of the State-guaranteed compensation, regarding the funds which have been recovered from a commercial bank which has become bankrupt or been declared insolvent, shall be transferred from the natural person – depositor to the Ministry of Finance.
9. The procedures for the coming into force of Sections 12.1, 12.2, 12.3 and 108.1 shall be determined by a special law.
10. Section 161, Paragraph two, Sub-paragraph 16 and the amendment to Section 192, Sub-paragraph 2 of this Law shall come into force on 1 January 2003.
11. Section 24, Paragraph one, Sub-paragraph 3 of this Law shall come into force on 1 April 2004, but Paragraph two – on 1 April 2007.
12. Insolvency (bankruptcy) or liquidation proceedings of credit institutions that were commenced prior to the coming into force of this law [amending Law of 11 April 2002], shall be resolved and completed according to procedures that were specified in the Credit Institutions Law up to the day of the coming into force of this law [amending Law of 11 April 2002].
12.1 The provisions of Sections 135 and 166 of this Law are binding upon a liquidator (administrator) irrespective of the day of the commencement of the insolvency (bankruptcy) or liquidation proceedings of the credit institution. A recalculation of the compensation received during the previous activities of the liquidator (administrator) shall not be performed.
13. Amendments to Section 63 of this Law shall come into force at the same time as the coming into force of the Bailiff Law.
14. Section 63, Paragraph one, Sub-paragraph 7 of this Law shall come into force at the same time as the relevant amendments to the Corruption Prevention and Combating Bureau Law.
15. Section 10.2 of this Law shall come into force simultaneously with the coming into force of the relevant law regarding financial security.
16. Section 63, Paragraph one, Sub-paragraph 14 of this Law shall come into force simultaneously with the coming into force of the Orphan's Court law.
17. Credit risk capital requirement calculations based upon the Internal Ratings Based Approach and the Advanced Measurement Approach for operational risk for the calculation of such risk capital requirements shall be applied from 1 January 2008.
18. Credit institutions, which for the calculation of risk-weighted exposure amounts apply the Internal Ratings Based Approach, shall by 31 December 2009 ensure own funds, which always are greater than the amounts indicated in Paragraphs 20, 21 and 22 of these Transitional Provisions of this Law or equal to them.
19. Credit institutions, which for the calculation of operational risk capital requirements utilise the Advanced Measurement Approach, shall from 1 January 2008 to 31 December 2009 ensure own funds, which always are greater than the amounts indicated in Paragraphs 21 and 22 of these Transitional Provisions of this Law or equal to them.
20. Up to 31 December 2007, the own funds of credit institutions shall be at least 95 per cent of minimal own funds, which are calculated in accordance with the procedures specified by the Financial and Capital Market Commission for the calculation of capital adequacy.
21. From 1 January to 31 December 2008, the own funds of credit institutions shall be at least 90 per cent of minimal own funds, which are calculated in accordance with the procedures specified by the Financial and Capital Market Commission for the calculation of capital adequacy.
22. From 1 January to 31 December 2009, the own funds of credit institutions shall be at least 80 per cent of minimal own funds, which are calculated in accordance with the procedures specified by the Financial and Capital Market Commission for the calculation of capital adequacy.
23. For the fulfilment of the requirements of Paragraphs 18, 19, 20, 21 and 22 of these Transitional Provisions of this Law, the credit institution activity characteristic indicators shall be calculated individually or at the consolidated group level in accordance with Sections 50.8 and 50.9 of this Law.

24. Up to 31 December 2007, a credit institution credit risk and counter-party risk capital requirements calculation in accordance with the Standardised Approach specified in Section 35 of this Law may prepare it according to the capital adequacy calculation procedures specified by the Financial and Capital Market Commission.
25. If a credit institution utilises the possibility referred to in Paragraph 24 of these Transition Provisions of this Law, it may by 31 December 2007 prepare the debt instrument and equities position risk capital requirements calculation specified in Section 35 of this Law according to the capital adequacy calculation procedures specified by the Financial and Capital Market Commission.
26. If a credit institution utilises the possibility referred to in Paragraph 24 of these Transition Provisions of this Law, it shall not apply the requirements of Sections 36.2, 36.3, 36.4 and 101.3 of this Law up to 31 December 2007.
27. In utilising the possibility referred to in Paragraph 24 of these Transition Provisions of this Law, a credit institution shall reduce the operational risk capital requirement specified in Section 35, Paragraph one, Sub-paragraph 4 of this Law by such an amount, which is specified as such total risk transaction value in relation to the total risk transaction value subject to all credit risks, which is calculated in the credit risk capital requirement in accordance with Paragraph 24 of these Transition Provisions of this Law.
28. If the risk-weighted exposure for all risk transactions is calculated in accordance with Paragraph 24 of these Transition Provisions of this Law, the implementation of credit institution large risk transactions and restrictions on risk transactions of persons associated with the credit institution shall be ensured by the procedures, which were specified by the Financial and Capital Market Commission prior to the coming into force of these amendments.
29. Amendments regarding the addition to this Law of Section 131.1 in relation to the requirement for the necessity of certificate issued by the State agency "Maksātnespējas administrācija" [Insolvency Administration] for the performance of the duties of a credit institution administrator shall not be applied to those credit institution administrators who have commenced their work as a credit institution administrator prior to the coming into force of these amendments.
30. Section 74.3 of this Law shall come into force on 1 July 2007. Credit institutions have a duty according to the procedures and the time period specified by the Cabinet to submit to the State Revenue Service information regarding the sight deposit accounts of legal persons – residents of the Republic of Latvia, as well as non-resident permanent representations in Latvia, which are open and not closed prior to the day of the coming into force of Section 74.3 of this Law.
31. Amendments to Section 106 of this Law regarding deletion of Paragraphs four and five and Paragraph three of Section 198, as well as Section 106.1 shall take effect on 1 January 2008 [17 May 2007]
32. Amendments to Section 89.1 of this Law shall be applicable to the reports that have been submitted to the State Revenue Service on 1 July 2008 or later [29 May 2008]
33. Amendments to Section 198 of this Law regarding deletion of Paragraph seven shall take effect simultaneously with the relevant amendments to the Consumer Rights Protection Law. [29 May 2008]
34. If an application regarding an administrative act issued by the Financial and Capital Market Commission is submitted to the Administrative District Court until 1 January 2009, a decision on the application shall be made, as well as administrative case shall be heard and the court adjudication in the case made and appealed in accordance with the requirements of the Administrative Procedure Law. [24 October 2008]
35. Amendments to Sections 106.1 and 198 of this Law regarding commercial companies which have close relationship with a credit institution shall be applicable as from 1 April 2009. [26 February 2009]
36. Provisions of Paragraphs one and two of Section 59.6 regarding prohibitions shall not be applicable to the credit institution to which, before taking effect of that legal provision, support

for commercial activities has been granted in accordance with normative enactments or deposit restrictions are imposed. [22 October 2009]
37. Cabinet of Ministers shall issue Regulations referred to in Paragraph 3.1 of Section 63 until 1 July 2010. (28 January 2010]
38. Amendments to Paragraph one of Section 59.2 of this Law shall take effect simultaneously with relevant amendments to the Commercial Law. [11 March 2010]
39. Amendments regarding replacement of a word "bank" with a word "credit institution" and amendments to Sections 1, 3, 6, 9, 11, 11.1, 12.5, 21, 35.2, 37, 44, 72.1 and 112.1 of this Law or deletion of those Sections or separate parts of them regarding electronic money and electronic money institutions, as well as amendments to Section 117 shall take effect simultaneously with amendments to the Law on Payment Services regulating activities of electronic money institutions. [23 December 2010]
40. A six-month time period shall be applied in decision-making referred to Paragraphs two and ten of Section 112.4 of this Law until 31 December 2012. [23 December 2010]
41. Credit institutions, which for the calculation of risk-weighted exposure amounts apply the Internal Ratings Based Approach, shall by 31 December 2011 ensure own funds, which always are greater than the amounts indicated in Paragraph 45 of these Transitional Provisions of this Law or equal to them. [23 December 2010]
42. Credit institutions, which have received permission from the Financial and Capital Market Commission after 1 January 2010 to apply the Internal Ratings Based Approach for the calculation of risk-weighted exposure amounts, shall ensure own funds, which always are greater than the amounts indicated in Paragraph 45 of these Transitional Provisions of this Law or equal to them. Procedures specified in Paragraphs 45 and 46 of these Transitional Provisions of this Law shall be used for the calculation of own funds. [23 December 2010]
43. Credit institutions, which for the calculation of operational risk capital requirements utilise the Advanced Measurement Approach, shall by 31 December 2011 ensure own funds, which always are greater than the amounts indicated in Paragraph 45 of these Transitional Provisions of this Law or equal to them. [23 December 2010]
44. Credit institutions, which have received permission from the Financial and Capital Market Commission after 1 January 2010 to apply the Advanced Measurement Approach for the calculation of operational risk capital requirements, shall ensure own funds, which always are greater than the amounts indicated in Paragraph 45 of these Transitional Provisions of this Law or equal to them. Procedures specified in Paragraphs 45 and 46 of these Transitional Provisions of this Law shall be used for the calculation of own funds. [23 December 2010]
45. By 31 December 2011, the own funds of credit institutions shall be at least 80 per cent of minimal own funds, which are calculated in accordance with the procedures specified by the Financial and Capital Market Commission for the calculation of capital adequacy. [23 December 2010]
46. The Financial and Capital Market Commission may authorize credit institutions which after 1 January 2010 have received permission to apply the Internal Ratings Based Approach for the calculation of risk-weighted exposure amounts or to apply the Advanced Measurement Approach for the calculation of operational risk capital requirements, to calculate the amount of minimal own funds referred to in Paragraph 45 of these Transitional Provisions of this Law, applying appropriate simpler approaches for determining credit risk and operational risk capital requirements under procedures for calculation of minimal capital requirements set by the Financial and Capital Market Commission. [23 December 2010][30 May 1996; 30 October 1997; 21 May 1998; 11 April 2002; 24 October 2002; 27 May 2004; 28 October 2004; 22 June 2006; 22 February 2007; 17 May 2007; 29 May 2008; 23 October 2008; 22 October 2009; 28 January 2010; 11 March 2010; 23 December 2010]

Informative Reference to European Union Directives
This Law contains legal norms, which arise from:

1) Council Directive 77/799/EEC of 19 December 1977 concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation;
2) Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions;

3) [23 December 2010];

4) Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions;

5) Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments;

6) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

7) Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005 amending Council Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC and 93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC in order to establish a new organisational structure for financial services committees;
8) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;
9) Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast);
10) First Council Directive 68/151/EEC of 9 March 1968 on co-ordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;
11) Directive 2003/58/EC of 15.7.2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies;
12) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector;
13) Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC;
14) Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC;
15) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC;
16) Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;
17) Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital

requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.
[28 October 2004; 26 May 2005; 9 June 2005; 22 February 2007; 29 May 2008; 26 February 2009; 11 March 2010; 23 September 2010; 23 December 2010]

The Law shall come into force on the day of its publication.
The Law has been adopted by the Saeima on 5 October 1995.
Acting for the President,
Chairperson of the Saeima A. Gorbunovs

Riga, 24 October 1995

ANNEX XI

ANNEX XI - AUDITOR'S PROCEDURE OF IMPLEMENTING THE LAW ON PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

Issued according to
Paragraph 2 of Part 2 of Article 46
of the Law on Preventing Money Laundering
and Terrorist Financing

Approved on
December 16, 2010 by the LACA Board meeting

Confirmed at the MF on December 9, 2010

The Procedure of Implementing the Law on Preventing Money Laundering and Terrorist Financing

I General Provisions

This Procedure defines the process according to which certified auditors and firms of certified auditors (hereinafter — the Auditor) shall design and implement the system of internal control, the aim of which is to ensure compliance to the Law on Preventing Money Laundering and Terrorist Financing.

This Procedure applies to all business fields which are related to the provision of such services:
audit;
other assurance related services (agreed-upon procedures etc.);
accounting services;
consulting services related to accounting and taxes;
transaction support services.

The Auditor may include in audit agreements and/or audit proposals certain references to the requirements of the Law in order to promote awareness of customers about the respective requirements.

II Customer Identification

The Auditor shall identify the customer and require submission of documents mentioned in Article 12 and Article 13 of the Law.

When inspecting documents issued in foreign countries the Auditor shall take into account the requirements on legalisation of such documents in the Republic of Latvia. Legalisation of documents issued in foreign countries is governed by the Law on Legalisation of Documents. To find out more information as to which types of documents issued in foreign countries should be approved with Apostille or legalised please visit the homepage of the Ministry of Foreign Affairs http://www.am.gov.lv/lv/KonsularaInformacija/legalizacija.

The Auditor may use Lursoft database or other public information systems to obtain information stated in Article 4 of the Procedure required for identifying a legal entity. However if the Auditor believes that the information received is not sufficient for customer identification he/she shall

have the right to require the customer to submit additional information and documents in order to identify the customer.

III Evaluation of Risks Related to the Customer, the Customer's Country of Residence and the Customer's Operations

The Auditor shall document in respective internal normative acts the procedure for determining the customer's risk (or the group of risk).

When entering into business relationship with the customer the Auditor shall determine the customer's risk by evaluating the following risk categories:
the risk of country of the customer's residence or legal registration (if the customer is a public person);
the risk related to the legal form and operational or personal activities of the customer.

The following factors are indicators to the risk of country:
the country of the customer's residence:
is not an European Union member state or is not included in the list of countries approved by the Cabinet of Ministers of the Republic of Latvia (hereinafter — the Cabinet of Ministers) according to the procedure stated in Part 4 of Article 26 of the Law;
is included in the list of tax havens and tax-free countries and territories approved by the Cabinet of Ministers;
is a country against which the United Nations Organisation or the European Union has imposed financial or civil liability limitations;
is included in the list of non-collaborative countries prepared by the Financial Action Task Force or is in the process of being published in the report prepared by the mentioned organisation as a state or territory not having implemented any regulations on preventing money laundering or terrorist financing or as a state or territory having implemented such regulations with substantial drawbacks and thus not complying with international requirements.

Following factors might indicate risks related to the legal form and operational or personal activities of the customer:
insufficient transparency:
uncertain actual ownership;
inexplicable/obscure changes in the structure of ownership;
vague operations of the company;
repeated changes in the legal structure of the customer (changes in the name of the company, assignment of property rights, changes in the legal address of the company);
the management of the company seems to be acting according to instructions issued by an unknown or unauthorised person or persons;
unnecessarily complicated structure of the company;
frequent or unsound changes in professional consultants, auditors or company management;
the customer is unwilling to supply the requested information or the Auditor has reasonable doubts as to correctness or sufficiency of the supplied information;
transactions or structures not corresponding to the business profile of the company:
instructions issued by the customer or the customer's money assets are not proportional to or corresponding to the personal or business profile of the customer;
certain transactions or classes of transactions are performed outside the respective business profile with further activities and/or transactions remaining unclear and indistinct;
the number or organisation of employees does not correspond to the business volume or nature of the business (for example the turnover of the company is disproportionably large in comparison to the number of employees and the employed assets);
sudden activity of a customer that has been passive;

the customer starts or develops a company with unexpected type of operations or obtains fast results;
signs indicating that the customer is unwilling to perform the measures required to obtain the necessary permissions/registration documents from state institutions;
the customer offers to pay additional fee for services which usually are provided without such additional fee;
payments received from unrelated persons or unknown third persons and payments in cash if such kind of payments is not usual;
sectors and organizational structures of increased risk:
companies having a large number or cash transactions or fast transferable assets which might include illegally obtained money assets;
politically influential persons;
investments in the real estate market at a higher/lower price than could be reasonably expected;
large amounts of international payments with no business rationale;
unusual financial transactions by employing financial means of unknown origin;
customers performing transactions in several jurisdictions with no proper centralised corporative control;
customers registered in countries where bearers shares are allowed;
the customer is included in the terrorist list according to the data supplied by the Control Service.

The Auditor shall evaluate the customer's risk during the process of summarising the received information:
if the risk is low the Auditor shall have the right not to perform analysis of the customer; in such case the Auditor shall obtain and document information that confirms that the customer is compliant to the exceptions stated in Article 26 and Article 27 of the Law;
if the risk is medium the Auditor shall perform analysis of the customer;
if the risk is high the Auditor shall perform an in-depth analysis of the customer.

IV Analysis and In-depth Analysis of the Customer

During analysis of the customer the Auditor shall determine the true beneficiary — a physical person that owns or controls at least 25% of the customer's capital. The Auditor shall collect information on the true beneficiary by obtaining:
a written report from the customer;
any information supplied by reliable and independent public sources in the Republic of Latvia or foreign countries.

If based on the evaluation of money laundering and terrorist financing risks the Auditor determines that it is necessary to perform in-depth analysis of the customer during the start-up phase of cooperation the Auditor shall:
obtain and document information on services the customer is planning to use;
obtain/inspect and document information on the true beneficiary of the customer;
determine that the customer, the authorised person and the true; beneficiary of the customer is not included in any of the lists mentioned in Part 1 of Paragraph 4 of the Law based on the information received from the Control Service.

The Auditor shall have the right to request his/her customers and the customers shall be obliged to submit reliable information and documents necessary for performing analysis of the customer including information on the true beneficiaries and performed transactions, the operational, personal activities, financial performance, sources of monetary and other assets of the customer or its true beneficiaries.

If the Auditor does not obtain the information necessary for performing the customer identification and analysis he/she shall terminate the business relationship with the customer and decide on terminating business relationship with other customers that have the same true beneficiaries except in cases stated in Part 3 of Article 28 of the Law.

V Revealing Unusual and Suspicious Transactions

Within the scope of audit and sampling the Auditor shall inspect and report to the Control Service on unusual transactions of the customer i.e. loans in cash received from physical persons (including the owner of the company) if the total sum of such transactions during the reporting period is 40.000 Ls or more (in case of the owner of the company — the total sum of the loan in cash exceeds the amount paid in dividends for 40.000 Ls or more).

During the audit the Auditor shall be alert to possible suspicious transactions performed by the customer i.e. to certain events or situations that are creating doubts about actual or intended activities related to money laundering or terrorist financing.

The Auditor shall determine such suspicious cases based on his/her professional experience and judgement.

VI Reporting on the Revealed Unusual and Suspicious Transactions

The Auditor shall appoint one or several employees that are directly responsible for ensuring compliance to the Law (hereinafter — the Responsible Employee). The Auditor may appoint himself/herself as the Responsible Employee. The Auditor shall report to the Control Service and to the Latvian Association of Certified Auditors (hereinafter —the LACA) about the appointed Responsible Employee according to Part 1 of Article 10 of the Law.

The Responsible Employee shall promptly inform the Control Service about any unusual and suspicious transaction.

Within seven days from receipt of a written request from the Control Service, the Responsible Employee shall submit information on transactions of the customer. The Responsible Employee shall submit information on other transactions of the customer excluding the transactions mentioned in Paragraph 3 of Part I of the Law.

The reports shall be submitted in written form or electronically.

The Responsible Employee shall document the reports submitted to the Control Service and ensure availability of such reports for the needs of quality control performed by the LACA not later than the next working day after determination of the respective unusual or suspicious activities or transactions.

The format of the report is stated in Article 31 of the Law.

The reporting responsibilities stated in this section shall not apply to cases when the Auditor defends or represents the customer at pre-trial criminal procedure or legal proceedings or supplies consultations on initiating such legal proceedings or avoiding them.

VII Retention of the Customer's Information

The Auditor shall document the identification and analyzing measures and retain such documentation at least for five years after the termination of business relationship.

The Auditor shall present such documentation during the quality control inspection to the LACA quality inspectors upon request of the inspectors.

The Auditor shall have the right to process the data on customers, their representatives and true beneficiaries obtained as the result of customer identification and analysis procedures.

VIII Rights, Duties and Responsibilities of Employees

All the employees of the Auditor shall comply with the Law and this Procedure.

The employees shall perform the identification of the customer with due care and shall ensure ongoing monitoring of the following customer's transactions:
in case of provision of audit services — ongoing monitoring of only the transactions that are selected for analysis during the audit;
in case of provision of other services — ongoing monitoring of only the transactions on which certain information has been received.

The employees shall promptly report to the Responsible Employee on following revealed transactions and conditions:
a transaction with participation of a customer who is suspected as having performed or participated in an act or terrorism and is included in the list of persons supplied by the Control Service;
a customer who during one reporting year has received a loan in cash from a physical person in the amount of 40.000 Ls and more;
any other unusual or suspicious activity or transaction that is revealed during provision of services to the respective customer.

The Responsible Employee shall be well familiar with risks related to money laundering and terrorist financing, the respective regulations, and shall ensure training of employees: the newly recruited employees — within one month from engaging; the present employees — at least once every year.

The Responsible Employee shall ensure that the employees sign their names on having completed the training course. The lists with the signatures of employees on completed training courses shall be retained together with the training programmes in the legal address of the Auditor for at least five years from the end date of the respective training courses.

The Responsible Employee shall inform the Auditor on the required decisions related to reporting to the Control Service and shall inform the Board of the Auditor (the legal entity).

The employees shall have the right to require and receive the information and resources necessary for implementing the activities stated in this Procedure.

The responsibilities of employees related to their duties defined in this Procedure shall be stated in their respective work agreements.

IX Rights and Responsibilities of the Auditor

Upon starting fulfilment of his/her duties the Auditor — a physical person — shall follow a training course organized by the LACA on regulations governing the preventing of money laundering and terrorist financing and each year he/she shall improve the knowledge in this field

by following training courses on changes in the abovementioned regulations organised by the LACA or other institutions.

The Auditor shall have the right to ask the LACA to provide explanations regarding the regulations on preventing of money laundering and terrorist financing and their application.

The Auditor — a legal entity — shall ensure the efficiency of internal control and take into account any possible additional risks related to money laundering and terrorist financing.

The Auditor shall be held disciplinary, administratively or criminally accountable for compliance with this Procedure and the Law.

X Rights and Responsibilities of the LACA

The LACA shall ensure training of certified auditors in the field of risks of money laundering and terrorist financing and corresponding changes in the respective regulations on preventing of money laundering and terrorist financing.

The monitoring of the Auditor defined in the Paragraph 46 of this Procedure shall be implemented by the Quality Committee of the LACA (hereinafter — the Quality Committee) according to the statutes of the Quality Committee and this Procedure. In case of conflicting requirements of the Law and the statues of the Quality Committee the members of the Quality Committee shall follow the requirements stated in the Law.

In case of any breach of regulations on preventing money laundering and terrorist financing the Quality Committee shall have the right to request immediate resolution of such breach if it is related to non-issuance of the report on unusual or suspicious transactions and within five days from the date of quality inspection to report to the Quality Committee on resolution of the breach.

If the Quality Commission discovers that such a breach is not resolved during the defined period depending on the severity of the breach the Quality Commission shall impose appropriate sanctions and institute a disciplinary case according to the LACA Regulation on Disciplinary Cases.

Each year not later than on February 1 of the respective year the LACA shall collect and submit to the Control Service the statistical information on the measures related to monitoring and control of the Auditor performed during the previous year.

The LACA shall ensure safe custody of any information it has obtained related to the requirements of the Law and this Procedure in the LACA’s archive together with the materials on quality control inspection for the time period of at least five years. The general manager of LACA shall be responsible for access to such information.

XI Final Clause

The Auditor shall ensure full implementation of this Procedure within six months from its effective date.

ANNEX XII

ANNEX XII - MANUAL FOR ASSESSING BANKING RISKS

Ensuring Compliance with the Requirements of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing

This chapter aims at assisting the supervisors to assess the internal control system of a bank and the management's activities directed towards ensuring compliance with the requirements of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing (hereinafter, also "the Law") and of the regulatory provisions related thereto.

In the area of money laundering and terrorist financing, the following legal acts and regulatory provisions are binding on banks:

Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing;

Provisions No. 1071 of 22 December 2008 of the Cabinet of Ministers "Provisions on the List of Indicators of Unusual Transactions and the Procedure whereby Unusual or Suspicious Transactions are Reported";

Provisions No. 966 of 25 November 2008 of the Cabinet of Ministers "Provisions on the List of the Third Countries whose Regulatory Provisions in the Area of Preventing Money Laundering and Terrorist Financing are Equivalent to the Requirements of EU Legal Acts";

Regulations No. 125 of 27 August 2008 of the Financial and Capital Market Commission "Regulations for Enhanced Customer Due Diligence";

Credit Institution Law.

The Law took effect on 13 August 2009 and it replaced the Law on the Prevention of Laundering the Proceeds from Criminal Activity (in effect as of 1 June 1998).

With the adoption of the Law, Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis are deemed implemented.

In accordance with Paragraph 2 of the Transitional Provisions of the Law, as of 1 June 2009 banks have to ensure compliance with the requirements of the Law in respect of all their customers.

Failure to ensure compliance with the regulatory provisions governing the prevention of money laundering and of terrorist financing incurs notable legal and reputational risks on the bank.

Where a bank has been used for money laundering or terrorist financing, it may be involved in court procedures: a civil procedure, where a failure of the bank to ensure compliance with the

regulatory provisions results in losses to its customers or third parties, or a criminal procedure, where the features of a criminal offence are evident in the activities of the bank (in that case compulsory measures to exert influence, referred to in Chapter VIII1 of the Criminal Law, may apply).

Also, where a bank fails to comply with the regulatory provisions governing the prevention of money laundering and of terrorist financing, sanctions may be applied to that bank by imposing a penalty, establishing certain restrictions on the activity (regarding the provision of services), suspending from office its officials, enforcing certain legal obligations up to revoking a licence where the violations have been serious and lasting or recurring.

There is also a risk that if a bank violates the regulatory provisions governing the prevention of money laundering and of terrorist financing, its correspondent banks may decide to cease cooperation with that bank thereby causing a notable adverse effect on its performance.

Depending on the objective and the volume of the inspection, the supervisor must make sure whether the bank:
has set up an internal control system that is functional and covers all areas set out in the Law;
assesses, on a regular basis, the efficiency of its internal control system;
has appointed persons who are directly responsible for ensuring compliance with the Law;
arranges regular training of its employees who work in the area of the prevention of money laundering and of terrorist financing;
identifies its customers in accordance with the requirements of regulatory provisions;
carries out customer due diligence according to the procedure and the volume set out in regulatory provisions;
makes records regarding customer identification and due diligence and updates information obtained by due diligence;
keeps the documents regarding customer identification and due diligence in accordance with the provisions of the Law;
identifies unusual and suspicious transactions and notifies the Office for the Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter, also "the Financial Intelligence Unit") thereof;
refrains from executing a transaction where it is aware or has justified suspicion that the transaction is related with money laundering or terrorist financing;
exchanges information with other credit or financial institutions in due course of law.

To make sure that the above mentioned requirements are met, the supervisors shall:
analyse the internal control documents of the bank (policy, procedures, instructions, etc.) and assess the processes introduced at the bank to ensure compliance with the law;
analyse activity plans and inspection reports of the internal audit and of the compliance control units;
assess available information and documents regarding the training of its employees and the content of the training;
select a sample of customer files to inspect the documents and information contained therein;
select a sample of customers' statements of accounts, transfers made and payments received and inspect them;
select a sample of transactions to verify whether the bank has reported the transactions that are recognised as unusual transactions in accordance with the provisions of the Cabinet of Ministers;
assess whether the bank is aware of the economic activity of its customers and monitors their banking operations, whether it identifies transactions that must be closely monitored due to their complexity or apparent lack of economic or explicitly lawful objective;

assess the cases when the bank has taken a decision not to report a transaction that had initially been identified as a suspicious transaction;
assess completeness and quality of information provided to correspondent banks upon their request.

When selecting a sample of customer files for inspecting, a supervisor shall endeavour to inspect several files from each of the following customer groups:
major customers in terms of the account turnover during a certain time period (legal/natural persons, residents/non-residents),
major customers in terms of the account balance on a certain date (legal/natural persons, residents/non-residents),
customers to whom more than five payment cards have been issued;
customers that have opened accounts during the recent six months;
customers that have performed cash operations of a notable volume during a certain period of time;
customers that use the trust operations offered by the bank;
if considered necessary, the supervisors may inspect customers that are not included in any of the above mentioned groups.

For the purposes of establishing the bank's compliance with the procedures, the supervisor must determine the proportion of all customer accounts that must be inspected; however, the number depends on the size of the bank. In case of a small bank with 1,000 customers, up to 10% of all legal files may be inspected. In a large bank the supervisor must select a sufficient sample of both resident and non-resident customer files to verify the bank's compliance with the above mentioned requirements. The supervisor must select for inspection a sample of at least three customer files from each group listed above (where necessary, the number of files to be inspected may be increased).

Where a bank has a wide network of branches, the supervisor must select a sample of customer files from different branches using the above mentioned customer groups as a selection criterion.

When inspecting customer files, the supervisor must fill out an inspection form of the legal file of a legal or a natural person.

I. Internal Control System

The Law lays down the requirements for a bank's internal control system. To make sure whether the bank's internal control system complies with the requirements of the Law, the supervisor may use a list of control questions.

Where the internal control system of a bank only partially complies with the requirements of the Law, the supervisor must describe in detail which area of the internal control system set out by the Law has not been covered.

When assessing compliance of the bank's internal control system with the requirements of the Law, the supervisor must also assess whether the established internal control system is appropriate to the type of activity and size of the bank, the number of customers, the share of those customers to whom, in accordance with the regulatory provisions, enhanced customer due diligence applies and the number of customer payments; as well, the supervisor must assess whether the internal control system contains any logic discrepancies and whether the bank's employees are aware of their duties and action in particular situations.

The supervisor must also assess whether the bank allocates sufficient resources to carry out the tasks set out in the Law and whether it has appropriate IT facilities, sufficient human resources and adequate resources for improving the professional qualifications of the staff and for ensuring staff training.

II. Customer Identification

Identification of Legal Persons

To establish whether customers are identified in due course of law, the supervisor, when inspecting the sample of customer files, must make sure whether, in respect of legal persons, the bank has copies of documents certifying their incorporation or legal registration and information about their legal address, and whether the bank has identified the persons who are entitled to act as proxies on behalf of the legal persons in their relationship with the bank and has obtained either the original or a copy of the necessary authorisation (or other document) granted to that proxy.

Where the bank states that it identifies a legal person by using information that is available from a reliable and independent public source, the supervisor must verify independence and trustworthiness of the source the bank uses.

A source from which the bank derives information about a customer that is a legal person is deemed independent provided that it is not related with the bank itself or any of its customers. A source from which the bank derives information about a customer that is a legal person is deemed reliable provided that it includes information that is identical with the information available in public registers in Latvia or in other countries and information is updated on a regular basis, or the obligation of legal persons to provide information about themselves to such source is laid down in regulatory provisions (e.g., for legal persons whose financial instruments are listed on a regulated market the obligation to provide certain type of information is set out in laws or in the regulations of the market organizer).

For example, Lursoft and other equivalent service providers in Latvia, providers of equivalent services abroad, regulated market organizers (stock exchanges) in respect of customers whose financial instruments are admitted to trading on regulated markets etc., may be mentioned as publicly available, reliable and independent sources.

Identification of Natural Persons

In respect of natural persons, the bank must have a copy of a document stating the person's name, surname, identity number or date of birth (for non-residents). It must be noted that in respect of non-residents who are identified as non-residents in Latvia the document that entitles the person to enter Latvia may serve as the sole identification document.

Even if the law does not contain an explicit requirement to this effect, a personal identification document must also contain a picture of the person. Where a person is identified by a document without his/her picture, a note to this effect must be included in the inspection statement.

III. Customer Due Diligence

Customer due diligence includes establishing information about the beneficial owner, as well as the purpose and intended nature of the business relationship, monitoring the customer's transactions and updating and storing of the documents obtained during customer due diligence.

Establishing the Beneficial Owner

The bank has an obligation to establish the beneficial owner where it is aware that the transaction is executed in the interest or on instruction of another person, and also where a customer is a legal person to which enhanced customer due diligence applies in accordance with regulatory provisions or bank's internal regulations.

According to law, enhanced customer due diligence shall apply to the customers who have not been physically present during the identification procedure (non-face to face customers), to politically exposed persons and to credit institutions with which cross-border relationship has been started (who have their accounts opened with a Latvian bank).

In addition, the beneficial owner must be identified where the customer complies with any of the features listed in Paragraphs 10, 13, 15, 16 or 18 of the Commission's Regulations No. 125 on Enhanced Customer Due Diligence of 27 August 2008.
The lists of countries and territories referred to in Paragraph 13 of the above mentioned Regulations are available from the following sources:
low tax or tax free countries and territories: http://www.likumi.lv/doc.php?id=25839;
countries and territories in respect of which the United Nations Organisation has established financial or civil legal restrictions: http://www.un.org/sc/committees/;
countries and territories in respect of which the European Union has established financial or civil legal restrictions:
http://ec.europa.eu/external_relations/cfsp/sanctions/docs/measures_en.pdf;
countries and territories included in the list of non–cooperating countries of the Financial Action Task Force or that body has published a statement to the effect that the respective country or territory does not have regulatory provisions for combating money laundering or terrorist financing or such provisions contain material deficiencies: www.fatf-gafi.org.

Where a customer has been identified by a bank's employee or a person authorised by the bank, the customer is deemed to have been physically present during the identification procedure.

The beneficial owner may not be established when starting cross-border business relationship with credit institutions that are registered and have their authorisation granted in the European Economic Area or in a country that, in accordance with the Provisions of the Cabinet of Ministers No. 966 of 25 November 2008, is considered as a country which imposes requirements equivalent to those of the European Union regulatory provisions with respect to the prevention of money laundering and of terrorist financing2, and also where the shares of the credit institution with which cross-border relationship is started are admitted to trading on a regulated market of any EU Member State or a country where the information disclosure requirements applying to merchants admitted to trading on a regulated market are equivalent to those of the European Union legislative provisions.

The beneficial owner may be established as follows:
1. obtaining a statement signed by a customer, a customer's representative or the beneficial owner itself that specifies a person or persons who is (are) the beneficial owner of the customer;
2. using data or documents from public registers of Latvia or of other countries provided that these registers contain data about the beneficial owners of legal persons;
3. otherwise establishing the beneficial owner in cases when data on the beneficial owner cannot be obtained from the customer himself/herself (due to objective reasons other than customer's unwillingness to disclose that information) or from public registers.

[2] United States of America, Argentina, Australia, Brasil, the Republic of South Africa, Hong Kong, Japan, New Zealand, Canada, Russian Federation, Mexico, Singapore, Switzerland.

For the purposes of establishing the beneficial owner, information/data from national public registers may be used provided that the respective country holds a requirement that, when registering a legal person, not only the owner who in certain cases may be the so-called "nominal owner" that acts in the interests and on instruction of other persons, but also the beneficial owners are disclosed, i.e., persons in whose interests the legal person has been set up or who benefit from the activity of that legal person.

Establishing the beneficial owner otherwise may imply that publicly available and reliable sources are used to obtain information about the person that benefits from the activity of a particular customer of the bank or exercises control over the activity of a particular customer of the bank. In that case, the supervisor requests that the bank motivate the reason why it considers information about the customer's beneficial owner reliable.

In this context, information that is obtained from publications in press or in other mass media or obtained from the internet sites related with the customer or the beneficial owner must not be deemed reliable information.

Establishing the beneficial owner otherwise is also possible when the bank explains to the supervisor how the beneficial owner benefits from the activity of the particular customer and presents to the supervisor documents to this effect, for example, documents that evidence cash flow in the customer's account showing the payment of dividends to the beneficial owner. However, this issue must be assessed in conjunction with the fact whether there is an objective reason to non-disclosure of the beneficial owner by the customer.

In addition to the above mentioned, the bank has also an obligation to verify, in line with the risk-based approach, whether the beneficial owner indicated by the customer or established by the bank itself is the effective beneficial owner. For this purpose, the bank may:
1. obtain additional information about the property status of the beneficial owner;
2. establish the economic or personal activity or the previous professional experience and educational background of the beneficial owner, if necessary for the respective economic activity and financial transactions;
3. establish whether the economic or personal activity of the beneficial owner and/or of other legal persons whose beneficial owner it is complies with or is related with the economic activity of the customer of the financial institution;
4. obtain other information to the effect that the person indicated as the beneficial owner exercises control over the customer and benefits from the activity of the customer.

Information obtained by the bank must support the bank's awareness that the person indicated as the beneficial owner by the customer or established as beneficial owner by the bank itself is the effective beneficial owner.

Where the information obtained by the bank about the property status, knowledge, education or holdings in other capital companies of the beneficial owner does not contribute to its awareness that the person is in effect the beneficial owner of the bank's customer (information evidences irrelevant assets belonging to such person, the person's educational background or previous professional experience is not related with the economic activity of the customer, information evidences holdings in other capital companies whose capital is insignificant and there is no information about the financial standing of the respective capital company or information evidences irrelevant assets in comparison with the funds available to the particular bank customer), the bank is deemed not to have obtained assurance that the beneficial owner indicated to the bank or established by the bank itself is the effective beneficial owner.

Obtaining Information on the Purpose and the Intended Nature of the Business Relationship

When inspecting whether, at inception of business relationship with customers, the bank obtains information on the purpose and the intended nature of the business relationship, the supervisor must inspect a sample of files of the customers with whom the bank has started business relationship during the recent six months.

When obtaining information about the purpose and the intended nature of the business relationship, the bank must establish the services the customer intends to use, the source of the customer's funds, the intended number and volume of the customer's transactions, the customer's economic or personal activity for which the customer will use the respective services.

Information about the purpose and the intended nature of the business relationship must be obtained by reference to the risk assessment in respect of money laundering or terrorist financing. In particular, when starting business relationship with a customer whose risk profile in respect of money laundering or terrorist financing is low (e.g., residents with a low intended turnover of funds in their accounts, customers to whom exceptions in respect of customer due diligence may apply in accordance with law), the bank may obtain smaller amount of information than in cases where business relationship is started with customers that are subject to enhanced customer due diligence.

The bank must keep records of the information it obtains. To this effect, the bank may request that the customer fill out a form/a questionnaire to indicate the necessary information or the bank's employee may ask questions to the customer and note down the answers given.

Monitoring a Customer's Transactions

The bank must monitor the transactions of its customers to be able to establish, in a timely manner, whether a transaction qualifies as unusual or suspicious transaction.

By monitoring transactions the bank also ensures that it does not carry out transactions with persons to which sanctions apply (monitoring also includes controlling whether the bank's customers receive and transfer funds to persons to whom such sanctions apply).

Depending on the size of the bank, the number of its customers, the share of the customers whose transactions are subject to enhanced customer due diligence, the number and the volume of customer transactions, the bank must introduce a system for monitoring customer transactions that would efficiently ensure compliance with the requirements of law.

Where a bank has a large number of customers and of customer transactions or a large share of the customers whose transactions are subject to enhanced customer due diligence, it may ensure efficient compliance with the requirements of law only by introducing an automated solution to the monitoring of its customer transactions.

Banks with a small number of customers and of customer transactions may be permitted to monitor the transactions of their customers by using manual or partly automated solutions.

In any case, banks must have automated solutions in place that would ensure that no business relationship is started with a person to which financial restrictions apply and no transactions are performed where the sender or the beneficiary is such person.

Banks must pay due attention to the transactions whereby large volumes of funds are sent or received and payment details specify that the purpose of the payment is a fee for advisory or

marketing services, research and similar services whose actual rendering and appropriateness of the fee are difficult to verify and assess.

When assessing the efficiency of monitoring customer transactions, the supervisor assesses the transaction monitoring solution introduced by the bank and also the characteristics of transactions that deserve additional attention and further investigation (i.e., indicators giving rise to suspicion), as developed by the bank, to ascertain that they are sufficiently precise, logic and understandable to the employees (i.e., whether employees will be able to identify a suspicious transaction on the basis of the indicators giving rise to suspicion as established by the bank).

As well, the supervisor must inspect a sample of largest transactions made by a customer to make sure whether:
1. the transactions made from the customer's account comply with the information obtained by the bank about the economic activity of that customer, its volume, the intended number of transactions and cooperation partners;
2. the customer's transactions do not raise any doubt about their economic motivation and do not materially exceed the amount of income as declared by the customer;
3. the bank has obtained copies of documents certifying the most important transactions made by the customer;
4. the bank has verified the compliance of the customer's transactions with the information available about the customer's financial standing (financial statements) and economic activity. Where the bank does not have the customer's financial statements due to objective reasons (e.g., the customer does not compile them because the regulatory provisions of its country of residence or registration do not contain a requirement to this effect), it must be clarified whether the bank has analysed the major transactions of the customer and made sure that they comply with the type and volume of the customer's economic or personal activity and are characteristic of the market situation in the area of the given economic activity;
5. the bank can explain the economic motivation and the purpose of the customer's transactions:
5.1. where the bank indicates that the purpose of the customer's transactions is to "optimise" taxes, the bank must be able to explain the process of tax "optimisation";
5.2. where the bank states that the customer's transactions are related to investments, the bank must be able to explain the investment object;
5.3. where the customer performs lending transactions, the bank must have a clear explanation about the reasons why the customer assumes risk by providing unsecured loans (unless there is information that these loans are collateralised), especially where the borrower is an enterprise registered in an offshore country or a jurisdiction equivalent to an offshore country;
5.4. where the customer's transactions are related with import or export of goods or raw materials, the bank must test a sample of transactions to ascertain of the actual movement of goods;
6. the bank has established the origin of the funds credited to the customer's account (this specifically relates to cases when a customer transfers funds from his/her account with other banks, receives loans from customers of other banks or places a large amount of cash in his/her account);
7. the bank has established other customers who have the same beneficial owner. The bank has made records in respect of a group of customers with the same beneficial owner, indicated the role of each participant in that group and can explain the purpose and the economic essence of the transactions between interrelated customers.

Updating the Documents of Customer Due Diligence

When inspecting a sample of customer files, the supervisor must pay due attention to the fact whether a credit institution updates, in a timely manner and on a regular basis, information it

obtained about a customer at inception of and during the business relationship, including information about the origin of the customer's funds and information characterising the economic or the personal activity of the customer.

The frequency of information updating depends on the customer's risk assessment in respect of money laundering and terrorist financing. Information about the customers that pose a bigger risk for the bank to be involved in money laundering or terrorist financing must be updated more frequently that about customers with a lower risk profile.

In respect of customers who are subject to exceptions of customer due diligence information must be updated at least once every three years.

In respect of customers to which enhanced customer due diligence applies information must be updated at least once every 3–12 months depending on the volume of the transactions made.

In respect of all other customers information must be updated at least once every 1-2 years.

Information may be updated as follows:
by requesting information update from the customer;
by obtaining topical information about the customer from other resources available to the bank that are reliable and independent (various databases, publications, etc.);
where a customer is not subject to enhanced customer due diligence, information about that customer may be updated by verifying whether the transactions made from the customer's account evidence that the economic activity, indicated by the customer to the bank previously, is still the same (there are no changes in transaction volumes or cooperation partners, payment details allow to establish the purpose of the payment and it complies with the information available to the bank about the economic activity of the customer).

IV. Reporting Unusual and Suspicious Transactions

Identification of an Unusual Transaction and Reporting Thereof

Indicators of unusual transactions are established in the Provisions No. 1071 of the Cabinet of Ministers of 22 December 2008 "Provisions for Establishing the List of Indicators of Unusual Transactions and the Procedure whereby Unusual or Suspicious Transactions are Reported".

During the inspection, the supervisor must make sure that the bank's internal control system contains a procedure for a timely identification of transactions that comply with the indicators of unusual transactions and for their reporting to the Financial Intelligence Unit.

Since certain indicators of unusual transactions refer to transactions that may be carried out by persons other than the bank's customers (i.e., a transaction whose volume is 1,000 lats and more whereby coins or notes of small denominations are exchanged for notes of a larger denomination (or vice versa), and currency exchange involving cash in the amount equivalent to 5,000 lats and more), the bank must have a definite procedure in place whereby the persons performing such transactions are identified. Where a bank does not identify the persons carrying out the above mentioned transactions, it will not be able to report the transaction as unusual to the Financial Intelligence Unit (as the report must contain information identifying the person carrying out the transaction).

When during an inspection the supervisor detects transactions in the customer's statement of accounts that comply with the indicators of unusual transactions, the supervisor must make sure whether the bank has reported them to the Financial Intelligence Unit.

Identification of Suspicious Transactions and Reporting Thereof

According to the Law, a suspicious transaction is a transaction that gives rise to suspicion of laundering of proceeds from criminal activity (money laundering) or of terrorist financing or an attempt thereof, or of any other criminal offence related thereto.

During an inspection the supervisor must verify whether the bank is able to identify suspicious transactions in a timely manner.

Identification of a suspicious transaction usually consists of several stages:
identifying a transaction that is not typical to the customer or that complies with the indicators giving rise to suspicion as established by the bank;
assessing whether the transaction may be related to laundering of proceeds from criminal activity (money laundering) or terrorist financing or an attempt thereof or any other criminal offence related thereto (at this stage the bank usually obtains or attempts to obtain additional information about the transaction made, its purpose and economic essence and assess the lawfulness nature of the transaction);
deciding whether the transaction must be recognised as a suspicious transaction or not and whether it must be reported to the Financial Intelligence Unit or not.

During an inspection the supervisor must verify whether the indicators giving rise to suspicion, as established by the bank, are logic and do not unduly narrow the range of the transactions that deserve further assessment. As a minimum, the bank must identify as suspicious all transactions that fail to comply with the information at bank's disposal about the economic activity of the customer and the volume of that activity.

During an inspection the supervisor must verify whether in cases when a decision is taken not to report a transaction to the Financial Intelligence Unit, the decision not to consider a transaction as a suspicious transaction is justified, i.e., the bank no longer has doubts in respect of the transaction due to which the transaction was identified as potentially suspicious (the bank has obtained information that explains the economic essence of the transaction, the origin of funds, etc.).

Particular attention must be paid to whether the bank does not unduly delay the decision in cases when it has already obtained information about the transaction or information is impossible to obtain (e.g., the customer refuses to provide the required additional information).

When during an inspection the supervisor detects transactions that fail to comply with the information at bank's disposal regarding the economic activity of a customer or whose economic essence is not clear or logic, or whose lawfulness may be disputed, the supervisor must make sure whether the bank has assessed the transaction. Where the bank has assessed it, it must be clarified whether the transaction has been recognised as a suspicious transaction. Where is was not recognised as a suspicious transaction, it must be established whether the bank has obtained information that explains the economic essence of the transaction, verified compliance of the transaction with the type and volume of the customer's economic activity, or verified the lawfulness of the transaction.

V. Refraining from Executing a Suspicious Transaction

In accordance with the Law, the bank has an obligation to refrain from executing a transaction or several linked transactions where it has information or motivated suspicion to believe that the transaction is related with money laundering or terrorist financing.

Where a bank has information or motivated suspicion to believe that all or most of customer's transactions are related with money laundering or terrorist financing, it must have an obligation to refrain from any debit operations in the customer's account.

The bank must notify the Financial Intelligence Unit without delay of all cases when it has taken a decision to refrain from executing a transaction.

The supervisor must inspect a sample of cases to make sure that the bank has notified the Financial Intelligence Unit without delay every time when it has refrained from executing a transaction or debit operations in the customer's account (notifying it no later than on the next business day). As well, the supervisor must inspect a sample of cases to make sure whether the bank has had information about the link of a transaction (transactions) with money laundering or terrorist financing or has had a justified suspicion thereof.

When during an inspection the supervisor detects cases when the bank has had a reason to refrain from executing a transaction, the supervisor must make sure whether the bank has in fact refrained from executing the transaction or whether the bank's decision not to refrain from executing the transaction has been justified (refraining from executing a transaction could serve as an indication that would assist the persons involved in money laundering or terrorist financing to evade liability).

Where the bank has refrained from executing a transaction and has notified the Financial Intelligence Unit to this effect, it is entitled to execute that transaction (restore debit operations in the customer's account) only after:
it has received an instruction or a written statement from the Financial Intelligence Unit to stop refraining from the execution of the transaction;
the time period established by the Law during which the Financial Intelligence Unit is entitled to decide on suspending a transaction has lapsed and the bank has not received a decision or an order issued by the pre-trial investigation institution, the Office of the Prosecutor or the court that would serve as the basis for suspending a transaction or a particular debit operation on the customer's account.

VI. Shell Banks

Banks are prohibited from cooperating with shell banks.

When scrutinising customer files and statements of accounts, the supervisor must pay due attention to the customers that have indicated to the bank that they provide financial services, especially non-cash transfers on instruction of third parties, or that have not indicated this to the bank but the transactions made in the account evidence that in fact the customer is an intermediary for making payments between commercial companies that are not within the same group and who do not have the same beneficial owner.

Information in payment details may evidence that money transfers are made on instruction of third parties: for incoming payments, there are indications that money is intended for another person or that funds must be credited to another account, but for outgoing payments there are indications that money is paid instead of or on behalf of another person.

Money transfers that are made on instruction of a third party are also evidenced by the fact that payments that are identical to the incoming payments are credited to another account without delay (probably, at a small charge) and often in respect of goods or services that are not related with the information at bank's disposal about the customer's economic activity.

Credit and financial institutions that are in fact located in a country where they are registered and have their supervisory authority (a customer's file must contain information about licensing or registration of the respective credit and financial institution) are not considered shell banks. Similarly, capital companies that receive and make payments among capital companies belonging to a single group or having the same beneficial owner are not considered shell banks. In that case the supervisor must make sure whether the bank has identified those customers as mutually linked customers, whether it has established the role of each member of the group, and whether the bank can explain the purpose and the economic essence of the transactions between linked customers.

VII. Correspondent Banks

When assessing the prevention of money laundering or of an attempted money laundering at the bank, attention must also be paid to the funds raised from foreign credit institutions in the framework of the established correspondent banking relationship (by opening vostro (or loro) accounts for foreign credit institutions and keeping funds in those accounts to ensure and facilitate payments made on instruction of both the credit institution and its customers).

During the inspection it must be verified that, when a correspondent account is opened for another credit institution or investment brokerage firm whose licence has been issued by a non-EU country or by a country specified in the Provisions No. 966 of 25 November 2008 of the Cabinet of Ministers, the following measures must be taken according to the internal control system of the bank and the bank has taken such measures in practice:
1) obtain information about a respondent to fully understand the nature of the respondent's transactions and, by using publicly available information, determine the reputation of the respective credit institution or investment brokerage firm and its supervision quality;
2) assess the measures for preventing money laundering and terrorist financing as taken by the respondent (to this effect, a respondent may be requested to complete a questionnaire regarding the system for the prevention of money laundering and terrorist financing or to provide its policy, procedures, instructions etc. to the bank for assessment. In the latter case assessment results and conclusions must be recorded);
3) obtain approval of the executive board or of a specifically authorised member of the executive board prior to establishing new correspondent relationship;
4) document the respondent's liability in the area of preventing money laundering and terrorist financing (this may imply concluding a separate contract or including a section in the contract regarding establishment of correspondent banking relationship specifying the respondent's obligations, e.g., perform customer due diligence in respect of its customers and monitor customer transactions, and also the rights of the bank, e.g., to refuse execution of a transaction where the respondent fails to provide or cannot provide explanations about the nature of the transaction or the customer for whose benefit the transaction is made);
5) ascertain whether the respondent that makes use of the services related to a direct access to the accounts of the correspondent institution has verified the identity of the customers who have been granted direct access to the accounts of the correspondent institution, has carried out enhanced customer due diligence in respect of such customers and can provide customer due diligence data upon request.

The supervisor must verify how the credit institution ensures that it does not engage in correspondent banking relationship with a credit institution or an investment brokerage firm that is known to maintain business relationship with shell banks or is terminating such relationship.

Overall, it is advisable to inspect about 15% of loro accounts opened with the bank and pay particular attention to accounts with a notable turnover of funds during the recent year and/or to

accounts opened by banks of third countries. It must be verified whether the credit institution has obtained the necessary information about the respondent and analysed it and has taken a decision to establish cooperation or not to establish cooperation according to the internally established procedure.

Where the bank has opened loro accounts, the supervisor must make sure whether the bank analyses the transactions made in loro accounts and how it carries out the analysis. It should not be accepted as an appropriate practice if the bank only inquires about the loro bank's respective policy and procedures regarding prevention of money laundering and terrorist financing. The bank must analyse the transfers made and, where deemed necessary, ask loro banks to explain the transactions made. It is of utmost importance where the correspondent bank has foreign currency accounts only with Latvian banks.

VIII. Politically Exposed Persons

For the purposes of the Law, a politically exposed person is a natural person who is entrusted with one of the following prominent public functions in another member state or a third country: the head of the state, a member of the parliament, the head of the government, a minister, a deputy minister or an assistant minister, a state secretary, a judge of the supreme court, a judge of the constitutional court, a board or a council member of the court of auditors, a member of the council or of the board of a central bank, an ambassador, a chargé d'affaires, a high-ranking officer of the armed forces, a member of the council or of the board of a state-owned capital company, as well as a person who has resigned from the position of a prominent public function within one year.

According to the Law, a parent, a spouse and a person equivalent to a spouse, a child, his/her spouse or a person equivalent to a spouse of the above mentioned persons are also considered a politically exposed person. A person is treated as equivalent to a spouse provided that the laws of the respective country contain a provision for such status.

Article 25 of the Law governs business relationship with a politically exposed person and establishes that, at inception of a business relationship with a customer, in the framework of the measures based on risk assessment, the credit institution must determine whether the customer or the beneficial owner of the customer is a politically exposed person. During an inspection the supervisor must verify whether the credit institution's internal control system ensures a possibility to establish whether a customer that is not a politically exposed person at inception of business relationship becomes such person after the business relationship has been started. The supervisor must also make sure how an institution takes a decision to start and to continue or to discontinue cooperation with such persons. A sample must be inspected to learn how the transactions of those persons are monitored and whether the bank has an appropriate understanding about the origin of funds of such persons.

IX. Starting Cooperation Non-Face to Face

During an inspection the supervisor must make sure whether the bank opens customer accounts without the customer himself/herself coming to the bank. An account with the bank may be opened when the customer, instead of arriving at the bank, uses the services of an intermediary or, e.g., internet.

The bank's internal control system must contain specific measures to be taken to ascertain the authenticity of the identification data of a customer who has not been physically present during the identification process and of information about the beneficial owner (especially when documents were received by post, internet or fax).

According to Article 23 of the Law, physical absence of a customer during the identification procedure must not hamper the establishment of cooperation, but a number of conditions must be taken into account that imply carrying out any of the following measures:
1) obtaining additional documents or information evidencing the customer's identity;
2) performing additional verification or obtaining a statement of a credit institution or a financial institution registered in another member state to the effect that the customer has a business relationship with that credit institution or financial institution;
3) ensuring that the first payment in the course of the business relationship is carried out through an account opened in the same customer's name with a credit institution licensed in a European Union Member State or a country referred to in the Provisions No. 966 of 25 November 2008 of the Cabinet of Ministers;
4) requiring that the customer is present when executing the first transaction.

X. Intermediaries

When, for the purposes of customer identification, an authorisation is issued to a person (an intermediary) other than an employee of a credit institution, it must be taken into account that the credit institution is responsible for identifying a customer and for performing customer due diligence in accordance with law.

Where a bank opens accounts by using services of intermediaries, the supervisor must scrutinise the agreements signed with the intermediaries and make sure that the intermediary obligations contained therein are similar to the obligations contained in the internal control documents of the bank in respect of the bank's employees who identify customers and perform customer due diligence (provided that the intermediary performs customer due diligence), to prevent a situation when different identification or due diligence requirements apply to customers who are represented by intermediaries and to those customers who arrive at the bank, e.g., to open an account.

To assess the bank's practice in respect of opening accounts by intermediaries, the supervisor must scrutinise all procedures of the bank that govern the choice of an intermediary, contracts with intermediaries, requirements for intermediaries and the volume of their due diligence (in view of the fact that the bank entrusts an intermediary with important aspects of customer identification and due diligence, the bank must have more information about intermediaries, their reputation, beneficial owners etc. than about customers), and also the procedure whereby business relationship is discontinued. As well, the supervisor must assess the mechanism for remunerating the intermediary's services to assess whether this does not encourage the bank to assume greater risk. The supervisor must also make sure if and how the bank trains intermediaries in respect of compliance with the requirements for preventing money laundering and terrorist financing, how the bank assesses the performance of intermediaries and whether it estimates the proportion of the customers that have been attracted by an intermediary and later cease to be the bank's customers in accordance with Paragraph 2 of Article 28 of the Law and also the proportion of the customers whose transactions are later reported to the Financial Intelligence Unit.

After that the supervisors must learn the information at the bank's disposal about the intermediary and the legal files of several customers (in respect of which identification or due diligence has been carried out) attracted by the particular intermediary.

XI. Payment Cards

It must be ascertained whether transactions involving payment cards have been taken into account when establishing the procedure for transaction monitoring in the bank's internal control system.

Due attention must be paid to the cases when a large number of payment cards have been issued to the bank's customers that are legal persons (usually the bank draws up a list indicating the customers to whom more than five payment cards have been issued).

There are cases when such card users of legal persons are not identified in accordance with the requirements of Article 12 and 14 of the Law. This may be permitted only when card users of a legal person are the employees of that legal person and payment cards are used to perform the economic activity of the company; the bank must make sure about that. When the payment cards issued to a legal person are used for the payment of employee wages, this must not be considered as using the cards for performing the economic activity of the company!

In practice there have been cases when bank customers use payment cards to withdraw significant amounts of cash. These cases deserve particular attention during inspections in banks. According to Provisions No. 1071 of 22 December 2008 of the Cabinet of Ministers "Provisions on the List of Indicators of Unusual Transactions and the Procedure whereby Unusual or Suspicious Transactions are Reported" transactions whereby a bank's customer uses a payment card to withdraw cash in the amount of 40 000 lats and more during a month shall be classified as unusual transactions that must be reported to the Financial Intelligence Unit without delay. The supervisor must select a sample of major customers to inspect the turnover in their card accounts. Moreover, the supervisor must make sure whether the bank analyses and controls the turnover on customer's payment cards.

XII. Terminating Business Relationship

According to Article 28 of the Law, a credit institution has an obligation to terminate business relationship with a customer and request that the customer meet his/her liabilities before maturity, where the credit institution cannot obtain information necessary for customer due diligence in the amount that would allow the credit institution to believe that it has carried out an inspection in essence. In that situation the credit institution must also assess the necessity for terminating the business relationship with other customers who have the same beneficial owners.

In accordance with Paragraph 4 of Regulations No. 125 of 27 August 2008 of the Financial and Capital Market Commission "Regulations for Enhanced Customer Due Diligence" a credit institution must take a decision on terminating business relationship with a customer where within 45 days of determining preconditions for enhanced customer due diligence it cannot ensure that the requirements for the minimum extent of enhanced customer due diligence are met in essence.

For example, where a credit institution needs additional information while performing customer due diligence to verify whether the beneficial owner as indicated by the customer or established by the financial institution is in fact the beneficial owner of the customer, but the financial institution cannot obtain that information, it must be considered that it has not obtained information necessary for the customer due diligence in the amount that would allow it to carry out a customer due diligence in essence, and therefore in accordance with Paragraph 2 of Article 28 of the Law business relationship with such customers must be terminated.

Where the supervisor detects that a customer's file lacks essential information that suggests that customer due diligence in essence has not been carried out in the minimum required amount, the supervisor must check whether the credit institution has asked the customer to provide the

missing information or has otherwise attempted to obtain it. Where the credit institution has failed to obtain the necessary information it must be verified whether business relationship with the customer has been terminated. Where that relationship has not been terminated and the time period established by the Commission for obtaining such information has lapsed or the time has not lapsed but it is clear from information the credit institution has that it will not be possible to carry out customer due diligence in the minimum required amount (e.g., the customer has refused to provide information), the supervisor shall make an indication to this effect in the inspection statement.

In that situation the supervisor must make sure that in cases when the beneficial owner of the customer is also the beneficial owner of another customer of the bank, the bank has assessed the situation and taken a justified decision to continue or to terminate business relationship also with the other customer.

Where, upon terminating cooperation with a customer, the customer's funds have still been in the customer's accounts, the supervisor must make sure that these funds have been transferred to the account of the same customer with another credit institution or to an account from which they were previously credited, and the Financial Intelligence Unit has been notified to this effect.

XIII. Fiduciary (Trust) Operations

The term "trust operations" is defined as follows in the Credit Institution Law: "fiduciary operations (trusts) are transactions in which the relationship between a bank and a client is based on mutual trust and in accordance with the regulations of which the bank undertakes the responsibility for the management of property owned by the client for the benefit of the client, managing such property separately from its own property."

In case of trust operations, it is important to verify whether the credit institution has established the origin of funds transferred to it by means of a trust operation.

Where it is evident from the trust contract or other documents at the credit institution's disposal that the placement of funds has been determined by the customer himself/herself and the funds have been invested, e.g., in particular financial instruments not traded on a regulated market (e.g., bills of exchange) or granted as loans to the persons specified by the customer, the supervisor must make sure that the bank understands the economic nature of these transactions and can explain the reasons why the customer uses the bank as an intermediary for performing such transaction, and explanations do not give rise to suspicion about a possible evading of restrictions set out in regulatory provisions due to which the customer himself/herself cannot perform such transaction without transferring the funds to a bank under a trust.

XIV. Deposits (Attracted Funds)

In effect, deposits are any funds entrusted to the bank (including the funds of other banks).

Credit institutions' obligations to perform customer due diligence in accordance with the requirements of the Law and the Commission's regulations are set out in previous sections.

At inception of the inspection a bank must be asked to compile a list of major depositors that would include the name of the customer, registration place, and the amount deposited by each customer. When it is established that a customer forms a group of mutually linked customers, the amounts deposited by other members of the group must also be established. Information must be obtained about both non-resident and resident deposits.

It must be ascertained whether in respect of the funds attracted the credit institution, in line with an approach based on risk assessment, has established the legal origin of the funds and made records thereof.

Where a deposit serves as collateral for a loan granted by the bank, the supervisor must make sure that the bank understands the economic nature of these transactions and can explain the reasons why a customer who has free resources at his/her disposal would use a bank's loan and mortgage his/her free resources, and the explanation does not give rise to suspicion about possible evading of any restrictions set out in regulatory provisions. Where the depositor and the borrower are not the same person, the supervisor must make sure whether the bank has established the relationship between both persons and the reasons why the depositor would pledge his/her deposit but would not lend to the person who borrows from the bank.

XV. Internal Audit, Compliance Control Structural Unit

Since internal audit service and/or compliance control structural unit are part of the entire internal control system, they must include in their inspections also the questions that are related to the bank's compliance with legal requirements. Where during their inspections the above mentioned units detect that the bank fails to pay due attention to compliance with the Law, they must notify the bank's management without delay because the senior management of the bank is interested in efficient compliance with the Law to minimise the possibility that the bank may be involved in money laundering.

To establish the appropriateness of the performance of the internal audit service and/or of the compliance control unit, their work plans for the previous and the current year must be obtained and the supervisor must verify that the measures included therein are duly implemented. It is advisable to learn the results of inspections in the area of preventing money laundering and terrorist financing and the measures to eliminate the detected weaknesses.

XVI. Training

The supervisor must verify that the training plan for the bank's employees includes training related to preventing money laundering and terrorist financing. The supervisor must be able to review training materials to make sure that the bank's employees are introduced with the legal requirements in the area of money laundering and their obligations therein. Where the bank uses intermediary services, the supervisors must verify that the intermediaries have also been adequately trained.

XVII. Procedure for Inspecting Compliance with the Requirements of the Law on the Prevention of Money Laundering and Terrorist Financing

Carry out discussion with the bank's management and an employee (employees) that is (are) responsible for compliance with the Law to make sure whether the bank pays due attention to ensuring compliance with the Law and to establish the organisational structure of the bank and the division of responsibility.
Review the documents governing the functioning of the bank's internal control system.
Select a sample of customers to be inspected by using the lists drawn up by the bank; where necessary, request additional lists of customers.
Select a sample of cashiers' documents about cash transactions and legal files of major customers (both residents and non-residents) to make sure the bank complies with the Law and the internal requirements regarding customer identification and due diligence.
Make sure the bank's employees who serve customers have been adequately trained and know the requirements of the Law and of the bank's internal control procedures.

Make sure whether the bank has notified the Financial Intelligence Unit of the transactions that comply with the indicators of unusual transactions and of other transactions that give rise to suspicion of money laundering or attempted money laundering.
When carrying out the above mentioned tasks, the supervisor must fill out the inspection statement for the legal file of a legal or a natural person.

Related laws and other regulatory requirements:

Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing;
Provisions No. 1071 of 22 December 2008 of the Cabinet of Ministers "Provisions on the List of Indicators of Unusual Transactions and the Procedure whereby Unusual or Suspicious Transactions are Reported";
Provisions No. 966 of 25 November 2008 of the Cabinet of Ministers "Provisions on the List of the Third Countries whose Regulatory Requirements in the Area of Preventing Money Laundering and Terrorist Financing are Equal to the Requirements of EU Legal Acts";
Regulations No. 125 of 27 August 2008 of the Financial and Capital Market Commission "Regulations for Enhanced Customer Due Diligence";
Credit Institution Law;
Regulations No. 63 of 2 May 2007 of the Financial and Capital Market Commission "Regulations for Establishing an Internal Control System".

ANNEX XIII

ANNEX XIII - OFFICE FOR PREVENTION OF MONEY LAUNDERING OF PROCEEDES DERIVED FROM CRIMINAL ACTIVITY 2010 REPORT

General description of the Control Service

Legal basis

The new Law "On the Prevention of Money Laundering and Terrorism Financing" (hereinafter referred to as the Law) came into force on 13 August 2008, and included legal requirements arising from the following:
Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;
Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.
Chapters IX, X, XIII of the Law specify the legal status, responsibilities and rights of the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter the Control Service or CS), as well as its cooperation with state and municipal institutions, and international cooperation.
According to the transitional requirements of the Law, the following normative documents subject to the Law - regulations of the Cabinet of Ministers developed jointly with the Control Service, were adopted (reissued):
Regulation of 2 December 2008 No. 1071 "On the List of Signs of Unusual Transactions and the Procedures for Reporting on Unusual and Suspicious Transactions";
Regulation of 2 December 2008 No. 1092 "Procedure for the state and municipal institutions to report to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity";
Regulation of 13 January 2009 No. 36 "On the countries and international organisations that have prepared the lists of persons suspected of involvement in terroristic activities";
Regulation of 15 June 2010 No. 535 "Procedure for the credit institution to report on the supervision of transactions in the client's account, and deadlines for reporting";
Due to the new Law coming into force, during the past two years the Control Service has reissued the entire internal normative base consisting of more than 20 internal normative documents.
A fact worth noting is that in 2009 the Control Service was actively involved in the preparation of amendments to the Law "On the Prevention of Money Laundering and Terrorism Financing" which became effective as of 1 January 2010:
implementing the requirements laid down in the Council of Europe Convention No 198 on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism (also known as 2005 Warsaw Convention), including those on the supervision of transactions in accounts and regarding objects to which orders of the Control Service apply (Sections 332 and 331 of the Law);
amendments were made in accordance with the verdict of the Constitutional Court issued in May 2009, including in Section 32, by replacing the "60 day" term for reviewing certain types of reports with a new system of additional measures which the Control Service undertook to perform based on the existing capacity and without additional funding.

Capacity of the Control Service

Information at the disposal of the Control Service is strictly protected by the Law which requires the Head and employees of the CS to comply with the requirements specified in the "Law on Official Secrets".

The CS has the following staff units – Head, Deputy Head, head of a department, analyst of computer systems, methodologist, transaction analyst (8), junior transaction analyst (6), secretary. The actual number of staff at the end of 2010 was 16.

Since 1999, the Control Service has been a member of the international organisation EGMONT, which enables the CS to exchange information with Financial Intelligence Units (FIU) of 119 countries using a special protected network for exchange of information, and requires the CS to comply with specific principles for exchanging information and measures for protecting information.

The cooperation with Financial Intelligence Units of EU Member States is effected also via FIUNET, another special protected network for exchange of information, where employees of the CS take particularly active part, including in improvements of its functionality.

Starting from 1998, the Control Service develops and updates, on an annual basis, specific software used for the creation of a data base of reports on unusual and suspicious transactions, making various analysis of the information accumulated in line with specific functional priorities (development of selection functions, visualization in schemes etc.) and for the performance of special tasks such as review of the declarations submitted by all state officials within the area of competence of the CS. In recent years, the development of this software was focussed on facilitating its use and increasing the speed of processing of information.

Based on Cabinet Regulation No. 497 of 29 December 1998 "Procedure for the state and municipal institutions to report to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity", for the purposes of analysis the Control Service has access to over 350 data bases, including approximately 80 online data bases, i.e. information is requested and received electronically. The new regulation No. 1092 "Procedure for the state and municipal institutions to report to the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity" adopted by the Cabinet on 22 December 2008 legally extends the capability of the Control Service to obtain the required information also from municipalities starting 1 January 2009.

In the second half of 2009, at the initiative of credit institutions and supported by the Ministry of Finance, a new set of measures was introduced so that the Control Service can receive reports from credit institutions on unusual and suspicious transactions in an electronic encrypted format and send requests to such institutions likewise. Subsequent to introducing the required amendments in the Cabinet Regulation No. 1071, at the end of 2010 on the basis of bilateral agreements the Control Service had exchange of information already with 13 credit institutions. It is important to note that such measures did not require additional funds; moreover, funds were saved due to a fewer number of documents in circulation.

Results of work

Reports on unusual and suspicious transactions

The EU Directives 2005/60/EC and 2006/70/EC, the current Law "On the Prevention of Money Laundering and Terrorism Financing" and other normative documents, including Regulation of 2 December 2008 No. 1071 "On the List of Signs of Unusual Transactions and the Procedures for Reporting on Unusual and Suspicious Transactions" (in force as of 1 January 2009) require reporting of unusual and suspicious transactions.

The growing number of reports submitted to the Control Service over the recent years testified both to involvement of new subjects of the law in the prevention of money laundering and increasingly stricter compliance with requirements of the law. The number of reports received in the period 2002 to 2008 indicated stable growth in these processes.

Error! Objects cannot be created from editing field codes.

Reports on unusual and suspicious transactions

Source: CS statistics as at 31 December 2010

Despite the obvious fall in the number of reports received in the period 2009 to 2010, fluctuations in the number of actual reported financial transactions or non-transactions (such as attempts to open an account) are not quite as great (2007 – 39,931, 2008 – 47,047, 2009 – 40,434 and 2010 – 37,291).
The comparison of the number of reports and reported transactions/non-transactions, indicating that reports contain information on several transactions on a regular basis, is explained as consistent compliance with a specific requirement of the Law (Section 20 (2) 1) when carrying out monitoring of a business relationship, the subject of the Law shall pay special attention to the customer's unusually large, complex transactions or mutually linked transactions, which have no apparent economic or visible lawful purpose).

Prevalence of certain types of reports
The Law "On the Prevention of Money Laundering and Terrorism Financing" (Section 30 (1)) requires the subjects of the Law to report on each suspicious or unusual transaction. The signs of unusual transactions are defined in Cabinet Regulation of 2 December 2008 No. 1071 "On the List of Signs of Unusual Transactions and the Procedures for Reporting on Unusual and Suspicious Transactions".
The table below illustrates the dynamics of reported unusual and suspicious transactions in the last 6 years.
Error! Objects cannot be created from editing field codes.
Each year the Control Service performs statistical registration of reported unusual and suspicious transactions and conducts an analysis of such transactions by reference to signs of unusuality and suspiciousness.
The highest number of reports in 2010 was prepared based on the following signs of unusuality (the number of reports provided in brackets):
a cash transaction exceeding LVL 40,000 (4,692);
a client who does not have an account with the bank makes a currency exchange transaction at the bank exceeding LVL 5,000 (3,377);
a client makes a currency exchange transaction at the exchange point exceeding LVL 5,000 (1,261).

The highest number of reports in 2010 was prepared based on the following signs of suspiciousness (the number of reports provided in brackets):
cash debited from account immediately after crediting it (7,853);
a transaction connected with another report (4,232);
a transaction with no visible lawful purpose (4,042).

Materials prepared and sent by the Control Service.

The measures implemented have significantly impacted the number of materials prepared and sent to law enforcement institutions regarding potential crime identified by the Control Service.

Error! Objects cannot be created from editing field codes.
Number of materials sent to law enforcement institutions
Source: CS statistics as at 31 December 2010

The distribution of reports sent to law enforcement institutions to a certain degree indicates the source of funds derived from criminal activity (tax evasion, fraud etc.).

Year	Number of	Financial Police	Economics Police	KNAB	other	New criminal	Added to existing

	Materials					processes commenced	criminal processes *
2006	155	124	25	4	2	42	5
2007	146	98	27	2	19	40	10
2008	151	91	45	3	12	47	30
2009	143	68	63	3	9	57	12
2010	270	139	117	10	4	49	83

* - the column shows only materials decided in the respective year.

It should be noted that statistics on the criminal processes commenced is likely to increase as, for example, upon completion of a large number of audits and audits of large scope the Financial Police would make decisions on commencing criminal processes also based on materials sent in previous years.

According to the data of the Prosecutor's Office in 2010 (Section 195 of Criminal Law):

the Prosecutor's Office has accepted for investigation criminal procedures on 76 criminal offences of this nature;

9 criminal cases were forwarded to the court accusing 21 persons of 63 criminal offences (episodes) of this nature and arrest of property of LVL 251,081 was made within these procedures.

as at the year-end, outstanding are criminal procedures on 35 criminal offences of this nature and out of these 74 persons were prosecuted for 25 criminal offences.

criminal procedures commenced regarding property obtained from criminal activity (Section 627 (1) of the Criminal Procedure Law) in the Prosecutor's Office/instigative institutions is 2 and 41, respectively, under which property of LVL 1,443,283 and USD 1,073 was seized by court order.

During 2010, the courts examined 10 criminal cases according to Section 195 of Criminal Law and verdicts of guilty were passed to 13 persons.

Information requests

In 2005, the Control Service received 88 requests from various law enforcement institutions and more than half of these requests were answered by providing specific information. In 2006, the number of such requests was 55, of which 34 were responded by providing the information of interest (regarding transactions, origin of funds, further movement of funds). In 2007, the Control Service received 62 requests, more than 40 of which were answered by providing the requested financial information. 61 such requests received in 2008 were answered positively in 50 cases.

28 requests received in 2009 were answered positively in 17 cases. The decrease in the number of requests is explained by the fact that during the period 13 August 2008 to 1 January 2010, institutions performing investigatory operations and pre-trial investigative institutions were authorised to request information only regarding criminal offences under Section 195 of the Criminal Law.

Starting 1 January 2010, the Control Service could again be requested to provide information on any criminal offence under the Criminal Law. During the year, 23 requests were made and 24 replies were prepared containing the requested financial information, and negative answers were provided to 2 requests (note: 3 answers were provided to requests made in the previous year).

Description and implementation of operational priorities

The Council of Prevention of Laundering of Proceeds Derived from Criminal Activity (since 2007 the Council for the Development of the Financial Sector) chaired by the Prime Minister, held a meeting on 14 December 2005 where it suggested that the Control Service set its operational priorities, for example, prioritise investigation of potential money laundering cases and freezing of financial funds in cases where the amount of funds involved is large or where criminal offence is easier to prove.

In view of the above, the CS focussed on the following priorities:

Freezing of large amounts of funds derived from criminal activity.
During 2005, 56 orders were issued on freezing financial funds totaling LVL 2.4 million, whereas during 2006 125 such orders were issued and LVL 12.18 million were frozen for up to 45 days until arrest was placed on property under a criminal case. In 2007, 94 such orders were issued and LVL 6.5 million were frozen. Measures of this type not only enable us to arrest and confiscate these funds, they have an effect of a preventive nature as in the presence of such threats in recent years the typology of illegal transactions tends to be characterized by flows of rather small funds (LVL 20,000 – LVL 40,000) and it is a rare occasion that significantly larger amounts can be frozen.
In 2008, the Control Service issued 99 orders and LVL 2.71 million were frozen in Latvia, which is less than in the previous years. This result is explained both by financial crisis and by a new typology – upon or immediately after gaining proceeds from criminal activity such funds are transferred to accounts opened in Lithuanian or Estonian banks that are not registered with the State Revenue Service in Latvia. In order to deal with this behavior, subsequent to 13 August 2008 when the new law came into effect (See Section 63) the Control Service had successful cooperation with institutions of the same nature in the neighboring countries – requesting them to issue orders on freezing of funds based on the information gathered by the Control Service, which resulted in freezing of over LVL 350,000 in Estonia and over LVL 110,000 in Lithuania.
Continuing the practice of previous years, in 2009 the Control Service prepared 61 materials that included 70 orders that resulted in freezing funds or suspending transactions in Latvia amounting to LVL 5.2 million. Following requests by the Control Service, counterparts of foreign countries froze approximately LVL 417,000 that may be arrested based on requests for legal assistance from appropriate Latvian institutions.
In 2010, 48 orders were issued that resulted in freezing funds derived from criminal activity amounting to LVL 1.39 million. The drop in the level of statistical data is largely connected with the economic crisis, amendments to the Law "On the Prevention of Money Laundering and Terrorism Financing" and reaction of the clients of the subjects of the Law to the consequences of previously frozen amounts of funds derived from criminal activity who instead of one or several transactions now perform numerous transactions with relatively small amounts each.

Preparation of materials that feature transaction schemes with a large number of persons involved (20 - 50 and more legal or natural persons) or/and transaction schemes involving large amounts of money (LVL 1 million and more).
In 2006, law enforcement institutions received 9 materials on the above transaction schemes and 23 materials involving a transaction amount of LVL 1 million or more.
In 2007, the Control Service prepared 7 materials that feature large scale transaction schemes (for example, the number of parties involved in each of the two largest materials is more than 100) and 17 materials involving a transaction amount of LVL 1 million or more.
In 2008, the Control Service sent 23 materials involving a large number of parties and 31 materials that each involved a transaction amount of at least LVL 1 million.
In 2009, the Control Service sent 21 materials involving a large number of parties and 22 materials that each involved a transaction amount of at least LVL 1 million.
In 2010, the Control Service sent 54 materials involving a large number of parties and 29 materials that each involved a transaction amount of at least LVL 1 million.

International cooperation
In accordance with Section 62 of the Law "On the Prevention of Money Laundering and Terrorism Financing" the Control Service exchanges information with Financial Intelligence Units of foreign countries, and with foreign and international institutions for combating terrorism on issues pertaining to the movement of funds or property connected with terrorism.
Since 1998 the Control Service has signed 22 bilateral agreements on exchange of information with counterparts in foreign countries. In 2009, such agreements were signed with the

counterparts from Georgia, Moldova and the Former Yugoslav Republic of Macedonia, whereas in 2010 – with the Financial Intelligence Unit of San Marino.
The statistical data regarding the exchange of information during the past 5 years between the Financial Intelligence Unit of Latvia, the Control Service, and counterparts of foreign countries testify to the fact that the scope of work has increased and also illustrate the number of instances where the exchange of information was requested (Latvia vs. foreign countries).
Error! Objects cannot be created from editing field codes.
Measures to prevent terrorism financing
Since 9/11 tragedy in the USA, the Control Service has established a system for prevention of terrorism financing based on regulations, network of contact persons of the subjects of the Law, 2 employees of the CS have been assigned responsibility for processing terrorists and supporters of terrorists, preparation and distribution of the Consolidated Lists, review of the reports from the subjects of the Law and other measures.

The Consolidated Lists were prepared and distributed electronically 88 times, including 9 in 2006, 4 in 2007, 10 in 2008, 12 in 2009 and 13 in 2010. Subjects of the Law in 2005 reported 30 times on suspicions of potential terrorism financing, in 2006 – 6, 2007 – 3, 2008 – 7, 2009 – 20 and in 2010 – 10 times. In all such cases, the Control Service examined the reports, including by exchange of information with foreign counterparts, and informed the subject of the Law on the results of such examinations. No actual cases of terrorism financing were identified.

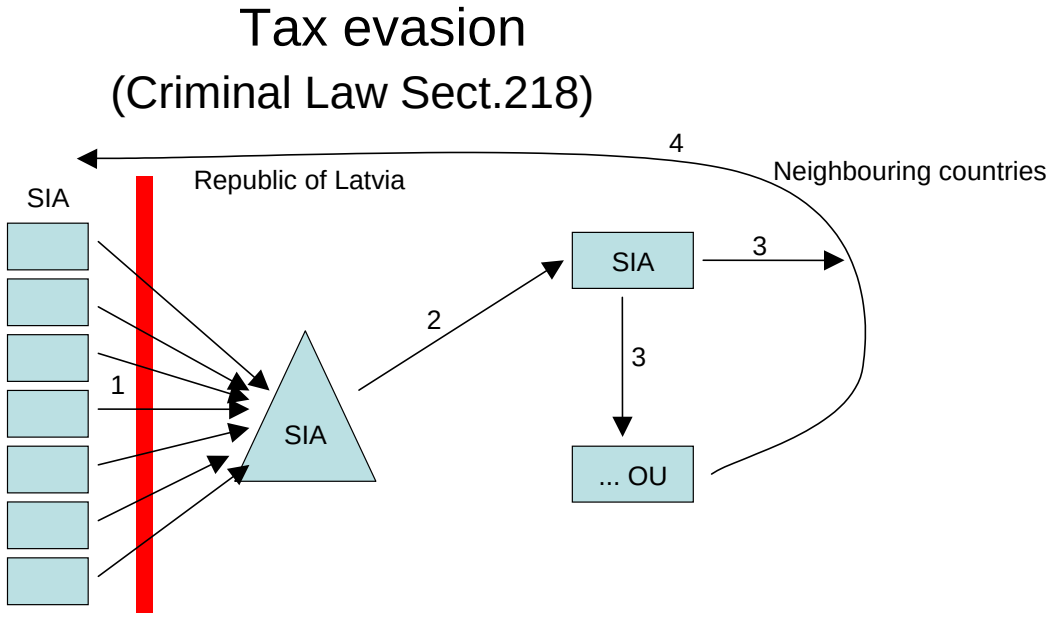
Training
Performing its responsibilities set in the Law "On the Prevention of Money Laundering and Terrorism Financing", the Control Service:
performs an analysis of the quality and efficiency of use of the submitted reports and informs thereon the subjects of the Law;
provides monitoring and control institutions with information on the most characteristic techniques and locations for generating and laundering of proceeds derived from criminal activity and terrorism financing to ensure that measures are put in place to prevent the possibility to launder proceeds derived from criminal activity and finance terrorism;
ensures training of the employees of monitoring and control institutions on issues related to the prevention of money laundering and financing of terrorism;
upon request from monitoring and control institutions according to their area of competency, reports on the statistics, quality and efficiency of use of the reports submitted by the subjects of the Law;
based the information at the disposal of the Control Service, provides recommendations to the subjects of the Law, monitoring and control institutions, pre-trial investigative institutions and the Prosecutor's Office in order to prevent money laundering and terrorism financing;
publishes information on the results of work of the CS on a regular basis.

Since its establishment on 1 June 1998, the Control Service performed the above responsibilities:
using various methodological materials, organized 242 training sessions for subjects of the Law and employees of the monitoring and control institutions and law enforcement institutions;
prepared and provided information to mass media 231 times, including to radio and television, on various questions connected with money laundering and terrorism financing.
In 2010, the Control Service organized 15 training sessions, of which 8 were devoted to the employees of law enforcement institutions discussing topics connected with the activities of the Control Service, money laundering as a part of criminal activities, money laundering typologies and other questions. In 4 out of 5 court districts, on-site training sessions were organized with audiences of prosecutors, investigators and judges.
In addition, employees of the Control Service have presented speeches in 6 seminars outside of Latvia.

In 2010, according to orders issued by the Cabinet of Ministers, two work groups were organized with employees of the CS as leaders. One of these groups has an objective to identify the most critical risks of money laundering existing in Latvia and industries that are most exposed to those risks. The report should be prepared by 1 September 2011.
The employees of the Control Service are familiarized with the information used in the above activities two times a week and they also report on information acquired in different other seminars and trainings.
In order to inform the public, in 2010 the CS prepared 10 media releases on topical issues connected with prevention of money laundering and terrorism financing, including on the results of work of the CS.

Current typologies of money laundering

For the purpose of analysing and studying money laundering or attempts at money laundering and improving the measures for prevention and detection of money laundering, the Control Service accumulates knowledge and experience on current laundering typologies from reports on unusual and suspicious transactions and from information received in cooperation with foreign counterparts (requests for exchange of information, seminars, conferences) and shares this knowledge within training processes.
Of all known money laundering typologies, the most popular in 2010 were the ones connected with tax evasion and laundering of funds derived from fraudulent activities abroad in Latvia. According to international practice, such typologies are given names.

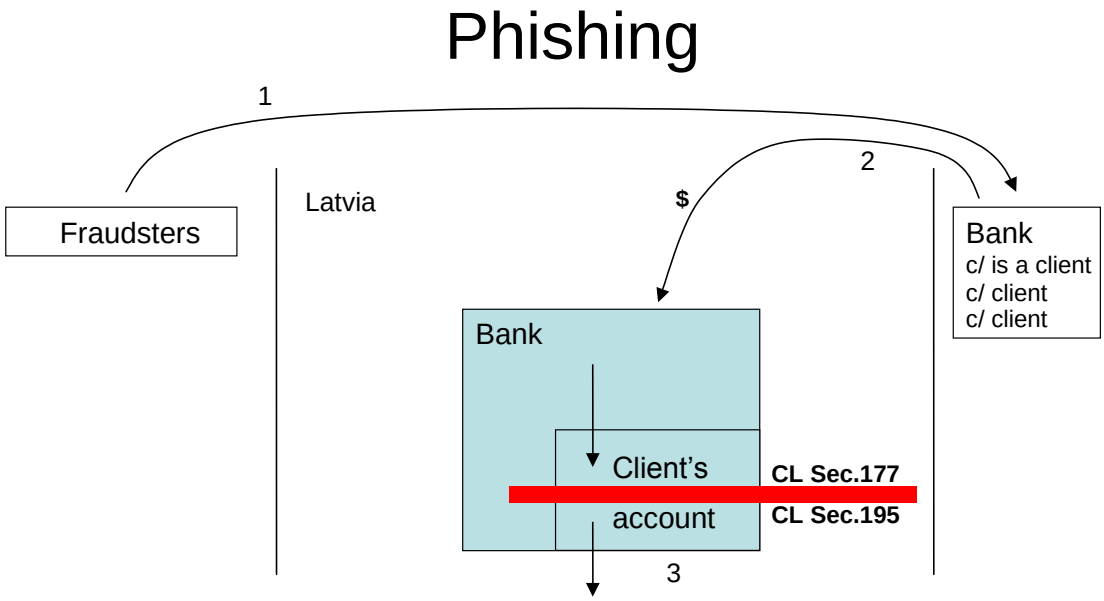


- (1) declaration of transaction to the SRS (Crim. Law Sect.218)
- Transactions (2 -4) - reasonable suspicion of money laundering

Short description of typology

Specific structuring of transactions in order to evade taxes has been around for many years. The statistics of the past 5 years show that the number of natural and legal persons involved in a transaction scheme may range from 20 to 50 persons and in some cases even be as high as 100 persons. The duration of the scheme is approximately 2 to 3 months and then the organisers use a part of the persons involved (see group 1 in the scheme) in an analogous scheme.
The scheme of transactions is depicted in a simplified manner and the scheme most often operates as follows:
in order to evade taxes and obtain funds for the so-called “envelope salaries” or similar needs, according to the agreement with the organizers of the scheme legal entities (group 1 in the scheme) transfer money to the above SIA as if for supply of goods or services and declare these financial transactions to the State Revenue Service;

then the group of legal persons (group 2 in the scheme) transfers this money via accounts with various banks and withdraws in cash outside Latvia (groups 3 in the scheme) – most often in Estonia, Lithuania or Poland and deliver the money back to the original transferor of funds (group 1 in the scheme);
the legal persons involved in the scheme (group 2 or 3 in the scheme) provide false information in the declarations to the State Revenue Service on the movement of funds stating that the recipients of the funds and thus the payers of VAT are other companies (not depicted in the scheme) that are fictitious, which makes collection of taxes impossible.



- actions (1 - 2) qualified as fraud
- (3) on debit operations - reasonable suspicion of money laundering
- advisable to establish the client's planned activities

Short description of typology

During the last 2 – 3 years, the world, including Latvia, has seen increasing use of a typology called "phishing" (the name is derived from a criminal activity, i.e. theft of personal data, where "password harvesting" is abbreviated to "phishing"), an activity aimed to steal money from client accounts often using the clients' gullibility.
After obtaining client personal data, including their passwords, by various means (using documents prepared by the bank's clients, by stealing it from the client or the bank using a special software program), the fraudsters would act like the clients and transfer funds from the victims' accounts (most often from Germany) to the accounts of their accomplices in Latvia. Then the money is converted and withdrawn in cash.
In practice, it has proven many times that one of the most effective means to combat unlawful actions described in the above typology is that subjects of the Law withdraw from transactions that appear connected or are reasonably suspected to be connected with money laundering and the Control Service suspends such transactions.

ANNEX XIV

ANNEX XIV - LAW ON FINANCIAL INSTRUMENTS MARKET

(Unofficial translation by the Financial and Capital Market Commission)
In effect as of January 1, 2004
Published in the newspaper Latvijas Vēstnesis No. 175 on December 11, 2003
As amended by the following:
Law of April 14, 2005 (LV No. 68 of April 29; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 10 of 2005)
Law of June 9, 2005 (LV No. 99 of June 28; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 14 of 2005);
Law of June 15, 2006 (LV No. 100 of June 29; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No.14 of 2006)
Law of March 29, 2007 (LV No. 62 of April 17; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 10 of 2007)
Law of October 4, 2007 (LV No. 172 of October 25; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 22 of 2007)
Law of May 22, 2008 (LV No. 90 of June 11; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 13 of 2008)
Law of May 29, 2008 (LV No. 94 of June 18; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 14 of 2008)
Law of October 23, 2008 (LV No. 174 of November 7; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 23 of 2008)
Law of February 26, 2009 (LV No. 39 of March 11; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 7 of 2009)
Law of October 15, 2009 (LV No. 171 of October 28; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs No. 22 of 2009)
The Saeima adopted
and the President of the State promulgated the following law
Law on the Financial Instruments Market

Section A
General Provisions

Article 1
Terms used in this Law
For the purposes of this Law, the following terms shall be used:
1) financial instruments – agreements that simultaneously give rise to financial assets of one person and financial liabilities or equity securities of another person;
2) class – financial instruments of one type whereto one and the same type of rights and equal provisions to enforce these rights are attached;
3) investment brokerage firm – a capital company that provides investment services on a regular and professional basis;
4) (deleted by the Law of October 4, 2007);
5) member state – a Member State of the European Union or a country of the European Economic Area;
6) home member state – a member state that is determined in accordance with the requirements of Article 31 hereof;
7) supervisory authority of a member state – an authority designated by a member state to carry out the function of supervising the provision of investment services, irrespective of whether such authority has been established pursuant to law or designated to carry out the supervision function by a public administration authority,

provided that the member state notifies the European Commission of such authority, its rights and obligations;
8) regulated market – a set of organizational, legal and technical measures that enables making transactions in financial instruments in an open and regular manner;
9) regulated market organizer – a capital company that organizes the regulated market;
10) official listing – the regulated market for which a market organizer has established the highest requirements as compared with the other regulated markets it organizes and which operates in accordance with the minimum requirements established to it by this Law;
11) public circulation – making transactions in the financial instruments admitted to trading on the regulated market;
12) issuer – a person whose transferable securities are admitted to trading on the regulated market, as well as a person that issues or plans to issue transferable securities or other financial instruments on its own behalf. In the case of depository receipts, the issuer shall be the issuer of securities the rights to which are enforced by the depository receipt;
13) initial placement – a public offer by the issuer or its duly authorized person to acquire transferable securities or other financial instruments and their acquisition for the first time;
14) issue prospectus – a document containing detailed information on an issuer and its transferable securities in respect of which it wishes to make a public offer;
15) prospectus – a document containing detailed information on an issuer and its transferable securities that it wishes to be admitted to trading on the regulated market;
16) target company – a joint-stock company whose shares are in public circulation and in respect of which a share buyout offer is made;
17) offerer – a person or a group of persons making a mandatory, voluntary or final share buyout offer or having an obligation to make a mandatory share buyout offer;
18) Latvian Central Depository – a capital company that makes book entries of and accounts the financial instruments that are issued in due course of this Law and ensures the settlement of financial instruments and cash in transactions that are made in financial instruments;
19) participants of the financial instruments market – credit institutions that provide investment services or ancillary (non-core) investment services, investment brokerage firms, issuers, investors, undertakings that pursuant to law are entitled to manage collective investment undertakings, market organizers, the Latvian Central Depository and other persons that engage in the activities governed by this Law;
20) qualifying holding – a holding that is directly or indirectly acquired by a person or persons acting in concert in accordance with an agreement and that represents 10 percent or more of the share capital or voting rights in a commercial company or that makes it possible to exercise a significant influence over the financial and operational policy decisions of that commercial company;
21) control – a person exercises control over a commercial company, where:
a) that person exercises dominant influence in the commercial company on the basis of its holding;
b) that person exercises dominant influence in the commercial company on the basis of a concern contract;
c) there is any other relationship between that person and the commercial company that is analogous to the relationship referred to in Subparagraphs a) or b) hereof;
211) major holding – a directly or indirectly acquired holding of five percent or more of the issuer's capital to which voting rights are attached;
22) parent undertaking – a commercial company that exercises control over another commercial company;

23) subsidiary undertaking – a commercial company that is controlled by another commercial company;
24) financial institution – a commercial company that is established to provide one or several financial services (except receiving deposits and other repayable funds) or acquire holdings in the share capital of other commercial companies;
25) financial holding company – a financial institution other than a mixed-activity holding company whose subsidiary undertakings are solely or mainly (where the total assets or income of an investment brokerage firm and other financial institutions, as stated in the latest approved annual report/accounts, comprise over a half of the total assets or income of all subsidiary undertakings controlled by that financial holding company) investment brokerage firms or other financial institutions, at least one of them being an investment brokerage firm;
26) mixed-activity holding company – a parent undertaking other than a financial holding company, an investment brokerage firm, a credit institution or a mixedactivity financial holding company, the subsidiary undertakings of which include at least one investment brokerage firm;
261) parent investment brokerage firm of a member state – an investment brokerage firm that is registered in a member state and has either a subsidiary undertaking, which is an investment brokerage firm, other financial institution or a credit institution, or a holding in an investment brokerage firm, other financial institution or a credit institution, but that itself is not a subsidiary undertaking of another investment brokerage firm or of a credit institution licensed in that member state or a subsidiary undertaking of a financial holding company registered in that member state;
262) parent financial holding company of a member state – a financial holding company that is registered in a member state and is not a subsidiary undertaking of an investment brokerage firm or of a credit institution licensed in that member state or a subsidiary undertaking of another financial holding company registered in that member state;
263) parent investment brokerage firm of the European Union – a parent investment brokerage firm of a member state that is not a subsidiary undertaking of an investment brokerage firm or of a credit institution licensed in any other member state or a subsidiary undertaking of a financial holding company registered in any member state;
264) parent financial holding company of the European Union – a parent financial holding company of a member state that is not a subsidiary undertaking of an investment brokerage firm or of a credit institution licensed in any member state or a subsidiary undertaking of another financial holding company registered in any member state;
265) parent investment brokerage firm of the Republic of Latvia – an investment brokerage firm that is registered in the Republic of Latvia and has either a subsidiary undertaking, which is an investment brokerage firm, another financial institution or a credit institution or a holding in an investment brokerage firm, another financial institution or a credit institution, but that itself is not a subsidiary undertaking of another licensed investment brokerage firm or of a credit institution registered in the Republic of Latvia or a subsidiary undertaking of a financial holding company registered in the Republic of Latvia;
266) parent financial holding company of the Republic of Latvia – a financial holding company that is registered in the Republic of Latvia and is not a subsidiary undertaking of an investment brokerage firm or of a credit institution registered in the Republic of Latvia or a subsidiary undertaking of another financial holding company registered in the Republic of Latvia;
27) close link – mutual link involving two or more persons:

a) by participation – a person holds directly or exercises control over 20 percent or more of the voting rights in a commercial company or a person has acquired directly or exercises control over a holding of 20 percent or more of the share capital of a commercial company;
b) by a control relationship;
c) if they are linked to one and the same person by a control relationship;
28) initial capital – capital that consists of the following elements:
a) paid-up share or stock capital less cumulative preferential shares,
b) share premium,
c) reserves (excluding the revaluation reserve),
d) profit or loss brought forward,
e) profit of the current year of operation, provided that there is a statement by an official auditor or a commercial company of official auditors (hereinafter, "an official auditor") about the existence of profit, it has been calculated by taking into account all necessary provisions for the impairment of assets, projected tax and dividend payments, and the Financial and Capital Market Commission has given its consent for the inclusion of the profit of the current year of operation into the initial capital;
29) initial register – a list of persons that own financial instruments of one or several issuers and that have acquired financial instruments in initial placement or have not transferred the accounting of financial instruments they own from the initial register to their financial instruments account after the issue of financial instruments into public circulation;
30) equity securities – shares and transferable securities equivalent to shares that ensure a holding in the capital of a capital company, as well as any other type of securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that those securities are issued by the issuer of the underlying shares or by a capital company belonging to the group of undertakings of the said issuer;
31) depository receipts – transferable securities that are issued in substitution for financial instruments of an issuer registered in another country and entitle their acquirers to exercise the rights attaching to the substituted financial instruments;
32) transferable securities – securities that are disposable without any restrictions, with the exception of payment instruments. Such securities are:
a) equity securities,
b) debt securities,
c) other securities to which the rights to acquire or sell transferable securities are attached or which give rise to a cash settlement determined by reference to transferable securities, currency, interest rate, commodities or other underlying asset;
33) small and medium-sized merchants – merchants, which according to their individual or consolidated annual reports/accounts meet at least two of the following three criteria:
a) the average number of employees during the financial year is less than 250,
b) total assets do not exceed an amount in lats equivalent to 43 000 000 euros, calculated at the Bank of Latvia's exchange rate;
c) annual net turnover does not exceed an amount in lats equivalent to 50 000 000 euros, calculated at the Bank of Latvia's exchange rate;
34) person making a public offer – a person that offers transferable securities to the public;
35) offering program – a set of measures whereby transferable securities of a similar or same class (except equity securities) are issued in a continuous or a repeated manner during a specified period;
36) transferable securities issued in a continuous or a repeated manner – transferable securities of a similar or same class that have been issued on tap or in at

least two separate issues over a period of 12 months after the opening date of the public offer;
37) host member state – a country where a public offer is made or the admission of transferable securities to trading on the regulated market is asked for, or a country where an investment firm or a credit institution has a branch or provides investment services or ancillary (non-core) investment services, or a country where the regulated market organizer takes appropriate measures to facilitate access to trading on its system by remote members or participants established in that country, if that country is different from the home member state;
38) qualified investors:
a) a bank, an undertaking that pursuant to law is entitled to manage collective investment undertakings, an investment brokerage firm, a pension fund, an insurer, a reinsurer, a commodity dealer and any legal person licensed to perform activities in financial markets or persons that have not been licensed or regulated like that, but whose business objective is solely to invest in securities, provided that they are registered in the Republic of Latvia or a member state,
b) countries and local governments, national central banks and international financial institutions,
c) other legal persons that may not be considered as small or medium-sized merchants,
d) natural persons recognized as qualified investors under a decision of the competent authority of a member state,
e) small and medium-sized merchants recognized as qualified investors under a decision of the competent authority of a member state;
39) public offer – communication by any means of information on the terms of the offer and transferable securities to be offered so as to enable investors to decide on purchasing or subscribing to these securities;
40) foreign country – a country that is not a European Union member state or a country of the European Economic Area;
41) competent authority – an institution to which a member state delegates the function to supervise the procedure whereby issue prospectuses and prospectuses are drawn up, registered and disseminated and whose responsibilities are related to international cooperation with competent authorities of other member states;
42) associated undertaking – a holding in an undertaking where the undertakings of a group directly or indirectly (through a subsidiary undertaking) own 20 percent or more of voting rights or have a holding that entitles them to exercise significant influence, but not to control, the decisions with respect to the financial activity and business policy of the undertaking;
43) buyout offer – a public offer (other than by the target company itself) made to the shareholders of a target company to acquire all or part of their shares in order to acquire control of the target company;
44) persons acting in concert – an offerer and the persons that cooperate with the offerer or a target company on the basis of an agreement in order to acquire control of the target company or frustrate a successful offer.
45) debt securities – bonds or other forms of transferable securitized debt, except securities that are equivalent to equity securities;
46) controlled commercial company – a commercial company that complies with at least one of the following conditions:
a) a person has a majority of voting rights in that commercial company,
b) a person has, directly or indirectly, the right to elect or remove the majority of the members of the executive board or of the council, and at the same time that person is a shareholder (member/participant) of that commercial company,
c) a shareholder (member/participant) of that commercial company is a person that

alone controls the majority of the shareholders' or members'/participants' voting rights pursuant to an agreement it has entered into with other shareholders or members/participants of that commercial company,
d) a person has the power to control the commercial company and it actually exercises or may exercise that control;
47) regulated information – all kinds of information that an issuer or a person that has asked for the admission of transferable securities to trading on the regulated market discloses to public in accordance with the requirements of Article 54 hereof and of Chapters III, IV and VI of Section D of this Law;
48) electronic means – electronic equipment for the processing, storing and transmission of data employing wires, radio waves, optical technologies or any other electromagnetic means;
49) market maker – a person that ensures an active trading (liquidity) of one or several financial instruments on a continuous basis during a trading day by buying and selling financial instruments at prices defined by itself and against its financial resources;
50) trading day – a day or a period of time during the respective day when it is possible to make transactions in financial instruments on the respective regulated market in accordance with the regulations of the market organizer;
51) own funds – the elements of capital, reserves and liabilities that are disclosed in the audited financial statements of an investment brokerage firm and are freely available to the investment brokerage firm to cover the losses that are associated with normal operational risks, but have not yet been identified and thus are contingent;
52) securitized debt – a set of assets (assets included in the asset portfolio) that has been transferred or sold to a commercial company that has been established for a special purpose and converts these assets into securities;
53) multilateral trading facility – a system operated by an investment brokerage firm, a credit institution or a market organizer that, in accordance with nondiscretionary rules, brings together third party instructions for buying and selling financial instruments in a way that results in a deal;
54) operator of a multilateral trading facility – an investment brokerage firm, a credit institution or a market organizer that ensures the operation of the system in accordance with the rules of the system;
55) tied agent – a natural or a legal person that on behalf of an investment brokerage firm or a credit institution promotes to customers or prospective customers the investment services or ancillary (non-core) investment services provided by that investment brokerage firm or credit institution, receives from and transmits to customers instructions and orders in respect of investment services or financial instruments, places financial instruments or provides to customers or prospective customers consultations in respect of those financial instruments or services;
56) responsible person of a tied agent – a self-employed person, a member of the executive body of a tied agent or another person who, in accordance with his/her competence at the managerial level of the tied agent, is responsible for the professional activity of the tied agent;
57) systematic internalizer – an investment brokerage firm or a credit institution that deals on its own account on an organized, frequent and systematic basis by executing customer orders outside the regulated market or a multilateral trading facility;
58) limit order – an order to buy or sell a specified size of financial instruments at a specified price limit or a better price;
59) providing consultations on investments in financial instruments – the provision of a personal recommendation that is appropriate to a customer or motivated by a customer's individual conditions in respect of one or several transactions in financial instruments, whereby the customer is recommended to buy, sell, subscribe

to, exchange, keep, buy out, place a definite financial instrument or exercise or refrain from exercising the rights granted by a particular financial instrument; such recommendation is provided by an investment brokerage firm or a credit institution on the customer's request or its own initiative and is not disclosed to the public;
60) professional customer – a customer who possesses the experience, knowledge and expertise to independently make an investment decision and properly assess the risks assumed;
61) retail customer – a customer other than a professional customer;
62) financial analyst – an employee of an investment brokerage firm or of a credit institution who produces the contents of investment research;
63) corporate governance — a set of measures aimed at achieving the operation goals of a commercial company and controlling its performance, as well as assessing and managing the operational risks of a commercial company;
64) record date – a date six business days before a shareholders meeting. On that date, the shareholders of the respective joint-stock company and the number of shares each shareholder owns shall be fixed as at the end of the day for participation in the shareholders meeting.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of March 29, 2007, of October 4, 2007, of May 22, 2008, of February 26, 2009 and of October 15, 2009 taking effect on January 1, 2010)

Article 2
Purpose of this Law
The purpose of this Law shall be to ensure the functioning of the financial instruments market by fostering the following factors:
a) protection of investors' interests;
b) stability and credibility of the financial instruments market;
10
c) availability of information and equal opportunities for all participants of the financial instruments market.

Article 3
Scope of this Law
(1) This Law shall govern the procedure whereby financial instruments are publicly offered and circulated, investment services and ancillary (non-core) investment services provided and participants of the financial instruments market licensed and supervised, and establish the rights and obligations of participants of the financial instruments market and liability for the infringement of the requirements set out in this Law.
(2) This Law shall apply to the following financial instruments:
1) transferable securities;
2) investment fund units and other transferable securities that certify a holding in investment funds or collective investment undertakings similar to investment funds;
3) money-market instruments – short-term (whose maturity is less than 12 months) debt instruments (Treasury bills, certificates of deposit, commercial papers) and other instruments traded on money markets;
4) the following derivative instruments:
a) options, futures, swaps, forward rate agreements and any other derivative contracts that relate to securities, currencies, when providing the ancillary (non-core) service referred to in Subparagraph 5 of Paragraph 5 of Article 3 hereof, interest rates, yields or other derivative instruments, financial indices or financial measures and that shall be settled in cash or in other financial instruments,
b) options, futures, swaps, forward rate agreements and any other derivative contracts

relating to commodities that shall be settled in cash or may be settled in cash at the option of one of the parties, provided this is not caused by the termination of the contract because of default or other termination event,
c) options, futures, swaps and any other derivative contracts relating to commodities that shall be settled with a physical delivery of the commodity, provided that they are traded on the regulated market or in a multilateral trading facility,
d) options, futures, swaps and any other derivative contracts relating to commodities that are not listed in Subparagraph c) hereof and shall be settled with a physical delivery of the commodity, are not for commercial purposes and have the characteristics of other financial derivatives in accordance with Article 38 of Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and terms defined for the purposes of that Directive (hereinafter, "Commission Regulation (EC) No 1287/2006"), provided that they are cleared and settled through recognized clearing houses and are subject to regular margin calls,
e) derivative instruments for the transfer of credit risk,
f) financial contracts for differences,
g) options, futures, swaps, forward rate agreements and any other derivative contracts that relate to climatic variables, freight rates, emission allowances, inflation rates or other official economic statistical data and that shall be settled in cash or may be settled in cash at the option of one of the parties, provided this is not caused by the termination of the contract because of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures that are not referred to in this Paragraph and that have the characteristics of other financial derivatives in accordance with Article 38 of Commission Regulation (EC) No 1287/2006, provided that these instruments are traded on the regulated market or in a multilateral trading facility, are cleared and settled through recognized clearing houses or are subject to regular margin calls;
h) other commodity derivatives listed in Article 39 of Commission Regulation (EC) No 1287/2006;
5) (deleted by the Law of October 4, 2007).
(3) This Law shall also apply to the financial instruments that are not referred to in Paragraph 2 hereof, but comply with the definition set out in Paragraph 1 of Article 1.
(4) For the purposes of this Law, investment services shall be as follows:
1) receipt and transmission for execution of investors' orders regarding transactions in financial instruments;
2) execution of investors' orders regarding transactions in financial instruments for the account of investors or third parties;
3) management of investors' financial instruments on an individual basis under investors’ authorization (a portfolio management service);
4) initial placement of financial instruments if a provider of investment services does not underwrite financial instruments or guarantee their underwriting;
5) underwriting financial instruments for their initial placement or guaranteeing underwriting of financial instruments that were not placed during the initial placement;
6) execution of transactions in financial instruments for the account of a credit institution or an investment brokerage firm;
7) (deleted by the Law of June 15, 2006);
8) providing consultations on investments in financial instruments;
9) operating a multilateral trading facility.
(5) For the purposes of this Law, ancillary (non-core) investment services shall be as

follows:
1) holding of financial instruments;
2) granting credits or loans to an investor to allow the investor to make transactions in financial instruments, provided that the commercial company that grants a credit or a loan is the counterparty to a transaction in financial instruments;
3) providing recommendations in respect of capital structure, operating strategy and related issues and providing recommendations and services relating to mergers of commercial undertakings and acquisitions of enterprises;
4) services relating to the provision of the investment services referred to in Subparagraph 5 of Paragraph 4 hereof;
5) currency exchange services where these are related to the provision of investment services
6) (deleted by the Law of March 29, 2007);
7) providing a recommendation on investment research, financial analysis or other general recommendation in respect of transactions in financial instruments;
8) providing the investment services and ancillary (non-core) investment services referred to in Paragraph 4 hereof in respect of the underlying asset of the derivative instruments referred to in Items b), c), d), g) and h) of Subparagraph 4 of Paragraph 2 hereof, where it is related with the provision of investment services.
(6) This Law shall not constitute a restriction on consumer rights as established in other laws.
(7) The provisions of Section C hereof shall not apply to:
1) open-end investment fund units or similar securities that certify a holding in openend investment funds or similar collective investment undertakings;
2) non-equity transferable securities that are issued by a member state or a member state’s local government, its institution or agency, or organizations that are subjects of international public law and whose members are one or several member states, the European Central Bank or central banks of member states;
3) shares in the capital of central banks of member states;
4) transferable securities that are unconditionally and irrevocably guaranteed by a member state or a member state’s local government, its institution or agency;
5) transferable securities that are issued by those associations with a legal status or non-profit-making organizations, recognized by a member state, with a view to obtaining the means necessary to achieve their non-profit-making objectives;
6) non-equity transferable securities that are issued by banks in a continuous or a repeated manner provided that these securities:
a) are not subordinated, convertible or exchangeable,
b) do not entitle to subscription to or acquisition of transferable securities of other types and are not linked to financial derivatives,
c) materialize reception of repayable deposits,
d) are covered by member states' regulatory provisions governing deposit guarantee schemes;
7) non-fungible capital shares whose main purpose is to provide their holders with the rights attaching to them to use an apartment or other immovable property or a part thereof, and these capital shares may not be sold without giving up these rights;
8) securities that are included in an offer, where the total consideration of the offer that is calculated for 12 months is less than an amount in lats equivalent to 2 500 000 euros, calculated at the Bank of Latvia's exchange rate;
9) bostadsobligationer, which are mortgage bonds issued in a repeated manner by Swedish banks and whose main purpose is to guarantee mortgage loans, provided that:
a) the issued bostadsobligationer are of the same series,
b) bostadsobligationer are issued on tap during a specified issuing period,

c) the provisions governing bostadsobligationer are not changed during the issuing period,
d) in accordance with the articles of association, the amounts derived from the issue of the bostadsobligationer are disclosed in assets to ensure a sufficient coverage of the liabilities deriving from securities;
10) non-equity transferable securities that are issued by banks in a continuous or a repeated manner, where the total consideration of the offer that is calculated for 12 months is less than an amount in lats equivalent to 50 000 000 euros, calculated at the Bank of Latvia's exchange rate;
a) are not subordinated, convertible or exchangeable,
b) do not give the right to subscribe to or acquire securities of other types and are not linked to financial derivatives.
(8) The requirements of Article 54 hereof and of Chapters III and IV of Section D of this Law shall not apply to open-end investment fund units or securities equivalent to such units that certify a holding in open-end investment funds or equivalent collective investment undertakings.
(9) The requirements of Paragraphs 3, 7, 8 and 9 of Article 54 hereof shall not apply to transferable securities that are admitted to trading on the regulated market and issued by a member state or by a local government of a member state, its institution or agency.
(10) The requirements of Paragraphs 1, 2 and 9 of Article 54 hereof shall not apply to the shares issued by the central banks of member states that are admitted to trading on the regulated market, where the decision on admitting the shares to trading on the regulated market was taken by January 20, 2005 and the exemption is set out in the regulatory provisions of the respective member state that govern the procedure whereby the shares of central banks are issued.
(11) The provisions of this Law shall apply to the takeover of a bank unless the Law on Bank Takeover provides otherwise.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of March 29, 2007, of October 4, 2007 and of February 26, 2009 taking effect on March 25, 2009)

Article 31
Determining the Home Member State
(1) In respect of investment brokerage firms, the home member state shall be a member state in which an investment brokerage firm has been registered and granted the licence for the provision of investment services.
(2) In respect of issuing, admitting to trading on the regulated market or making a public offer of transferable securities, the home member state shall be a member state in which:
1) the issuer has its legal address, except in the cases referred to in Subparagraph 2 hereof;
2) the issuer has its legal address, or in which transferable securities are or will be admitted to trading on the regulated market, or in which transferable securities are offered to the public at the choice of the issuer, the person making the public offer or asking for the admission of transferable securities to trading on the regulated market, provided that:
a) the nominal value of a non-equity transferable security is at least an amount in lats equivalent to 1 000 euros, calculated at the Bank of Latvia’s exchange rate,
b) the securities are non-equity transferable securities and their conversion or exercise of the rights attaching to them allows to acquire transferable securities or receive money for them, provided that their issuer is simultaneously not the issuer of the underlying transferable securities;
3) transferable securities are offered to the public for the first time after

December 31, 2003, or in which the first application for admission to trading on the regulated market is submitted at the choice of the issuer, the person making the public offer or asking for the admission of transferable securities to trading on the regulated market. The requirements of this Paragraph shall apply to those issuers of transferable securities that are registered in a foreign country and are not referred to in Subparagraph 2 of Paragraph 2 hereof. An issuer registered in a foreign country shall be entitled to change its home member state, where initially the home member state was determined without the choice of the issuer.
(3) The requirements of Subparagraph 2 of Paragraph 2 hereof shall also apply to those non-equity transferable securities whose nominal value is expressed in a currency other than the euro, where their smallest nominal value is equivalent to 1 000 euros.
(4) In respect of the issuers of shares and of debt securities, for which the nominal value of one debt security is below an amount in lats equivalent to 1 000 euros, calculated at the Bank of Latvia's exchange rate, that have an obligation to disclose regulated information, the home member state shall be the member state in which:
1) the issuer has its legal address, where it is registered in a member state;
2) the issuer discloses information referred to in Article 571 hereof, where it is registered in a foreign country.
(5) Paragraph 4 hereof shall also apply to an issuer whose debt securities are issued in a currency other than the euro, where at the date of issue the nominal value of one debt security is below an amount in the respective currency equivalent to 1 000 euros and is not equivalent to 1 000 euros, and which has an obligation to disclose regulated information.
(6) Where Paragraph 4 hereof does not apply to an issuer, the home member state of that issuer shall be, at the issuer's choice, either the member state where the issuer has its legal address or one of the member states where the transferable securities of that issuer are admitted to trading on the regulated markets.
(7) The issuer referred to in Paragraph 6 hereof shall be entitled to choose only one home member state and shall not change it for three years, unless the trading in the securities of that issuer on the regulated market is discontinued. The issuer shall notify of its choice in accordance with the requirements of Paragraph 8 of Article 611 and of Article 642 hereof.
(8) In respect of the regulated market, a home member state shall be the member state where the regulated market organizer is registered and has received the licence for the organization of the regulated market or the member state where the head office of the regulated market organizer (the seat of the commercial company) is located and where it has received the licence for the organization of the regulated market.
(In the wording of the Law of June 9, 2005, and as amended by the Laws of June 15, 2006, of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Article 32
Recognizing a Person as a Qualified Investor
(1) The Financial and Capital Market Commission (hereinafter, "the Commission") may recognize as qualified investors those natural persons that are residents of the Republic of Latvia and that have made a request to this effect, provided that such natural person complies with at least two of the following criteria:
1) an investor has made transactions of a notable volume on transferable securities markets, i.e., at least 10 transactions per quarter during four successive quarters;
2) an investor's portfolio of transferable securities exceeds an amount in lats equivalent to 500 000 euros, calculated at the Bank of Latvia's exchange rate;
3) an investor works or has worked in the financial sector for at least a year in a capacity that requires knowledge of transferable security investments.

(2) The Commission may recognize as qualified investors those small or mediumsized merchants that have their legal address in Latvia and that have submitted an explicit request to this effect.
(3) The list of persons recognized as qualified investors pursuant to the requirements of Paragraphs 1 and 2 hereof shall be available on the Internet homepage of the Commission.
(In the wording of the Law of June 9, 2005, and as amended by the Laws of June 15, 2006, of March 29, 2007 and of May 29, 2008 taking effect on July 1, 2008)

Article 33
Establishing Additional Requirements to an Issuer whose Home Member State Is not the Republic of Latvia
In respect of an issuer whose home member state is not the Republic of Latvia, the requirements established for the contents of regulated information shall not be stricter than the requirements of the regulatory provisions of the issuer's home member state.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 4
Issuing and Disputing Administrative Acts
(1) In the cases established by law, the Commission shall issue administrative acts. The procedure whereby the Commission issues administrative acts shall be subject to the regulatory provisions that govern the procedure for issuing administrative acts.
(2) An administrative act issued by the Commission in due course of this Law may be appealed to the Administrative Regional Court. The Court shall hear the case as the court of first instance. The case shall be heard by a court composed of three judges. The judgment of the Administrative Regional Court may be appealed to a court of cassation.
(3) Where the Commission examines documents repeatedly, it shall not be entitled to point out deficiencies or inaccuracies in the information already examined if these deficiencies or inaccuracies were not pointed out in previous examinations, except in cases when the Commission learns new information.
(4) Appeal in court of an administrative act issued by the Commission shall not suspend the execution of the provision, where the administrative act issued by the Commission is a decision:
1) on restricting the right of an investment brokerage firm or a credit institution to provide investment services or hold financial instruments;
2) on revoking a licence granted to an investment brokerage firm for the provision of investment services and ancillary (non-core) investment services;
3) on revoking a licence for the organization of the regulated market;
4) on suspending the trading in financial instruments;
5) requesting that the influence of persons with a qualifying holding in the regulated market organizer, the Latvian Central Depository or an investment brokerage firm be terminated without delay;
6) requesting that the executive board or the council, or any member of such managing bodies of the regulated market organizer, the Latvian Central Depository or an investment brokerage firm be suspended from office;
7) on prohibiting the exercising of voting rights;
8) laying down that an investment brokerage firm has an obligation to maintain the level of own funds above the minimum level set out in Paragraph 1 of Article 121 hereof;
9) laying down that an investment brokerage firm has an obligation to review the procedures for enforcing the measures it has introduced to implement the requirements of Article 1231 and of Subparagraph 11 of Paragraph 1 of Article 124

hereof;
10) requesting that an investment brokerage firm apply a special provisions policy or asset recognition policy in respect of its own funds.
(As amended by the Laws of March 29, 2007, of May 29, 2008 and of October 23, 2008 taking effect on January 1, 2009)

Article 5
Legal Guarantees
The Commission, its employees and proxies shall not be held liable for any loss incurred by participants of the financial instruments market or third parties, and proceedings shall not be instituted against them for the activities that they performed on entitlement, in a precise manner, on motivated grounds and in good faith to duly carry out the supervision function in due course of law and other regulatory provisions.

Article 6
Liability
(Deleted by the Law of June 9, 2005 taking effect on July 12, 2005)

Section B
Qualifying Holding

Article 7
Right to Acquire a Qualifying Holding
(1) A person shall be entitled to acquire a qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm provided that the person complies with the requirements for shareholders or members/participants of a regulated market organizer, the Latvian Central Depository or an investment brokerage firm and ensures compliance with the criteria set out in Paragraph 1 of Article 10 hereof.
(2) The Commission shall be entitled to request information about the persons intending to acquire a qualifying holding (having actually acquired a qualifying holding or suspected of an acquired qualified holding), including natural persons who are owners (beneficial owners) of legal (registered) persons, to assess their compliance with the criteria set out in Paragraph 1 of Article 10 hereof.
(3) The Commission shall be entitled to obtain identification of the owners (beneficial owners) and shareholders or members/participants of the legal persons intending to acquire a qualifying holding, having actually acquired a qualifying holding or suspected of an acquired qualified holding until it has information on the owners (beneficial owners) who are natural persons. To obtain identification, the respective legal persons shall have an obligation to submit to the Commission all required information if it is not available in those public registers from which the Commission is entitled to receive such information.
(4) Where the persons suspected of an acquired qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm fail or refuse to submit the information referred to in Paragraphs 2 or 3 hereof and the total holding of such persons is 10 percent or more of the share capital or voting rights of a regulated market organizer, the Latvian Central Depository or an investment brokerage firm, these shareholders or members/participants shall not be entitled to exercise the voting rights attaching to all their shares. The Commission shall promptly notify to this effect the respective shareholders or members/participants and the regulated market organizer, the Latvian Central Depository and the investment brokerage firm.

(5) Investment funds and similar entities shall not be entitled to acquire a qualifying holding in a regulated market organizer, the Latvian Central Depository and an investment brokerage firm.
(In the wording of the Law of February 26, 2009 taking effect on March 25, 2009)

Article 8
Indirectly Acquired Holding
To determine the amount of an indirectly acquired holding of a person, the following voting rights acquired by that person (hereinafter, "the particular person") shall be taken into account:
1) voting rights that may be exercised by a third party under an agreement concluded with the particular person whereby that third party is obliged to reach an agreement with the relevant person on the policy for using the voting rights and for taking measures in the long term in relation to the management of the issuer in question;
2) voting rights that may be exercised by a third party under an agreement concluded with the particular person, providing for a temporary transfer of the voting rights in question;
3) voting rights attaching to shares which are lodged as collateral with the particular person, provided that the particular person may exercise the voting rights and has declared its intention of exercising them;
4) voting rights that the particular person may exercise for an indefinite period;
5) voting rights that may be exercised by a commercial company controlled by the particular person or that such commercial company may exercise in accordance with Paragraphs 1, 2, 3 and 4 hereof;
6) voting rights attaching to shares deposited with the particular person which that person may exercise at its discretion in the absence of specific instructions;
7) voting rights attaching to shares held on behalf of the third party for the benefit of the particular person;
8) voting rights that the particular person may exercise as a proxy where that person may exercise the voting rights at its discretion in the absence of specific instructions.
(In the wording of the Law of March 29, 2007 taking effect on May 5, 2007)

Article 9
Obligation to Notify of the Acquisition of or an Increase in a Qualifying Holding
(1) Any person that wishes to acquire a qualifying holding in the regulated market organizer, the Latvian Central Depository or an investment brokerage firm shall notify the Commission to this effect in writing. The notification shall indicate the amount of the holding as a percentage of the share capital or the voting rights of the respective capital company and it shall be submitted together with the information that is set out in the Commission's regulatory provisions and is necessary to assess the person's compliance with the criteria set out in Paragraph 1 of Article 10 hereof. The list of information to be attached to the notification shall be published on the Commission's Internet homepage.
(2) Where a person wishes to increase a qualifying holding so that it amounts to or exceeds 20, 33 or 50 percent of the share capital or voting rights of the regulated market organizer, the Latvian Central Depository or an investment brokerage firm, or where the respective capital company becomes a subsidiary undertaking of that person, that person shall notify the Commission in advance in writing. The notification shall indicate the amount of the holding as a percentage of the share capital or the voting rights of the respective capital company and it shall be submitted together with information that is set out in the Commission's regulatory provisions and is necessary to assess the person's compliance with the criteria set out in Paragraph 1 of Article 10 hereof. The list of information to be attached to the

notification shall be published on the Commission's Internet homepage.
(3) Within two business days of the day of receiving the notification referred to in Paragraphs 1 or 2 hereof or within two business days of receiving the requested additional information, the Commission shall notify the person in writing about receiving of the notification or of the additional information and the date of the expiry of the assessment period.
(4) Within the assessment period referred to in Paragraph 1 of Article 10 hereof but not later than on the 50th business day of the assessment period, the Commission shall be entitled to request additional information about the persons referred to in this Article to assess their compliance with the criteria set out in Paragraph 1 of Article 10 hereof.
(As amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 10
Rights and Obligations of the Commission
(1) Not later than within 60 business days of the day when information referred to in Paragraph 3 of Article 9 hereof about receiving the notification has been sent to the person, the Commission shall assess sufficiency of the person's free capital in respect of the volume of the shares to be acquired in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm, financial soundness and financial motivation of the proposed acquisition to ensure sound and prudent management of the regulated market organizer, the Latvian Central Depository or the investment brokerage firm where the acquisition is proposed and the likely influence of that person on the management and business of the regulated market organizer, the Latvian Central Depository or the investment brokerage firm. In the assessment process, the Commission shall take into account also the following criteria:
1) good repute of the person and compliance with the requirements for shareholders or members/participants of the regulated market organizer, the Latvian Central Depository or the investment brokerage firm;
2) good repute and professional experience of the person that, as a result of the proposed acquisition, will direct the business of the regulated market organizer, the Latvian Central Depository or the investment brokerage firm;
3) financial soundness of the person, in particular in relation to the type of the business pursued or envisaged in the regulated market organizer, the Latvian Central Depository or the investment brokerage firm in which the acquisition is proposed;
4) whether the regulated market organizer, the Latvian Central Depository or the investment brokerage firm will be able to comply with the regulatory requirements set out in this Law and in other regulatory provisions and whether the group of undertakings of which the regulated market organizer, the Latvian Central Depository or the investment brokerage firm will become a part has a structure that will not restrict the Commission’s possibilities to exercise the supervision functions vested to it by law, to ensure efficient exchange of information among supervisory authorities and to determine the allocation of supervisory responsibilities among the supervisory authorities;
5) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing has been committed or attempted or that the proposed acquisition could increase the risk of such activity.
Where, in accordance with Paragraph 2 hereof, the Commission has interrupted the assessment period, the interruption shall not be included in the assessment period.
(2) When requiring the additional information referred to in Paragraph 4 of Article 9 hereof, the Commission is entitled to interrupt the assessment period once until the day when it receives that information but not for more than 20 business days. The Commission shall be entitled to extend the interruption of the assessment period for

up to 30 business days where the person that wishes to acquire, has acquired, wishes to increase or has increased its qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm is not subject to the supervision of the operation of investment brokerage firms, credit institutions, insurance companies, reinsurance undertakings or investment management companies or where the home (registration) place of that person is in a foreign country.
(3) In the time period referred to in Paragraph 1 hereof, the Commission shall take a decision on prohibiting the person from acquiring or increasing a qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm where that person:
1) fails to comply with the criteria set out in Paragraph 1 hereof;
2) fails or refuses to submit to the Commission the information set out in this Law or the additional information required by the Commission;
3) due to conditions beyond its control, cannot provide the information set out in this Law or the additional information required by the Commission.
(4) Within two business days of taking the decision referred to in Paragraph 3 hereof but not exceeding the assessment period referred to in Paragraph 1 hereof, the Commission shall send that decision to the person that has been prohibited from acquiring or increasing a qualifying holding in a the regulated market organizer, the Latvian Central Depository or an investment brokerage firm.
(5) Where in the time period referred to in Paragraph 1 hereof the Commission does not send the decision to the person that has been prohibited from acquiring or increasing a qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm, the Commission shall be deemed to agree that the person acquires or increases a qualifying holding in the regulated market organizer, the Latvian Central Depository or the investment brokerage firm.
(6) The provisions of Subparagraph 3 of Paragraph 3 hereof shall not apply to a legal (registered) person whose shares are listed on the regulated market of a member state or of a member state of the Organization of Economic Cooperation and Development, and that legal (registered) person shall submit to the Commission information on its shareholders having a qualifying holding in it.
(7) Where the Commission agrees that a person acquires or increases a qualifying holding in a regulated market organizer, the Latvian Central Depository or an investment brokerage firm, that person shall acquire or increase the qualifying holding in the regulated market organizer, the Latvian Central Depository or the investment brokerage firm within six months of sending the information about receipt of the notification or of the additional information referred to in Paragraph 3 of Article 9 hereof. Where by the end of that period the person fails to acquire or increase the qualifying holding in the regulated market organizer, the Latvian Central Depository or the investment brokerage firm, the Commission's acceptance of acquiring or increasing the qualifying holding in a the regulated market organizer, the Latvian Central Depository or the investment brokerage firm is no longer effective. Upon receipt of a motivated written request from the person, the Commission may take a decision on extending the deadline.
(8) When assessing the notifications referred to in Paragraphs 1 and 2 of Article 9 hereof, the Commission shall consult the supervisory authorities of the respective member state where a qualifying holding in an investment brokerage firm is acquired by an investment brokerage firm, a credit institution, an investment management company, an insurance company or a reinsurance undertaking that is registered in another member state, by a parent undertaking of an investment brokerage firm, a credit institution, an investment management company, an insurance company or a reinsurance undertaking that is registered in another member state or by a person that exercises control over an investment brokerage firm, a credit institution, an

investment management company, an insurance company or a reinsurance undertaking that is registered in another member state and where, as a result of acquiring or increasing the qualifying holding, the investment brokerage firm becomes a subsidiary undertaking of that person or is controlled by that person.
(9) Where the influence of an acquirer of a qualifying holding over a regulated market organizer, the Latvian Central Depository or an investment brokerage firm jeopardizes or is likely to jeopardize their management or operation in a financially sound, prudent and regulation-compliant manner, the Commission shall request that the influence be terminated without delay and, if necessary, that the executive board or the council of the respective capital company or any member thereof be suspended from office or shall prohibit the acquirers of a qualifying holding from exercising the voting rights attaching to all their shares.
(10) Appeal in court of the administrative act issued by the Commission that is referred to in Paragraphs 3 and 9 hereof shall not suspend the execution of the provision.
(In the wording of the Law of February 26, 2009, and as amended by the Law of October 15, 2009 taking effect on January 1, 2010)

Article 11
Obligation to Notify of a Decrease in or the Termination of a Qualifying Holding
(1) Where a person wishes to terminate a qualifying holding in the regulated market organizer, the Latvian Central Depository or an investment brokerage firm, it shall notify the Commission to this effect in advance in writing. The notification shall indicate the residual amount of the holding as a percentage of the share capital or voting rights of the capital company.
(2) Where a person wishes to decrease a qualifying holding so that it amounts to less than 20, 33 or 50 percent of the share capital or voting rights of the regulated market organizer, the Latvian Central Depository or an investment brokerage firm, or where the respective capital company is no longer a subsidiary undertaking of that person, the person shall notify the Commission to this effect in advance in writing.

Article 12
Obligations of a Capital Undertaking
(1) The regulated market organizer, the Latvian Central Depository and an investment brokerage firm shall without delay notify the Commission in writing of any person that acquires, increases or decreases a qualifying holding, as soon as they learn about it. The notification shall contain the amount of the respective person's holding as a percentage of the share capital or voting rights, or information on the termination of the qualifying holding.
(2) Every year by January 31, the regulated market organizer, the Latvian Central Depository and an investment brokerage firm shall submit to the Commission a list of all shareholders (members/participants) that had a qualifying holding in the respective capital company on December 31 of the previous year, indicating in the list information on shareholders (members/participants), mutually linked groups of shareholders (members/participants) and the amount of the qualifying holding of those shareholders (members/participants) as a percentage of the share capital or voting rights of the respective capital company.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 13
Consequences of a Failure to Make a Notification
(1) Where a person fails to comply with the requirements set out in Article 9 hereof, the Commission shall apply the restrictions to the rights referred to in Paragraph 4 of

Article 7 hereof.
(2) Where a person acquires or increases a qualifying holding despite the Commission's prohibition, that person shall not be entitled to exercise the voting rights attaching to all its shares, and the decisions of the shareholders (members/participants) meeting taken by exercising the voting rights attaching to such shares shall not be valid as of the moment of taking them; and also, such decisions shall not be the basis for a request to make an entry in the commercial register and other public registers.

Section C
Making a Public Offer

(Section in the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 14
Permission to Make a Public Offer
(1) A public offer shall be made only upon receipt of the Commission's decision to the effect that making a public offer is allowed and upon publishing an issue prospectus in accordance with the requirements of Article 21 hereof.
(2) To receive permission to make a public offer, an issuer or a person making a public offer shall submit to the Commission an application together with the following documents:
1) two originals of the issue prospectus and the text of the issue prospectus in an electronic form;
2) a decision by a person making a public offer on the issuance and the public offer of the respective transferable securities, where the public offer is made by a legal person.
(3) The application shall contain the following:
1) the issuer's registration number and place, registering institution, firm name, legal address, phone number as well as fax number and e-mail address (if any);
2) the type, class and total number of the transferable securities and the nominal value of one transferable security;
3) the projected opening date of selling or circulation;
4) the countries in which the issuer or the person making a public offer wishes to offer the transferable securities to the public.
(4) The Commission shall scrutinize an application and the accompanying documents and take a decision on granting or refusing permission to make a public offer within 10 days of the receipt of the documents required by regulatory provisions and prepared and formatted in compliance with the requirements of regulatory provisions.
(5) Where the Commission detects that the submitted documents are incomplete or additional information is required, it shall notify the issuer or the person making a public offer to this effect within 10 days of the receipt of the application. In this case, the time limit for the scrutiny of the application referred to in this Article shall begin as of the day of correcting the failures indicated by the Commission or receiving the required additional information.
(6) The Commission shall be entitled to extend the time limit for the scrutiny of the application to up to 20 business days, where a public offer involves transferable securities of an issuer that does not have any transferable securities admitted to trading on the regulated market and that has not previously offered transferable securities to the public.
(7) The Commission shall take a decision on refusing permission, where the submitted documents contain information that
1) fails to comply with the requirements of law and other regulatory provisions;
2) provides evidence that an issue fails to comply with the requirements of regulatory provisions.

(8) The decision on refusing permission shall be given to an issuer or a person making a public offer that has applied to the Commission for permission to make a public offer.
(9) Upon taking the decision on granting permission to make a public offer, the issue prospectus shall be considered as registered with the Commission. The Commission shall post the text of the decision and of the issue prospectus on its Internet homepage.
(10) Where the Commission fails to take the decision on granting or refusing permission to make a public offer within the time limit referred to in this Article, this shall not entitle an issuer or a person making a public offer to make the public offer. In this case, the Commission shall send to an issuer or a person making a public offer a motivated explanation on the deferred decision and indicate the time when the decision on granting or refusing permission to make a public offer will be taken.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 15
Obligation to Publish an Issue Prospectus
(1) When making an offer of transferable securities to the public, an issuer or a person making a public offer shall draw up and publish an issue prospectus.
(2) Where an offer of the transferable securities referred to in Subparagraphs 2, 4, 8, 9 and 10 of Paragraph 7 of Article 3 hereof is made to the public, an issuer or a person making a public offer shall be entitled to voluntarily draw up and publish an issue prospectus in accordance with the requirements of Section C hereof.
(3) Where transferable securities that pursuant to Paragraph 2 of Article 16 hereof are exempt from the obligation to publish an issue prospectus are resold, the Commission shall assess whether that resale is to be regarded as a public offer in accordance with this Law. Where transferable securities are placed through financial intermediaries, such offer shall be regarded as a public offer and an issuer or a person making a public offer shall be subject to the obligation to publish an issue prospectus if none of the conditions of Paragraph 2 of Article 16 hereof is met for the final placement.

Article 16
Exemptions from the Obligation to Draw up an Issue Prospectus
(1) The requirement to draw up an issue prospectus shall not apply to the issuance of the following transferable securities:
1) shares issued in substitution for shares of the same class, if the issuing of such new shares does not increase the registered share capital;
2) transferable securities offered in connection with a takeover of a commercial company by means of an exchange offer, provided that a document is publicly available containing information which is regarded by the Commission as being equivalent to the information to be contained in an issue prospectus in accordance with the requirements of the European Union legislation;
3) transferable securities offered, allotted or to be allotted in connection with a merger, provided that a document is publicly available containing information which is regarded by the Commission as being equivalent to the information to be contained in an issue prospectus in accordance with the requirements of the European Union legislation;
4) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document is made publicly available containing information on the number and type of the shares and the reasons for and terms of the offer;
5) transferable securities offered, allotted or to be allotted to existing or former managers or employees by their employer which has its transferable securities already

admitted to trading on the regulated market in a member state or by an associated undertaking, provided that a document is made publicly available containing information on the number and type of the transferable securities and the reasons for and terms of the offer.
(2) An offer shall not be considered a public offer and shall not be subject to the requirement to draw up an issue prospectus, where:
1) solely qualified investors are addressed;
2) fewer than 100 natural or legal persons other than qualified investors are explicitly addressed in each member state;
3) each investor must acquire transferable securities for a minimum amount of 50 000 euros, and acquiring of one transferable security so that it belongs simultaneously to several persons is prohibited;
4) it is made in respect of transferable securities whose nominal value is at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate;
5) it is made in respect of transferable securities whose volume of issue does not exceed an amount in lats equivalent to 100 000 euros, calculated at the Bank of Latvia's exchange rate, in a period of 12 months.
(As amended by the Laws of June 15, 2006, and of March 29, 2007 taking effect on May 1, 2007)

Article 17
Contents of an Issue Prospectus
(1) An issue prospectus shall contain, in an easily analyzable and comprehensible form, information on the issuer and transferable securities to be offered to the public and information that is necessary to enable investors to make an adequate assessment of the issuer's financial standing, balance sheet, performance indicators (profit or losses) and development prospects, and of the transferable securities and the rights attaching to those securities, as well as make assessment of the likely financial standing of the issuer and any guarantor in the future.
(2) An issuer or a person making a public offer at their choice may draw up an issue prospectus as a single document or separate documents. Where an issue prospectus is drawn up as separate documents, each of those documents shall be registered with the Commission. A summary note drawn up in accordance with the requirements of Subparagraph 3 of Paragraph 3 hereof shall be added to an issue prospectus.
(3) An issue prospectus that consists of separate documents shall be comprised of:
1) a registration document containing information on the issuer;
2) a securities note containing information on the transferable securities to be offered to the public;
3) a summary note that, in a brief and non-technical manner and in the language in which the issue prospectus was originally drawn up, shall convey the essential information characterizing the issuer and risks associated with the issuer, the guarantor (if any) and the transferable securities. A summary note shall emphasize a warning that:
a) it is to be regarded as an introduction to the issue prospectus,
b) any decision to invest in the transferable securities is to be based on an investor's assessment of the issue prospectus as a whole,
c) where legal proceedings are initiated in court in respect of the information contained in an issue prospectus, the plaintiff investor shall, under the regulatory provisions of the respective member state, have to bear the costs of translating the issue prospectus before the legal proceedings are initiated,
d) civil liability may attach to those persons that have submitted a summary note, including the producing of any translation thereof and applying for its notification,

only where the summary note is misleading, inaccurate or inconsistent when read together with the other parts of the issue prospectus.
(4) Detailed information to be contained in an issue prospectus and the contents of an issue prospectus are laid down by Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereinafter, "Regulation (EC) No 809/2004").
(5) Where information that is to be contained in an issue prospectus in accordance with Regulation (EC) No 809/2004 does not correspond with the area of the issuer's activity, legal form or transferable securities to be offered to the public, an issue prospectus shall contain information that is equivalent to the required one. Where there is no such equivalent information, it is not included in an issue prospectus.
(6) Where the final offer price and the amount of transferable securities to be offered to the public cannot be indicated in the issue prospectus, the provisions for determining the amount of transferable securities or their price shall be included, but where the final selling price is not indicated, the maximum offer price shall be included.
(7) Where an issuer or a person making a public offer cannot ensure that the provisions of Paragraph 6 hereof are fulfilled, a person that has subscribed to the transferable securities offered shall be entitled to withdraw its acceptance within two business days or within the time limit laid down in the issue prospectus, provided that the time limit is at least two business days, after information on the final offer price and amount of transferable securities to be offered to the public has been submitted to the Commission and published in accordance with the requirements of Paragraph 4 of Article 21 hereof.
(8) Where an issuer or a person making a public offer has decided to make an initial placement of transferable securities through the regulated market organizer or, without delay after finishing initial placement, to apply for the admission of the respective transferable securities to trading on the regulated market, it shall draw up one issue prospectus in accordance with the requirements for the contents of an issue prospectus as laid down in this Law and Regulation (EC) No 809/2004.
(9) Where an issuer has taken a decision to ask for the admission of transferable securities to trading on the regulated market after the completion of the initial placement, the issuer shall observe the requirements on the development of internal rules set out in Paragraph 2 of Article 41 hereof.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 17.1
Contents of a Base Prospectus
(1) An issuer or a person making a public offer shall be entitled to draw up a base prospectus instead of an issue prospectus for the following types of transferable securities:
29
1) non-equity transferable securities, including warrants of any form, issued under an offering program;
2) non-equity transferable securities that are issued in a continuous or a repeated manner by banks, where
a) the sums raised from the issue of the said securities, under regulatory provisions, are placed in assets which provide sufficient coverage for the liabilities deriving from the transferable securities until their maturity,
b) in the event of the insolvency of the related bank, the said sums are intended, as a priority, to repay the principal and interest falling due without prejudice to the

requirements of the Law on Credit Institutions regarding the procedure for meeting liabilities in the event of insolvency.
(2) A base prospectus shall mean a prospectus which contains all information referred to in this Section concerning the issuer and the transferable securities to be offered to the public or from which the issuer or the person making a public offer shall be entitled to omit information on the final terms of the offer.
(3) Where the final terms of an offer are not included in a base prospectus or supplements thereof, they shall be made available to investors and submitted to the Commission for each public offer as soon as practicable and, if possible, in advance of the beginning of the offer. The requirements of Paragraph 6 of Article 17 hereof shall be applicable in any such case.
(4) A base prospectus shall be registered with the Commission in accordance with the requirements of Article 14 hereof.
(5) The information disclosed in a base prospectus shall be supplemented, if necessary, in accordance with the requirements of Article 18 hereof, with the latest information on the issuer and on the transferable securities to be offered to the public.

Article 17.2
Incorporation by Reference
It shall be allowed to incorporate information in an issue prospectus by reference to one or more previously or simultaneously published documents that have been registered with or submitted to the Commission in accordance with the requirements of this Law. In this case, a cross-reference list shall be provided in an issue prospectus in order to enable investors to easily identify specific items of information. Information incorporated by reference shall be the latest available to the issuer or the person making a public offer. A summary note shall not incorporate information by reference.

Article 17.3
Issue Prospectus Consisting of Separate Documents
Where an issuer or a person making a public offer has a registration document registered with the Commission, it shall draw up only a securities note and a summary note when transferable securities are offered to the public. In this case, a securities note shall provide information that would normally be included in the registration document if, since the registration of the latest registration document or any supplement envisaged in Article 18 hereof, there has been a material change that could affect investors' assessment. A securities note and a summary note shall be registered separately.

Article 18
Supplements to an Issue Prospectus
(1) An issuer or a person making a public offer shall draw up supplements to an issue prospectus, where any significant new factors, material mistakes or inaccuracies that relate to the information included in the issue prospectus and that are capable of affecting the assessment of the securities arise or are discovered between the time when the issue prospectus is submitted to the Commission and the expiration date of the placement of transferable securities.
(2) An issuer or a person making a public offer shall submit supplements to an issue prospectus and the text thereof in an electronic form to the Commission, which shall register them within seven business days of the receipt of all documents. An issuer or a person making a public offer shall also supplement a summary note and any translations thereof, if necessary to take into account the new information contained in the supplements.

(3) Supplements to an issue prospectus shall be published in accordance with the requirements of Article 21 hereof. The text of supplements shall be considered as an integral part of an issue prospectus and shall always be made available together with the respective issue prospectus.
(4) Where investors have already agreed to purchase or subscribe to transferable securities before supplements to an issue prospectus are published, they shall be entitled to withdraw their acceptance within two business days or within the time limit laid down in the issue prospectus, provided that the time limit is at least two business days, after the publication of the supplements.

Article 19
Exemption from the Obligation to Include Certain Information in an Issue Prospectus
Upon receipt of an application to this effect, the Commission shall have the exclusive right to exempt an issuer or a person making a public offer from the obligation to include in an issue prospectus the information referred to in Regulation (EC) No 809/2004 in the following cases:
1) that information is of minor importance and cannot influence a potential investor's opinion of the present or future financial standing of the issuer, the person making a public offer or the guarantor, if any;
2) disclosure of that information would be contrary to the public interest;
31
3) disclosure of that information would be seriously detrimental to the issuer’s interests, provided that the omission of this information cannot mislead potential investors with regard to circumstances and facts essential for making an assessment of the issuer, the person making a public offer and the guarantor, if any, and of the rights attaching to the transferable securities offered.

Article 20
Approval of an Issue Prospectus and Responsibility for Information Contained Therein
(1) An issue prospectus shall be approved by an issuer's shareholders (members/participants) meeting or its duly authorized managing body or official.
(2) An issuer's managing body, a person making a public offer and a guarantor, if any, shall be responsible for the contents of an issue prospectus.
(3) An issue prospectus shall contain the name, surname and position of persons or the firm name, legal address and registration number of legal persons that are responsible for the fairness of the information contained therein. An issue prospectus shall also contain each such person's statement to the effect that, to the best of their knowledge, the information contained in the issue prospectus reflects the true situation and that the facts that are likely to influence the importance of the information contained in the issue prospectus have not been concealed.
(4) If a person is not responsible for all information contained in an issue prospectus, there shall be an indication in the issue prospectus as to the part that person is responsible for.
(5) By initiating legal proceedings in court according to the general procedure, an investor shall be entitled to demand that the loss be covered by the persons named in the prospectus as responsible for the fairness of the information contained therein, where it has incurred loss due to false or incomplete information contained in the issue prospectus.
(6) An investor shall not be entitled to demand that the loss be covered by the responsible persons named in the prospectus, where that investor has made its choice solely on the basis of the summary note or any translation thereof, unless the

summary note is misleading or inconsistent with the other parts of the issue prospectus.

Article 20.1
Validity of an Issue Prospectus, a Base Prospectus and a Registration Document
(1) An issue prospectus drawn up for the purposes of a public offer shall be valid for 12 months of its publication, provided that the requirements of Article 18 hereof are met.
(2) In the case of an offering program, the base prospectus that has been submitted previously shall be valid for a period of up to 12 months.
(3) In the case of the transferable securities referred to in Subparagraph 2 of Paragraph 1 of Article 171 hereof, an issue prospectus shall be valid until no more of the respective transferable securities are issued in a continuous or a repeated manner.
(4) An issue prospectus shall be valid if it consists of a registration document and a securities note, provided that the information contained therein is supplemented in accordance with the requirements of Article 173 hereof, and a summary note. The registration document that is referred to in Subparagraph 1 of Paragraph 3 of Article 17 hereof and that has been submitted previously shall be valid for a period of up to 12 months, provided that the requirements of Article 18 hereof are met.

Article 21
Procedure whereby an Issue Prospectus Is Published
(1) An issue prospectus shall not be distributed until the Commission has taken a decision on granting permission to make a public offer.
(2) In due course of Paragraph 1 of Article 14 hereof, an issuer or a person making a public offer shall make an issue prospectus available to the public as soon as practicable and in any case in a timely manner in advance of the public offer, but not later than at the beginning of the public offer.
(3) In case of a public offer of one and the same type and class of transferable securities that will be admitted to trading on the regulated market for the first time, an issue prospectus shall be available at least six business days before the expiration date of the offer. This requirement shall not be valid, where pursuant to Paragraph 8 of Article 17 hereof one prospectus is prepared.
(4) An issue prospectus shall be deemed available to the public when published either:
1) by insertion in one or more newspapers distributed in all member states or widely circulated in the member states in which the public offer is made; or
2) in an electronic form on the Internet homepage of the issuer and of the respective financial intermediaries placing or selling the transferable securities, including authorized paying agents; or
3) in an electronic form on the Internet homepage of the Commission.
(5) The Commission shall be entitled to require from issuers which publish their issue prospectus in accordance with Subparagraph 1 of Paragraph 4 hereof that they also publish their issue prospectus in an electronic form in due course of Subparagraph 2 of Paragraph 4 hereof. The Commission shall also be entitled to require the publication of a notice stating how the issue prospectus has been made available to the public and where it can be obtained by the public.
(6) Where an issue prospectus consists of several documents or incorporates information by reference, the documents and information making up that issue prospectus may be published separately, provided that the said documents are made available, free of charge, to the public in due course of Paragraph 4 hereof. Each document shall indicate where the other documents constituting the full issue prospectus may be obtained.
(7) The text of an issue prospectus and supplements thereof that have been published

or made available to the public, and their format shall be identical to the original version registered with the Commission.
(8) Where an issue prospectus is published in an electronic form, its paper copy shall be provided to an investor, upon request and free of charge, by the issuer, the person making a public offer or the financial intermediary placing or selling the transferable securities.

Article 22
Mutual Recognition of an Issue Prospectus and Procedure for Notification
(1) Where an issue prospectus and all supplements thereof are registered with the Commission, an issuer or a person making a public offer shall be entitled to make a public offer in one or several member states, or in a member state other than its home member state after the Commission, upon the issuer's request, has notified the competent authorities of the respective host member state in accordance with the requirements of Paragraphs 4 and 5 hereof.
(2) In cases where an issuer or a person making a public offer from another member state wishes to make a public offer in Latvia, an issue prospectus and all supplements thereof registered with the competent authority of the respective home member state shall be valid for making a public offer, provided that the competent authority of the respective home member state has notified the Commission of the registration of that issue prospectus.
(3) Where significant new factors, material mistakes or inaccuracies that are referred to in Article 18 hereof and that have arisen since the registration of the issue prospectus are detected, solely the competent authority of the respective home member state shall be entitled to request the registration and publication of supplements in accordance with the requirements of regulatory provisions of the home member state. The competent authorities of the host member state shall only be entitled to draw the attention of the competent authority of the home member state to the need for any new information.
(4) The Commission shall submit to the competent authority of the host member state a certificate of approval to the effect that an issue prospectus has been drawn up in accordance with the requirements of the effective legal acts for the contents of an issue prospectus and for the procedure whereby it is drawn up, accompanied by a copy of the said issue prospectus, pursuant to the following procedure:
a) within three business days of the request by an issuer or a person responsible for drawing up an issue prospectus;
b) within one business day of the registration of an issue prospectus, where the request was submitted along with the draft issue prospectus.
(5) The certificate of approval referred to in Paragraph 4 hereof shall be accompanied by a translated summary note produced under the responsibility of an issuer or a person responsible for drawing up the issue prospectus; they shall also ensure that the contents of the translated summary note complies with the original issue prospectus. The same requirements shall also apply to any supplements to an issue prospectus.
(6) Where, in accordance with the provisions of Article 19 hereof, the Commission has allowed an issuer or a person making a public offer to omit certain information from an issue prospectus, the Commission shall indicate the basis for such permission when making notification to the competent authority of the host member state.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 22.1
Use of Languages
(1) Where a public offer will be made only in Latvia, an issue prospectus shall be drawn up in the official language.

(2) Where a public offer will be made in one or several member states, excluding Latvia, an issuer or a person making the public offer, at their choice, shall draw up an issue prospectus in the language accepted as appropriate by the Commission and the competent authorities of the respective host member states or in the language customary in the sphere of international finance.
(3) Where an issuer or a person making a public offer from another member state wishes to make a public offer in Latvia, it shall draw up a summary note of an issue prospectus in the official language.
(4) Where a public offer will be made in more than one member state, including Latvia, an issuer or a person making a public offer shall draw up and make available an issue prospectus in the language accepted as appropriate by the competent authorities of the respective host member states and the Commission or in the language customary in the sphere of international finance. An issuer or a person making a public offer shall also draw up a summary note of an issue prospectus in the official language.
(As amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 23
Recognition of Issue Prospectuses Drawn up by Issuers Registered in Foreign Countries
(1) The Commission shall be entitled to register an issue prospectus that is drawn up by an issuer having its legal address in a foreign country in due course of the regulatory provisions of that foreign country, provided that
1) an issue prospectus has been drawn up in accordance with international standards established by international securities commission organizations, including IOSCO disclosure standards;
2) the requirements for information, including financial information, are equivalent to the requirements set out in this Law.
(2) Where transferable securities of an issuer registered in a foreign country are offered to the public in a member state other than its home member state, the requirements of Articles 22 and 221 hereof shall apply.

Article 24
Advertising a Public Offer
(1) Advertisements of a public offer shall state that an issue prospectus has been or will be published and indicate where and when it is available. Advertisements shall be clearly and undoubtedly recognizable as such.
(2) An issuer or a person making a public offer shall not disseminate information on an offer of transferable securities to the public, where this information is inaccurate or misleading and where it is not included in the issue prospectus or supplements thereof. That information shall be consistent with the information contained in the issue prospectus, if already published, or with the information whose inclusion in the issue prospectus is mandatory, if the issue prospectus is published afterwards.
(3) Where, pursuant to the requirements of this Law, an issue prospectus is not drawn up, material information provided by an issuer or a person making a public offer to qualified investors or special categories of investors, including information disclosed in the context of meetings relating to offers of securities, shall be disclosed to all qualified investors or special categories of investors to whom the offer is exclusively addressed.
(4) All information concerning a public offer disclosed in an oral or written form, even if not for advertising purposes, shall be consistent with the information contained in the issue prospectus.

Article 24.1
Rights of the Commission
(1) To ensure compliance with the provisions of this Chapter, the Commission shall have the following rights in parallel to the rights established by the Law on Financial and Capital Market Commission and this Law:
1) require, in a motivated manner, an issuer or a person making a public offer to include in an issue prospectus supplementary information, if necessary for the protection of investors;
2) require, in a motivated manner, an issuer or a person making a public offer and the persons that control them or are controlled by them to provide information and documents necessary for the Commission to carry out its functions;
3) require, in a motivated manner, the auditors and managers of an issuer or a person making a public offer, as well as financial intermediaries authorized to make a public offer to provide information and documents necessary for the Commission to carry out its functions;
4) suspend a public offer made by any issuer or any person making a public offer for a period of up to 10 business days, where the Commission has legal grounds for considering that the requirements of Section C hereof have been or will be violated;
5) prohibit or suspend advertisements for a period of up to 10 business days, where the Commission has grounds for considering that the requirements of Section C hereof have been violated;
6) prohibit a public offer, where the Commission detects that the requirements of Section C hereof have been violated or where the Commission has grounds for considering that they would be violated;
7) make public the fact that an issuer is failing to fulfill its obligations and liabilities.
(2) Where the Commission detects that an issuer or a financial institution responsible for the public offer has violated the requirements of Section C hereof or fails to fulfill the obligations set out therein, it shall refer these facts to the competent authority of the home member state.
(3) If, despite the fact that the Commission has informed the competent authority of the respective home member state in accordance with the requirements of Paragraph 2 hereof or because such measures prove ineffective, the issuer or the financial institution in charge of the public offer persists in violating the provisions of Section C hereof, the Commission, after informing the competent authority of the home member state, shall be entitled to take all necessary measures in order to protect investors' interests, as well as shall inform the European Commission to this effect in accordance with the requirements of Article 147 hereof.
(4) The Commission shall be entitled to make public information on measures taken and sanctions imposed against an issuer or a person making a public offer for violations of the requirements of Section C hereof, except cases when such disclosure of information may cause serious disruptions in the financial market or disproportionate damage to the parties involved.

Section D
Public Circulation of Financial Instruments

Chapter I
Business of the regulated market Organizer

Article 25
Regulated Market Organizer
(1) An organizer of the regulated market (hereinafter, "a market organizer") shall operate pursuant to law, the regulatory provisions of the Commission, and its own

articles of association and regulations.
(2) A market organizer shall have the exclusive right to use the word combination "market organizer" or "stock exchange" for its firm name.
(3) A market organizer shall be entitled to organize one or several regulated markets. A market organizer shall also be entitled to operate a multilateral trading facility.
(4) The Commission shall draw up and maintain a list of all regulated markets organized by the persons licensed by the Commission to organize the market, and shall send the list to the European Commission and supervisory authorities of member states. The Commission shall include in the list only those regulated markets that comply with the requirements of this Law.
(5) Where a market organizer fails to fulfill the requirements of this Law or the regulated market fails to comply with the provisions of this Law, the Commission shall exclude that regulated market from the list of regulated markets and notify the European Commission and the supervisory authorities of member states to this effect.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 26
Minimum Paid-Up Share Capital of a Market Organizer
(1) The minimum paid-up share capital of a market organizer shall be at least 250 000 lats.
(2) The own funds of a market organizer shall not fall below its minimum paid-up share capital.

Article 27
Obligations and Rights of a Market Organizer
(1) A market organizer shall organize the regulated market and provide services related to the public circulation of financial instruments pursuant to law, the regulatory provisions of the Commission, and its own articles of association and regulations.
(2) A market organizer shall be open and accessible to all participants of the financial instruments market, and ensure the transparency and operation corresponding to good management principles of any regulated market it organizes.
(21) A market organizer shall take the necessary measures to:
1) identify and manage the likely conflicts of interest between the interests of the regulated market organizer or its shareholders and the obligation to ensure a sound operation of the regulated market and to prevent the adverse effect of such conflict of interest on the operation of the regulated market or on the interests of its participants, especially when such conflicts of interest are likely to jeopardize the rights of the regulated market organizer to perform the function of market supervision;
2) identify risks it is exposed to and manage these risks appropriately;
3) ensure proper management of the technical functioning of the system, including developing an action plan for risk control of system failures in extraordinary situations;
4) ensure an efficient and timely completion of transactions made in its systems.
(3) A market organizer shall ensure the following:
1) that financial instruments are admitted to and traded on the regulated market in a fair and transparent manner, that all persons of the same status (e.g., issuers, participants) enjoy equal treatment;
2) that issuers of the financial instruments admitted to trading on its regulated markets are supervised;
3) that the demand and supply of the financial instruments admitted to trading on its regulated markets are concentrated to establish the price of financial instruments;
4) that transactions are made in a safe manner;

5) that uniform information is disseminated to provide for the establishment of the value of the financial instruments admitted to trading on its regulated markets;
6) that the settlement in respect of transactions is organized and the settlement is safe.
(4) A market organizer shall organize one regulated market admitting to it financial instruments whose issuers do not have to comply with quantity requirements (such as minimum paid-up share capital, number of shareholders, volume of capitalization, profitability or percentage of the shares in public circulation) to be admitted to trading on that regulated market, but have the obligation to comply with all requirements to the availability of information set out in this Law.
(5) In order to ensure the execution of transactions made on the regulated market, a market organizer shall be entitled to organize a guarantee fund by using the installments made by its members.
(6) A market organizer shall keep the funds of the Guarantee Fund that belong to its members distinct from its funds. A market organizer shall keep the funds of the Guarantee Fund on an account with the Bank of Latvia, and inform the Bank of Latvia that funds on the account are those of the Guarantee Fund.
(7) The funds of the Guarantee Fund shall not be used to satisfy the claims of a market organizer's creditors. This requirement shall also apply where a market organizer has been recognized insolvent in due course of law.
(8) A market organizer shall have the right to delegate by outsourcing the following services (hereinafter, "outsourced services") to one or several persons (hereinafter, "a provider of outsourced services") in due course of Section F1 hereof:
1) maintenance of accounting records;
2) management or development of information technologies or systems;
3) organization of internal control;
4) other activities (outsourced services) that are necessary to ensure the operation of a market organizer and to provide services related to the public circulation of financial instruments.
(9) A marker organizer shall be entitled to delegate by outsourcing the obligations of internal audit service solely to an official auditor or a commercial company of official auditors.
(10) A market organizer shall not:
1) delegate by outsourcing the obligations of its managing bodies as set out in regulatory provisions or its articles of association;
2) fully delegate by outsourcing the functions authorized by the licence for the organization of the regulated market to a provider of outsourced services.
(11) A market organizer shall post on its Internet homepage the list of the shareholders or members/participants who have a qualifying holding in the capital of the regulated market organizer and update the list on a regular basis.
(12) Within the first three business days of each calendar year, a market organizer shall publish the calendar of financial instrument trading days of the respective calendar year on its Internet homepage.
(As amended by the Laws of June 9, 2005, of October 4, 2007 and of May 22, 2008 taking effect on June 25, 2008)

Article 28
Regulations of a Market Organizer
(1) The regulations of a market organizer shall mean the documents that set out the requirements that are to be complied with by its members and issuers whose financial instruments are admitted to trading on any regulated market organized by that market organizer.
(2) A market organizer shall develop draft regulations and submit them to the Commission. The Commission shall assess the compliance of the draft regulations

(also amendments to the regulations, if necessary) with laws, other regulatory provisions and the successful execution of the obligations of the market organizer, and it shall prepare an opinion within 30 days of the day of receiving the draft. Where the opinion does not contain any objections, the market organizer shall be entitled to decide on the approval of the regulations.
(3) A market organizer shall promptly post the regulations and amendments thereto on its Internet homepage after their approval by its executive board. A market organizer's regulations and amendments thereto shall take effect on the next day of their posting on that market organizer's Internet homepage, unless another effective date is specified in the regulations. A market organizer shall promptly notify the Commission of the approval of the regulations;
(4) Upon approval, the Commission shall send the regulations of a market organizer that contain requirements governing the operation of the regulated markets included in the list of regulated markets drawn up by the Commission to the European Commission and the supervisory authorities of member states.
(5) In the regulations, a market organizer shall establish at least the following requirements that must be complied with by its members and issuers whose financial instruments are admitted to trading on any regulated market organized by that market organizer and that govern:
1) procedure whereby financial instruments are admitted to trading on the regulated market and whereby their trading is discontinued;
2) obligations of the issuers of the financial instruments admitted to trading on the regulated market and the procedure whereby the issuers are supervised;
3) procedure whereby financial instruments are traded and quoted;
4) procedure whereby the settlement of financial instruments and cash is effected;
5) procedure whereby members of a market organizer are accepted and expelled, their rights and obligations, the procedure whereby the status of a member is suspended and professional requirements to the employees of an existing company, in its capacity of a member, who make transactions on the regulated market;
6) procedure whereby market manipulation is identified and prevented;
61) procedure whereby the Guarantee Fund functions;
7) other relations in respect of regulated market operation and public circulation of financial instruments.
(6) When developing the regulations referred to in Subparagraph 1 of Paragraph 5 hereof, a market organizer shall observe the requirements for the admission of financial instruments to trading on the regulated market set out in Articles 35, 36 and 37 of Commission Regulation (EC) No 1287/2006.
(As amended by the Laws of June 9, 2005, of June 15, 2006, and of October 4, 2007 taking effect on November 8, 2007)

Article 29
Licence for the Organization of the Regulated Market
(1) A market organizer shall be entitled to start its business only upon receipt of a licence from the Commission.
(2) A licence for the organization of the market (hereinafter in this Chapter, "the licence") shall be granted for an unlimited period.
(3) The licence shall be granted to a capital company registered in the Republic of Latvia, provided that:
1) its minimum paid-up share capital and own funds comply with the requirements of Article 26 hereof;
2) its organizational structure and operational rules ensure the protection of investors' interests and a successful fulfillment of the obligations referred to in Article 27 hereof;

3) the members of its executive board and council comply with the requirements of this Law;
4) its shareholders (members) that have a qualifying holding comply with the requirements of this Law.

Article 30
Documents to be Submitted to Receive the Licence
(1) To receive the licence, a market organizer shall submit an application along with the following documents to the Commission:
1) documents containing information on the members of its executive board and council:
a) statement containing information referred to in Paragraph 2 hereof,
b) copy of the page from the passport or other identification document as established by law that contains personal identification data [name, surname, citizenship, identity number (if any) or year and date of birth],
c) copies of education documents;
2) information on the shareholders (members) that have a qualifying holding in the market organizer:
a) for natural persons, copy of the page from the passport or other identification document as established by law that contains personal identification data [name, surname, citizenship, identity number (if any) or year and date of birth],
b) for legal persons, firm name, legal address, number and place of registration. Legal persons that are registered in foreign countries and other member states shall also submit copies of registration documents;
3) description of its organizational structure that explicitly discloses the rights, obligations and authority of the council and the executive board, in detail establishes and divides the tasks of its organizational units and the obligations and authority of the managers of its organizational units and members of the executive board;
4) description of the main principles of the accounting policy and organization of accounting;
5) description of the management information system;
6) rules for protecting the information system;
7) description of the internal auditing system;
8) procedures whereby unusual and suspicious financial transactions are identified;
9) program of operations for at least next three years of operation that contains detailed information on its strategy, financial projections (the balance sheet and profit and loss statement of the market organizer), market research description and other information that the market organizer deems necessary and that gives additional information enabling to make a clear and fair opinion of its planned operations;
10) draft of the regulations referred to in Article 28 hereof on every regulated market that the market organizer intends to organize.
(2) The statement referred to in Subparagraph a) of Paragraph 1 hereof shall be filled out by every member of the executive board and the council of a market organizer. The statement shall disclose the following information:
1) firm name of the market organizer;
2) name, surname, identity number (if any) or year and date of birth;
3) position;
4) citizenship;
5) education (academic degree);
6) information on professional training;
7) information on the criminal record, if any;
8) information on a managerial position in a commercial company that has been recognized insolvent;

9) information on the deprivation of the right to engage in commercial activities;
10) information on employers during the previous 10 years and job descriptions.
(3) The Commission shall be entitled to request that the capital company ensure the accuracy of the documents and information it submits.
(4) Where the information or documents referred to in Paragraph 1 hereof is amended prior to the Commission taking a decision on granting the licence, the capital company shall promptly submit new information or the full text of the respective documents with the amendments to the Commission.
(5) Where the licence has been received, any amendments to the documents submitted to the Commission to receive that licence shall be filed with the Commission not later than within seven days of the approval of amendments or of the day the market organizer learns the respective information.
(6) The Commission shall be entitled to refuse to approve amendments to documents, where the envisaged changes jeopardize the operation of the regulated market organizer in a financially sound and prudent manner that complies with the regulatory provisions.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 31
Requirements for the Members of the Executive Board and the Council of a Market Organizer
(1) A person shall be entitled to become a member of the executive board or the council of a market organizer provided that he/she:
1) is sufficiently competent in the sphere he/she will be responsible for;
2) has the necessary education and at least three years of work experience at a commercial company, an organization or an institution;
3) is of good repute;
4) has not been deprived of the right to engage in commercial activities.
(2) A person shall not be entitled to become a member of the executive board or the council of a market organizer where he/she:
1) has been convicted for a deliberate crime, including for reckless bankruptcy;
2) has been convicted for a deliberate crime, though has been released from the punishment due to limitation, pardon or amnesty;
3) has been a subject in a criminal case for a deliberate crime that was dismissed due to limitation or amnesty;
4) has been recognized criminally liable in a case that was dismissed on a nonvindicative basis;
5) has intentionally disclosed false information on itself to the Commission by submitting documents to receive the licence in order to engage in any activities in the financial and capital market.
(3) Where a person is already a member of the management body of another market organizer that has been licensed in due course of this Law or of the regulatory provisions of a member state to organize the regulated market, that person shall be deemed compliant with the requirements of Paragraph 1 hereof.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 32
Procedure whereby the Licence is Granted
(1) The Commission shall scrutinize the application for the licence submitted by a capital company and take a decision within three months of the receipt of the documents prepared and formatted in compliance with the requirements of the regulatory provisions of this Law.
(2) The Commission shall not grant the licence where:

1) laws and other regulatory provisions have been violated when establishing a market organizer;
2) the documents submitted by a market organizer contain false information;
3) members of the executive board or the council of a market organizer fail to comply with the requirements of this Law;
4) it is impossible to verify the identity, repute and stability of the financial standing of the persons that have a qualifying holding in a market organizer;
5) according to the information contained in the submitted documents, a market organizer will not be able to ensure that the obligations set out in Paragraphs 2, 3 and 4 of Article 27 hereof be fulfilled;
6) according to the information contained in the submitted documents, the regulated market to be organized by a market organizer will not comply with the requirements of this Law;
7) the Commission detects that the financial resources that are invested in the share capital or will be used in the commercial activities of a market organizer have been derived from unusual or suspicious financial transactions or there is no documental evidence to the legal source of the resources;
8) the business of a market organizer is not economically justified.

Article 33
Re-registration of the Licence and Granting a Duplicate Licence
(1) The Commission shall re-register the licence where the firm name of a market organizer is changed.
(2) A market organizer shall submit an application for re-registration of the licence to the Commission not later than within five business days after re-registering the firm name.
(3) The Commission shall re-register the licence not later than within five business days of the receipt of an application.
(4) Where the licence has been lost, a market organizer shall submit an application to the Commission without delay, requesting it to grant a duplicate licence.
(5) The Commission shall grant a duplicate licence not later than within five business days of the receipt of an application.

Article 34
Procedure whereby the Licence is Revoked
The Commission shall revoke the licence for the organization of the regulated market granted to a capital company where:
1) it detects that a market organizer has submitted false information to receive the licence;
2) a market organizer regularly fails to comply with the requirements of laws and other regulatory provisions;
3) a market organizer fails to rectify the violations of regulatory provisions by the deadline established by the Commission;
4) a market organizer has initiated liquidation procedures;
5) bankruptcy proceedings of a market organizer have been initiated in due course of law;
6) a market organizer has submitted a written application for revoking its licence;
7) a market organizer has not started its operation within 12 months of the day of granting the licence;
8) a market organizer has not performed the activities referred to in its licence for more than six months;
9) it is uncovered that a market organizer no longer complies with the requirements of this Law for receiving the licence.

(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 35
Obligations of the Managing Bodies of a Market Organizer
(1) The executive board of a market organizer shall:
1) take decisions on admitting financial instruments to trading or discontinuing their trading on any regulated market organized by that market organizer;
2) take decisions on suspending the trading in financial instruments;
3) take decisions on accepting and expelling members of a market organizer, and on suspending a member's status;
4) approve the regulations of a market organizer and ensure compliance with the requirements set out therein;
5) ensure timely publishing of the information pursuant to this Law, other regulatory provisions and the regulations of a market organizer.
(2) Where it is not possible to convene a meeting of the executive board due to objective reasons, a specially designated member of the executive board shall be entitled to take a decision on suspending the trading in financial instruments or the business of any member of the market organizer.
(3) (Deleted by the Law of June 15, 2006).
(4) Upon its own initiative or the Commission's request, the respective managing body of a market organizer shall have the obligation to suspend from office, without delay, any member of the executive board or the council if they fail to comply with the requirements of this Law.
(5) The market organizer shall be entitled to delegate the obligations of the executive board set out in Subparagraphs 1, 2 and 3 of Paragraph 1 hereof to a committee of independent experts which is approved by the council of the market organizer and whose activities are governed by the regulation approved by the council of the market organizer.
(As amended by the Laws of June 15, 2006, and of March 29, 2007 taking effect on May 1, 2007)

Article 36
Members of a Market Organizer
(1) A member of a market organizer shall be a person that is entitled to make transactions on any regulated market organized by that market organizer.
(2) An investment brokerage firm that has been licensed by the Commission to provide investment services or a credit institution that has been licensed by the Commission to engage in the business of credit institutions and that has started providing investment services in accordance with the procedure set out in this Law shall be entitled to become a member of a market organizer.
(3) An investment brokerage firm or a credit institution of another member state shall be entitled to become a member of a market organizer, provided that it has obtained the licence for the provision of investment services in its country of registration.
(4) An investment brokerage firm or a credit institution that has been registered in another member state shall be entitled to become a member of a market organizer:
1) by opening a branch, if a direct presence of a member is necessary in the markets regulated by that market organizer in order to make transactions;
2) without opening a branch, if transactions in the markets regulated by that market organizer may be made from a distance.
(5) An undertaking that has been registered in a foreign country and provides investment services by opening a branch shall be entitled to become a member of a market organizer only upon its registration with the Commission in due course of this Law.

(6) Before an investment brokerage firm referred to in Paragraphs 3 and 5 hereof becomes a member of a market organizer, that market organizer shall ascertain that the firm fulfills and complies with the capital adequacy requirements set out in this Law.
(7) A market organizer shall be entitled to grant the status of a member also to a person that is not mentioned in Paragraphs 2 and 3 hereof, but is fit and proper in accordance with the criteria approved by the market organizer, has a sufficient level of ability and competence for trading in the regulated market and sufficient resources and adequate organizational arrangements for fulfilling the obligations of a member of the regulated market organizer and guaranteeing adequate settlement of transactions.
(8) A market organizer shall ensure equal rights to all its members. When concluding a transaction on the regulated market, a member of a market organizer shall be entitled not to apply the requirements of Articles 126, 1261, 1262, 128, 1281, 1282 and 1283 hereof in relation to other member of the market organizer.
(9) A market organizer shall submit to the Commission the list of its members and shall promptly notify the Commission on any amendments or supplements thereto.
(10) A market organizer shall ensure that for concluding transactions on the regulated market, its members are entitled to choose another settlement system instead of the system offered by the market organizer.
(11) The rights referred to in Paragraph 10 hereof shall apply to cases when:
1) there is a link or a mechanism between the financial instrument settlement system offered by the market organizer and the one chosen by the member whereby effective and economic settlement is ensured;
2) the technical conditions for the settlement of a transaction concluded on the regulated market by using another settlement system instead of the one offered by the market organizer ensures a proper operation of the financial market.
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 37
Providing and Storing of Information on Transactions in the Financial Instruments Admitted to Trading on Regulated Markets
(Deleted by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 38
Disclosing Information on Transactions in Financial Instruments
(1) In accordance with the requirements of Articles 17, 29 and 30 of Commission Regulation (EC) No 1287/2006, a market organizer, on reasonable commercial terms and on a continuous basis during the normal trading hours, shall disclose to the public the bid and offer prices of the shares admitted to trading on the regulated market and the submitted volume of instructions to sell and to buy at these prices.
(2) The Commission shall be entitled to exempt a market organizer from the obligation to disclose to the public the information referred to in Paragraph 1 hereof depending on the market model or the type and size of orders in the cases referred to in Articles 3, 18, 19 and 20 of Commission Regulation (EC) No 1287/2006, in particular in respect of the transactions that are large in scale compared with normal market size for the share or the class of shares.
(3) In accordance with the requirements of Articles 3, 27 and 29 of Commission Regulation (EC) No 1287/2006, a market organizer shall disclose to the public information on transactions in shares admitted to trading on the regulated market, on the basis of trading terms and as close to real-time as possible.
(4) With a prior consent of the Commission in due course of Article 28 of

Commission Regulation (EC) No 1287/2006, a market organizer shall be entitled to defer the publication of the information referred to in Paragraph 1 hereof, notifying market participants and the public to this effect, where a transaction is large in scale compared with the normal market size for that share or that class of shares. A market organizer shall notify market participants of the terms and arrangements for deferring the publication of information that have been approved by the Commission.
(5) Observing reasonable commercial terms, a market organizer shall be entitled to disclose in its system information about the share price quotes established by an investment brokerage firm and a credit institution and about the transactions made by an investment brokerage firm and a credit institution that an investment brokerage firm and a credit institution are obliged to disclose in accordance with Paragraphs 1337 and 1338 hereof.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 39
Market Organizer's Entitlement to Supervise
(1) A market organizer shall supervise every activity on each regulated market it organizes in the manner compliant with this Law and its regulations.
(2) A market organizer shall monitor the price-making process on the regulated markets that it organizes and the process of trading to detect transactions that are made on the basis of inside information or market manipulation, as well as other violations of this Law and other regulatory provisions.
(3) A market organizer shall be entitled to request and receive information and documents from its members in order to decide on their compliance with the member's status.
(4) (Deleted by the Law of October 15, 2009)
(5) A market organizer shall supervise that the business of the issuers of financial instruments admitted to trading on the regulated markets it organizes complies with the requirements of the approved regulations that govern the operation of the regulated market.
(6) (Deleted by the Law of October 15, 2009)
(7) Where a market organizer discovers any violations of this Law, other regulatory provisions and its regulations and takes decisions in respect of such violations, it shall notify the Commission to this effect without delay.
(8) A market organizer shall be entitled to request information on customers of its members (natural and legal persons), their financial instruments accounts and cash accounts used for making settlement for financial instruments and on transactions made in financial instruments admitted to trading on the regulated market, and members of that market organizer, upon such request, shall have an obligation to provide the requested information to the market organizer, where such information is necessary for the market organizer to carry out its supervision function entrusted on it to prevent the use of inside information and market manipulation. A market organizer shall be entitled to use the received information solely for the purposes for which it was requested.
(9) Members of a market organizer’s council and executive board and its employees shall be criminally liable in due course of law, where they, intentionally or unintentionally, have made information obtained in due course of Paragraph 8 hereof known or disclosed it to persons not authorized to receive such information.
(As amended by the Laws of June 9, 2005, of March 29, 2007and of October 15, 2009 taking effect on January 1, 2010)

Article 39.1
Activity Performed in the Republic of Latvia by a Market Organizer Licensed in

another Member State
(1) A market organizer that is registered in another member state and has a licence for the organization of the regulated market shall be entitled to perform its activity in the Republic of Latvia to promote access of the investment brokerage firms and the credit institutions registered in the Republic of Latvia to that regulated market.
(2) A market organizer registered in another member state shall be entitled to start the activity referred to in Paragraph 1 hereof in the Republic of Latvia after the Commission has received a notification to this effect from the supervisory authority of the home country of the market organizer.
(3) The Commission shall be entitled to request that the supervisory authority of the home country of the market organizer provide identification data on an investment brokerage firm, a credit institution or another person that is registered in the Republic of Latvia and is a member of the market organizer licensed in that country.
(4) Where, in accordance with the criteria set out in Article 16 of Commission Regulation (EC) No 1287/2006, the activity performed in the Republic of Latvia by a market organizer registered in another member state becomes substantially important for the functioning of the financial instruments market and for the protection of investors, the Commission shall agree with the supervisory authority of the respective member state on commensurate cooperation methods.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 39.2
Activity Performed in another Member State by a Market Organizer Licensed in the Republic of Latvia
(1) A market organizer that is registered in the Republic of Latvia and has a licence for the organization of the regulated market shall be entitled to perform activity in another member state to promote access of the investment brokerage firms and the credit institutions registered in that member state to that regulated market.
(2) A market organizer that is registered in the Republic of Latvia and wishes to start its activity in any member state shall submit an application to the Commission specifying that state.
(3) The Commission shall consider the application for starting the activity in another member state within 30 days of its receipt and notify of its decision the market organizer and the supervisory authority of the respective member state. A market organizer shall be entitled to start activity after the Commission has notified the supervisory authority of the respective member state.
(4) Upon request of the supervisory authority of the respective member state, the Commission shall send to it identification data on an investment brokerage firm, a credit institution or another person that is registered in that member state and is a member of a market organizer licensed in the Republic of Latvia.
(5) To ensure the settlement of transactions on the regulated market, a market organizer shall be entitled to conclude agreements for the access to the clearing house, the central counterparty or the settlement facility in another member state. The Commission shall be entitled to restrict such agreements only when it can prove that such arrangement hampers appropriate functioning of the regulated market. The Commission shall give due consideration to the oversight and supervision of systems by other oversight or supervisory authorities of clearing and settlement systems.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 40
Supervision of a Market Organizer
(1) Upon request by the Commission, a market organizer shall provide the information from its trading system, information submitted by its members and

issuers of the financial instruments admitted to trading on the regulated market and any other information needed by the Commission to carry out the supervision function.
(2) The Commission shall be entitled to inspect the business of a market organizer, including on site. The Commission shall be entitled to see all documents, accounting registers and databases of a market organizer and make extracts from and duplicates (copies) of those documents.
(3) Upon receipt of a written motivated request by the Commission, a market organizer shall submit duplicates (copies) of documents or other information related to its business.
(4) The Commission shall be entitled to participate in the meetings of shareholders (members) of a market organizer, to initiate that the meetings of the managing bodies of the members of the financial and capital market be convened and draw up the agenda, and to participate in those meetings without the right to vote.
(5) The Commission shall be entitled to cancel completely or in part the decisions taken by the managing bodies of a market organizer that relate to the fulfillment of the obligations set out in Article 27 hereof or appointment of members of the executive board or the council, if those decisions fail to comply with laws, other regulatory provisions or the articles of association, regulations or internal rules of the market organizer, or are likely to influence significantly the financial standing of the market organizer.
(6) The Commission shall be responsible for cooperation with the supervisory authorities of other member states to ensure supervision of the regulated market organizer.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 40.1
Supervision of a Market Organizer Licensed in another Member State
(1) Where a market organizer that is registered in another member state performs activity in the Republic of Latvia that contradicts the effective regulatory provisions of the Republic of Latvia governing the functioning of the financial instruments market, the Commission shall promptly notify to this effect the supervisory authority of the home member state and request that it rectify the detected violations and notify the Commission of the measures taken.
(2) Where a market organizer that is registered in another member state persists in performing activity in the Republic of Latvia that contradicts the effective regulatory provisions of the Republic of Latvia governing the functioning of the financial instruments market or where the measures taken by the supervisory authority of that member state prove to be ineffective, the Commission shall notify the supervisory authority of the home member state to this effect and take measures to rectify these violations. As part of these activities, the Commission shall be entitled to prohibit the market organizer from continuing its activity in the Republic of Latvia until the violations are rectified. In accordance with the requirements of Article 147 hereof, the Commission shall notify the European Commission of the measures taken.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Chapter II
Admission of Financial Instruments to Trading on Regulated Markets
(Chapter in the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 41
General Requirements Governing Admission of Financial Instruments to Trading on Regulated Markets

(1) Financial instruments that are disposable without any restrictions may be admitted to trading on regulated markets.
(2) When transferable securities are admitted to trading on the regulated market, the publishing of a prospectus that is drawn up pursuant to the requirements of this Chapter, the development of internal rules for compiling and maintaining the list of holders of an issuer's inside information and a procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in that issuer's financial instruments or commodity derivatives shall be necessary.
(3) To admit transferable securities to trading on the regulated market, an issuer or a person asking for the admission of transferable securities to trading on the regulated market shall add to an application a prospectus that has been drawn up pursuant to the requirements of this Law and of Regulation (EC) No 809/2004 and registered with the Commission.
(4) Where the transferable securities referred to in Subparagraphs 2, 4, 9 and 10 of Paragraph 7 of Article 3 hereof are to be admitted to trading on the regulated market, an issuer or a person asking for the admission of transferable securities to trading on the regulated market shall be entitled to voluntarily draw up a prospectus.
(5) The respective market organizer shall establish the requirements for admission of other financial instruments to trading on the regulated market. The requirements for admission of financial derivatives and of commodity derivatives to trading on the regulated market shall ensure that the conditions of the contract for the derivative instrument allow establishing a definite price and effective settlement.
6) The decision on admission of financial instruments to trading on regulated markets shall be taken by the executive board of a market organizer on the basis of an application by an issuer or a person asking for the admission of transferable securities to trading on the regulated market.
(7) A transferable security that has been admitted to trading on one regulated market may subsequently be admitted to trading on another regulated market without the issuer's consent. The organizer of the regulated market where the transferable security has been admitted to trading without the issuer's consent shall notify the issuer to this effect. The issuer shall be exempt from any obligation to provide information required under Chapters II and III of Section D hereof to the regulated market organizer which has admitted the transferable securities to trading on its regulated market without the issuer's consent.
(8) Where trading of a transferable security that has been admitted to trading on the regulated market without the issuer's consent is started in a multilateral trading facility, the issuer shall be exempt from any obligation to disclose information in the multilateral trading facility, where the operator of the facility has established the requirements for disclosing information.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 42
Requirements for the Admission to Official Listing of Shares and Transferable Securities Equivalent to Shares that Secure a Holding in the Capital of a Commercial Company
(1) Shares and transferable securities equivalent to shares that secure a holding in the capital of a commercial company (hereinafter, "shares") shall be admitted to official listing provided that:
1) the projected market capitalization of the shares to be admitted is at least an amount in lats equivalent to 1 000 000 euros, calculated at the exchange rate of the Bank of Latvia on the day when a market organizer takes the decision on admitting the shares to official listing. Where it is not possible to project the capitalization of the shares to be admitted to official listing, the shares may be admitted provided that

during the previous reporting year the joint-stock company's paid-up share capital and reserves (including profit or loss) were in total at least an amount in lats equivalent to 1 000 000 euros, calculated at the Bank of Latvia's exchange rate;
2) the joint-stock company has made its annual reports/accounts publicly available for at least three previous reporting years;
3) an application for admission to official listing has been submitted for all shares of the respective class.
(2) Where admission to the official listing of the regulated market takes place after a public offer, the trading in the respective shares shall start only after the closing day of the initial placement.
(3) Where a public offer of shares is not made using the regulated market as an intermediary, shares shall be admitted to official listing only if admission is sought for at least 25 percent of the subscribed capital represented by the respective class of shares.
(4) Where a public offer of shares is made using a market organizer as an intermediary, shares shall be admitted to official listing if admission is sought for at least 25 percent of the subscribed capital represented by the respective class of shares, or a market organizer has every reason to consider that where the proportion is even lower the market of these shares will perform sufficiently actively after their admission to official listing.
(5) A market organizer shall be entitled to establish additional requirements and more stringent criteria for the admission of shares to official listing.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 43
Requirements for the Admission of Bonds and Other Debt Securities to Official Listing
(1) Bonds and other debt securities shall be admitted to official listing provided that the total loan is not below an amount in lats equivalent to 200 000 euros, calculated at the Bank of Latvia's exchange rate. This requirement shall not apply to continuous issues where the amount of a loan is not specified.
(2) A market organizer shall be entitled to take a decision on admitting to official listing of debt securities that fail to comply with the requirements of Paragraph 1 hereof after it has ascertained that the market for such debt securities will be sufficiently active.
(3) Convertible or exchangeable bonds, as well as other debt securities with warrants may be admitted to official listing only where the shares linked with those bonds or securities have already been admitted to official listing of the same or another market organizer.
(4) Debt securities may be admitted to official listing, where an application for their admission relates to all debt securities of the given issue. This requirement may not apply to debt securities issued by the Republic of Latvia.
(5) Where the admission to official listing takes place after a public offer, trading in the respective debt securities may start only after the closing day of the initial placement. This provision shall not apply to issues of mortgage bonds and continuous issues, where the closing day of the initial placement has not been established.
(6) A market organizer shall be entitled to establish additional requirements and more stringent criteria for the admission of bonds and other debt securities to official listing.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 44
Contents of a Prospectus

(1) The requirements of Paragraphs 1, 2, 3, 4, 5 and 8 of Article 17 hereof shall apply to a prospectus drawn up for the admission of transferable securities to trading on the regulated market.
(2) Where a prospectus is drawn up in respect of the admission to trading on the regulated market of non-equity transferable securities whose nominal value is at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, a summary note shall not be submitted, except in the case referred to in Paragraph 3 of Article 491 hereof.
(3) To exempt an issuer or a person asking for the admission of transferable securities to trading on the regulated market from the obligation to include in a prospectus the information referred to in Regulation (EC) No 809/2004, the requirements of Article 19 hereof shall apply.
(As amended by the Laws of June 15, 2006 and of March 29, 2007 taking effect on May 1, 2007)

Article 44.1
Contents of a Base Prospectus
(1) A base prospectus shall be drawn up in accordance with the requirements of Paragraphs 1, 2 and 3 of Article 171 hereof.
(2) A base prospectus shall be registered with the Commission in accordance with the requirements of Article 48 hereof.
(3) The information disclosed in a base prospectus shall be supplemented, if necessary, in accordance with the requirements of Article 45 hereof, with the latest information on the issuer and on the transferable securities to be admitted to trading on the regulated market.

Article 44.2
Incorporation by Reference
The requirements of Article 172 hereof shall apply to incorporation by reference of information in a prospectus.

Article 44.3
Prospectus Consisting of Separate Documents
Where an issuer or a person asking for the admission of transferable securities to trading on the regulated market has a registration document registered with the Commission, it shall draw up only a securities note and a summary note when transferable securities are admitted to trading on the regulated market. In this case, a securities note shall provide information that would normally be included in the registration document if, since the registration of the latest registration document or of any supplement envisaged in Article 45 hereof, there has been a material change that could affect investors' assessment. A securities note and a summary note shall be registered separately.

Article 45
Supplements to a Prospectus
(1) An issuer or a person asking for the admission of transferable securities to trading on the regulated market shall draw up supplements to a prospectus, where significant new factors, material mistakes or inaccuracies that relate to the information included in the prospectus and that are capable of affecting the assessment of the transferable securities, arise or are discovered between the submission of the prospectus to the Commission and the start of trading in transferable securities on the regulated market.
(2) An issuer or a person asking for the admission of transferable securities to trading on the regulated market shall submit supplements to a prospectus and the text thereof

in an electronic form to the Commission, which shall register them within seven business days of the receipt of all documents. An issuer or a person asking for the admission of transferable securities to trading on the regulated market shall also supplement a summary note and any translation thereof, if necessary to take into account the new information contained in the supplements. Where an issuer or a person asking for the admission of transferable securities to trading on the regulated market has already submitted to a market organizer an application for the admission of transferable securities to trading on the regulated market, supplements to a prospectus shall also be submitted to the respective market organizer.
(3) Supplements to a prospectus shall be published in accordance with the requirements of Article 52 hereof. The text of supplements shall be considered as an integral part of a prospectus and shall always be made available together with the respective prospectus.
(4) Where investors have already agreed to purchase or subscribe to transferable securities before supplements to a prospectus are published, they shall be entitled to withdraw their acceptance within two business days or within the time limit laid down in the prospectus, provided that time limit is at least two business days, after the publication of the supplements.

Article 46
Responsibility for the Information Contained in a Prospectus
(1) A prospectus shall be approved by an issuer’s shareholders (members/participants) meeting or its duly authorized managing body or official.
(2) An issuer’s managing body or a person asking for the admission of transferable securities to trading on the regulated market and a guarantor (if any) shall be responsible for the contents of a prospectus.
(3) A prospectus shall contain the name, surname and position of persons or the firm name, legal address and registration number of legal persons that are responsible for the fairness of the information contained therein. A prospectus shall also contain each such person's statement to the effect that, to the best of their knowledge, the information contained in the prospectus reflects the true situation and that the facts that are likely to influence the importance of the information contained in the prospectus have not been concealed.
(4) If a person is not responsible for all information contained in a prospectus, there shall be an indication in the prospectus as to the part that person is responsible for.
(5) By initiating legal proceedings in court according to the general procedure, an investor shall be entitled to demand that the loss be covered by the persons named in the prospectus as responsible for the fairness of the information contained therein, where it has incurred loss due to false or incomplete information contained in the prospectus.
(6) An investor shall not be entitled to demand that the loss be covered by the responsible persons named in the prospectus, where that investor has made its choice solely on the basis of the summary note or any translation thereof, unless the summary note is misleading or inconsistent with other parts of the prospectus.

Article 47
Exemptions from the Obligation to Draw up a Prospectus
The obligation to draw up a prospectus shall not apply to the admission to trading on the regulated market of the following transferable securities:
1) shares representing, over a period of 12 months, less than 10 percent of the number of shares of the same class already admitted to trading on the same regulated market;
2) shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, where the issuing of such shares does not increase the

registered share capital;
3) transferable securities offered in connection with a takeover by means of an exchange offer, provided that a document is publicly available containing information which is regarded by the Commission as being equivalent to the information to be contained in a prospectus in accordance with the requirements of the European Union legal acts;
4) transferable securities offered, allotted or to be allotted in connection with a merger, provided that a document is publicly available containing information which is regarded by the Commission as being equivalent to the information to be contained in a prospectus in accordance with the requirements of the European Union legislation;
5) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class in respect of which such dividends are paid, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is publicly available containing information on the number and type of the shares and the reasons for and terms of the offer;
6) transferable securities offered, allotted or to be allotted to existing or former managers or employees by their employer or associated undertaking, provided that the said transferable securities are of the same class as the securities already admitted to trading on the same regulated market and that a document is publicly available containing information on the number and type of the transferable securities and the reasons for and terms of the offer;
7) shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market;
8) transferable securities already admitted to trading on another regulated market on the following conditions:
a) that these transferable securities or transferable securities of the same class have been admitted to trading on that other regulated market for more than 18 months,
b) that, for transferable securities first admitted to trading on the regulated market after December 31, 2003, the admission to trading on that other regulated market is associated with a registered prospectus made available to the public in due course of Article 51 hereof,
c) that, for transferable securities first admitted to a member state’s stock exchange listing during June 30, 1983–June 30, 2005, a prospectus was registered in accordance with the requirements of the member state's regulatory provisions transposing the requirements of the European Union legal acts, except in cases to which Subparagraph b) hereof refers,
d) that the obligation for trading in transferable securities on that other regulated market has been fulfilled,
e) that the person asking for the admission of transferable securities to trading on the regulated market under this exemption makes a summary note in Latvian available to the public,
f) that the summary note referred to in Subparagraph e) hereof is made available to the public in the member state of the regulated market where the request for the admission to trading is made,
g) that the summary note complies with the requirements of Subparagraph 3 of Paragraph 3 of Article 17 hereof and states where the most recent prospectus can be obtained and where the financial information published by the issuer or the person asking for the admission of transferable securities to trading on the regulated market, pursuant to its disclosure obligation, is available.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 48
Registration of a Prospectus
(1) The Commission shall register a prospectus. To register a prospectus, an issuer or a person asking for the admission of transferable securities to trading on the regulated market shall submit to the Commission an application along with the following documents:
1) two originals of a prospectus and the text of a prospectus in an electronic form;
2) a decision by the issuer's duly authorized managing body on the admission of the respective transferable securities to trading on the regulated market;
3) the issuer's rules for compiling and maintaining the list of holders of inside information and the procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in that issuer's financial instruments or commodity derivatives.
(2) The application shall contain the following:
1) registration number and place, registering institution, firm name, legal address, phone number, and fax number and e-mail address (if any) of the issuer;
2) type, class and total number of the transferable securities to be admitted to trading on the regulated market and the nominal value of one transferable security;
3) firm name, legal address, phone number, and fax number and e-mail address (if any) of the market organizer and the name of the regulated market on which the issuer or the person asking for the admission of transferable securities to trading on the regulated market, wishes the transferable securities to be admitted to trading;
4) countries of the regulated market where the admission of transferable securities to trading is sought.
(3) The Commission shall scrutinize an application and the accompanying documents and take a decision on registering a prospectus or refusing to register a prospectus within 10 days of the receipt of all documents required by regulatory provisions and prepared and formatted in due course of regulatory provisions.
(4) Where the Commission detects that the submitted documents are incomplete or additional information is needed, it shall notify to this effect the issuer or the person asking for the admission of transferable securities to trading on the regulated market within 10 business days of the receipt of the application. In this case, the time limit for the scrutiny referred to in this Article shall begin as of the day of correcting the failures indicated by the Commission or receiving the required additional information.
(5) Where the Commission fails to take the decision within the time limit set out in this Article, a prospectus shall not be deemed as registered. In this case, the Commission shall send to the issuer or the person asking for the admission of transferable securities to trading on the regulated market a motivated explanation on the reason for deferring the decision and indicate the time when the decision on registering a prospectus or refusing the registration of a prospectus will be taken.
(6) The decision on registering a prospectus or refusing the registration of a prospectus shall be given to an issuer or a person asking for the admission of transferable securities to trading on the regulated market and having submitted to the Commission an application for the registration of a prospectus.
(7) Upon taking the decision on registering a prospectus, the Commission shall promptly post the text of the decision on its Internet homepage and send a copy of the decision to the respective market organizer.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 48.1
Validity of a Prospectus, a Base Prospectus and a Registration Document
(1) A prospectus shall be valid for 12 months of its publication for the admission of

transferable securities to trading on the regulated market, provided that the requirements of Article 45 hereof are met.
(2) In the case of an offering program, the base prospectus that has been submitted previously shall be valid for a period of up to 12 months.
(3) In the case of the transferable securities referred to in Subparagraph 2 of Paragraph 1 of Article 171 hereof, a prospectus shall be valid until no more of the respective transferable securities are issued in a continuous or a repeated manner.
(4) A prospectus shall be valid if it consists of a registration document and a securities note, provided that the information contained therein is supplemented in accordance with the requirements of Article 443 hereof, and a summary note. The registration document that is referred to in Subparagraph 1 of Paragraph 3 of Article 17 hereof and that has been submitted previously shall be valid for a period of up to 12 months, provided that the requirements of Paragraph 1 of Article 571 hereof are met.

Article 49
Mutual Recognition of Prospectuses and Notification Procedure
(1) Where a prospectus and all supplements thereof are registered with the Commission, an issuer or a person asking for the admission of transferable securities to trading on the regulated market shall be entitled to ask for the admission of transferable securities to trading on the regulated market in one or several member states, or in a member state other than its home member state after the Commission, upon request by the issuer or the person asking for the admission of transferable securities to trading on the regulated market, has notified the competent authorities of the respective host member state in accordance with the requirements of Paragraphs 4 and 5 hereof.
(2) In cases where an issuer or a person asking for the admission of transferable securities to trading on the regulated market from another member state wishes transferable securities to be admitted to trading on the regulated market in Latvia, a prospectus and all supplements thereof registered with the competent authority of the respective member state shall be valid, provided that the competent authority of the respective member state has notified the Commission of the registration of that prospectus.
(3) Where significant new factors, material mistakes or inaccuracies that are referred to in Article 45 hereof and that have arisen since the registration of a prospectus are detected, solely the competent authority of the respective home member state shall be entitled to request the registration and publication of supplements in accordance with the requirements of regulatory provisions of the home member state. The Latvian competent authorities shall only be entitled to draw the attention of the competent authority of the home member state to the need for any new information.
(4) The Commission shall submit to the competent authority of the host member state a certificate of approval to the effect that a prospectus has been drawn up in accordance with the effective legal acts on drawing up a prospectus, accompanied by a copy of the said prospectus, pursuant to the following procedure:
1) within three business days following the request by an issuer or a person responsible for drawing up a prospectus;
2) within one business day of the registration of a prospectus, where the request was submitted along with the draft prospectus.
(5) The certificate of approval referred to in Paragraph 4 hereof shall be accompanied by a translated summary note produced under the responsibility of an issuer or a person responsible for drawing up a prospectus; they shall also ensure that the contents of the translated summary note complies with the original prospectus. The same requirements shall also apply to any supplement to a prospectus.
(6) Where, in accordance with the provisions of Paragraph 3 of Article 44 hereof, the

Commission has allowed an issuer or a person asking for the admission of transferable securities to trading on the regulated market to omit certain information from a prospectus, the Commission shall indicate the basis for such permission when making notification to the competent authority of the host member state.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 49.1
Use of Languages
(1) Where the admission of transferable securities to trading on the regulated market is asked for only in Latvia, a prospectus shall be drawn up in the official language.
(2) Where the admission of transferable securities to trading on the regulated market is asked for in one or several member states, excluding Latvia, an issuer or a person asking for the admission of transferable securities to trading on the regulated market, at their choice, shall draw up a prospectus in the language accepted as appropriate by the Commission and the competent authorities of the respective host member states or in the language customary in the sphere of international finance.
(3) Where an issuer or a person asking for the admission of transferable securities to trading on the regulated market from another member state wishes transferable securities to be admitted to trading on the regulated market in Latvia, it shall draw up the summary note of a prospectus in the official language.
(4) Where the admission of transferable securities to trading on the regulated market is asked for in more than one member state, including Latvia, an issuer or a person making a public offer shall draw up and make available a prospectus in the language accepted as appropriate by the competent authorities of the respective host member states and the Commission or in the language customary in the sphere of international finance. An issuer or a person making a public offer shall also draw up a summary note of an issue prospectus in the official language.
(5) Where admission to trading on the regulated market is asked for in one or more member states in respect of non-equity transferable securities, for which the nominal value is at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, an issuer or a person asking for the admission of transferable securities to trading on the regulated market, at its choice, shall draw up a prospectus in the language accepted as appropriate by the Commission and the competent authorities of the respective host member state or in the language customary in the sphere of international finance.
(As amended by the Laws of June 15, 2006, of March 29, 2007 and of February 26, 2009 taking effect on March 25, 2009)

Article 49.2
Recognition of a Prospectus Drawn up by Issuers Registered in Foreign Countries
(1) The Commission shall be entitled to register a prospectus that is drawn up by an issuer having its legal address in a foreign country in due course of the regulatory provisions of that foreign country, provided that:
1) a prospectus has been drawn up in accordance with international standards established by international securities commission organizations, including IOSCO disclosure standards;
2) the requirements for information, including financial information, are equivalent to the requirements set out in this Law.
(2) Where transferable securities of an issuer registered in a foreign country are admitted to trading on the regulated market in a member state other than its home member state, the requirements of Articles 49 and 491 hereof shall apply.

Article 50
Scrutiny of an Application for the Admission of Financial Instruments to Trading on the Regulated Market

(1) An issuer or a person asking for the admission of transferable securities to trading on the regulated market shall submit an application for the admission of financial instruments to trading on the regulated market to the respective market organizer not later than three months of the registration of the prospectus with the Commission.

(2) A market organizer shall take a decision on admitting financial instruments to trading on the regulated market within 10 days of the day of receiving an application submitted by an issuer or a person asking for the admission of transferable securities to trading on the regulated market. Within that period, a market organizer shall be entitled to request that the issuer or the person asking for the admission of transferable securities to trading on the regulated market submit additional information pursuant to the regulations governing the operation of the respective regulated market. In this case, the 10-day period starts on the day of submitting additional information to the market organizer.

(3) A market organizer shall take a decision on admitting the transferable securities of an issuer registered in a member state to trading on the regulated market only after the registration of the prospectus with the Commission or upon receipt of a confirmation of the registration of the prospectus from the supervisory authority or the market organizer of the respective member state.

(4) A decision of a market organizer on refusing to admit financial instruments to trading on the regulated market may be appealed to the Commission within 30 days of the receipt of the decision.

(5) A market organizer shall include the following information in a decision on the admission of financial instruments (excluding investment fund units) to trading on the regulated market:

1) date on which the prospectus was registered with the Commission (provided, pursuant to law, the issuer or the person asking for the admission of transferable securities to trading on the regulated market has an obligation to draw up a prospectus);

2) issuer's firm name and legal address;

3) issuer's registration place and number;

4) type, class, nominal value and volume of issue of financial instruments.

(6) A decision on the admission of investment fund units to trading on the regulated market shall contain the following information:

1) date on which the investment fund was registered with the Commission;

2) type and name of the investment fund;

3) firm name and legal address of the company managing the investment fund;

4) number of investment fund units issued by the investment fund, the value of one investment fund unit (for an open-end investment fund) or a nominal value (for a closed-end investment fund) as on the day of taking the decision.

(7) The firm name, legal address, phone number and Internet homepage address of the responsible authority or the market organizer that has taken the decision on registering a prospectus shall additionally be specified in a decision on the admission to trading on the regulated market of transferable securities of an issuer registered in another member state.

(8) A market organizer shall promptly send a decision on the admission of financial instruments to trading on the regulated market to the issuer or the person asking for the admission of transferable securities to trading on the regulated market, the Commission and the Latvian Central Depository.

Article 51

Procedure whereby a Prospectus Is Distributed
(1) A prospectus shall not be distributed before its registration with the Commission. An issuer or a person asking for the admission of transferable securities to trading on the regulated market in due course of this Law shall make a prospectus available to the public as soon as practicable and in any case in advance of the admission of the transferable securities to trading on the regulated market, but not later than on the day of taking the decision on the admission of transferable securities to trading on the regulated market.
(2) Upon taking a decision on admitting transferable securities to trading on the regulated market, a market organizer shall promptly post the text of the decision and of the prospectus on its Internet homepage.
(3) A prospectus shall be deemed available to the public when published either:
1) by insertion in one or more newspapers distributed in all member states or widely circulated in the member states in which the transferable securities are admitted to trading on the regulated market; or
2) in a printed form. In this case, they shall be made available, free of charge, to the public at the office of the organizer of that regulated market on which the securities are being admitted to trading, or at the office situated at the issuer's legal address and at the offices of the financial intermediaries placing or selling the transferable securities, including authorized paying agents; or
3) in an electronic form on the Internet homepage of the issuer and of the respective financial intermediaries placing or selling the transferable securities, including authorized paying agents; or
4) in an electronic form on the Internet homepage of the organizer of the regulated market where the admission to trading in the transferable securities is asked for.
(4) The Commission shall be entitled to require from issuers or persons asking for the admission of transferable securities to trading on the regulated market which publish their prospectus in accordance with Subparagraphs 1 or 2 of Paragraph 3 hereof that they also publish their prospectus in an electronic form in due course of Subparagraph 3 of Paragraph 3 hereof. The Commission shall also be entitled to require the publication of a notice stating how the prospectus has been made available to the public and where it can be obtained by the public.
(5) Where a prospectus comprises several documents or incorporates information by reference, the documents and information making up that prospectus may be published separately, provided that the said documents are made available, free of charge, to the public in due course of Paragraph 3 hereof. Each document shall indicate where the other documents constituting the full prospectus may be obtained.
(6) The text of a prospectus and supplements thereof that have been published or made available to the public, and their format shall be identical to the original version registered with the Commission
(7) Where a prospectus is published in an electronic form, its paper copy shall be provided to an investor, upon request and free of charge, by the issuer or the person asking for the admission of transferable securities to trading on the regulated market.
(8) Once a year, the Commission shall publish on its Internet homepage a list of prospectuses that it has registered during the previous 12 months.

Article 52
Advertising of Transferable Securities to Be Admitted to Trading on the Regulated Market
(1) Advertisements of transferable securities to be admitted to trading on the regulated market shall not contain information that is inaccurate, misleading or contrary to the information contained in the prospectus. That information shall be consistent with the information contained in the prospectus, if already published, or with the information

whose inclusion in the prospectus is mandatory, if the prospectus is published afterwards.
(2) Information provided by any means regarding the admission of transferable securities to trading on the regulated market shall be consistent with the information contained in the prospectus.
(3) Advertisements shall state that the prospectus has been or will be published, and indicate where and when the prospectus is available. Advertisements shall be clearly and undoubtedly recognizable as such.
(4) All information concerning the admission of transferable securities to trading on the regulated market disclosed in an oral or written form, even if not for advertising purposes, shall be consistent with the information contained in the prospectus.

Article 53
Commencement of Trading in Financial Instruments
(1) Trading in transferable securities on the regulated market shall be started not earlier than three days of the day of posting the prospectus on the Internet homepage of the respective market organizer.
(2) Trading in financial instruments on the regulated market shall be started only after the Latvian Central Depository has made the respective book entry. This requirement shall not apply to the financial instruments that are publicly circulated also outside the Republic of Latvia and for which book entries have already been made in another country.
(3) The Latvian Central Depository shall make book entries of financial instruments after signing a contract with the issuer or the person asking for the admission of transferable securities to trading on the regulated market, and receiving the documents specified in the regulations of the Latvian Central Depository.

Article 54
Obligations of a Capital Company whose Transferable Securities are Admitted to Trading on the Regulated Market
(1) The managing bodies of a capital company shall ensure equal treatment of all owners of transferable securities that are of one and the same type and class.
(2) To enable the shareholders to exercise their rights, the executive board of a jointstock company shall ensure that all information is available to the shareholders and that the data provided are truthful. The executive board of the joint-stock company shall provide information on at least the following:
1) place, time and agenda of the shareholders meeting, the total number of shares with voting rights and the right of shareholders to participate in the shareholders meeting. Together with the convocation of the shareholders meeting, the executive board of the joint-stock company shall make available the proxy form to shareholders;
2) allocation and payment of dividends;
3) new share issue, including on the procedure for allotment, subscription to, conversion of or refusing from the shares, where the issue rules contain an option to exercise priority right;
4) the selected depository or an equivalent institution through the medium of which share owners may exercise their rights;
5) any changes in the rights attaching to various classes of this company's shares, including financial derivatives that ensure access to the issuer's shares. Information set out herein shall be provided without delay.
(21) The convocation of the shareholders meeting shall be communicated not later than on the 30th day before the meeting.
(3) To enable the owners of debt securities to exercise their rights, the executive board of a capital company shall ensure that in the home member state of the capital

company all information is available to the owners of debt securities and that the data provided are truthful. The executive board of the capital company shall provide information on at least the following:
1) place, time and agenda of the meeting of the owners of debt securities, and the right of these persons to participate in the meeting. The executive board of the capital company shall make available a proxy form (on paper or, where applicable, by electronic means), together with the notice concerning the meeting, to each owner of debt securities that is entitled to vote at the meeting and ensure that the proxy form is also available after making the announcement of the meeting;
2) interest payments;
3) new issue of debt securities, including on the procedure whereby the newly issued debt securities are subscribed to and refused from, where the issue rules contain an option to exercise priority right;
4) the rules governing the conversion and exchange of debt securities, and repayment;
5) the selected depository or an equivalent institution through the medium of which the owners of debt securities may exercise their rights;
6) any changes in the rights attaching to various classes of the debt securities of the capital company, including on amendments to the rules that may indirectly affect the said rights, in particular those deriving from changes in lending rules or interest rates.
(4) A market organizer shall be entitled to establish additional requirements to be complied with by a capital company whose transferable securities are admitted to official listing of that market organizer or on the other regulated markets of that market organizer, taking into account the requirements of Article 33 hereof.
(5) The executive board of a capital company shall disseminate the information set out in Paragraphs 2, 21 and 3 hereof in accordance with the requirements of Article 642 hereof. The executive board of a capital company shall be exempt from the obligation set out in the Commercial Law to publish the convocation of the shareholders meeting in the newspaper Latvijas Vēstnesis.
(6) At least 14 days before the shareholders meeting the executive board of a capital company or a person that, in accordance with law, has the right to convene the meeting and convenes it shall send draft resolutions to be adopted in respect of the issues on the agenda of the meeting, including draft decisions submitted by shareholders, to the official centralized storage system of regulated information (hereinafter, "the official storage system") in due course of Article 642 hereof. Where it is envisaged that a shareholders meeting will take a decision on amending the foundation documents of the capital company, draft amendments shall be distributed in accordance with the requirements of Article 642 hereof and at least 30 days before the shareholders meeting they shall be sent to those market organizers on whose regulated markets the shares of the capital company are admitted to trading.
(7) The issuer of transferable securities that are admitted to trading on the regulated market shall without delay disclose to the public information about a new issue of debt securities and about relevant guarantees or collaterals. The requirements hereof shall not apply to a person that is subject to international public law and whose participant/member is at least one member state.
(8) A capital company shall be entitled to send the information referred to in Paragraphs 2 and 3 hereof to shareholders or owners of debt securities by electronic means provided that a shareholders meeting has taken a decision to that effect and the following requirements are observed:
1) the electronic means used are those that the shareholders or persons that have indirectly acquired a holding in a capital company or owners of debt securities may use irrespective of their registration country or residence;
2) procedures are put in place whereby a capital company ensures that the shareholders, persons entitled to exercise voting rights or owners of debt securities are

informed;
3) shareholders or persons that have indirectly acquired a holding in a capital company and are entitled to acquire, dispose of or exercise voting rights, and owners of debt securities shall be contacted in writing to request their consent for the use of electronic means for conveying information. Where a capital company does not receive their objection within 30 days, their consent shall be deemed to be given. The consent shall not prevent shareholders from requesting, at any time, that information be conveyed in writing;
4) any costs entailed in the conveyance of such information by electronic means shall be apportioned equally among all persons owning the same type and the same class of transferable securities.
(9) In cases when an invitation to the meeting is extended only to owners of transferable securities, for which the nominal value of one unit is at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, or an amount equivalent to 50 000 euros, where the value of debt securities is expressed in a currency other than the euro, the issuer may choose any member state as the place of the meeting, provided that the owners of debt securities have all information available in the member state.
(10) In the convocation of the shareholders meeting that is distributed in due course of Article 64.2 hereof the following shall be indicated in addition to the information that is set out in the Commercial Law:
1) the procedure that shareholders shall follow to be able to participate and cast their votes in the shareholders meeting, including the following information:
a) the rights of shareholders to put items on the agenda of the shareholders meeting, to submit draft resolutions for discussion and ask questions about the items on the agenda of the shareholders meeting and the deadline, as specified in regulatory provisions, by which these rights may be exercised. The convocation of the meeting may state only the deadline by which shareholders may exercise their rights provided that a more detailed information about these rights is available on the Internet homepage indicated by the joint-stock company and the convocation contains a reference to that site,
b) the procedure for voting by proxy, especially in respect of the forms to be used to vote by proxy and the manner whereby a shareholder, in view of the Electronic Documents Law, is entitled to submit to the joint-stock company an electronic notification about appointment of a proxy holder where the charter of the capital company contains a provision for appointing a proxy holder by electronic means,
c) the procedure for voting by mail or by electronic means provided that the charter of the joint-stock company contains provisions about such voting means;
2) the record date and an explanation that only the persons that are shareholders on the record date have the right to participate in the shareholders meeting;
3) where and how shareholders may obtain the documents referred to in Subparagraphs 3 and 4 of Paragraph 11 hereof;
4) the address of the Internet homepage on which the information referred to in Paragraph 11 hereof is available.
(11) Within the time period of 30 days before the shareholders meeting, as set out in law, and on the day of the shareholders meeting, the joint-stock company shall ensure that on its Internet homepage that has been indicated in the convocation of the shareholders meeting shareholders have access to at least the following:
1) information on the convocation of the shareholders meeting;
2) information about the total number of shares and of shares with voting rights of the joint-stock company on the day of distributing the convocation of the meeting. Where the share capital of the company is divided into different classes of shares, information shall be disclosed about the number of shares for each class;

3) the draft resolutions available to the company or the explanations by the body that convenes the shareholders meeting about those items on the meeting agenda where no resolution is proposed to be adopted;
4) the forms to be used to vote by proxy. Where the forms cannot be made available on the Internet homepage for technical reasons, the joint-stock company shall indicate how shareholders can obtain them. The joint-stock company shall ensure that forms are available free of charge to every shareholder who requests them.
(12) After the shareholders meeting the joint-stock company shall disseminate the information about the resolutions taken at the meeting without delay in due course of Article 642 hereof.
(13) Within 14 days after the shareholders meeting, the joint-stock company shall make available on its Internet homepage that has been indicated in the convocation of the shareholders meeting the information about voting results to the extent that it is clear that each resolution has been taken with the necessary majority of the votes cast. Upon a shareholder's request, the company shall make available on that Internet homepage the information included in the voting results about the total number of shareholders who participated with a valid vote, the number of the votes cast for each resolution as the proportion of the number of shares with voting rights and the proportion of the share capital represented by the votes cast at the meeting, as well as the number of the votes cast for and against in respect of each resolution.
(In the wording of the Law of March 29, 2007 and as amended by the Laws of May 22, 2008, of February 26, 2009 and of October 15, 2009 taking effect on January 1, 2010)

Article 54.1
Audit Committee
(1) A capital company whose transferable securities are admitted to trading on the regulated market shall establish the audit committee.
(2) The audit committee shall have the following tasks:
1) monitor drawing up of the financial statements of a capital company and, where a capital company draws up consolidated annual accounts, also of the consolidated financial statements;
2) monitor the effectiveness of the operation of the internal control and of the risk management systems of a capital company;
3) monitor the process of the statutory audit of the annual accounts and, where a capital company prepares consolidated annual accounts, also of the consolidated annual accounts and the rectification of the deficiencies detected by the audit;
4) propose an official auditor for carrying out audit services in the capital company;
5) review and monitor the independence of an official auditor in the meaning of the Law on Sworn Auditors.
(3) The audit committee shall be entitled to request and receive from the executive board of a capital company, as well as from the internal audit service, an internal auditor or the company's controller, if any, information and documents that are necessary to perform its tasks. In order to carry out the tasks referred to in this Article, the audit committee shall also be entitled to carry out audits.
(4) Members of the audit committee shall be elected for three years by the meeting of shareholders or members/participants with a simple majority of the votes cast and the meeting shall also establish their remuneration. The charter of a capital company may provide for a shorter election time of a member of the audit committee. A sufficient number of members of the audit committee shall be elected to ensure that the audit committee may duly perform its tasks.
(5) Only a natural person in his/her legal capacity who is of good repute, has not been deprived of the right to engage in commercial activities and has not been convicted

for a deliberate crime may be a member of the audit committee. A council member of a capital company may be a member of the audit committee.
(6) A member of the executive board of a capital company, a procuration holder or a commercial proxy holder, as well as an executive board member of an undertaking controlled by the capital company (of a subsidiary undertaking) or a person entitled to represent such controlled undertaking (a subsidiary undertaking) may not be a member of the audit committee. The charter of a capital company may contain additional restrictions for a member of the audit committee.
(7) At least one member of the audit committee shall be independent, have the necessary education and the relevant experience of at least three years in the area of accounting or auditing. A member of the audit committee is deemed to be independent where none of the conditions referred to in Paragraph 8 hereof applies to him/her. A member of the audit committee is deemed to have the necessary education where he/she studied economics, management or finances at the university in the Republic of Latvia or in a foreign country, obtained a qualification of an auditor in a foreign country or is an official auditor in accordance with the Law on Sworn Auditors.
(8) A member of the audit committee is not deemed to be independent where at least one of the following conditions referred to further in this Paragraph applies to that person:
1) he/she has direct or indirect financial liabilities and participates in the transactions of the capital company;
2) he/she has job legal relations with the capital company that are existing or have existed during the previous three years;
3) he/she carries out the functions of a council member in the capital company;
4) he/she is a relative or an in-law up to the second degree of an executive board member, a shareholder or a member/participant of the capital company;
5) there are other conditions that may impair his/her independence and that have been recognized as such by the meeting of shareholders or members/participants of the capital company;
6) he/she has a direct or an indirect holding in the capital company.
(9) The work of the audit committee is headed by the chairman who shall be elected by the members of the audit committee from among themselves. The charter of a capital company may provide for a different election procedure of the chairman of the audit committee.
(10) The audit committee shall take decisions independently in relation to the tasks assigned to it by this Law and once a year or more often, if necessary, it shall notify the meeting of shareholders or members/participants about the performance of these tasks.
(11) In a capital company that complies with the criteria set out in Subparagraph 33 of Article 1 hereof the tasks of the audit committee may be performed by a supervisory body of the capital company. The meeting of shareholders or members/participants shall take a decision to transfer the tasks of the audit committee to the supervisory body of the capital company.
(12) A capital company may not establish an audit committee where:
1) it is registered in the Republic of Latvia and operates in accordance with the regulatory provisions of the Republic of Latvia, and it has established a body that is similar to the audit committee and complies with the requirements of this Article. In that case the capital company shall notify the Commission in writing about the body that performs in the capital company the tasks referred to in Paragraph 2 hereof and when that body was elected;
2) it is a subsidiary undertaking of a parent undertaking of a concern that draws up consolidated annual accounts in accordance with the Consolidated Annual Accounts

Law or in accordance with the requirements of the regulatory provisions of the home member state about drawing up consolidated annual accounts provided that the body established at the group consolidation level complies with the requirements of this Article;
3) its only commercial activity is the issuance of asset backed securities as set out in Paragraph 5 of Article 2 of the Commission Regulation (EC) No. 809/2004. In that case the capital company shall provide a written explanation to the Commission to the effect that it has not established the audit committee or it is not necessary to transfer the tasks of the audit committee to a supervisory body;
4) it is an investment management company that operates in accordance with the Law on Investment Management Companies.
(13) Where the audit committee fails to comply with the requirements of this Article, within three months of the effective date of that non-compliance the capital company shall ensure establishment of an audit committee that complies with the requirements of this Article.
(In the wording of the Law of May 22, 2008 and as amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 54.2
Procedure for Submitting Draft Resolutions for the Items on the Agenda of the Shareholders Meeting and for the Proposed Additional Items
(1) Within seven days of issuing the convocation of the shareholders meeting, shareholders shall be entitled to submit draft resolutions for the items on the agenda of the meeting. Shareholders shall be entitled to submit draft resolutions for the items on the agenda at the meeting where all draft resolutions submitted to the shareholders meeting in due course of this Article have been reviewed and rejected.
(2) Shareholders who propose to put additional items on the agenda of the shareholders meeting shall have an obligation to submit to the body that convenes the shareholders meeting draft resolutions for those items that they suggest putting on the agenda or an explanation about those items where no resolution will be adopted.
(3) Upon receiving the draft resolutions referred to in Paragraphs 1 and 2 hereof, the joint-stock company shall without delay place them on its Internet homepage that was indicated in the convocation of the shareholders meeting and in the official storage system. Where no draft resolution is likely to be adopted for an additional item on the agenda that has been suggested by shareholders, information about the additional item on the agenda of the shareholders meeting and an explanation about the inclusion of that item on the agenda shall be placed on the Internet homepage that was indicated in the convocation of the shareholders meeting and in the official storage system.
(In the wording of the Law of October 15, 2009 taking effect on January 1, 2010)

Article 54.3
Participation of a Shareholder in the Shareholders Meeting
(1) Those shareholders that own shares at the record date shall have the right to participate in the shareholders meeting.
(2) The Latvian Central Depository shall establish the procedure whereby a jointstock company shall establish, for the purposes of making the list of shareholders, the shareholders that own shares at the record date.
(3) The charter of the joint-stock company may contain provisions for the following rights to shareholders:
1) to participate and vote at the shareholders meeting by electronic means;
2) to vote by mail in respect of the issues on the agenda of the shareholders meeting provided that the vote is cast and sent to the joint-stock company prior to the shareholders meeting.

(4) Where the joint-stock company has made provisions for the rights referred to in Paragraph 3 hereof, it its charter it shall establish the requirements for the identification of shareholders and the procedure whereby shareholders may exercise these rights.
(5) Where the charter of the joint-stock company contains provisions for the possibility to vote by mail and cast a vote prior to the meeting in respect of the issues on the agenda of a shareholders meeting:
1) a shareholder may vote by mail as of the thirteenth day prior to the meeting;
2) the shareholders meeting shall have the rights to take decisions only for those items on the agenda that have been communicated in due course of Article 642 hereof;
3) a shareholder is included in the list of shareholders that, in accordance with the Commercial Law, is compiled by the executive board prior to opening the shareholders meeting, provided that the vote of the shareholder was received not later than one day before the planned shareholders meeting.
(In the wording of the Law of October 15, 2009 taking effect on January 1, 2010)

Article 54.4
Appointing and Recalling a Proxy Holder of a Shareholder by Electronic Means
(1) The charter of the joint-stock company may contain a provision that shareholders are entitled to make a proxy to their representatives, submit them to the joint-stock company and recall their representatives by electronic means.
(2) Where according to the charter shareholders have the rights referred to in Paragraph 1 hereof, the joint-stock company shall ensure the following:
1) the charter establishes the procedure whereby shareholders may make a proxy as an electronic document in accordance with the requirements of the Electronic Documents Law and submit it by electronic means;
2) the circulation of electronic documents is introduced in accordance with the requirements of the Electronic Documents Law;
3) the joint-stock company can verify whether a safe electronic signature has been used in accordance with the requirements of the Electronic Documents Law;
4) it is possible to establish the exact date and time of signing the proxy and its submission to the joint-stock company.
(In the wording of the Law of October 15, 2009 taking effect on January 1, 2010)

Article 54.5
Resolution of Disputes
Any dispute between shareholders and the joint-stock company in respect of tabling draft resolutions and putting items on the agenda of a shareholders meeting, appointing proxy holders by shareholders, participating or voting of shareholders or their proxy holders at the shareholders meeting shall be resolved in due course of the Commercial Law.
(In the wording of the Law of October 15, 2009 taking effect on January 1, 20010)

Article 55
Suspending and Discontinuing Trading in Financial Instruments on the Regulated Market
(1) A market organizer shall be entitled to suspend or discontinue trading in financial instruments on the regulated market if regular trading in the respective financial instruments becomes impossible or investors' interests are threatened.
(2) If a market organizer does not exercise the rights set out in Paragraph 1 hereof, even though trading in the respective financial instruments has become impossible or investors' interests are threatened, the Commission shall be entitled to suspend or discontinue trading in those financial instruments on the regulated market.

(3) A decision of a market organizer on suspending or discontinuing trading in financial instruments on the regulated market may be appealed to the Commission within 30 days of the day of receiving the decision.
(4) Trading in financial instruments on the regulated market shall be discontinued on the basis of an application received from the issuer or the person that asked for the admission of those transferable securities to trading on the regulated market. A decision on discontinuing trading in shares on the regulated market shall be taken by the shareholders meeting of an issuer. In the minutes of the meeting, the shareholders who have voted for shall be disclosed.
(41) The regulated market organizer shall promptly disclose to the public the decision on suspending or discontinuing trading in financial instruments on the regulated market and notify the Commission of such decision.
(5) Where a market organizer or the Commission has taken a decision on discontinuing trading in shares on the regulated market because of the noncompliance of the issuer of the respective shares with the provisions of law or the market organizer's regulations, the issuer's executive board or council shall convene an extraordinary shareholders meeting within a month and that meeting shall consider discontinuing trading in shares on the regulated market and take the decision with a simple majority of shareholders voting at the meeting. Where a shareholder refrains from voting on the decision about discontinuing trading in shares on the regulated market, the shareholder is deemed to have voted for. Where the shareholders meeting takes a decision on discontinuing trading in shares on the regulated market, the shareholders who voted for shall make a mandatory share buyout offer in accordance with the provisions of Chapter V of Section D hereof. When deciding on discontinuing trading in shares on the regulated market, the shareholders meeting shall be deemed as entitled to vote irrespective of the number of shareholders with voting rights participating therein.
(6) Where remedial measures are taken in respect of a joint-stock company whose shares are removed from the regulated market following a decision of the market organizer or the Commission and which was announced insolvent on the day of taking the decision on discontinuing trading in shares, its shareholders meeting shall take a decision on discontinuing trading in shares on the regulated market not later than within three months of the completion of the remedial measures by convening a shareholders meeting and voting in due course of Paragraph 5 hereof.
(7) Where a joint-stock company whose shares are removed from the regulated market following a decision of the market organizer or the Commission was announced insolvent by the time of convening the shareholders meeting referred to in Paragraph 5 hereof or by the day of taking the decision on discontinuing trading in shares on the regulated market referred to in Paragraph 5 hereof, the shareholders meeting shall take a decision on discontinuing trading in shares on the regulated market by voting in due course of Paragraph 5 hereof where remedial measures are taken in respect of that company but not later than within three months of their completion.
(8) Where the extraordinary shareholders meeting that is convened in the case referred to in Paragraph 5 hereof takes a decision on continuing trading in shares on the regulated market, it shall ensure that the members of the managing bodies take all necessary actions to eliminate those violations and conditions that were the reason for discontinuing trading in the issuer's shares on the regulated market. The members of the managing bodies of the joint-stock company shall ensure that the documents referred to in Paragraphs 1 and 2 of Article 48 hereof are submitted to the Commission within three months after the day of taking the decision, at the latest.
(As amended by the Laws of June 15, 2006, of March 29, 2007, of October 4, 2007 and of February 26, 2009 taking effect on March 25, 2009)

Article 55.1
Rights of the Commission
(1) To ensure compliance with the provisions of this Chapter, the Commission shall have the following rights in parallel to the rights established by the Law on Financial and Capital Market Commission and this Law:
1) require, in a motivated manner, persons asking for the admission of transferable securities to trading on the regulated market to include in a prospectus supplementary information, if necessary for the protection of investors;
2) require, in a motivated manner, persons asking for the admission of transferable securities to trading on the regulated market and the persons that control them or are controlled by them to provide information and documents necessary for the Commission to carry out its functions;
3) require, in a motivated manner, the auditors and managers of persons asking for the admission of transferable securities to trading on the regulated market, as well as financial intermediaries authorized to ask for the admission of transferable securities to trading on the regulated market to provide information and documents necessary for the Commission to carry out its functions;
4) suspend the commencement of trading or trading in transferable securities for a period of up to 10 business days, where the Commission has legal grounds for considering that the requirements of Chapter II of Section D hereof have been or will be violated;
5) prohibit or suspend advertisements for a period of up to 10 business days, where the Commission has grounds for considering that the requirements of Chapter II of Section D hereof have been violated;
6) prohibit a public offer, where the Commission detects that the requirements of Chapter II of Section D hereof have been violated or where the Commission has grounds for considering that they would be violated;
7) discontinue trading on the regulated market or request that the respective regulated markets discontinue trading on the regulated market for a period of up to 10 business days, where the Commission has legal grounds for considering that the requirements of Chapter II of Section D hereof have been or will be violated;
8) prohibit trading on the regulated market, where the Commission detects that the requirements of Chapter II of Section D hereof have been violated;
9) make public the fact that an issuer is failing to fulfill its obligations.
(2) After transferable securities have been admitted to trading on the regulated market, the Commission shall be entitled to:
1) require the issuer to disclose all material information that may have an effect on the assessment of the transferable securities admitted to trading on the regulated market, and thus ensure investor protection or the impeccable operation of the market;
2) discontinue or ask the respective regulated market organizer to discontinue trading in the transferable securities on the regulated market if, in the Commission’s opinion, the issuer's situation is such that trading would be disadvantageous to investors' interests;
3) ensure that issuers whose transferable securities are admitted to trading on the regulated market fulfill the obligations envisaged in regulatory provisions and that equivalent information is provided to all investors and equal treatment is granted by the issuer to all those holders of the transferable securities that are in the same position, in all member states where the offer to the public is made or the transferable securities are admitted to trading on the regulated market;
4) carry out inspections in order to control compliance with the requirements of Chapter II of Section D hereof, as well as, where necessary, in accordance with regulatory provisions to apply to the respective judicial authority or cooperate with

other institutions.
(3) Where the Commission detects that an issuer fail to comply with the requirements of Chapter II of Section D and Article 571 hereof, it shall refer these facts to the competent authority of the home member state.
(4) If, despite the fact that the Commission has informed the competent authority of the respective home member state in accordance with the requirements of Paragraph 3 hereof or because such measures prove ineffective, the issuer persists in violating the requirements of Chapter II of Section D and Article 571 hereof, the Commission, after informing the competent authority of the home member state, shall be entitled to take all necessary measures in order to protect investors' interests, as well as shall inform the European Commission to this effect in accordance with the requirements of Article 147 hereof.
(5) The Commission shall be entitled to publish information on measures taken and sanctions imposed against an issuer or a person asking for the admission of transferable securities to trading on the regulated market for violating the requirements of regulatory provisions, except cases when such disclosure of information may cause serious disruptions in the financial market or cause disproportionate damage to the parties involved.

Chapter III
Information to Be Provided on a Regular Basis

(Chapter in the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 56
Annual Report/Accounts
(1) The annual report/accounts shall comprise the following:
1) audited financial statements;
2) management report that is prepared in accordance with the requirements of the regulatory provisions of the home member state;
3) statement of the management's responsibility to the effect that, to the best of the knowledge of the executive board of a capital company, the financial statements are prepared in accordance with the requirements of the effective regulatory provisions and give a true and fair view of the assets, liabilities, financial position and profit or loss of the capital company and of the consolidation group and that the management report includes a fair review of the development and performance of the commercial activities of the capital company and of the consolidation group. It shall also contain a description of the principal operational risks and uncertainties that the capital company and the consolidation group face;
4) corporate governance statement where a capital company prepares that statement as a separate section of the annual report/accounts.
(2) Where a capital company whose transferable securities are admitted to trading on the regulated market prepares consolidated annual accounts, its consolidated financial statements shall be drawn up in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, but financial statements shall be drawn up in accordance with the requirements of the regulatory provisions of the home member state.
(3) Where the transferable securities of a capital company are included in the official listing in the Republic of Latvia, it shall prepare its financial statements in accordance with the international accounting standards and international financial reporting standards approved by the European Commission and published in the Official Journal of the European Union.
(4) Where a capital company is not required to prepare the consolidated annual

accounts and its transferable securities are not included in the official listing in the Republic of Latvia, it shall prepare its annual report/accounts in accordance with the requirements of the regulatory provisions of the home member state and the regulations of the organizer of the respective regulated market.
(5) A capital company shall disseminate its annual report/accounts and consolidated annual accounts along with the opinion of an official auditor in due course of Article 642 hereof within four months after the end of the reporting period, but not later than on the next business day after the day when the official auditor submits the opinion about the accounts.
(6) Where the annual report/accounts approved by the shareholders (members/participants) meeting of a capital company differ from the annual report/accounts that was submitted in accordance with the requirements of Paragraph 5 hereof, the capital company shall submit the approved annual report/accounts on the next day after approving the report/accounts at the shareholders (members/participants) meeting.
(As amended by the Laws of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)

Article 56.1
Additional Information to be Included in the Annual Report/Accounts
(1) Capital companies whose shares are admitted to trading on the regulated market shall disclose the following additional information in the annual report/accounts:
1) the structure of their capital, classes of shares, the rights and obligations attaching to each class of shares and the percentage of each class of shares of the share capital, indicating separately the number of shares that are not admitted to trading on the regulated markets;
2) information on the restrictions on share disposal or on the need to obtain the agreement of the capital company or other shareholders for share disposal;
3) persons that have directly or indirectly obtained a qualifying holding in the capital company and the percentage of their holdings;
4) shareholders with special control rights and a description thereof;
5) the manner whereby the voting rights attaching to employee shares will be exercised where they are not exercised by the employees themselves;
6) the restrictions on the voting rights in cases where the maximum amount of voting rights has been established irrespective of the number of the voting rights owned, the shareholders' rights to the part of profit that is not related to the percentage of shares they own, and other similar restrictions;
7) the shareholders' agreements that are known to the capital company and are likely to restrict the transferring of shareholders' shares or voting rights to other persons, including provisions that set out a prior confirmation of such transfer;
8) the provisions governing the election of the members of the executive board, changes in the composition of the executive board and amendments to the articles of association;
9) the authorization of the members of the executive board, including the authorization to issue or buy back shares;
10) all significant agreements and contracts to which the target company is a party and which take effect, are terminated or amended upon a change of control, and the consequences of their taking effect, being terminated or amended. Where such disclosure of information would be seriously prejudicial to a commercial company, upon request of the company, the Commission shall be entitled to allow not to disclose that information;
11) all agreements between the capital company and the members of its executive board providing for a compensation where they resign, are made redundant without a

valid reason or where their employment ceases after a share buyout offer is made.
(2) The executive board shall report the information referred to in Paragraph 1 hereof also at the regular shareholders meeting.

Article 56.2
Corporate Governance Statement
(1) A capital company whose transferable securities are admitted to trading on the regulated market shall draw up a corporate governance statement.
(2) A capital company whose shares are admitted to trading on the regulated market shall include the following information in the corporate governance statement:
1) a reference to the corporate governance code that the capital company applies or essential information about corporate governance practice that is applied in addition to the above mentioned code;
2) information about the place where the code applied by the capital company is publicly available or information about the practice referred to in Subparagraph 1 hereof;
3) where the capital company does not apply separate provisions on corporate governance, an indication about the provisions that are not applied and the reasons for non-application;
4) where the capital company does not apply a corporate governance code, the reasons for non-application;
5) information about the main elements of the internal control and of the risk management systems of the capital company that are applied to financial reporting;
6) information referred to in Subparagraphs 3, 4, 6, 8 and 9 of Paragraph 1 of Article 561 hereof;
7) the composition and the description of operations of management bodies and their committees.
(3) A capital company whose transferable securities are admitted to trading on the regulated market, except a capital company whose shares are admitted to trading on the regulated market, shall include the following in the corporate governance statement:
1) information about the main elements of the internal control and of the risk management systems of the capital company that are applied to financial reporting;
2) information referred to in Subparagraphs 3, 4, 6, 8 and 9 of Paragraph 1 of Article 561 hereof.
(4) The capital companies referred to in Paragraph 3 hereof shall comply with the requirements set out in Paragraph 2 hereof where they have shares that are traded in a multilateral trading facility.
(5) Where a capital company whose transferable securities are admitted to trading on the regulated market has already provided the information referred to in Subparagraphs 3, 4, 5 and 7 of Paragraph 2 hereof, in Paragraph 3 hereof and in Subparagraphs 3, 4, 6, 8 and 9 of Paragraph 1 of Article 561 hereof in a publicly available document, it may include a reference to that document and information on where that document is publicly available in the corporate governance statement.
(6) A capital company whose transferable securities are admitted to trading on the regulated market shall either include the corporate governance statement in the management report or drawn it up as a separate section of the annual report/accounts and it shall publish it together with the management report or indicate in the management report its Internet homepage where the corporate governance statement is publicly available in an electronic form.
(7) An official auditor shall verify whether the corporate governance statement has been prepared and also verify the information referred to in Subparagraph 5 of Paragraph 2 hereof and in Subparagraphs 3, 4, 6, 8 and 9 of Paragraph 1 of Article 561

hereof.
(8) Where a capital company whose transferable securities are admitted to trading on the regulated market draws up annual report/accounts and consolidated annual accounts, it shall draw up one corporate governance statement and include in one of these reports in accordance with the requirements of Paragraph 6 hereof. In addition to the information referred to in Paragraph 2 hereof, it shall include in the corporate governance statement the information about the main elements of the internal control and of the risk management systems of the consolidated commercial companies that are applied to consolidated financial reporting.
(In the wording of the Law of May 22, 2008 taking effect on June 25, 2008. The Article takes effect on September 1, 2008; see Transitional Provisions hereof)

Article 57
Interim Report/Accounts
(1) A capital company whose shares are admitted to trading on the regulated market shall disseminate its interim report/accounts for a period of three, six, nine and twelve months in due course of Article 642 hereof.
(2) A capital company whose debt securities are admitted to trading on the regulated market shall disseminate its interim report/accounts for a period of six and twelve months in due course of Article 642 hereof.
(3) The capital company shall submit the report/accounts referred to in Paragraphs 1 and 2 hereof not later than two months after the end of the respective reporting period.
(4) The interim report/accounts for six and twelve months, as referred to in Paragraphs 1 and 2 hereof, shall consist of the following:
1) condensed financial statements;
2) interim management report that provides information about significant events that have occurred in the period from the beginning of the financial year until the reporting date and their effect on the condensed financial statements, describes the principal risks and, in case of a half-yearly report/accounts, uncertainties that a capital company is likely to face or that are likely to affect its financial standing and financial performance during the other six months of the financial year. A capital company whose shares are admitted to trading on the regulated market and who draws up consolidated annual accounts shall also disclose the following information about its most significant transactions with related persons:
a) information about the transactions carried out with the related persons during the reporting period where these transactions have had a significant effect on the financial standing or the financial performance of the capital company during that time,
b) information about any changes in the transactions with the related persons that were disclosed in the previous annual report/accounts and could have a significant effect on the financial standing or the financial performance of the capital company during the reporting period. Where a capital company whose shares are admitted to trading on the regulated market does not draw up consolidated annual accounts, it shall disclose information about its transactions with the related persons in accordance with the requirements of the regulatory provisions of the home member state;
3) statement of the management's responsibility indicating that, to the best of the knowledge of the executive board of a capital company, the condensed financial statements have been prepared in accordance with the requirements of the effective regulatory provisions and give a true and fair view of the assets, liabilities, financial position and profit or loss of the capital company and of the consolidation group and that the interim management report includes truthful information.
(5) The interim report/accounts for three and nine months, as referred to in Paragraph 1 hereof, shall consist of the condensed financial statements accompanied by the interim management report, where the information contained therein has changed

substantially from the publication of the latest interim management report.
(6) A capital company to which the requirements of Paragraphs 2 and 3 of Article 56 hereof apply shall draw up the condensed financial statements for three, six, nine and twelve months in line with the international accounting standards on interim financial statements as introduced by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.
(7) Where the requirements of Paragraph 4 of Article 56 hereof apply to a capital company, its interim financial statements shall be comprised of the condensed balance sheet, the condensed profit or loss statement, the condensed statement of changes in the equity capital, the condensed cash flow statement and the notes. In the condensed balance sheet and in the condensed profit or loss statement, those items and interim amounts shall be disclosed that were disclosed in the balance sheet and in the profit or loss statement of the previous year. Additional items shall be included only if, as a result of a failure to disclose them, the interim accounts would give a misleading opinion about the assets, the liabilities, the financial standing and the profit or the loss of the capital company. When a capital company prepares its interim accounts, it shall follow the same recognition and measurement principles that were used when preparing its annual accounts. Each item in financial statements shall be compared with the data in the corresponding period of the previous reporting year. In the notes, information that ensures comparability with the data in the corresponding period of the previous reporting year shall be disclosed along with sufficient information and notes to give a user of the financial statements a clear and fair opinion about all material changes in the asset and liability items in the balance sheet and the development trend of the capital company.
(8) Where the accounts referred to in Paragraphs 1 and 2 hereof have been examined or audited by an official auditor, they shall be submitted along with that official auditor’s opinion. Where the accounts referred to in Paragraphs 1 and 2 hereof have not been examined or audited by an official auditor, the capital company shall disclose this in the interim management report.
(9) A capital company that has the obligation to prepare the consolidated annual accounts shall submit the consolidated version of the accounts referred to in Paragraphs 1 and 2 hereof.
(As amended by the Laws of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)

Article 57.1
Information
(1) Issuers whose transferable securities are admitted to trading on the regulated market shall, at least annually, submit documents that have been published or disclosed to the public during the preceding twelve months in one or several member states and foreign countries in due course of the effective regulatory provisions and Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. An issuer shall be entitled to submit only the list of published documents by indicating the place where they are available.
(2) The information referred to in Paragraph 1 hereof shall be submitted to the Commission after the publication of the financial statements.
(3) Paragraph 1 hereof shall not apply to the issuers of non-equity transferable securities and in those cases when the nominal value of one security is not less than an amount in lats equivalent to 50 000 euros, calculated at the Bank Latvia's exchange rate.

Article 58
Exemptions
The requirements of Articles 56 and 57 hereof shall not apply to:
1) transferable securities issued by member states, local governments, their institutions or agencies, organizations that are subject to international public law and whose members are one or several member states, the European Central Bank and the national central banks of member states;
2) issuers of such debt securities only which have been admitted to trading on the regulated markets and for which the nominal value of one debt security is not less than an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, or not less than the equivalent of 50 000 euros on the date of the issue, where the debt securities are issued in a currency other than the euro.

Article 59
Significant Events
(1) An issuer whose transferable securities are admitted to trading on the regulated market shall disseminate information about significant events without delay in due course of Article 642 hereof.
(2) For the purposes of this Article, a significant event shall mean:
1) an issuer’s decision about changes in the composition of its executive board or council, about changing the company’s controller, the official auditor or the procuration holder. In respect of the newly elected members of the executive board and of the council, the issuer shall have an obligation to provide a brief description of the professional experience of these persons during the previous three years and information about the number of the its shares with voting rights belonging to these persons;
2) an issuer’s decision about changing its firm name (the name), legal address or actual location;
3) the court or arbitration court process instituted by the issuer or instituted against the issuer, as well as the condensed or complete judgment of the court or of the arbitration court or the announced judgment that has not yet taken effect where these events are likely to have a significant effect on the commercial activities or the financial standing of the issuer. For the purposes of this Subparagraph, a court or an arbitration court process has a significant effect on the commercial activities or the financial standing of the issuer where in a dispute about a transaction, expressed in the terms of money, the amount of the claim is significant or where in a dispute about a claim that is not of a tangible character or that does not have to be assessed when submitting the claim to the court the outcome of the court process is likely to have a significant effect on the issuer’s rights to perform a certain type of commercial activities, rights to an intellectual property, a patent, a licence, a permit that is significant to the issuer or it is likely to change notably the issuer’s financial standing;
4) the court process, and also the condensed or the complete court judgment or the announced judgment that has not yet taken effect and is related with a dispute about a record in the commercial register about the issuer (the issuer’s firm, members of the executive board or of the council, share capital, legal address) or a dispute about validity of a decision of the issuer’s shareholders meeting;
5) the decision of an issuer, its parent undertaking or subsidiary undertaking to file an insolvency application with the court about any of its debtors, where the amount of the claim of the issuer, its parent undertaking or subsidiary undertaking is significant;
6) initiation of insolvency proceedings in respect of any debtor of an issuer, its parent undertaking or subsidiary undertaking, announcing its insolvency or initiation of its bankruptcy procedure irrespective of the applicant, where the amount of the claim of the issuer, its parent undertaking or subsidiary undertaking is significant;

7) submission of an insolvency application in respect of an issuer, its parent undertaking or subsidiary undertaking;
8) announcing of insolvency or rehabilitation of an issuer, its parent undertaking or subsidiary undertaking;
9) an issuer's intention to initiate termination of commercial activities or liquidation;
10) an issuer's intention on admitting its financial instruments admitted to trading on the regulated market to trading on another regulated market, as well as admitting to trading on another regulated market of the financial instruments issued by the issuer or discontinuing the trading in such instruments on another regulated market;
11) an issuer's statement about its financial performance of forecast thereof;
12) an issuer's transactions with fixed assets of a notable volume;
13) significant fluctuations of the prices of the commodities, raw materials or services that are important to the issuer;
14) suspension, termination or cancellation of the agreements that are important to the issuer, significant violations of the signed agreements because of the issuer's fault or in relation to the issuer;
15) decisions of public institutions that are likely to have a significant effect of the issuer's rights to perform a specific type of commercial activities or that are likely to affect the assessment of the issuer's transferable securities;
16) obtaining or losing new markets of commodities or services;
17) investments of a significant volume;
18) increasing or decreasing the share capital;
19) the issuer's intention to carry out reorganization, and also a proposal made to the issuer on buying the shares of its subsidiary undertaking and the issuer's response to that proposal;
20) acquisition or termination of a qualifying holding in other commercial companies;
21) an agreement signed with another commercial company about an establishment of a commercial company in which each party to the agreement shall own a part of the capital or concluding of a joint transaction where the transaction volume is significant;
22) the issuer's intention to change the area of the commercial activity.
(3) For the purposes of this Article, transactions or investments of a significant volume shall mean transactions of the issuer or of its subsidiary undertaking in which the amount paid or receivable for the assets, including the market value of assets or of financial instruments, or the issuer's debt liabilities or borrowings equal or exceed 10 percent of the issuer's equity capital in accordance with the latest consolidated balance sheet audited by an official auditor.
(4) The issuer shall have an obligation to provide information about the transactions of a significant volume and in parallel to disclose information about the effect of a transaction on its commercial activities and financial performance, about the amount receivable or payable in respect of the transaction, including about the amount that will be received or paid in the forthcoming periods, about the terms of the payment and the payment schedule.
(5) An issuer shall ensure that information is precise, fair, understandable and complete. An issuer shall not disclose unfair or misleading information about significant events.
(6) An issuer shall have an obligation to disseminate information in due course of Article 642 hereof about any other event that is not mentioned in this Article even if that event does not comply with the criteria referred to in Paragraphs 2 and 3 hereof but is likely to have a significant effect on the issuer's financial standing, possibilities to carry out certain type of commercial activities or its disclosure is likely to have a material effect on the assessment of the issuer's transferable securities that are admitted to trading on the regulated market, thus ensuring investor protection or a

smooth functioning of the market.
(7) Where an issuer learns that other persons disseminate information about the issuer that is likely to affect or has affected the price of the issuer's transferable securities, the issuer shall without delay provide its comments about the disseminated information in due course of Article 642 hereof.
(8) Where there are changes in the information that the issuer has already disseminated in due course of Article 642 hereof, the issuer shall without delay disseminate a statement about the changes according to the same pattern.
(In the wording of the Law of February 26, 2009 and as amended by the Law of October 15, 2009 taking effect on January 1, 2010)

Chapter IV
Acquisition of a Major Holding

(Chapter in the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 60
Scope of this Chapter
(1) The provisions of this Chapter in respect of the obligation to make a notification and consequences of a failure to make a notification shall apply to the persons acquiring or disposing of shares that are admitted to trading on the regulated market in the Republic of Latvia.
(2) Where depository receipts are issued in exchange for shares of a joint-stock company that are admitted to trading on the regulated market, the obligation to make a notification shall apply to the acquirer and not to the issuer.
(3) The requirements of Paragraphs 1, 2, 3, 5 and 6 of Article 61 hereof shall also apply to the persons entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof.
(4) The obligation to make a notification referred to in Article 61 hereof shall apply to a person that, on the basis of the voting rights attaching to the transferable securities or the financial instruments referred to in Subparagraph 4 of Paragraph 2 of Article 3 hereof, has directly or indirectly acquired a holding that, pursuant to a written agreement between the parties signed upon the initiative of the owner of the transferable securities or of the financial instruments, entitles the person to acquire the shares with voting rights already issued by an issuer whose shares are admitted to trading on the regulated market. During the time period set out in the agreement, the holder of those transferable securities or of the financial instruments shall have unlimited rights to acquire the respective shares or an option to acquire or not acquire them at its discretion.
(As amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 61
Obligation to Make a Notification
(1) A shareholder who acquires or disposes of shares with voting rights of a jointstock company whose shares are admitted to trading on the regulated market, in the time period referred to in Paragraph 2 of Article 611 hereof shall notify the respective joint-stock company and simultaneously the Commission of the proportion of its voting rights as a result of the acquisition or disposal of shares, where that proportion reaches, exceeds or falls below the thresholds of five, ten, fifteen, twenty, twenty-five, thirty, fifty and seventy-five percent.
(2) Where the home member state of a joint-stock company is the Republic of Latvia, the persons referred to in Paragraph 1 hereof shall notify the respective joint-stock company and simultaneously the Commission of the proportion of their voting rights as a result of the share acquisition or disposal of shares, where that portion reaches,

exceeds or falls below the thresholds of ninety and ninety-five percent.
(3) The proportion of voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise thereof is suspended. The
88
information referred to in Paragraph 1 hereof shall also be provided in respect of all shares of the same class to which voting rights are attached.
(4) To establish the proportion of an indirectly acquired holding, the voting rights set out in Article 8 hereof shall be taken into account.
(5) Where as a result of certain events the proportion of a shareholder's voting rights changes and it reaches, exceeds or falls below the thresholds provided for in Paragraphs 1 and 2 hereof, the shareholder shall notify the joint-stock company and simultaneously the Commission.
(6) A shareholder shall comply with the requirements of this Article even if the issuer is registered in a foreign country.
(7) The notification referred to in this Article shall be disseminated by a joint-stock company in due course of Article 642 hereof not later than within one trading day of its receipt.
(8) To facilitate the calculation of the voting rights attaching to shares, as referred to Paragraph 1 hereof, a joint-stock company shall update the information on the total number of its shares with voting rights and the share capital by disseminating it in due course of Article 642 hereof on the last day of each calendar month, where the number of shares with voting rights or the share capital has increased or decreased during that month.
(9) When calculating the proportion of the voting rights referred to in Paragraph 8 hereof, a shareholder shall use the information disseminated by a joint-stock company in accordance with the requirements of Paragraph 7 hereof.
(10) Where an issuer whose shares are admitted to trading on the regulated market acquires or disposes of its shares itself or through the medium of another person that acts on its own behalf, but for the issuer's benefit, the issuer shall disseminate the information on the acquired proportion of its own shares as soon as possible, but not later than within four trading days, starting on the next day after the acquisition or disposal of shares, where that proportion reaches, exceeds or falls below the thresholds of five or ten percent. The proportion shall be calculated taking into account the total number of shares with voting rights.
(As amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 611
Procedure Whereby a Notification is Made
(1) The notification referred to in Article 61 hereof shall include the following information:
1) distribution of voting rights on the day of submitting the notification that is expressed in figures and as a percentage of the share capital and of the number of shares with voting rights after they have been acquired or disposed of;
2) commercial companies through the medium of which a shareholder effectively holds voting rights;
3) the date on which the thresholds referred to Paragraphs 1 and 2 of Article 61 hereof were reached or crossed;
4) the identity of a shareholder, even if that shareholder is not entitled to exercise voting rights under the conditions laid down in Paragraph 3 of Article 60 hereof, and of the natural or the legal person entitled to exercise voting rights on behalf of that shareholder.
(2) A notification shall be submitted to the joint-stock company and simultaneously to the Commission as soon as possible, but not later than within four trading days,

starting on the day after the date on which the shareholder or the person referred to in Paragraph 3 of Article 60 hereof:
1) learns of the acquisition or disposal of or of the possibility to exercise voting rights, or, in view of the circumstances, the person should have learned of it, regardless of the date on which the acquisition or disposal of or the possibility to exercise voting rights takes effect. For the purposes of this Subparagraph, a person is deemed to learn about the acquisition, the disposal of or the possibility to exercise voting rights not later than within two trading days after the execution of the transaction;
2) is informed about the event referred to in Paragraph 5 of Article 61 hereof.
(21) To establish the trading days referred to in Paragraph 2 hereof and in Paragraphs 7 and 10 of Article 61 hereof, the calendar of trading days of the issuer's home member state shall be used that has been published by the respective regulated market organizer on its Internet homepage. The Commission shall publish on its Internet homepage the calendar of trading days as established by each regulated market organizer.
(22) Where a notification is made in accordance with the requirements of Paragraph 4 of Article 60 hereof and the underlying asset of the financial instrument comprises shares issued by several joint-stock companies, the notification shall be made to each respective joint-stock company and simultaneously to the Commission in accordance with the requirements of Paragraph 2 hereof.
(23) When calculating the share of the voting rights referred to in Paragraph 4 of Article 60 hereof, a person shall sum up all voting rights attaching to the financial instruments issued by one issuer.
(24) The share of an indirectly acquired holding that reaches, exceeds or falls below the share referred to in Paragraphs 1 and 2 of Article 61 hereof shall be notified by each shareholders or each person who has indirectly acquired the holding in accordance with Article 8 hereof or by both where the share of the voting rights of each mentioned person reaches, exceeds or falls below the share referred to in Paragraphs 1 and 2 of Article 61 hereof.
(25) In the case referred to in Subparagraph 1 of Article 8 hereof, all persons who have signed the agreement shall make a joint notification.
(26) In the case referred to in Subparagraph 8 of Article 8 hereof, where a shareholder issues a proxy for representation at one shareholders meeting, one notification shall be made on the day of issuing the proxy. The notification shall indicate the distribution of the voting rights after the proxy holder will no longer be entitled to exercise the voting rights at its discretion.
(27) In the case referred to in Subparagraph 8 of Article 8 hereof, where a proxy holder receives, in one day, one or several proxies for one shareholders meeting, one notification shall be made on the day of receiving proxies. The notification shall indicate the distribution of the voting rights after the proxy holder will no longer be entitled to exercise the voting rights at its discretion.
(28) Where the obligation to make a notification refers to several persons, the notification referred to in this Article may be made as a joint notification. Making a joint notification shall not release from liability in respect of the notification the persons who have the obligation to make the notification.
(3) When calculating the proportion of the shares with voting rights referred to in Paragraphs 1 and 2 of Article 60 hereof, the parent undertaking of an investment management company shall not be required to sum up the shares it owns with the shares managed by the subsidiary investment management company under the requirements of the regulatory provisions, provided that such subsidiary investment management company exercises its voting rights independently from the parent undertaking.
(4) Paragraph 3 hereof shall not apply where the parent undertaking or another

commercial company controlled by the parent undertaking has invested in the same shares in which the subsidiary investment management company has invested the resources of the investment funds it manages, and the subsidiary investment management company has no discretion to exercise the voting rights attached to such shares and may only exercise such voting rights under direct or indirect instructions from the parent undertaking or another commercial company controlled by the parent undertaking.
(5) When calculating the proportion of the shares with voting rights referred to in Paragraphs 1 and 2 of Article 60 hereof, the parent undertaking of an investment brokerage firm shall not be required to sum up the shares referred to in Paragraph 2 of Article 60 hereof and those referred to in Article 61 hereof with the shares that the subsidiary investment brokerage firm manages as the shares of a customer under an individual authorization within the meaning of Subparagraph 3 of Paragraph 4 of Article 3 hereof, provided that the subsidiary investment brokerage firm:
1) has a licence to provide the investment services referred to in Subparagraph 3 of Paragraph 4 of Article 3 hereof;
2) shall be entitled to exercise the voting rights attached to such shares only under instructions given in writing or by electronic means by a person that is not related with the investment brokerage firm or it ensures that individual portfolio management services are conducted independently of any other services under conditions equivalent to those provided for under the Law on Investment Management Companies by putting into place appropriate mechanisms;
3) exercises its voting rights independently from the parent undertaking.
(6) Paragraph 5 hereof shall not apply where the parent undertaking or a commercial company controlled by the parent undertaking has invested in the shares managed by its subsidiary investment brokerage firm, and the subsidiary investment brokerage firm has no discretion to exercise the voting rights attached to such shares and is entitled to exercise such voting rights only under direct or indirect instructions from the parent undertaking or a commercial company controlled by the parent undertaking.
(61) Paragraphs 3 and 5 hereof shall apply only in the cases when the parent undertaking of an investment management company or of an investment brokerage firm (hereinafter in this Article jointly or separately referred to as "the parent undertaking") complies with the following conditions:
1) it shall not influence, by giving a direct or an indirect instruction or otherwise, the exercise of the voting rights attaching to the shares belonging to its subsidiary undertaking that is an investment management company or an investment brokerage firm (hereinafter in this Article jointly or separately referred to as "a subsidiary undertaking"). For the purposes of this Subparagraph, a direct instruction shall mean any instruction that is given by a parent undertaking or a commercial company controlled by it and that specifies how the subsidiary undertaking shall exercise the voting rights in the particular case. An indirect instruction shall mean any general or particular instruction that is given by the parent undertaking or a commercial company controlled by it and that limits the discretion of the subsidiary undertaking in respect of the exercise of the voting rights in order to serve specific business interests of the parent undertaking or of the commercial company controlled by it;
2) a subsidiary undertaking may be free and independent on the parent undertaking to exercise the voting rights attaching to the shares it manages.
(62) Where the parent undertaking intends to apply the option referred to in Paragraphs 3 and 5 hereof, it shall send, without delay, the following information to the competent authority of the home member state of the issuer:
1) the list of subsidiary undertakings indicating the supervisory authority of each subsidiary undertaking or indicating that there is no such supervisory authority. When

providing this information, it is not necessary to specify the respective issuers;
2) a statement to the effect that in relation to each subsidiary undertaking the parent undertaking has fulfilled the conditions referred to in Paragraph 61 hereof.
(63) The parent undertaking shall update the list referred to in Subparagraph 1 of Paragraph 62 hereof on a regular basis and notify to this effect the competent authority of the issuer's home member state.
92
(64) Where the parent undertaking intends to apply the requirements set out in Paragraphs 3 and 5 hereof only to the financial instruments referred to in Paragraph 4 of Article 60 hereof, it shall send to the competent authority of the issuer's home member state only the list referred to in Subparagraph 1 of Paragraph 62 hereof.
(65) Upon a request of the Commission, the parent undertaking shall have the obligation to demonstrate the following:
1) the organization structure of the parent undertaking and of the subsidiary undertaking are such that the subsidiary undertaking may exercise the voting rights attaching to the shares it manages irrespective of the parent undertaking;
2) the persons who take decisions about exercising the voting rights act independently;
3) where the parent undertaking is a client of a subsidiary undertaking or manages the same financial instruments as the subsidiary undertaking, there is a written agreement signed between the parent undertaking and the subsidiary undertaking to the effect that both parties act independently in respect of the exercise of the voting rights at shareholders meetings.
(66) It is deemed that Subparagraph 1 of Paragraph 65 hereof is complied with where the parent undertaking and a subsidiary undertaking have developed at least the policies and the procedures that ensure that the information about the exercise of the voting rights is not disseminated between the parent undertaking and the subsidiary undertaking.
(7) Only forms whose sample is approved by the Commission shall be used for making a notification.
(8) An issuer whose home member state is not the Republic of Latvia, but whose transferable securities are admitted to trading only on the regulated market in the Republic of Latvia and have not been admitted to trading on the regulated market in the home member state shall disseminate the regulated information in accordance with the requirements of Article 642 hereof.
(As amended by the Laws of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)

Article 62
Exemptions from the Obligation to Make a Notification
(1) The requirements of Article 61 hereof shall not apply to shares acquired for the sole purpose of clearing and settling within the usual settlement cycle, or to the shares held by a financial custodian provided that such custodian is entitled to exercise the voting rights attached to such shares only under a shareholder's instructions given in writing or by electronic means.
(2) The usual settlement cycle referred to in Paragraph 1 hereof is three days after the day on which a transaction is made.
(3) The requirements of Article 61 hereof shall not apply to the acquisition or disposal of a major holding reaching or crossing the threshold of five percent by a market maker acting in its capacity of a market maker, provided that it:
1) has a licence issued by the home member state in accordance with the requirements of regulatory provisions;
2) it neither intervenes in the management of the issuer concerned nor exerts any

influence on the issuer so that shares are bought or the share price is backed;
3) complies with the requirements of Article 621 hereof.
(4) The obligation to make a notification referred to in Article 61 hereof shall not apply to banks or investment brokerage firms whose home member state is the Republic of Latvia and whose trading portfolio includes shares with voting rights provided that their total proportion does not exceed five percent of all shares with voting rights and that the bank or the brokerage firm ensures that the voting rights attaching to the shares it owns are neither exercised nor otherwise used to intervene in the management of the joint-stock company (issuer) and the economic and financial performance of the joint-stock company.
(5) The requirements of Paragraph 3 of Article 8 hereof and of Article 61 of this Law shall not apply to the shares provided to or by the members of the European System of Central Banks in carrying out their functions as monetary authorities, including the shares provided to or by the members of the European System of Central Banks under a pledge or a repurchase or a similar agreement for liquidity granted for monetary policy purposes or within a payment system. The exemption shall apply to the above transactions lasting for a short period provided that the voting rights attaching to such shares are not exercised.
(6) The notification referred to in Paragraph 1 of Article 611 hereof shall not be made where shares are acquired by a subsidiary undertaking and where either the parent undertaking has already made the notification or the parent undertaking itself is a controlled commercial company and its parent undertaking has made the notification.
(7) Where, in due course of Article 61 hereof, the notification of the acquisition of shares has been made by a person that has acquired shares as an indirect holding, the persons that have assisted with the indirect acquisition of shares shall not have the obligation to notify of the acquisition of shares.
(As amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 62.1
Controlling the Market Maker
(1) Where a market maker seeks to benefit from the exemption referred to in Paragraph 3 of Article 62 hereof, it shall notify the Commission as soon as possible but not later than within four trading days to the effect that it conducts or intends to conduct market maker's activities in respect of the financial instruments issued by the respective issuer. Where in respect of the financial instruments issued by the respective issuer a market maker ceases to conduct market maker's activities, it shall notify the Commission of its decision as soon as possible but not later than within four trading days.
(2) The Commission shall approve the sample form for the notifications referred to in Paragraph 1 hereof.
(3) Where a market maker seeks to benefit from the exemption referred to in Paragraph 3 of Article 62 hereof, the Commission shall be entitled to request that the market maker identifies the financial instruments with which it carries out market maker's activities. A market maker shall identify these financial instruments by any verifiable means, but where a market maker is not able to identify precisely the financial instruments with which it carries out market maker's activities, the Commission shall be entitled to request that the market maker holds those financial instruments in a separate account of financial instruments for identification purposes.
(In the wording of the Law of May 22, 2008 taking effect on June 25, 2008)

Article 63
Requirements to an Issuer Registered in a Foreign Country
(1) An issuer whose legal address is in a foreign country shall be entitled not to apply

the requirements of Paragraphs 1, 2 and 9 of Article 54, Subparagraph 6 of Paragraph 3 of Article 54, Paragraph 8 of Article 54, Articles 56, 57 and 58 and Paragraphs 7, 8 and 10 of Article 61 of this Law, where information provided by that issuer in accordance with the requirements of its national regulatory requirements is the same as set out in the regulatory provisions of the Republic of Latvia or where the Commission has recognized it as equivalent information. Information that an issuer whose legal address is in a foreign country provides in accordance with the requirements of regulatory provisions of that country, shall be provided also in due course of this Law.
(2) Where the transferable securities of an issuer whose legal address is in a foreign country are admitted to trading on the regulated market in the Republic of Latvia, information that the issuer has provided in that foreign country and that is important also in Latvia, even if it is not the regulated information in the meaning of this Law, shall be disseminated in due course of Article 642 hereof.
(3) Where a commercial company whose legal address is in a foreign country provides investment services that, if provided in a member state, are subject to a permission for the provision of investment services, it may not sum up the shares referred to in Paragraphs 3, 4 and 5 of Article 611 hereof with the shares of its parent undertaking, where it is an investment management company or an investment brokerage firm that complies with the provisions for the independence of activity as established by the Commission.
(4) (Deleted by the Law of May 22, 2008)
(As amended by the Laws of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)

Article 63.1
Recognizing as Equivalent the Information Submitted by an Issuer Registered in a Foreign Country
(1) Where an issuer's legal address is in a foreign country and its management report has been prepared in accordance with the requirements of the regulatory provisions of the respective foreign country, it shall be deemed equivalent to the requirements of Subparagraph 2 of Paragraph 1 of Article 56 hereof provided that it contains at least the following:
1) a clear overview of the development of the issuer's commercial activities and of the financial performance and of the key risks and uncertainties the issuer faces. The overview shall provide a comprehensive and detailed analysis of the development of the issuer's commercial activities and of its financial performance in view of the volume and the complexity of the issuer's transactions. As far as it is necessary to understand the development of the issuer's commercial activities and of its financial performance, the analysis referred to hereof shall include the main financial and, where possible, non-financial performance indicators that characterize the relevant area of the commercial activity;
2) information about any significant events as of the end of the previous financial year;
3) information about the foreseeable future development of the issuer.
(2) Where an issuer's legal address is in a foreign country and the regulatory provisions of that foreign country contain a requirement that in addition to the interim management report also the condensed financial statements shall be submitted, the interim management report drawn up by that issuer shall be deemed equivalent to the requirements of Subparagraph 2 of Paragraph 4 of Article 57 hereof provided that it contains at least information about the following:
1) the respective interim period;
2) the foreseeable development of the issuer in the next six months of the financial

year;
3) larger transactions with the related persons. This requirement applies to a capital company whose shares are admitted to trading on the regulated market where that information has not already been provided.
(3) Where an issuer's legal address is in a foreign country and the regulatory provisions of that foreign country contain a requirement that the person or persons of the issuer shall be responsible for drawing up annual and half-yearly financial information, especially in relation to the compliance of the financial reporting with the effective provisions governing the financial reporting or accounting standards and governing the statement about the truthfulness of the management report, the statement about the responsibility of the management shall be deemed equivalent to the requirements set out in Subparagraph 3 of Paragraph 1 of Article 56 hereof and in Subparagraph 3 of Paragraph 4 of Article 57 hereof.
(4) In cases when an issuer's legal address is in a foreign country and the regulatory provisions of that foreign country do not contain a requirement that, in addition to the consolidated annual accounts, a capital company shall also submit the annual report/accounts, the prepared consolidated annual accounts shall be deemed compliant with the provisions of Paragraph 2 of Article 56 hereof provided that the consolidated financial statements have been prepared in accordance with the international financial reporting standards or equivalent international financial reporting standards.
(41) In addition to the international financial reporting standards in respect of the consolidated financial statements and the consolidated interim financial statements for six months the following shall be deemed equivalent to the international financial reporting standards:
1) international financial reporting standards provided that the notes of the verified or audited financial statements contain a clear and direct statement to the effect that the respective financial statements comply with International Accounting Standard No. 1 "Presentation of Financial Statements" adopted by the Commission Regulation (EC) No 1274/2008 of 17 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1;
2) generally accepted accounting principles of Japan;
3) generally accepted accounting principles of the United States of America.
(42) An issuer whose legal address is in a foreign country shall communicate the notification about the date as of which it starts complying with the international financial reporting standards in due course of Article 642 hereof and the Commission shall cancel the requirement for recognizing equivalence in respect of that issuer as at the date referred to in the notification.
(43) In the cases when an issuer's legal address is in a foreign country and it does not use international financial reporting standards or equivalent international financial reporting standards, the prepared consolidated annual accounts shall be deemed compliant with the requirements of Paragraph 2 of Article 56 hereof provided that they contain information about the following:
1) calculation of dividends and the ability to pay dividends. This requirement applies to share issuers;
2) the issuer's liquidity and the minimum capital requirements where such requirements are set out in the regulatory provisions of the respective foreign country.
(5) Upon a request from the competent authority of the home member state, an issuer shall submit to it information, audited by an official auditor, about its nonconsolidated financial statements that is linked with the information in the consolidated annual accounts. That information may be drawn up in accordance with the regulatory provisions of the respective foreign country.

(6) Where an issuer's legal address is in a foreign country and an issuer does not draw up consolidated annual accounts in accordance with the requirements of the regulatory provisions of that foreign country, but its financial statements are drawn up in accordance with the international accounting standards and the international financial reporting standards approved by the European Commission or in accordance with the requirements of the regulatory provisions of the foreign country that are equivalent to the requirements of the international accounting standards and international financial reporting standards approved by the European Commission, the financial statements of that issuer shall be deemed compliant with the requirements of Paragraphs 3 and 4 of Article 56 hereof. An issuer's financial statements shall be audited.
(7) Where the financial statements of a foreign issuer have not been prepared in accordance with the requirements of Paragraph 6 hereof, in the financial statements that issuer shall also include the data calculated in accordance with the requirements of the international accounting standards and of the international financial reporting standards approved by the European Commission.
(8) Where an issuer's legal address is in a foreign country and the requirements of the regulatory provisions of that foreign country set out that the overall term for receiving and disseminating the information about the acquisition or termination of a qualifying holding is seven trading days or less, the requirement of the regulatory provisions of that foreign country shall be deemed equivalent to the requirements set out in Paragraph 7 of Article 61 hereof. The deadlines for notifying the issuer about the acquisition or termination of a qualifying holding and for disseminating the information received may be different from those set out in Paragraph 7 of Article 61 hereof and in Paragraph 2 of Article 611 hereof.
(9) The requirements of the regulatory provisions of a foreign country shall be deemed equivalent to the requirements of Paragraph 10 of Article 61 hereof where an issuer whose legal address is in that foreign country has the obligation to comply with the following requirements:
1) where an issuer is allowed to hold its own shares in the amount of up to five percent of the share of voting rights, it shall make a notification every time when this share is reached or exceeded;
2) where an issuer is allowed to hold its own shares in the amount from five to ten percent of the share of voting rights, it shall make a notification every time when the share of five or of ten percent is reached or exceeded;
3) where an issuer is allowed to hold its own shares in the amount of more than ten percent of the share of voting rights, it shall make a notification every time when the share of five or of ten percent is reached or exceeded.
(10) Where an issuer’s legal address is in a foreign country and the regulatory provisions of that foreign country contain a requirement that within 30 calendar days after the number of shares with voting rights or the share capital has increased or decreased an issuer shall disseminate that information, that requirement of the regulatory provisions of a foreign country shall be deemed equivalent to the requirements of Paragraph 8 of Article 61 hereof.
(11) Where an issuer’s legal address is in a foreign country and the regulatory provisions of that foreign country contain a requirement to provide information about the place, time and agenda of the shareholders meeting, the requirements of the regulatory provisions of that foreign country, as far as they concern the contents of that information, shall be deemed equivalent to the requirements of Subparagraph 1 of Paragraph 2 of Article 54 hereof and of Subparagraph 1 of Paragraph 3 of Article 54 hereof.
(12) The requirements of the regulatory provisions of a foreign country shall be deemed equivalent to the requirements of Paragraphs 3 and 5 of Article 611 hereof

where they stipulate that the commercial companies referred to in Paragraph 3 of Article 63 hereof shall comply with the following conditions:
1) a subsidiary undertaking that is an investment management company or an investment brokerage firm exercises the voting rights attaching to the financial instruments it manages freely and independently of the parent undertaking;
2) in case of a conflict of interest a subsidiary undertaking that is an investment management company or an investment brokerage firm votes independently from the interests of the parent undertaking or of the commercial company controlled by the parent undertaking.
(13) The parent undertaking referred to in Paragraph 12 hereof shall comply with the requirements of Subparagraph 1 of Paragraph 62 and of Paragraph 64 of Article 611 and shall also provide a statement to the effect that it has fulfilled the conditions referred to in Paragraph 12 hereof in respect of each its subsidiary undertaking that is an investment management company or an investment brokerage firm.
(14) The parent undertaking referred to in Paragraph 12 hereof shall demonstrate to the Commission that it has fulfilled the obligation referred to in Paragraph 65 of Article 611 hereof.
(15) Where an issuer’s legal address is in a foreign country and the regulatory provisions of that foreign country contain an obligation to publish interim accounts for three, six, nine and twelve months, such requirement shall be deemed equivalent to the requirement set out in Paragraph 1 of Article 57 hereof.
(In the wording of the Law of May 22, 2008 and as amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 64
Consequences of a Failure to Make a Notification
(Deleted with the Law of May 22, 2008 taking effect on June 25, 2008)

Article 64.1
Languages Used to Provide Regulated Information
(1) Where an issuer's home country is the Republic of Latvia and the transferable securities of that issuer are admitted to trading on the regulated market only in the Republic of Latvia, the regulated information shall be provided in the official language.
(2) Where an issuer's home country is the Republic of Latvia and the transferable securities of that issuer are admitted to trading on the regulated market both in the Republic of Latvia and one or several member states, the regulated information shall be provided in the official language and, at the issuer's choice, either in the language accepted as appropriate by the competent authorities of the respective member states or in the language customary in the sphere of international finance.
(3) Where transferable securities are admitted to trading on the regulated market in one or several member states, except the Republic of Latvia, the regulated information shall be provided, at the issuer's choice, either in the language accepted as appropriate by the competent authorities of the respective member states or in the language customary in the sphere of international finance.
(4) Where an issuer's home country is not the Republic of Latvia and the transferable securities of the issuer are admitted to trading on the regulated market only in the Republic of Latvia, but are not admitted to trading on the regulated market in the issuer's home country, the regulated information shall be provided at the issuer’s choice in the official language or in the language customary in the sphere of international finance.
(5) Where the admission of transferable securities to trading on the regulated market has not been asked by the issuer itself but by another person, the requirements of

Paragraphs 1, 2 and 3 hereof shall not apply to the issuer, but shall apply to the person asking the admission of transferable securities to trading on the regulated market.
(6) The shareholders, the acquirers of depository receipts and the persons that are entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof shall be entitled to provide the regulated information to a jointstock company in the language customary in the sphere of international finance.
(7) In cases when transferable securities, for which the nominal value of one unit is at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, or at least an amount equivalent to 50 000 euros on the date of the issue where the value of debt securities is in the currency other than the euro, are admitted to trading on the regulated market in one or several member states, the regulated information, at the choice of the issuer or of the person that has asked the admission of transferable securities to trading on the regulated market, shall be disclosed to the public either in the language accepted as appropriate by the Commission and the competent authorities of the respective member states or in the language customary in the sphere of international finance.
(8) Where a member state files a claim with the court about the contents of the provided regulated information, the costs incurred as a result of translating the necessary information shall be covered in accordance with the regulatory provisions of member states.
(As amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 64.2
Dissemination of the Regulated Information and Access to Such Information
(1) An issuer or a person that has asked the admission of transferable securities to trading on the regulated market shall disclose the regulated information to the public via mass media or other information dissemination channels (hereinafter in this Article, "mass media") in accordance with the provisions of this Article and in a manner ensuring its dissemination to as wide public as possible, simultaneously in the home member state and other member states, and at the same time shall send the regulated information to the official storage system in due course of this Article.
(2) The Commission shall establish the procedure whereby an official storage system is established and maintained, including the requirements for the security of the official storage system and for the dissemination of the regulated information, and the procedure whereby information shall be sent to the official storage system.
(3) The regulated information shall be disseminated to mass media in unedited full text. As to the regulated information referred to in Articles 56, 561 and 57 hereof, this requirement shall be deemed fulfilled if the announcement communicated to mass media indicates on which Internet homepage, in addition to the official storage system, the regulated information has been disseminated.
(31) Regulated information shall be disseminated to mass media in the following manner:
1) which provides certainty as to the source of the regulated information and ensures the security of the dissemination, minimizes the risk of data corruption or unauthorized access;
2) which makes clear that the information is regulated information, identifies clearly the issuer concerned, the subject matter of the regulated information and the time and date of the dissemination of the regulated information.
(32) To guarantee security in respect of the dissemination of the regulated information to mass media, the issuer or the person who has asked the admission of transferable securities to trading on the regulated market shall remedy as soon as possible any failure or disruption, where there are any in the dissemination of the information. The issuer or the person who has asked the admission of transferable securities to trading

on the regulated market shall not be responsible for systemic errors or shortcomings in the mass media to which the regulated information has been disseminated.
(4) The regulated information shall be freely available to any interested person for at least five years after its entering in the official storage system.
(5) An issuer or a person asking for the admission of transferable securities to trading on the regulated market shall not be entitled to charge investors for the provision of the regulated information referred to in this Law.
(6) To ensure that every interested person can easily find information disclosed to the public in accordance with the requirements of regulatory provisions, the Commission shall post on its Internet homepage the list of Internet homepage addresses of market organizers, the Enterprise Register and the official storage systems of other member states.
(As amended by the Laws of May 22, 2008, of February 26, 2009 and of October 15, 2009 taking effect on January 1, 2010)

Article 64.3
Rights of the Commission
(1) To ensure that the provisions of Article 54 hereof and of Chapters III and IV of Section D of this Law are observed, the Commission shall have the following rights in parallel to the rights established by the Law on Financial and Capital Market Commission and this Law:
1) require the information and documents necessary to carry out its functions from official auditors, issuers, shareholders, acquirers of depository receipts, persons that are entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof and from persons who exercise control over commercial companies or are controlled by such companies;
2) where the Commission deems this necessary, require that an issuer discloses to the public information requested by the Commission in accordance with Subparagraph 1 of Paragraph 1 hereof by the deadline and following the procedure that has been established by the Commission. Where an issuer or persons that exercise control over commercial companies or are controlled by such companies fail to comply with the requirement of the Commission, the Commission shall be entitled to publish this information upon its initiative after hearing the issuer's opinion;
3) require that an issuer, a shareholder, an acquirer of a depository receipt, a holder of other financial instruments or a person that is entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof discloses the information requested in accordance with the requirements of the regulatory provisions governing the functioning of the financial instruments market and, where necessary, require that they provide additional information or documents;
4) suspend or require that the regulated market organizer suspends trading in transferable securities for the period of up to 10 days, where it has a motivated reason to consider that an issuer has violated the requirements of the regulatory provisions governing the functioning of the financial instruments market;
5) prohibit trading in transferable securities on the regulated market, where it uncovers that the requirements of the regulatory provisions governing the functioning of the financial instruments market have been violated or it has a motivated suspicion of such violation;
6) supervise timely disclosure to the public of information by an issuer to ensure that the public has efficient and equal access to information in all member states where transferable securities are admitted to trading on the regulated market and take the necessary measures, where the requirements of the relevant regulatory provisions have not been observed;
7) make public the fact that an issuer, a shareholder, an acquirer of a depository

receipt, a holder of other financial instruments or a person that is entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof has failed to meet the requirements of the regulatory provisions governing the functioning of the financial instruments market;
8) check whether the regulated information has been prepared in accordance with the requirements for drawing up financial statements and take the necessary measures where violations are detected;
9) inspect on site the compliance with the requirements of the regulatory provisions governing the functioning of the financial instruments market;
10) request from a market organizer all information and documents, including an agreement signed between a market maker and a regulated market organizer or an issuer, if any, that are necessary to perform its tasks;
11) request from an issuer or a person who has asked the admission of transferable securities to trading on the regulated market the following information about the dissemination of the regulated information to mass media:
a) the name and surname of the person who disseminated the regulated information to mass media,
b) the security observed in the dissemination of the regulated information,
c) the date and time on which the regulated information was disseminated to mass media,
d) the medium in which the regulated information was disseminated,
e) details of embargo placed by the issuer on the regulated information, if any.
(2) Where the Commission detects that an issuer of another member state or a shareholder of such issuer, an acquirer of a depository receipt, a holder of other financial instruments or a person that is entitled to acquire, dispose of or exercise voting rights in one or several cases referred to in Article 8 hereof has violated or fails to comply with the requirements of the regulatory provisions governing the functioning of the financial instruments market, it shall notify to this effect the competent authority of the home member state.
(3) Where the Commission has notified the competent authority of the respective home member state in accordance with the requirements of Paragraph 2 hereof, but the measures taken prove to be ineffective and the persons referred to in Paragraph 2 hereof persist in violating or fail to comply with the requirements of the regulatory provisions governing the functioning of the financial instruments market, the Commission shall be entitled to take the necessary measures in order to protect investors' interests and shall inform the European Commission to this effect in accordance with the requirements of Article 147 hereof.
(4) The Commission shall be entitled to publish information on the measures taken and sanctions imposed on an issuer, a shareholder, a holder of financial instruments or a person referred to in Paragraph 2 of Article 60 hereof for violating the requirements of regulatory provisions, except when such disclosure of information may cause serious disruptions in the financial instruments market or cause disproportionate damage to the parties involved.
(As amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 64.4
Responsibility of an Official Auditor
Where an official auditor provides the Commission with information that the Commission has requested in accordance with Subparagraph 1 of Paragraph 1 of Article 643 hereof, it shall not be regarded as a violation of the prohibition to disclose information and shall not incur liability on the official auditor as set out in regulatory provisions or in the contract signed between the official auditor and the capital company.

Chapter V
Share Buyout Offer

Article 65
Scope of this Chapter
The provisions of this Chapter in respect of making a mandatory, voluntary and final share buyout offer and consequences of failure to make a mandatory share buyout offer shall apply to persons that make or have an obligation to make a share buyout offer of a target company.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Article 66
Mandatory Share Buyout Offer
(1) A mandatory offer to buy out the shares belonging to other shareholders shall be made by a person or persons acting in concert, where they:
1) acquire, directly or indirectly, the voting rights attaching to shares in such number that the voting rights of those persons reach or exceed 50 percent of the total shares with voting rights of a joint-stock company;
2) have voted for a decision on discontinuing the trading of the shares on the regulated market in the shareholders meeting. This shall not be a closed voting. Shareholders who voted for a decision on discontinuing the trading of the shares on the regulated market in the shareholders meeting shall authorize their representative who will make an offer on their behalf.
(11) A mandatory share buyout offer shall not be made, where a person or persons acting in concert acquire the number of the voting rights referred to in Subparagraph 1 of Paragraph 1 hereof as a result of a voluntary share buyout offer that is made to acquire the number of the voting rights referred to in Subparagraph 1 of Paragraph 1 hereof in a target company and has been made to all shareholders of the target company in respect of all shares of the target company. In that voluntary share buyout offer, the share price shall be established in accordance with Article 74 hereof.
(12) A mandatory share buyout offer shall not be made where a person or persons acting in concert, when making the mandatory share buyout offer in the case referred to in Subparagraph 2 of Paragraph 1 hereof, acquire the number of voting rights referred to in Subparagraph 1 of Paragraph 1 hereof during or as a result of the mandatory share buyout offer they make.
(2) A person shall not be entitled to exercise the voting rights attaching to the shares it owns and indirectly acquired voting rights where that person:
1) fails to make a mandatory share buyout offer by the deadline and pursuant to the procedure set out in this Law;
2) makes a share buyout offer that fails to comply with the requirements of law;
3) has failed to make the settlement, pursuant to the procedure set out in this Law, with the investors that have accepted the share buyout offer.
(3) The decisions of the shareholders meeting taken by exercising the voting rights contrary to the provisions of Paragraph 2 hereof shall be considered invalid and shall not be the basis for a request to make any records in any public registers.
(4) A person shall be entitled to restart exercising the voting rights referred to in Paragraph 2 hereof only when, even with a delay, he/she has fulfilled the obligations set out in this Chapter and rectified the deficiencies uncovered by the Commission.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)

Article 67

Voluntary Share Buyout Offer
(1) A person shall be entitled to make a voluntary share buyout offer provided that the purpose of the offer is to acquire the number of shares that ensures at least 10 percent of the voting rights in a joint-stock company.
(2) A person making a voluntary share buyout offer shall establish the minimum or maximum number of shares it offers to buy out.
(3) Where shareholders of a target company accept a voluntary share buyout offer in respect of the number of shares that exceeds the maximum number indicated in the offer prospectus, the offerer shall proportionally buy out shares from all shareholders of the target company that have accepted the offer. The total number of shares bought out shall not be smaller than the maximum number indicated in the offer prospectus.
(4) Where shareholders of a target company accept a voluntary share buyout offer in respect of the number of shares that is smaller than the minimum number indicated in the offer prospectus, the offerer shall buy out shares from all shareholders of the target company that have accepted the offer.
(5) In the case referred to in Paragraph 4 hereof, an offer shall not be valid only if the offer prospectus establishes that the offer will no longer be valid should the shareholders of the target company accept a share buyout offer in respect of the number of shares that is smaller than the minimum number indicated in the offer prospectus.

Article 68
Competitive Share Buyout Offer
(1) A competitive share buyout offer shall mean a voluntary share buyout offer that is made in respect of the shares of the target company for which another offer has already been made.
(2) A competitive share buyout offer shall not be made by a person that:
1) is in one and the same concern with the offerer whose offer is still valid;
2) has concluded an agreement on a joint action in respect of the offer with the offerer whose offer is still valid;
3) has been duly authorized by the offerer whose offer is still valid to vote on its behalf in the shareholders meeting of the target company.
(3) A competitive share buyout offer may be made provided that there are at least five business days between the announcement of the competitive share buyout offer in the newspaper Latvijas Vēstnesis and the expiration date of the valid offer.

Article 69
General Provisions Governing a Share Buyout Offer
(1) To ensure that the shareholders of a target company have sufficient information for taking a properly informed decision about an offer, the offerer shall draw up and submit to the Commission a prospectus of the share buyout offer.
(2) An offerer shall ensure that the shareholders of the target company who have the same class of shares may dispose of the shares on an equal basis.
(3) A share buyout offer shall be valid for at least 30 days but not more than 70 days, from the day of making the offer. Where, during a voluntary share buyout offer, it is decided to convene a meeting of the shareholders of the target company and the agenda of the meeting includes an issue about the share buyout offer made, the offer shall be extended for the time that is necessary to convene the meeting, but it shall not exceed 70 days.
(4) The following shall be prohibited during a mandatory and a final share buyout offer:
1) calculating dividends of the target company;
2) changing the nominal value of shares of the target company;

3) uniting and dividing share issues of the target company.
(5) Where any of the activities referred to in Paragraph 4 hereof has been planned in advance and announced to the public, the Commission shall establish the opening date of the mandatory share buyout offer that follows the completion of the respective activity. In that case the price of the mandatory share buyout offer shall be fine-tuned after the completion of the activity referred to in Paragraph 4 hereof.
(6) None of the restrictions on share disposal, as established by the articles of association of the target company or mutual agreements between the target company and its shareholders, shall apply to the person making a share buyout offer during the validity period of the share buyout offer.
(7) When making a voluntary share buyout offer, the target company shall not be hindered in the conduct of its business for longer than is reasonable for making a share buyout offer and a voluntary share buyout offer shall not exceed the period referred to in Paragraph 3 hereof.
(8) Where a commercial company has issued shares with voting rights of different classes whose nominal values differ, at the shareholders meeting during which a decision is taken about defensive measures against the takeover of the company during a voluntary share buyout offer, the number of each shareholder's voting rights shall correspond to that shareholder's investment in the capital of the target company.
(9) Where a commercial company has issued shares with voting rights of different classes whose nominal values differ, at the first shareholders meeting that is convened after the end of the offer upon the initiative of the offerer in order to amend the articles of association or suspend the existing members of the council from office and appoint new members of the council, the number of each shareholder's voting rights shall correspond to that shareholder's investment in the capital of the target company.
(10) Where after the making of the offer the offerer has at least 75 percent of the shares with voting rights, the restrictions on share disposal or on the voting rights, as set out in the company's articles of association, shall not be binding on the shareholders of the target company. The extraordinary rights of a shareholder to elect or suspend a member of the executive board or of the council from office, as set out in the articles of association of the target company or the mutual agreements of shareholders, shall also not apply.
(11) Where on the basis of Paragraphs 5, 7, 8 and 9 hereof, the rights of a shareholder of the target company are restricted and the shareholder suffers losses because of that, such shareholder shall be entitled to request an equitable compensation from the person making a share buyout offer. Where the two parties cannot agree on the amount of the compensation, it shall be established by the court.
(12) The restrictions referred to in Paragraphs 7, 8 and 9 shall not be effective, where an equitable material compensation applies to the restrictions on voting rights.
(13) This Article shall not apply to co-operative companies, specific rights established in the legal acts of member states that are in line with the provisions of the Treaty establishing the European Community and in cases when member states own the shares of a target company giving them special rights that are in line with the provisions of the Treaty establishing the European Community.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Article 691
Supervision of a Buyout Offer
(1) A share buyout offer shall be governed by this Law and its procedure shall be supervised by the Commission, where:
1) the legal address of the target company is in Latvia and its shares are admitted to trading on the regulated market registered in Latvia;
2) the legal address of the target company is not in Latvia, but its shares are admitted

to trading on the regulated market registered in Latvia;
3) the legal address of the target company is not in Latvia and its shares are in public circulation in Latvia and in another member state, but they have been admitted to trading on the regulated market registered in Latvia prior to issuing in public circulation in that member state.
(2) Where the shares of the target company are in public circulation simultaneously in several member states, of which one is Latvia, the target company shall determine which of the supervisory authorities of those member states will supervise the share buyout offer. Where the target company chooses the Commission as the authority to supervise a share buyout offer, the target company shall notify to this effect the organizers of those regulated market where its shares are admitted to trading and the Commission on the first day when the securities are admitted to trading on the regulated market.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Article 70
Procedure whereby a Prospectus of a Share Buyout Offer is Submitted
(1) An offerer shall submit to the Commission an application for making a share buyout offer not later than within 10 business days of the occurrence of the circumstances referred to in Subparagraph 1 of Paragraph 1 of Article 66 hereof or of the decision taken by the shareholders meeting referred to in Subparagraph 2 of Paragraph 1 of Article 66 hereof or of the offerer's decision to make a voluntary share buyout offer.
(2) An offerer shall submit the following documents together with its application:
1) prospectus of the share buyout offer and its text in an electronic form;
2) assessment of the adequacy of the offer price;
3) copy of the registration certificate, where the offerer is a non-resident, or of a personal identification document, where the offerer is a natural person;
4) documents that evidence sufficient resources to fulfill the obligations in respect of the offer within the time period established by law.
(3) When making a voluntary share buyout offer, an offerer shall not submit the assessment of the adequacy of the offer price.
(4) Where a share buyout offer is made in the case referred to in Subparagraph 2 of Paragraph 1 of Article 66 hereof, an offerer shall submit the following additional information:
1) extract from the minutes of the shareholders meeting, indicating the shareholders who voted for the decision;
2) documents that evidence the offerer's authorization to make a share buyout offer on behalf of the shareholders who voted for the decision.
(5) The documents that evidence sufficient resources to fulfill the obligations in respect of an offer within the time period established by law shall be as follows:
1) written confirmation (written commitment) addressed to the Commission to the effect that the resources to fulfill the obligations in respect of the offer have been granted to the offerer by a credit institution, an investment brokerage firm or an insurance company registered in:
a) Republic of Latvia or a member state,
b) foreign country, provided that the Commission has concluded a cooperation agreement on exchanging information with the supervisory authority of the respective country;
2) statement on a target deposit that the offerer is entitled to use only for making settlements in respect of share buyout, provided that it was issued by
a) credit institution registered in the Republic of Latvia,
b) credit institution or investment brokerage firm that is entitled to receive deposits

and is registered in a member state,
c) credit institution or investment brokerage firm that is entitled to receive deposits and is registered in a foreign country (other than a member state), provided that the Commission has concluded a cooperation agreement on exchanging information with the supervisory authority of the respective country.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 71
Prospectus of a Share Buyout Offer
A prospectus of a share buyout offer shall indicate the following:
1) firm name, registration number, legal address, phone number, and fax number, email address (if any) and Internet homepage address (if any) of the target company;
2) information on the offerer and the persons acting in concert with the offerer or the target company, if possible, disclosing the relationship with the offerer and the target company:
a) name, surname, identity number (if any) or year and date of birth for natural persons,
b) firm name, registration number, date and place of registration and legal address for legal persons;
3) type of the offer (mandatory or voluntary). Where a mandatory share buyout offer is made, the underlying circumstances of the offer, as set out in regulatory provisions, shall be specified;
4) ISIN code of shares (a unique combination of letters or numbers that the Latvian Central Depository assigns to financial instruments for identification purposes before making a book entry), and, in the case of a voluntary share buyout offer, the maximum or the minimum number of shares (portion thereof expressed as a percentage of the total number of shares) that the offerer undertakes to buy;
5) buyout price of one share and the methods used to determine that price (where a mandatory or a final share buyout offer is made);
6) information about the procedure and deadline in respect of the payment and exchange of shares and, where other financial instruments are offered as the payment for shares, information about these financial instruments;
7) validity of the offer;
8) procedure whereby the shareholders of the target company are entitled to accept the offer, indicating separately the procedure whereby the offer shall be accepted by:
a) owners of the publicly circulated shares of the target company,
b) owners of the shares of the target company that are not in public circulation;
9) offerer's intentions with regard to the future business of the target company, safeguarding the jobs, including all material changes in the employment conditions, the commercial company of the offerer (where the offerer is a legal person and the offer affects its future business) and strategic plans in respect of both commercial companies and their likely repercussions on employment in the target company and the offerer’s commercial company and the change of location of the commercial company;
10) other material information that relates directly to the offer or the offerer and is deemed necessary by the offerer or by the Commission to be disclosed in the prospectus;
11) amount offered to compensate the losses to the shareholders of the target company whose rights have been restricted pursuant to Paragraph 11 of Article 69 hereof, by providing detailed information on the payment of the compensation and indicating the method whereby the compensation was calculated;
12) information about the financing sources of the offer;
13) legal acts governing the agreements signed by the offerer and the shareholders of

the target company in respect of the offer and information on the courts that will resolve the mutual disputes.
(In the wording of the Law of June 15, 2006 and as amended by the Law of February 26, 2009 taking effect on March 25, 2009)

Article 72

Procedure whereby a Prospectus of a Share Buyout Offer is Scrutinized

(1) Upon receipt of a prospectus of making a share buyout offer, the Commission shall, without delay but not later than on the next business day, use the available communication and information means to place in the official storage system and to communicate to the respective regulated market organizer the following information:
1) information on the offerer referred to in Paragraph 2 of Article 71 hereof;
2) buyout price of one share as indicated in the prospectus;
3) validity of the offer.
(2) A market organizer shall post the information referred to in Paragraph 1 hereof on its Internet homepage without delay.
(3) The Commission shall scrutinize an application and a prospectus of a share buyout offer and take a decision on granting or refusing permission to make a share buyout offer within 10 business days of the receipt of the documents referred to in Article 70 hereof that have been prepared and formatted in compliance with the requirements set out in regulatory provisions.
(4) Where all necessary documents are not submitted to the Commission or their format fails to comply with the requirements of regulatory provisions, the Commission shall not take a decision on granting or refusing permission to make an offer, and shall notify the offerer in writing of the detected deficiencies and establish the deadline for rectifying them. Where the offerer rectifies the deficiencies indicated by the Commission by the established deadline, the application shall be considered as submitted to the Commission on its first submission date, and the Commission shall take a decision on granting or refusing permission to make an offer. Where the offerer fails to rectify the deficiencies indicated by the Commission by the established deadline, the application shall be considered as unsubmitted.
(5) The Commission shall notify an offerer of its decision without delay, but not later than on the next business day after taking the decision.
(6) Upon taking a decision on granting permission to make an offer, the Commission shall simultaneously notify the offerer and the respective organizer of the regulated market on which the shares are admitted to trading and send the prospectus of the share buyout offer in an electronic form to that market organizer.
(7) A market organizer shall post a prospectus of a share buyout offer on its Internet homepage without delay.
(As amended by the Laws of June 15, 2006 and of May 22, 2008 taking effect on June 25, 2008)

Article 72.1

Mutual Recognition of the Prospectus of Buyout Offers

(1) After approval of the prospectus of a share buyout offer, the offerer shall ensure the translation of the prospectus of the share buyout offer in the languages recognized by the competent authorities of the respective member states and supplement it with information set out in the regulatory provisions of the respective member states; then the offerer shall be entitled to make a share buyout offer in all member states where the shares of the target company are admitted to trading on the regulated markets.
(2) The offerer shall be entitled to make a share buyout offer in respect of the shares of the companies registered in other member state that are admitted to trading on the regulated market registered in Latvia after submitting to the Commission a prospectus of the share buyout offer and its translation in the Latvian language, certified by a

notary, and supplementing the prospectus of the share buyout offer with the procedure whereby the offer may be accepted by the shareholders of the target company that are in Latvia and whereby the settlement in respect of the shares will be made.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Article 73

Disclosing Information on a Share Buyout Offer

(1) A person that has taken a decision on making a voluntary share buyout offer or a person that, pursuant to the provisions of this Law, has the obligation to make a voluntary share buyout offer shall promptly notify the executive board of the target company without delay after taking the decision or after the occurrence of the respective circumstances.
(2) An offerer shall be entitled to make a share buyout offer only after the Commission has taken a decision on granting permission to make such offer.
(3) Upon receipt of the Commission's decision on granting permission to make a share buyout offer, an offerer shall promptly notify the target company in writing of the rules of the offer and ensure that the offer prospectus is available to the executive board of the target company.
(4) Within five business days of the receipt of the Commission's decision on granting permission to make a share buyout offer, an offerer shall publish the following information on the share buyout offer in the newspaper Latvijas Vēstnesis:
1) information referred to in Subparagraphs 1, 2, 5 and 7 of Article 71 hereof;
2) place where and time when the prospectus of a share buyout offer is available.
(5) In the publication, an offerer that makes a voluntary share buyout offer pursuant to the provisions of Paragraph 2 of Article 67 hereof shall disclose the minimum or maximum number of shares it intends to buy out.
(6) An offerer that does not intend to buy out the shares pursuant to Paragraph 5 of Article 67 hereof in case the shareholders of the target company do not accept the offer at least in the minimum amount established in the prospectus of a share buyout offer shall explicitly state this in the publication.

Article 74

Establishing the Price of One Share in a Mandatory Share Buyout Offer

(1) When making a mandatory share buyout offer, the price of one share shall not be lower than:
1) price at which the offerer or persons acting in concert with the offerer acquired the shares of the target company during the last 12 months. Where the shares have been acquired at different prices, the buyout price shall be the highest acquisition price during the last 12 months before the occurrence of the circumstances set out in Paragraph 1 of Article 66 hereof;
2) weighted average price of a share on the regulated market or in the multilateral trading facility where the respective share has had the highest turnover during the last 12 months. The weighted average price of a share shall be calculated for the last 12 months before the occurrence of the circumstances set out in Paragraph 1 of Article 66 hereof;
3) value of a share calculated by dividing the net assets of the target company with the number of issued shares. Net assets shall be calculated by deducting the target company's own shares and liabilities from its total assets. Where the shares of the target company have different nominal values, net assets shall be distributed in proportion to the part of shares of each nominal value in the share capital to calculate the value of one share.
(2) To establish the value of one share bought out pursuant to Subparagraph 3 of Paragraph 1 hereof, the data from the annual report/accounts of the target company, as approved at the recent shareholders meeting and audited by an official auditor, shall

be used for the calculation. The time period between the last day of the operation year for which the annual report/accounts is prepared and the day of submission of an offer to the Commission shall not exceed 16 months. Where pursuant to regulatory provisions the target company prepares its annual report/accounts not later than within seven months of the end of the reporting year, the time period between the last day of the operation year for which the annual report/accounts is prepared and the day of submission of an offer to the Commission shall not exceed 19 months. The data from the recent quarterly report/accounts of the target company shall be used to calculate the value of a share, where the value of a share calculated on the basis of the data from the quarterly report/accounts exceeds by at least 10 percent the value of a share calculated on the basis of the data of the reporting year. Where the target company also prepares the consolidated annual accounts, it shall use the data from the consolidated accounts when establishing the value of the share to be bought out. Where the target company prepares the annual report/accounts in compliance with both the laws of the registration country and international standards governing the financial statements, it shall use the data from the annual report/accounts, drawn up in accordance with the international standards, when establishing the value of the share to be bought out.
(3) Where a mandatory share buyout offer is made after the occurrence of the circumstances set out in Subparagraph 2 of Paragraph 1 of Article 66 hereof, the provisions of Subparagraph 1 of Paragraph 1 hereof shall not be applied to establish an offer price.
(4) Where the shares of the target company have different nominal values, the price of one share to be bought out shall be established separately for each nominal value.
(5) Where in the period from the day when the circumstances under which a mandatory share buyout offer is to be made occur until the expiration date of the offer the offerer makes a deal to acquire the shares of the target company at a price that exceeds the price established in the offer, the price of the deal shall become the offer price.
(6) Within six months of the expiration date of an offer, the offerer shall be entitled to make deals to acquire the shares of the target company at a price that exceeds the price established in the offer only if the offerer pays the difference to all persons that sold the shares to the offerer in response to the share buyout offer.
(As amended by the Laws of June 15, 2006 and of October 15, 2009 taking effect on January 1, 2010)

Article 75
Procedure whereby the Rules Governing a Share Buyout Offer are Amended
(1) Where there are at least 10 business days until the expiration date of a share buyout offer, the offerer shall be entitled to amend the following rules governing the share buyout offer:
1) extend the offer but not beyond the restrictions to the validity of an offer set out in Paragraph 3 of Article 69 hereof;
2) increase the price of one share to be bought out;
3) amend other rules provided that these amendments do not deteriorate the position of other shareholders of the target company or give rise to conditions whereby the position of those shareholders that have already accepted the offer deteriorates.
(2) Where an offerer decides to amend the rules governing a share buyout offer, it shall prepare amendments to the prospectus of a share buyout offer and submit them to the Commission pursuant to the same procedure whereby it submitted the prospectus of a share buyout offer.
(3) Upon receipt of amendments to a prospectus of a share buyout offer, the Commission shall take a decision on granting or refusing permission to amend the

rules of the offer within three business days and promptly notify the offerer to this effect.
(4) The Commission shall also notify the respective market organizer without delay of permission to amend the rules governing the share buyout offer and send to it the text of the amendments to the provisions in an electronic form.
(5) A market organizer shall post the amendments to a prospectus of a share buyout offer on its Internet homepage without delay.
(6) Not later than within three business days of the receipt of the Commission's decision on permitting to amend the rules of an offer, the offerer shall publish information on amendments to the rules governing the share buyout offer in the newspaper Latvijas Vēstnesis.

Article 76
Procedure whereby a Share Buyout Offer is Cancelled
(1) The Commission shall be entitled to cancel a share buyout offer where it detects violations of regulatory provisions or circumstances independent of the offerer as a result of which the offer may not be effected due to force majeure.
(2) The Commission shall notify an offerer and the respective market organizer without delay of its decision on canceling a share buyout offer.
Article 77
Obligations of a Target Company
(1) Within five business days of the publication of an announcement of making a share buyout offer, the executive board of a target company shall draw up a document setting out its opinion of the offer and the reasons on which it is based, the effect of implementation of the offer on the interests of the target company (their likely repercussions on employment in particular), the strategic plans of the offerer for the target company and their likely indirect effect on employment and the change of the location of the commercial company.
(2) The executive board of a target company shall disclose its opinion in the mass media to notify a possibly large circle of persons whose interests are affected by an offer.
(3) The executive board of a target company shall notify the market organizer of its opinion, and that market organizer shall post this information on its Internet homepage without delay or make it publicly available in another manner established by itself.
(4) The executive board of a target company shall communicate its opinion to the employees or their representatives. Where, before the publication of the executive board’s opinion, the representatives of the employees of the target company have submitted to the executive board a separate opinion on the effects of the offer on employment, their opinion shall be appended to the opinion of the executive board.
(5) From the moment when the offerer notifies the executive board and the council of a target company about its intention to make a voluntary share buyout offer until the expiration date of the offer, the executive board and the council shall acquire prior authorization of the shareholders meeting for carrying out activities that may frustrate the success of the buyout offer. Such authorization is not necessary, where alternative share buyout offers are sought.
(6) Where the decisions referred to in Paragraph 5 hereof have been taken before the executive board or the council of a target company learns that a voluntary share buyout offer is made and the offer has not yet been implemented in full or in part, the approval by the shareholders meeting shall be necessary in respect of any decision that is not intrinsic to the normal course of the target company’s business and whose implementation may frustrate the share buyout offer.
(7) Where a share buyout offer is made in the case referred to in Subparagraph 2 of

Paragraph 1 of Article 66 hereof, the target company shall have an obligation, not earlier than within 10 business days and not later than within 15 business days after the day when the announcement referred to in Paragraph 3 of Article 79 hereof has been published in the newspaper Latvijas Vēstnesis, to submit an application to a regulated market organizer about discontinuing trading in shares on the regulated market.
(8) Upon receipt of the application referred to in Paragraph 7 hereof, a regulated market organizer within 10 business days shall take a decision about discontinuing trading in the shares of the target company on the regulated market unless within 10 business days of the day when the announcement referred to in Paragraph 3 of Article 79 hereof has been published in the newspaper Latvijas Vēstnesis the offerer gains rights to make a final share buyout offer. Where by the deadline set out in Paragraph 7 hereof a regulated market organizer does not receive an application for discontinuing trading in the shares of the target company on the regulated market, within 10 business days the Commission shall take a decision on discontinuing trading in the shares of the target company on the regulated market unless within 10 business days of the day when the announcement referred to in Paragraph 3 of Articl3 79 hereof has been published in the newspaper Latvijas Vēstnesis the offerer gains rights to make a final share buyout offer.
(9) Where within 10 business days of the day when the announcement referred to in Paragraph 8 hereof has been published in the newspaper Latvijas Vēstnesis the offerer gains rights to make a final share buyout offer, a regulated market organizer shall take a decision on discontinuing trading in the shares of the target company on the regulated market within 10 business days after the end of making a share buyout offer that complies with this Law. The end of making a share buyout offer, referred to in this Paragraph, shall be the day when the announcement referred to in Paragraph 3 of Article 79 hereof has been published in the newspaper Latvijas Vēstnesis.
(10) Where within 10 business days of the day when the announcement referred to in Paragraph 8 hereof has been published in the newspaper Latvijas Vēstnesis the offerer gains rights to make a final share buyout offer, but he/she fails to exercise the rights deriving from the provisions of Article 81 hereof by the deadline set out in law, then not earlier than within 10 business days and not later than within 15 business days of the deadline for the offerer’s exercise of the rights the Commission shall take a decision on discontinuing trading in the shares of the target company on the regulated market.
(As amended by the Laws of June 15, 2006 and of May 22, 2008 taking effect on June 25, 2008)

Article 78
Prohibition to Interfere with a Share Buyout Offer
(1) Members of the council or the executive board of a target company shall be prohibited from interfering with a share buyout offer by taking action or refraining from any action.
(2) Upon publishing an announcement of a share buyout offer in the newspaper Latvijas Vēstnesis or as of the moment the target company learns information on its obligation to make a mandatory offer, the target company shall be prohibited from issuing new shares or convertible bonds as a result of which the distribution of voting rights at the shareholders meeting changes or is likely to change.
(3) A target company shall be prohibited from taking decisions that are contrary to the provisions of Paragraph 4 of Article 69 hereof.
(4) The prohibition set out in Paragraphs 2 and 3 hereof shall be effective until the deadline for the payment established in a share buyout offer.

Article 79
Reporting the Results of a Share Buyout Offer
(1) Within five business days of the expiration date of an offer, the offerer shall submit a report on the results of the offer to the Commission, the respective market organizer and the target company indicating the following:
1) information referred to in Subparagraphs 1 and 2 of Article 71 hereof;
2) number of shares offered for selling;
3) number of shares at the offerer's disposal after the execution of the share buyout offer.
(2) Where shareholders of a target company have accepted a voluntary share buyout offer in respect of the number of shares that exceeds the maximum number of shares that has been indicated in the offer prospectus and that the offerer intends to buy out, the offerer shall indicate the proportionate distribution ratio along with the information referred to in Paragraph 1 hereof.
(3) Within five business days of the expiration date of a share buyout offer, the offerer shall publish an announcement of the offer results in the newspaper Latvijas Vēstnesis, including therein the information referred to in Paragraph 1 hereof.
(4) An offerer shall also make a notification to the Commission and the market organizer in an electronic form. The market organizer shall post the notification on its Internet homepage and the Commission - in the official storage system without delay.
(As amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 80
Settlement
(1) An offerer shall be entitled to establish that, apart from being settled in cash, the shares of the target company may be exchanged for other transferable securities or warrants. Where an offerer exercises these rights, an indication to this effect shall be made in the prospectus of a share buyout offer along with the rules governing the exchange. The exchange procedure shall exclude the risk that the shareholders of the target company accepting the offer do not receive transferable securities.
(2) An investor that has decided to accept a share buyout offer and submitted an application to this effect while the share buyout offer is valid shall be entitled to cancel the application by the expiration date of the share buyout offer.
(3) Where an investor chooses to receive transferable securities in return for its shares, a statement to this effect shall be made in its application.
(4) The maximum term for buying out or exchanging shares shall be five days of the expiration date of a share buyout offer.
(5) When buying out or exchanging publicly circulated shares, the principle of simultaneity shall apply, i.e., delivery versus payment or delivery versus delivery.
(6) Payment for shares issued in closed issues shall be effected pursuant to the procedure specified in an offer prospectus. Amendments that are necessary in the register of shareholders of the target company after the expiration date of a share buyout offer shall be made by the executive board of the target company on the basis of the documents that evidence the payment for the shares.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 81
Final Share Buyout Offer
(1) A person that, in compliance with all requirements of this Law, has acquired the shares of the target company in the amount that reaches or exceeds 95 percent of the total number of shares with voting rights of the target company or, as a result of a voluntary or a mandatory share buyout offer, has signed a contract whereby it will directly acquire the voting rights attaching to shares in the amount that reaches or

exceeds 95 percent of the total voting rights shall be entitled to demand that other shareholders sell to it their shares of the target company. Such offer shall be considered a final share buyout offer.
(2) Where 95 percent of the total voting rights are ensured by both a direct and an indirect holding, a person shall be entitled to make a final share buyout offer only provided that it has made a notification of an indirect acquisition of a major holding in compliance with the procedure and the deadline established in this Law.
(21) The person referred to in Paragraph 1 hereof shall be entitled to make a final share buyout offer within three months of the day when it has acquired the number of shares that reaches or exceeds 95 percent of the total number of shares with voting rights or within three months of the day when the deadline of the mandatory share buyout offer or of the voluntary share buyout offer made anew by that person to all shareholders of the target company in respect of all shares of the target company expires where the person referred to in Paragraph 1 hereof has not made the final share buyout offer by the deadline set out before.
(3) A final share buyout offer shall be made only after taking a decision on discontinuing trading in shares on the regulated market. Where several shareholders have voted for a decision on discontinuing trading in shares on the regulated market in the shareholders meeting and one such shareholder is the person referred to in Paragraph 1 hereof, that person shall be entitled to combine the mandatory and the final share buyout offers, and those shareholders who voted for a decision on discontinuing trading in shares on the regulated market but who fail to comply with the criteria referred to in Paragraph 1 hereof shall not have an obligation to make the mandatory share buyout offer. In this case, the offerer shall submit to the Commission an application for making the final share buyout offer not later than within 10 business days of the day of taking the decision by the shareholders meeting that is referred to in Subparagraph 2 of Paragraph 1 of Article 66 hereof.
(4) In the cases referred to in Paragraphs 1 and 3 hereof, a buyout price of shares shall be established pursuant to the requirements of Paragraph 1 of Article 74 hereof. Where a person acquires the number of voting rights referred to in Paragraph 1 hereof as a result of a voluntary share buyout offer, that person shall be entitled to make a final share buyout offer at the price established for the voluntary share buyout offer.
(5) In the cases referred to in Paragraph 1 hereof, other shareholders shall have the obligation to sell the shares of the target company they own.
(6) A final share buyout offer shall be valid for at least 30 days.
(As amended by the Laws of June 9, 2005, of June 15, 2006 and of February 26, 2009 taking effect on March 25, 2009)

Article 82
Procedure whereby a Final Share Buyout Offer is Made
(1) Where an offerer decides to make a final share buyout offer, it shall prepare an offer prospectus and submit it along with an application and the documents referred to in Subparagraphs 2, 3 and 4 of Paragraph 2 of Article 70 hereof to the Commission.
(2) Where an offerer of a final share buyout has indirectly acquired a part of its holding, it shall also submit the documents (agreements, authorizations, a.o.) evidencing its rights to the indirect holding along with the documents listed in Paragraph 1 hereof to the Commission.
(3) At least the information referred to in Subparagraphs 1, 2, 4, 5, 6, 7 and 8 of Article 71 hereof shall be included in a prospectus of a final share buyout offer.
(4) The Commission shall scrutinize an application and a prospectus of a final share buyout offer within 10 business days of the receipt of all documents referred to in this Article that have been prepared and formatted in compliance with the requirements of regulatory provisions and take a decision on granting or refusing permission to make

a final share buyout offer.
(5) The Commission shall notify an offerer of its decision without delay, but not later than on the next business day.
(6) The Commission shall promptly notify the respective market organizer and send a prospectus of a final share buyout offer in an electronic form to that market organizer. The market organizer shall post the prospectus of a final share buyout offer on its Internet homepage without delay.
(7) The Commission shall promptly send a copy of its decision on granting permission to make a final share buyout offer and a prospectus of a final share buyout offer in an electronic form to the Latvian Central Depository. The Latvian Central Depository shall send the prospectus of a final share buyout offer in an electronic form to all credit institutions and investment brokerage firms on whose accounts with the Latvian Central Depository book entries of the respective shares have been made.
(8) Within five business days of the receipt of the Commission's decision on granting permission to make a final share buyout offer, the offerer shall publish the following information in respect of the final share buyout offer in the newspaper Latvijas Vēstnesis:
1) information referred to in Subparagraphs 1, 2, 5 and 7 of Article 71 hereof;
2) place where and time when the prospectus of a final share buyout offer is available or obtainable.

Article 83
Disposal of Shares for the Benefit of an Offerer Making a Final Share Buyout Offer
(1) Where a shareholder has not accepted a final share buyout offer by the expiration date, on the next day after the expiration date the shares shall be blocked on its accounts and the shareholder shall lose its right to use them. Credit institutions and investment brokerage firms shall be responsible for blocking the shares.
(2) Credit institutions and investment brokerage firms shall block shares on the basis of a prospectus of a final share buyout offer received from the Latvian Central Depository.
(3) Within five days of the expiration date of a final share buyout offer, the offerer shall credit the cash account of the Latvian Central Depository with the Bank of Latvia with an amount in lats that is equivalent to the total value of shares not yet bought out, calculated on the basis of the value of one share as indicated in the prospectus of a final share buyout offer.
(4) Upon crediting the cash account of the Latvian Central Depository with the Bank of Latvia with the full amount established in Paragraph 3 hereof, the Latvian Central Depository shall transfer all shares of the respective joint-stock company for which book entries have been made in the initial register and the correspondent accounts of credit institutions and investment brokerage firms opened with the Latvian Central Depository to the offerer's account, and simultaneously shall transfer money to the cash accounts of the respective account holders and send a request to credit institutions and investment brokerage firms to delete the shares of the respective jointstock company from financial instrument accounts of the shareholders referred to in Paragraph 1 hereof.
(5) Within one business day of the receipt of the money from the Latvian Central Depository, an investment brokerage firm or a credit institution shall credit the cash account, with an amount that corresponds to the number of shares for which book entries have been made, of those persons on whose financial instruments accounts book entries for the shares of the respective joint-stock company were made on the expiration date of the final share buyout offer.
(6) Consideration to those shareholders whose shares are in the initial register of the

Latvian Central Depository on the expiration date of a final share buyout offer shall be credited to the cash account of the Latvian Central Depository with the Bank of Latvia.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)
Article 831
Request by Minority Shareholders to Buy out Shares
Where a person owns, directly or indirectly, 90 percent or more of the shares of a capital company, each of the other shareholders of that capital company shall be entitled, until the time when a final share buyout offer is made, to request that this person buy out the shares of that shareholder at a price that is not below the price established in accordance with Article 74 hereof.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Chapter VI
Prohibition from Using Inside Information and Engaging in Market Manipulation

Article 84
Scope of this Chapter
(1) The provisions of this Chapter shall apply to all persons in respect of the financial instruments and commodity derivatives:
1) traded on any regulated market in the Republic of Latvia, irrespective of whether the transaction was made on or outside any of these regulated markets;
2) in respect of which the issuer's duly authorized managing bodies have taken a decision regarding the application on the basis of which trading in these financial instruments or commodity derivatives may be started on any regulated market in the Republic of Latvia;
3) traded on the regulated market in a member state, irrespective of whether the transaction was made on or outside any of these regulated markets;
4) in respect of which the issuer's duly authorized managing bodies have taken a decision regarding the application on the basis of which trading in these financial instruments or commodity derivatives may be started on any regulated market in a member state.
(2) The Commission shall supervise the activities involving the financial instruments and commodities derivatives referred to in Subparagraphs 1 and 2 of Paragraph 1 hereof in the Republic of Latvia, a member state or a foreign country.
(3) The Commission shall supervise the activities involving the financial instruments and commodities derivatives referred to in Subparagraphs 3 and 4 of Paragraph 1 hereof in the Republic of Latvia.
(4) The provisions of this Chapter in respect of the prohibition from using inside information shall also apply to the financial instruments that are not admitted to trading on any regulated market in the Republic of Latvia or a member state, but whose price depends on the financial instruments traded on the regulated market in the Republic of Latvia or a member state.
(5) The provisions of this Chapter shall not apply to those transactions that are made with the aim of implementing monetary, exchange rate or public debt management policies by the Republic of Latvia, the Bank of Latvia or other institution duly authorized by the state, the European Central Bank, central banks of member states or other institutions duly authorized by member states.
(6) The provisions of this Chapter shall not apply to transactions in own shares within buy-back programs or to measures that are undertaken to stabilize financial instruments and are carried out pursuant to the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the

European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)
Article 85
Prohibition from Using Inside Information
(1) Inside information shall mean any information of a precise nature which relates directly or indirectly to an issuer or financial instruments, has not been disclosed to the public, and whose public disclosure could have a significant effect on the price of the financial instruments of the issuer or of the related derivatives. Information shall be deemed of a precise nature, if it indicates a set of circumstances which exists or may come into existence in the future or an event that has occurred or may occur and if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of financial instruments or related derivatives. Information that, if it were made public, would be likely to have a significant effect on the prices of financial instruments or related derivatives shall mean information an average investor would be likely to use when making a decision on buying or selling financial instruments.
(2) Inside information shall also mean any information relating, directly or indirectly, to an issuer or financial instruments whose public disclosure could have a significant effect on the price of the financial instruments issued by the issuer or the related derivatives, or on an investor's decision to buy or sell financial instruments and which a person that receives and executes or transmits for execution investors' orders regarding transactions in financial instruments learns from the investor and which can be derived from the investors' order regarding the transaction.
(3) In respect of commodity derivatives, inside information shall mean any information relating to one or several commodity derivatives which has not been disclosed to the public, but which is routinely available to the participants in the respective commodity derivatives market, or which is disclosed in accordance with the requirements of regulatory provisions or contracts concluded, market practices or market rules.
(4) The first-level holder of inside information shall be a person who learns inside information:
1) by holding a position in the managing bodies of the issuer;
2) by having a holding in the issuer's capital;
3) by fulfilling professional duties as an employee of the issuer or on the basis of contractual or legal relationship with the issuer;
4) by committing criminal acts.
(5) A person who is a first-level holder of inside information shall be prohibited from:
1) disclosing, using or passing over to third parties inside information, except in cases when such information is disclosed or passed over when exercising work functions or fulfilling professional duties;
2) acquiring or disposing of financial instruments or commodities derivatives on its own or other person's behalf and advising or instructing another person to acquire or dispose of financial instruments or commodities derivatives on the basis of inside information.
(6) The prohibition set out to in Paragraph 5 hereof shall also apply to a person not referred to in that Paragraph if that person knows or ought to have known that the information is inside information.
(7) Where a first-level holder of inside information is a legal person, the prohibition set out in Paragraph 5 hereof shall also apply to natural persons that participate in decision-taking in respect of transactions on behalf of that legal person.
(8) The prohibition of this Article from acquiring or disposing of financial instruments or commodities derivatives on one's own or other person's behalf shall not apply to

transactions that are to be executed in accordance with contracts signed before a person became a holder of inside information in respect of these financial instruments or commodities derivatives.
(9) Information that is based on the analysis made using only publicly available information shall not mean inside information.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 86
List of Holders of Inside Information
(1) An issuer whose financial instruments are traded on the regulated market shall develop internal rules for compiling the list of holders of inside information. An issuer shall promptly submit these internal rules to the Commission upon its request.
(2) An issuer shall compile the list of holders of inside information not later than by the day when its financial instruments are admitted to trading on the regulated market. In the list, an issuer shall include information on:
1) members of its executive board and council and internal auditors (controlling officer of the undertaking);
2) other persons (its employees) that receive inside information due to their professional duties;
21) members of the audit committee;
3) other persons that discharge managerial responsibilities and are not members of the bodies referred to in Subparagraph 1 of Paragraph 2 hereof, but which constantly have at their disposal inside information related, directly or indirectly, to the issuer and whose decisions may affect the activity and development of the issuer;
4) persons related with the persons referred to in Subparagraphs 1 and 3 of Paragraph 2 hereof. Related persons shall be as follows: the spouse, dependent children, other relatives who have shared the household with the respective person for at least one year, any legal person whose managerial responsibilities are discharged or which is directly or indirectly controlled by a person referred to in Subparagraphs 1 and 3 of Paragraph 2 hereof or that person's spouse, dependent children or relatives referred to in this Subparagraph;
(3) An issuer shall include the following information in the list of holders of inside information:
1) data allowing the identification of holders of inside information (for resident natural persons: their name, surname, personal identity number; for non-resident natural persons: their name, surname, date of birth, the number and date of issue of a document certifying their identity, the institution issuing the document; for legal persons: their firm name, legal address, number and place of registration);
2) reason why any such person is on the list of holders of inside information;
3) year and date when the list was compiled and the date of making amendments, where it has been amended.
(4) An issuer shall submit the list of holders of inside information to the Commission within five business days after the admission of financial instruments to trading on the regulated market.
(5) An issuer shall be entitled to request that the persons referred to in Subparagraphs 1 and 3 of Paragraph 2 hereof submit information on their related persons for the purposes of compiling and maintaining the list of holders of inside information.
(6) An issuer shall have an obligation to use the list of holders of inside information and information contained therein solely for performing its professional duties. Any person who is entrusted with the data contained in the list of holders of the issuer’s inside information or who learns the data as a shareholder of the issuer, a chairperson or a member of the council or the executive board of the issuer, the head or an employee of the internal auditor’s service and who makes the data public,

intentionally or unintentionally, or discloses the data to persons not entitled to receive it shall be held criminally liable in due course of law.
(7) An issuer shall develop internal rules about the procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in that issuer's financial instruments or commodity derivatives. An issuer shall promptly submit these internal rules to the Commission upon its request.
(8) An issuer shall notify any person included in the list of holders of inside information on its inclusion in the list and makes known to that person the internal rules about the procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in that issuer's financial instruments or commodity derivatives.
(9) The persons referred to in Subparagraphs 1 and 3 of Paragraph 2 hereof shall have an obligation to:
1) notify their related persons on their inclusion in the list of holders of the issuer's inside information;
2) notify their related persons on the issuer's internal rules about the procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in that issuer's financial instruments or commodity derivatives;
3) provide the issuer with information necessary for compiling and maintaining the list of holders of inside information about the related persons of those persons and promptly notify the issuer where the information on the respective related persons referred to in Subparagraph 1 or 2 of Paragraph 3 hereof changes.
(10) An issuer shall promptly make amendments to the list of holders of inside information, where the list shall be supplemented with a new holder of inside information, the information on the holder of inside information referred to in Subparagraphs 1 or 2 of Paragraph 3 hereof changes or where inside information is no more available to any person, indicating the year and the date as of which information is or is not available to a person.
(11) After making amendments to the list of holders of inside information, an issuer shall promptly submit to the Commission the amended list of holders of inside information.
(12) An issuer shall keep the list of holders of inside information and all amendments thereto for the last ten years, ensuring that the course of amendments can be traced.
(13) The Commission shall ensure that the regulated market organizer as well as investment brokerage firms and credit institutions that are entitled to provide investment services in the Republic of Latvia have access to the current lists of holders of inside information that are at the Commission's disposal.
(14) In accordance with Paragraph 13 hereof, a regulated market organizer, an investment brokerage firm and a credit institution shall have an obligation to use the information available to them only for the performance of their professional duties. Any person who is entrusted with the data contained in the list of holders of issuers' inside information or who learns the data as a shareholder or the owner of shares, a chairperson or a member of the council or the executive board, the head or an employee of the internal auditor's service of a regulated market organizer, an investment brokerage firm or a credit institution and who makes the data public, intentionally or unintentionally, or discloses the data to persons not entitled to receive it shall be held criminally liable in due course of law.
(15) The Commission shall develop regulatory provisions governing the procedure whereby the list of holders of inside information shall be submitted and the access to the lists of holders of inside information.
(In the wording of the Law of October 4, 2007 and as amended by the Laws of May 22, 2008 and of February 26, 2009 taking effect on March 25, 2009)
Article 861

Notification of a Transaction in Financial Instruments
(1) In due course of Paragraph 2 hereof, the persons referred to in Paragraphs 1, 3 and 4 of Paragraph 2 of Article 86 hereof shall make a notification of the transactions in an issuer's shares or in financial instruments linked to such shares, or in financial derivatives, where those transactions have been made on their own behalf.
(2) The notification referred to in Paragraph 1 hereof shall be made to the Commission in writing in the official language or in the language that is customary in the sphere of international finance within five business days of making a transaction, where the amount of one transaction exceeds an amount in lats equivalent to 5 000 euros, calculated at the Bank of Latvia's exchange rate, or within five business days of conducting the last transaction in a row of transactions during a calendar year whose total amount exceeds an amount in lats equivalent to 5 000 euros, calculated at the Bank of Latvia's exchange rate. The total amount of transactions shall be calculated by summing up the amount of transactions made by the persons referred to in Subparagraphs 1 or 3 of Paragraph 2 of Article 86 hereof and that of the transactions by the respective related persons referred to in Subparagraph 4 of Paragraph 2 of Article 86 hereof. The notification may not be made where, during a calendar year, the total amount of transactions does not exceed an amount in lats equivalent to 5 000 euros, calculated at the Bank of Latvia's exchange rate.
(3) The notification referred to in Paragraph 1 hereof shall contain the following information:
1) data allowing the identification of the notifying persons (for resident natural persons: their name, surname, identity number; for non-resident natural persons: their name, surname and date of birth, the number and date of issue of a document certifying their identity, the institution issuing the document; for legal persons: their firm name, legal address, number and place of registration);
2) reason for obligation to notify,
3) issuer's firm name, legal address, number and place of registration, and the registering institution;
4) information characterizing the financial instrument which gives an explicit basis for identifying that financial instrument (the type of the financial instrument, its ISIN code and similar information);
5) type of the transaction (buying, selling);
6) date and place of the transaction;
7) amount and price of the transaction.
(4) Not later than on the next business day of the receipt of the notification, the Commission shall enter it in the official storage system, in compliance with the requirements for the protection of data of natural persons.
(In the wording of the Law of June 9, 2005 and as amended by the Laws of June 15, 2006, of March 29, 2007, of October 4, 2007, and of February 26, 2009 taking effect on March 25, 2009)

Article 87
Obligation to Publish Inside Information and Exemptions from the Obligation
(1) An issuer whose financial instruments or commodity derivatives are traded on the regulated market shall ensure, as quickly and precisely as possible, dissemination of the inside information that relates directly to the issuer itself or its financial instruments or commodity derivatives. An issuer shall ensure that inside information is simultaneously disseminated in all member states in which it has submitted an application for admitting financial instruments to trading on the regulated market or from which it has received a confirmation of admitting financial instruments to trading on the regulated market. Disclosure of inside information shall not be misleadingly joined with the advertising of the issuer’s business. The issuer shall be

deemed to have ensured the disclosure of inside information, where it has immediately notified the public of the occurrence of a set of circumstances or an event before it may be considered as officially having taken place.
(2) An issuer shall disseminate inside information in due course of Article 64.2 hereof. An issuer shall post inside information on its Internet homepage, if it has been made, and ensure availability of this information on the homepage as long as it is topical, but for at least six months of the day of its dissemination. Where any significant changes occur in already disseminated inside information, an issuer shall ensure the dissemination of such changes, using the same channels that were used to disseminate the original information.
(3) Inside information entered in the official storage system shall be available as long as it is topical, but for at least six months of the day of its dissemination.
(4) An issuer shall be entitled to delay the dissemination of inside information to protect its legitimate interests, provided that the delay of dissemination of that inside information does not mislead investors and the issuer is able to ensure confidentiality of that inside information.
(41) Legitimate interests may relate to:
1) negotiations in course or events related thereto, where the outcome or normal pattern of those negotiations would be likely to be affected by public disclosure. In particular, in the event that the financial stability of the issuer is endangered and public disclosure of information would seriously jeopardize the interests of existing and potential shareholders by undermining the conclusion of negotiations designed to recover the financial stability of the issuer;
2) those decisions taken or contracts made by the managing body of an issuer which need the approval of another body of the issuer in order to become effective, where the organization of that issuer requires the separation between these managing bodies, provided that a public disclosure of inside information before such approval together with the simultaneous announcement that this approval is still pending would affect the assessment of the issuer by the public.
(5) In the cases set out in Paragraph 4 hereof, an issuer shall promptly notify the Commission, specifying the contents of the non-disseminated inside information and reasons for not disseminating it.
(6) Where an issuer or its duly authorized person who is its employee or has other contractual or legal relationship with it discloses information to third parties when exercising work functions or fulfilling professional duties, the issuer shall ensure that the inside information be published in due course of this Article.
(7) Where in the cases set out in Paragraph 6 hereof inside information has been disclosed intentionally, it shall be disseminated simultaneously with its disclosure. Where in the cases set out in Paragraph 6 hereof inside information has been disclosed unintentionally, the issuer shall ensure that it is disseminated without delay, as soon as possible.
(8) An issuer shall be entitled not to comply with the provisions of Paragraphs 6 and 7 hereof where the person to whom the inside information was disclosed is to ensure the confidentiality of such information pursuant to laws, other legal provisions, a contract or its articles of association.
(9) Persons conducting or disseminating research in respect of financial instruments, commodity derivatives or their issuers, and persons preparing and disseminating other type of information in respect of an investment strategy that is meant for publishing shall do their best to ensure that the information is unbiased and does not contain misleading facts, and uncover their interests and possible conflict of interests in respect of the financial instruments or commodity derivatives on which the information is published. An investment brokerage firm and a credit institution shall carry out the necessary organizational and administrative measures to prevent the

occurrence of the said conflicts of interest.
(10) The persons referred to in Paragraph 9 hereof shall comply with the Commission's regulatory provisions on the minimum requirements in respect of the contents of research or other information on financial instruments and their issuers (including the contents of the documents advising an investment strategy), and with the procedure whereby interests or a conflict of interests shall be disclosed.
(11) Public authorities that disseminate statistical information that is likely to materially affect the market of financial instruments or commodities derivatives shall disseminate such information in an honest and unambiguous manner.
(12) In order to ensure that the provisions for confidentiality of inside information referred to in Paragraph 4 hereof are observed, an issuer shall:
1) establish effective arrangements to restrict access to inside information for persons that do not need that information for the exercise of their work functions within the issuer;
2) inform persons having access to the issuer's inside information about the requirements and sanctions laid down in regulatory provisions that may apply to the abuse or improper circulation of such information.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of March 29, 2007, of October 4, 2007, and of February 26, 2009 taking effect on March 25, 2009)

Article 88
Prohibition from Market Manipulation
(1) Unfair transactions and market manipulation in respect of financial instruments and commodities derivatives shall be prohibited.
(2) Unfair transactions shall mean transactions that do not comply with the general provisions of the Civil Law and that result in the violation of the rights and legitimate interests of counterparties and other persons.
(3) Market manipulation shall mean:
1) making of transactions or submission of orders to buy or sell financial instruments or commodities derivatives for the following purposes:
a) create the fictitious circulation of financial instruments or commodities derivatives,
b) create a misleading opinion of the supply or demand of financial instruments or commodities derivatives,
c) influence artificially (support, increase, diminish) the price of a financial instrument or commodities derivative,
d) jeopardize substantially the normal functioning of the financial instruments or commodities derivatives market;
2) dissemination in the mass media of information that creates or is likely to create a false or misleading opinion of the price, supply or demand of a financial instrument or commodities derivative, including dissemination of intentionally false or misleading information, where the person disseminating the information knows or ought to have known that the information is false or misleading.
(4) The activities referred to in Subparagraph 1 or Paragraph 3 hereof shall be regarded manipulation, irrespective of whether the purpose is achieved or not.
(5) Supporting the price of a financial instrument or commodities derivative by a person organizing the initial placement of financial instruments or commodities derivatives shall not be regarded manipulation provided that the issue prospectus contains an indication of the time period of supporting the price and the supported price, including the lowest admissible price.
(6) Actions which conform with accepted market practices on the respective regulated market examined and approved by the Commission in due course of Article 881 shall not constitute market manipulation.
(7) When examining market manipulation, the following shall be taken into account:

1) whether orders given to trade financial instruments or transactions made represent a significant proportion of the daily volume of transactions in the respective financial instrument on the respective regulated market, in particular when those orders or transactions have a significant impact on the price of the respective financial instrument;
2) whether orders to trade given or transactions made by a person with a significant buying or selling position in a financial instrument lead to significant changes in the price of the financial instrument or related derivative or the underlying primary asset admitted to trading on the regulated market;
3) whether transactions made lead to no change in beneficial ownership of the financial instrument admitted to trading on the regulated market;
4) whether orders given to trade financial instruments imply position reversals, i.e., first giving order to buy and then order to sell or vice versa, in a short period and whether those orders represent a significant proportion of the daily volume of transactions in the respective financial instrument on the respective regulated market, and the extent to which those orders might lead to changes in the price of the financial instrument admitted to trading on that regulated market;
5) whether orders given to trade financial instruments or transactions made in financial instruments are concentrated within a short time span in the trading session and whether those orders lead to a change in the price of the financial instrument which is subsequently reversed;
6) whether orders given to trade financial instruments, if cancelled before their execution, affect the information on the best bid or offer prices of a financial instrument admitted to trading on the regulated market, or the information on orders given that is available to market participants;
7) whether orders to trade financial instruments are given or transactions are made at the time when reference prices, settlement prices and valuations are calculated and the extent to which those orders or transactions have an effect on such prices and valuations;
8) whether orders given to trade financial instruments or transactions made by persons are preceded or followed by false or misleading information disseminated by the same persons or persons associated with them;
9) whether orders to trade financial instruments are given or transactions are made by persons before or after the same persons or persons associated with them produce or disseminate research or investment recommendations which are erroneous or biased or demonstrably influenced by material interest.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 881
Accepted Market Practices
(1) Accepted market practices shall mean practices that are likely to exist in one or more financial instruments markets and are approved by the Commission in due course of this Article. To establish whether the relevant market practice is allowed in the respective market, the Commission shall examine the following:
1) the level of transparency of the relevant market practice to the whole market;
2) the need to safeguard the operation of the market and the interplay of supply and demand, analyzing the impact of the relevant market practice on the main market parameters, including the weighted average price of a single trading session or the daily closing price;
3) the degree to which the relevant market practice has an impact on market liquidity and efficiency;
4) the degree to which the relevant practice takes into account the trading mechanism of the respective market and enables market participants to react properly and in a

timely manner to the new market situation created by that practice;
5) the risk inherent in the relevant market practice for the integrity of directly or indirectly related markets, whether regulated or not, in the European Economic Area, where the respective financial instrument is admitted to trading;
6) the outcome of any research of the relevant market practice by the supervisory or other authority with which the Commission collaborates, where during that research it was examined whether the relevant market practice violated requirements of regulatory provisions designed to prevent market abuse, be it on the respective market or on directly or indirectly related markets within the European Economic Area;
7) the structural characteristics of the respective market (whether it is regulated or not, the types of financial instruments traded and the type of market participants).
(2) When examining the relevant market practice, the Commission shall consult with representatives of issuers, providers of financial services, market organizers and consumers, as well as authorities supervising financial instruments markets comparable in terms of structure, turnover and types of transactions.
(3) When publishing the decision regarding the accepted market practice on its Internet homepage, the Commission shall provide a description of the relevant market practice, indicating the factors taken into account in determining whether the relevant practice may be allowed, in particular where different decisions have been made by supervisory authorities of other member states after examining the same market practice. Taking into account any significant changes in the relevant market environment, the Commission shall update information on the accepted market practices in due course of Paragraphs 1 and 2 hereof.
(4) The Commission shall immediately send to the Committee of European Securities Regulators information on the market practice that has been accepted in due course of this Article.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 89
Obligation to Refrain from Executing a Transaction
(1) An investment brokerage firm and a credit institution shall refrain from executing a transaction on an investor's instruction where it suspects that the transaction is executed by using inside information or for market manipulation purposes.
(2) In accordance with its internal procedures, an investment brokerage firm and a credit institution shall promptly notify the Commission of all transactions it refrains from pursuant to the requirements of Paragraph 1 hereof.
(3) Where an investment brokerage firm or a credit institution cannot refrain from executing a transaction, the investment brokerage firm or the credit institution shall be entitled to execute it, simultaneously notifying the Commission to this effect.
(4) Where, in accordance with the requirements of Paragraph 1 hereof, an investment brokerage firm or a credit institution has refrained from executing a transaction, that refrain from or delay in executing a transaction shall not involve that investment brokerage firm or credit institution, their official or employee in any legal liability irrespective of the outcome of using the submitted information.
(5) An investment brokerage firm or a credit institution shall make the notification referred to in Paragraphs 2 and 3 hereof in writing (sending it by post, fax or electronic mail) or orally. Where the notification has been made in an oral form, the Commission shall be entitled to require a written confirmation of that oral notification. The notification shall include the following:
1) a description of a transaction, including the type of order, and the type of trading;
2) information on conditions underlying suspicion that a transaction is executed by using inside information or with the aim of market manipulation;
3) the beneficial owner and the data allowing the identification of counterparties to

the transaction;
4) capacity in which the notifying person operates (a broker, an agent, a person organizing the primary placement of the financial instrument);
5) any other information that may have significance in examining possible market manipulation or abuse of inside information.
(6) Where the information referred to in Paragraph 5 hereof is not fully available at the time when an investment brokerage firm or a credit institution makes notification to the Commission, that investment brokerage firm or credit institution shall at least give information on conditions underlying their suspicion that the transaction is made using inside information or constitutes market manipulation. An investment brokerage firm or a credit institution shall provide all remaining information to the Commission as soon as it becomes available.
(7) An investment brokerage firm or a credit institution shall not inform the person giving the order to execute the transaction or any other third party regarding the notification made to the Commission in due course of this Article.
(8) Where an investment brokerage firm or a credit institution, in due course of this Article, has notified of transactions that give rise to suspicion that they are conducted using inside information or constitute market manipulation, this notification shall not involve that investment brokerage firm and credit institution, their official or employee in any legal liability for the breach of confidentiality of a financial instruments account or transaction.
(9) The Commission shall not disclose any information on the persons having made the notification referred to in this Article, where such disclosure might be detrimental to those persons.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 90
Rights of the Commission
To ensure compliance with the provisions of this Chapter, the Commission shall have the following rights in parallel to the other rights established by the Law on Financial and Capital Market Commission and this Law:
1) request that any person submit information on its business in the financial and capital market, and invite that person to the Commission for disclosing information in person;
2) request and receive recordings of telephone conversations and of other data transmissions from participants of the financial instruments market;
3) request that participants of the financial instruments market cease any actions that are contrary to the provisions of this Chapter;
4) suspend trading in financial instruments;
5) order credit institutions and investment brokerage firms to suspend debit operations in respect of financial instruments in an investor's account or the movement of funds in an investor's account for the specified time period, but not for more than six months;
6) restrict the business of a participant of the financial instruments market for a period of up to six months.

Article 91
Civil Liability
Where the provisions of Articles 85 and 88 hereof are violated, an investor shall be entitled to request that loss be covered by the person guilty for the respective offence by initiating legal proceedings in court according to the general procedure.

Section E

Latvian Central Depository

Article 92
Operation and Functions of the Latvian Central Depository
(1) The Latvian Central Depository (hereinafter, "the Central Depository") shall operate in accordance with law, the Commission's regulatory provisions, its articles of association and regulations.
(2) The Central Depository shall have the following functions:
1) make book entries and account financial instruments in the cases and pursuant to the procedure set out in this Law, and ensure their identification (by assigning an ISIN code);
2) oversee that the total amount of the financial instruments of each issue, for which book entries are made by the Central Depository, complies with the number of the publicly circulated financial instruments of each issue;
3) open financial instrument accounts for investment brokerage firms and credit institutions that hold financial instruments;
4) transfer financial instruments among the accounts of investment brokerage firms and credit institutions opened with the Central Depository;
5) provide services to the participants of the Central Depository in relation to the obligations that the issuers, in respect of whose publicly circulated financial instruments book entries are made with the Central Depository, have to owners of financial instruments;
6) issue documents to the investment brokerage firms and the credit institutions that have accounts with the Central Depository, evidencing the making of book entries in respect of financial instruments in the accounts of the investment brokerage firms and the credit institutions with the Central Depository;
7) arrange and manage settlement in respect of financial instruments;
8) register the right to collateral in transactions where collateral is given by an investment brokerage firm or a credit institution that has an account with the Central Depository and the collateral is financial instruments for which book entries are made with the Central Depository;
9) monitor the business of the participants of the Central Depository in accordance with its regulations;
10) maintain the initial register;
11) ensure that the accounting of financial instruments is transferred from one participant of the Central Depository to another.
(3) The Latvian Central Depository shall be entitled to:
1) make book entries of and account the publicly circulated financial instruments in the cases referred to in this Law and in due course thereof;
2) ensure assigning an identification code (ISIN code);
3) make operations for transferring financial instruments among the financial instruments accounts of investment brokerage firms and credit institutions opened with the Central Depository;
4) arrange and manage settlement operations with publicly circulated financial instruments;
5) maintain the initial register;
6) ensure the transfer of accounting of financial instruments from one participant of the Central Depository to another.
(4) The Central Depository shall also be entitled to provide other services.
(As amended by the Laws of June 9, 2005, of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Article 92.1

Continuity of the Activity of the Central Depository
(1) To ensure that the functions referred to in Article 92 hereof are performed and information is stored, the Central Depository shall develop a plan for ensuring continuity of its activity.
(2) Where the current Central Depository fails to perform its functions as set out in this Law due to insolvency, liquidation or other reasons, the status of the Central Depository shall be assigned to another commercial company in a tender procedure. The tender shall be held by the Ministry of Finance.
(3) The current Central Depository shall continue its activity until the functions referred to in Paragraph 2 of Article 92 hereof are vested with a commercial company that has been granted the status of the Central Depository in due course of Paragraph 2 hereof. That activity shall be financed from the budget of the Commission.
(4) The Commission shall supervise the current Central Depository as long as it settles in full amount its liabilities to its participants and until the functions of the Central Depository referred to in Paragraph 2 of Article 92 hereof are vested with a commercial company that has been granted the status of the Central Depository in due course of Paragraph 2 hereof.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 93
Procedure whereby Book Entries for Publicly Circulated Financial Instruments are Made and Publicly Circulated Financial Instruments are Accounted
(1) Only those financial instruments having no material form shall be issued into public circulation.
(2) The Central Depository shall make book entries for financial instruments after signing an agreement with an issuer and after the issuer, in due course of law, is entitled to make a public offer of financial instruments or issue financial instruments into public circulation and has submitted to the Central Depository other documents established in the regulations of the Central Depository.
(3) Investment brokerage firms and credit institutions that wish to hold the financial instruments which are in public circulation and for which book entries have been made in the Central Depository shall open accounts with the Central Depository or another investment brokerage firm or credit institution that is registered in the Republic of Latvia and ensures holding of the financial instruments belonging to the customers of that investment brokerage firm or credit institution or the investment brokerage firm or credit institution itself with the Central Depository.
(4) The Central Depository shall account the financial instruments belonging to an investment brokerage firm or a credit institution and the aggregate of all financial instruments belonging to and held by customers of the respective investment brokerage firm or credit institution.
(5) An investment brokerage firm and a credit institution shall ensure that the financial instruments of each customer are accounted in compliance with the accounting principles and procedures established by the Central Depository.
(6) When making book entries of financial instruments in financial instrument accounts, the following principle shall always apply: the financial instruments of the same type and class that are first entered into the books shall be the first to be written off the account.
(7) The Commission shall establish the procedure whereby the second-tier financial instrument account holders, referred to in Paragraph 3 hereof, account and make book entries of financial instruments and make settlements of transactions in the financial instruments for which book entries have been made with the Central Depository.
(71) The investment brokerage firms and the credit institutions that are referred to in Paragraph 3 hereof and that have not opened financial instrument accounts for holding

their own and their customer financial instruments with the Central Depository, but that ensure that the holding of the financial instruments for which book entries are made with the Central Depository is done with the intermediation of another investment brokerage firm or credit institution, upon receiving a request of the investment brokerage firm or of the credit institution in whose accounts the financial instruments are held, shall have an obligation in respect of the following by the deadline specified by the investment brokerage firm or the credit institution:
1) to provide information about the persons that own or hold financial instruments;
2) to communicate to the customers information about shareholders meetings;
3) to submit to that investment brokerage firm or credit institution the instruction for blocking the financial instruments of those persons that own the financial instruments and intend to participate in shareholders meetings.
(8) The Central Depository shall keep its own money resources distinct from the money resources belonging to the financial instrument owners that are or were registered in the initial register and did not accept the final share buyout offer on the expiration date of the final share buyout offer.
(9) The Central Depository shall be entitled to invest the money resources referred to in Paragraph 8 hereof in the securities issued by member states or other debt securities of low risk and use the gains (yield) from such investment.
(10) The money resources referred to in Paragraph 8 hereof shall not be used to meet the claims of the creditors of the Central Depository. This requirement shall also apply to the cases when the Central Depository is recognized as insolvent in due course of law.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of October 4, 2007, and of May 22, 2008 taking effect on June 25, 2008)

Article 94
Regulations of the Central Depository
(1) The regulations of the Central Depository shall mean the documents that establish the requirements to be complied with by all participants and issuers whose financial instruments are entered into the books of the Central Depository.
(2) To ensure the performance of the functions set out in this Law, the Central Depository shall establish at least the following in its regulations:
1) procedure whereby book entries of financial instruments are made and financial instruments are accounted;
2) procedure whereby participants of the Central Depository are admitted and expelled, the rights and obligations of participants, the procedure whereby a participant’s status is suspended;
138
3) procedure whereby investment brokerage firms and credit institutions open financial instrument accounts with the Central Depository;
4) procedure whereby settlements are made in respect of transactions in financial instruments that are entered into the books of the Central Depository;
5) procedure whereby dividends, interest, principal and other income related to the financial instruments that are entered into the books of the Central Depository are paid;
6) procedure whereby a participant of the Central Depository that enjoys an issuer's status may identify the persons that own or hold the financial instruments entered into the books of the Central Depository;
7) procedure whereby financial instruments entered into the books of the Central Depository are pledged;
71) procedure whereby the initial register is established and maintained;
72) procedure whereby the accounting of financial instruments is transferred from one

participant of the Central Depository to another;
8) other matters related to the performance of the functions of the Central Depository.
(3) The Central Depository shall develop draft regulations referred to in Paragraph 2 hereof and submit them to the Commission. The Commission shall scrutinize the draft regulations (and any amendments thereto, if necessary) as to their compliance with laws, the requirements of other regulatory provisions and successful carrying out of the functions of the Central Depository, and prepare an opinion within 30 days of the submission of the draft. Where the opinion contains no objections, the Central Depository shall be entitled to take a decision on approving the regulations.
(4) The Central Depository shall post regulations and any amendments thereto on its Internet homepage promptly after their approval by the executive board of the Central Depository. The regulations of the Central Depository and any amendments thereto shall become effective on the next day of their posting on the Internet homepage of the Central Depository unless another effective date is established in the regulations. The Central Depository shall promptly notify the Commission of the approval of regulations.
(5) (Deleted by the Law of June 9, 2005)
(6) (Deleted by the Law of June 9, 2005)
(7) (Deleted by the Law of June 9, 2005)
(8) The Central Depository shall post on its Internet homepage also other procedures (e.g., rules, procedures, descriptions, instructions) governing the performance of the functions of the Central Depository referred to in Paragraph 2 of Article 92 hereof.
(As amended by the Laws of June 9, 2005, of June 15, 2006, of October 4, 2007, and of May 22, 2008 taking effect on June 25, 2008)

Article 95
Participants of the Central Depository
(1) A participant of the Central Depository shall be a legal person that has signed an agreement with the Central Depository to the effect that the Central Depository makes book entries of issues of financial instruments, opens financial instrument accounts or services transactions in respect of financial instruments.
(2) An investment brokerage firm that is licensed by the Commission to provide investment services and therefore entitled to hold financial instruments or a credit institution that is licensed by the Commission to engage in the business of credit institutions and holds financial instruments shall be entitled to become a participant of the Central Depository.
(3) An investment brokerage firm registered in a member state that provides investment services in the Republic of Latvia shall be entitled to become a participant of the Central Depository as of the day it is entitled to start providing investment services in the Republic of Latvia in due course of this Law, provided that it is duly authorized to hold financial instruments in its registration country.
(4) A credit institution registered in a member state that provides investment services in the Republic of Latvia by opening a branch shall be entitled to become a participant of the Central Depository as of the day it is entitled to engage in the business of credit institutions in the Republic of Latvia in due course of this Law, provided that it is duly authorized to hold financial instruments in its registration country.
(5) An undertaking that is registered in a foreign country and provides investment services shall be entitled to become a participant of the Central Depository only upon its registration with the Commission in due course of this Law, provided that this undertaking is authorized to hold financial instruments in its registration country.
(6) An issuer that has signed an agreement with the Central Depository to the effect that the Central Depository makes book entries of the issuer's financial instruments shall be entitled to become a participant of the Central Depository that enjoys an

issuer's status.
(7) The Republic of Latvia, a member state, a local government of the Republic of Latvia and of a member state, the Bank of Latvia and a market organizer shall be entitled to become a participant of the Central Depository that enjoys a special status.
(8) The Central Depository shall ensure equal rights to all participants of the same status.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 96
Obligations of the Managing Bodies of the Central Depository
(1) The management board of the Central Depository shall:
1) take decisions on making book entries of financial instruments;
2) take decisions on admitting and expelling participants of the Central Depository and on suspending a participant's status in the Central Depository;
3) assess the quality of the services provided to participants of the financial instruments market on a regular basis, but at least once a year, and, if necessary, take decisions on improving it;
4) ensure that the annual report/accounts of the Central Depository is/are posted on the Internet homepage of the Central Depository;
5) ensure that information on the risk management methods and risk management policy of the Central Depository is posted on the Internet homepage of the Central Depository;
6) approve the regulations of the Central Depository referred to in Article 94 hereof and service fees.
(2) Where it is not possible to convene a meeting of the management board due to objective reasons, a member of the management board duly authorized by the council shall be entitled to take a decision on suspending a participant's status in the Central Depository.
(3) (Deleted by the Law of October 4, 2007)
(4) The management board of the Central Depository shall approve the tariffs of the services of the Central Depository and amendments thereto only after consultations with all participants of the Central Depository.
(5) On its own initiative or upon the Commission's request, the respective managing body of the Central Depository shall have the obligation to promptly suspend from office the members of the management board or council if they fail to comply with the requirements of this Law.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 97
Requirements for the Members of the Management Board and the Council
(1) A person shall be entitled to become a member of the management board or the council of the Central Depository provided that he/she:
1) is sufficiently competent in the sphere he/she will be responsible for;
2) has the necessary education and at least three years of work experience at a commercial company, an organization or an institution;
3) is of good repute;
4) has not been deprived of the right to engage in commercial activities.
(2) A person shall not be entitled to become a member of the management board or the council of the Central Depository where he/she:
1) has been convicted for a deliberate crime, including for reckless bankruptcy;
2) has been convicted for a deliberate crime, though has been released from the punishment due to limitation, pardon or amnesty;
3) has been a subject in a criminal case for a deliberate crime that was dismissed due

to limitation or amnesty;
4) has been recognized criminally liable in a case that was dismissed on a nonvindicative basis;
5) has intentionally disclosed false information on itself to the Commission by submitting documents to receive the licence in order to engage in any activities in the financial and capital market.
(3) At least two council members of the Central Depository shall be representatives of the participants of the Central Depository.

Article 98
Electing Representatives of Members of the Central Depository to the Council
(1) Once a year before the annual shareholders meeting, the Central Depository shall have a duty to convene a participants meeting, during which two persons, who are then appointed to the council of the Central Depository by the regular shareholders meeting, are elected.
(2) One of the persons referred to in Paragraph 1 hereof shall be elected by the members that have financial instrument accounts with the Central Depository, and the other person shall be elected by the participants that enjoy an issuer's status.
(3) Each participant of the Central Depository shall be entitled to appoint one representative for the position of a council member. Each member shall have one vote in the election of candidates for the position of a council member. Where a participant of the Central Depository is simultaneously both a participant that enjoys an issuer's status and a person that has a financial instrument account with the Central Depository, it shall appoint one representative and have one vote.
(4) The participants of the Central Depository shall elect their representative by a simple majority. Where a candidate for the position of a council member elected by the participants of the Central Depository refuses from the position after approval, until the next election the position shall be taken by the person that received the next largest number of votes in the election that took place during the meeting of the participants of the Central Depository.

Article 99
Rights and Obligations of the Central Depository
(1) The Central Depository shall establish the principles and procedure for accounting financial instruments that shall be binding on all its members.
(11) The Central Depository shall take measures in order to:
1) identify and manage the possible conflicts of interest between the interests of the Central Depository or of its shareholders and the obligation to ensure sound accounting and settlement in respect of financial instruments and prevent the adverse effect of such conflicts of interest on the performance of the Central Depository or on the interests of its participants, in particular where such conflicts of interest may jeopardize the rights of the Central Depository to perform supervision of the participants of the Central Depository referred to in Paragraph 3 hereof;
2) identify risks it is subject to and manage them appropriately;
3) ensure appropriate management of the technical performance of the accounting and settlement system in respect of financial instruments.
(2) The Central Depository shall be entitled to receive consideration for the services provided. The amount and form of the consideration shall be set out in the regulations of the Central Depository.
(3) The Central Depository shall monitor its participant's compliance with the requirements of the regulations of the Central Depository and apply the sanctions set out in its regulations where the requirements are violated. The Central Depository shall promptly notify the Commission of any detected violations of this Law, other

regulatory provisions and the regulations of the Central Depository and of the decisions it has taken in respect of such violations.
(4) The Central Depository shall be entitled to open financial instrument accounts with foreign central depositories or organizations that organize settlement in respect of financial instruments, and open financial instrument accounts for those organizations with itself.
(5) The opening of the accounts referred to in Paragraph 4 hereof shall be possible upon signing a contract with the respective organizations. The Central Depository shall promptly notify the Commission of any signed contract.
(6) The Central Depository, in compliance with the procedure set out in Section F1 hereof, shall be entitled to delegate the following services to a provider of outsourced services:
1) maintenance of accounting records;
2) management or development of information technologies or systems;
3) organization of internal control;
4) other activities (outsourced services) that are vital for ensuring the operation of the Central Depository and carrying out the functions referred to in Article 92 hereof.
(7) The Central Depository shall be entitled to delegate by outsourcing the obligations of its internal audit service solely to an official auditor or a commercial company of official auditors.
(8) The Central Depository shall not delegate:
1) obligations of its managing bodies as set out in regulatory provisions or its articles of association;
2) functions vested solely with the Central Depository in accordance with Paragraph 3 of Article 92 hereof.
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 100
Supervision of the Central Depository
(1) The Commission shall be entitled to inspect the operation of the Central Depository, including carrying out on-site inspections in the Central Depository. Duly authorized representatives of the Commission shall be entitled to see all documents, accounting registers and databases of the Central Depository and make extracts and duplicates (copies) of those documents.
(2) Upon receipt of a motivated written request by the Commission, the Central Depository shall submit duplicates (copies) of documents or other information related to its operation to the Commission.
(3) The Commission shall be entitled to convene meetings of the managing bodies of the Central Depository, establish the agenda and participate in the meetings of the managing bodies of the Central Depository without the right to vote.
(4) The Commission shall be entitled to cancel, fully or in part, the decisions taken by the managing bodies of the Central Depository in respect of the performance of functions set out in Article 92 hereof, appointment of the members of the management board or the council where they fail to comply with laws, other regulatory provisions or the Central Depository's articles of association or regulations, or that are likely to influence significantly the financial standing of the Central Depository.
(5) In the cases referred to in Paragraph 6 of Article 10 hereof, the Commission shall be entitled to suspend the members of the management board or the council of the Central Depository from office and duly authorize the Commission's representatives to exercise the functions of the managing bodies of the Central Depository until all violations are rectified.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Section F
Investment Services

Chapter VII

General Provisions

Article 101
Right to Provide Investment Services and Ancillary (Non-Core) Investment Services

(1) In the Republic of Latvia, investment services shall be provided exclusively by investment brokerage firms and credit institutions, insurance brokers that are legal persons, as well as undertakings managing open-end investment funds in due course of the regulatory provisions governing their operation. A market organizer that has received a licence for the organization of the regulated market and, in due course of Article 1031 hereof, has been granted the right to operate a multilateral trading facility shall be entitled to operate a multilateral trading facility.

(11) For the provision of investment services, an insurance broker that is a legal person shall receive a licence in due course of Chapter VIII hereof and shall comply with the requirements governing the operation of an investment brokerage firm.

(2) For the purposes of Section F of this Law, a credit institution shall mean a bank and a branch of a foreign bank registered in the Republic of Latvia, as well as a credit institution registered in another member state.

(3) For the purposes of Section F hereof, an investment brokerage firm shall mean an investment brokerage firm registered in the Republic of Latvia and a branch of an investment brokerage firm of a foreign country, as well as an investment brokerage firm registered in another member state.

(31) For the purposes of Section F hereof, a person linked to an investment brokerage firm or a credit institution is:

1) chairperson or member of the executive board or of the council of an investment brokerage firm or of a credit institution, a tied agent or another person that incurs civil liability on an investment brokerage firm or on a credit institution by taking important decisions on its behalf;

2) chairperson or member of the executive board or of the council of the tied agent's undertaking or other person that incurs civil liability on the tied agent by taking important decisions on its behalf;

3) employee of an investment brokerage firm, of a credit institution or of its tied agent, as well as any other natural person who is engaged in the provision of investment services by an investment brokerage firm or by a credit institution and whose activity is controlled by that investment brokerage firm or credit institution;

4) natural person who is directly engaged in the provision of an outsourced service to an investment brokerage firm, a credit institution or its tied agent by providing investment services.

(4) The investment services and ancillary (non-core) investment services provided in the Republic of Latvia shall mean any investment services and ancillary (non-core) investment services, where they are provided

1) by a commercial company registered in the Republic of Latvia;

2) by a commercial company registered outside the Republic of Latvia or a natural person whose place of residence is outside the Republic of Latvia, but the investment services and ancillary (non-core) investment services are advertised or offered in a way that the wording, manner or contents of the advertisement or an offer evidences that the respective service is provided in the Republic of Latvia;

3) in a virtual manner, from an Internet protocol address assigned to the Republic of Latvia, or where at least one of the measures needed to receive the service must be arranged with a person whose location or address is in the Republic of Latvia.
(5) Investment brokerage firms and credit institutions providing investment services shall comply with this Law, the Commission's regulatory provisions and the administrative acts issued in respect of investment brokerage firms or credit institutions, as well as their internal policy and procedures. Investment brokerage firms and credit institutions that provide investment services in respect of the financial instruments registered with the Central Depository shall also comply with the regulations of the Central Depository. Investment brokerage firms and credit institutions that provide investment services in respect of the financial instruments admitted to trading on the regulated market shall also comply with the regulations of the respective market organizer.
(6) The Commission shall establish and keep a register of the investment brokerage firms and the credit institutions that are entitled to provide investment services and ancillary (non-core) investment services in the Republic of Latvia. In the register, the type of investment services or ancillary (non-core) services shall be specified, for the provision of which an investment brokerage firm has received the licence or a credit institution has been granted the rights in due course of law. The Commission shall post the register on its Internet homepage.
(7) The provisions of Section F hereof shall not apply to:
1) insurers and reinsurers;
2) commercial undertakings in a concern that provide investment services solely to other commercial undertakings in the same concern;
3) persons that provide investment services on an irregular basis and only as part of their professional activities, provided that the professional activities of such persons are governed by special regulatory provisions and codes of ethics, which do not prohibit them from providing investment services;
4) commercial companies that provide investment services solely to the members of their executive board and council and their employees, and, where the commercial company is in a concern, to the members of the executive board and council and employees of other commercial companies in the same concern;
5) undertakings registered in the Republic of Latvia that are entitled by law to manage collective investment undertakings or undertakings registered in a member state that manage collective investments;
6) persons that only execute transactions for their account, but that are neither market makers nor investment brokerage firms or credit institutions to be regarded as systematic internalizers;
7) members of the European System of Central Banks and other public institutions that exercise similar functions, as well as public institutions that have a duty to service the public debt or engage in servicing thereof;
8) persons whose main business is not the provision of investment services or of banking financial services, but who make transactions in financial instruments for their own account or provide investment services in the derivative instruments referred to in item g) of Subparagraph 4 of Paragraph 2 of Article 3 hereof as a supplementary service to their customers of main business within a group of commercial companies;
9) persons that provide consultations on investments in financial instruments as a professional activity that is not governed by this Law and do not receive separate remuneration;
10) persons whose main business is making transactions in commodities or commodity derivatives for their account. This exception shall not apply where the persons making transactions in commodities or commodity derivatives for their own

account are in a group of commercial companies whose main business is the provision of other investment services or of financial services;
11) commercial companies that make transactions for their own account on the markets of options, futures or other derivative instruments or of underlying assets of derivative contracts for the sole purpose of hedging positions on derivative instruments markets or that make transactions for the account of other members of those markets which are guaranteed by clearing members of the same markets, where responsibility for ensuring performance of contracts entered into by such companies is assumed by clearing members of the same markets.
(In the wording of the Law of October 4, 2007 and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 102
Right of Investment Brokerage Firms to Provide Investment Services and Ancillary (Non-Core) Investment Services
147
(1) An investment brokerage firm shall be entitled to start providing investment services only upon receipt of a licence for the provision of investment services (hereinafter in this Chapter, "the licence") from the Commission. The licence shall also indicate the ancillary (non-core) investment services that the investment brokerage firm intends to provide.
(2) The ancillary (non-core) investment services referred to in Subparagraphs 1 and 7 of Paragraph 5 of Article 3 hereof may be provided only where the licence for the provision of investment services has been received.
(21) The requirements of this Law shall not apply to commercial companies that provide only the ancillary (non-core) investment services referred to in Subparagraphs 2, 3, 4, 5 and 8 of Paragraph 5 of Article 3 hereof.
(3) The Commission shall grant the licence for an unlimited period. In the licence, it shall list the investment services and ancillary (non-core) investment services that an investment brokerage firm is entitled to provide.
(4) Investment brokerage firms registered in member states shall be entitled to start providing investment services and ancillary (non-core) investment services in the Republic of Latvia in due course of Article 112 hereof.
(5) An investment brokerage firm shall not engage in commercial activities that are not related to the provision of investment services, ancillary (non-core) investment services, other financial services or the professional activity of an insurance broker that is a legal person.
(6) Only a capital company that has received a licence for the provision of investment services shall be entitled to use the word combination "investment brokerage firm" or its abbreviation "IBF" (in Latvian, "IBS") for its firm name.
(7) By ensuring due skills and care and observing the procedure set out in Section F1 hereof, an investment brokerage firm shall be entitled to delegate by outsourcing the following services:
1) maintenance of accounting records;
2) management or development of information technologies or systems;
3) organization of internal control;
4) provision of an investment service and an ancillary (non-core) investment service or any essential element thereof.
(8) An investment brokerage firm shall be entitled to delegate by outsourcing the obligations of its internal audit service solely to an official auditor, a commercial company of official auditors or the parent undertaking of an investment brokerage firm that is a credit institution, an insurance company or an investment brokerage firm registered in a member state.

(9) Where an investment brokerage firm delegates the investment service referred to in Subparagraph 3 of Paragraph 4 of Article 3 hereof and provided to a retail customer to a provider of outsourced services registered in a foreign country, it shall ensure that the following requirements are observed in addition to those set out in Section F1 hereof:
1) the provider of outsourced services has received in its home country a licence for the provision of that service or has been registered as a provider thereof and is subject to supervision as to its financial standing;
2) the Commission and the supervisory authority of the service provider have concluded a respective agreement for the exchange of information in accordance with Article 145 hereof.
(10) The Commission shall be entitled to allow an investment brokerage firm to delegate the provision of the investment service referred to in Subparagraph 3 of Paragraph 4 of Article 3 hereof and provided to a retail customer to a provider of outsourced services registered in a foreign country without applying the conditions set out in Paragraph 9 hereof, provided that the policy guidelines set out in Paragraph 11 hereof are followed.
(11) The Commission shall approve and post on its Internet homepage the policy regarding the rights of an investment brokerage firm to delegate an investment service referred to in Subparagraph 3 of Paragraph 4 of Article 3 hereof and provided to a retail customer to a provider of outsourced services registered in a foreign country. This policy shall contain at least the following information:
1) examples of cases when the Commission allows to delegate the respective service to a provider of outsourced services of a foreign country, where one or both conditions referred to in Paragraph 9 hereof have not been met;
2) a motivation why in the cases referred to in Subparagraph 1 hereof an investment brokerage firm is deemed to be able to ensure that the requirements for the provision of outsourced services be met.
(12) An investment brokerage firm shall not:
1) delegate the duties of the management bodies of an investment brokerage firm that are set out in the regulatory provisions governing the activity of an investment brokerage firm or in the charter of the firm;
2) transfer in full the provision of investment services or ancillary (non-core) investment services permitted in the licence to a provider of outsourced services.
(13) The Commission shall post on its Internet homepage the list of those foreign supervisory authorities with which it has concluded an agreement on the exchange of information.
(14) An investment brokerage firm shall be entitled to provide investment services and ancillary (non-core) investment services through the medium of another investment brokerage firm or credit institution.
(As amended by the Laws of June 9, 2006, of June 15, 2006, of October 4, 2007, and of May 22, 2008 taking effect on June 25, 2008)

Article 103
Right of a Credit Institution to Provide Investment Services and Ancillary (Non-Core) Investment Services
(1) Prior to starting the provision of investment services and ancillary (non-core) investment services, banks and branches of foreign banks registered in the Republic of Latvia that have received a licence for the business of credit institutions in due course of law shall submit the following documents to the Commission:
1) description of the procedure whereby investment services and ancillary (non-core) investment services are provided and controlled;
2) regulations governing the protection of the financial instruments accounting

database;
21) description of the procedure whereby the transactions that have been made by using inside information or to manipulate the financial instruments market are identified;
3) by-laws of the organizational unit that provides investment services and ancillary (non-core) investment services. Where investment services and ancillary (non-core) investment services are intended to be provided by branches of a credit institution or organizational units that are in substance equivalent to branches, a credit institution shall also establish in the by-laws that these organizational units provide investment services and ancillary (non-core) investment services;
4) drafts of the regulations referred to in Paragraph 2 of Article 1332 hereof, where a credit institution intends to operate a multilateral trading facility.
(2) Banks and branches of foreign banks registered in the Republic of Latvia shall be entitled to start providing investment services and ancillary (non-core) investment services provided that they do not receive any objections from the Commission within 30 days after the submission of the documents referred to in Paragraph 1 hereof.
(3) Newly established banks and newly opened branches of foreign banks that wish to provide investment services and ancillary (non-core) investment services shall submit to the Commission the documents referred to in Paragraph 1 hereof simultaneously with the other documents to be submitted to the Commission in due course of laws and regulatory provisions to receive a licence for the business of credit institutions.
(4) Credit institutions registered in member states shall be entitled to start providing investment services and ancillary (non-core) investment services in the Republic of Latvia after becoming entitled by law to take up the business of credit institutions in the Republic of Latvia by opening or without opening a branch.
5) A credit institution shall be entitled to provide investment services or ancillary (non-core) investment services through the medium of another investment brokerage firm or credit institution.
(As amended by the Laws of June 9, 2005, and of October 4, 2007taking effect on November 8, 2007)

Article 103.1
Rights of a Market Organizer to Provide an Investment Service for the Operation of a Multilateral Trading Facility
(1) A market organizer registered in the Republic of Latvia that has received a licence in due course of law for the organization of the regulated market shall submit the following documents to the Commission prior to starting the operation of a multilateral trading facility:
1) drafts of the regulations referred to in Paragraph 2 of Article 1332 hereof;
2) amendments to the documents listed in Subparagraphs 3, 4, 5, 6, 7, 8 and 9 of Paragraph 1 of Article 30 hereof, where such amendments shall be made in relation to the operation of the multilateral trading facility.
(2) A market organizer registered in the Republic of Latvia shall be entitled to start the operation of a multilateral trading facility, provided that it does not receive objections from the Commission within 30 days of the submission of the documents referred to in Paragraph 1 hereof.
(3) A market organizer registered in another member state shall be entitled to operate a multilateral trading facility in the Republic of Latvia, where in the home country it has acquired the rights to provide that investment service. A market organizer registered in another member state shall be entitled to start the operation of a multilateral trading facility in the Republic of Latvia in accordance with the provisions of Article 1335 hereof.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 103.2
Provision of Investment Services through the Medium of Tied Agents
(1) An investment brokerage firm or a credit institution shall be entitled to use tied agents for the purposes of promoting or offering the services on behalf of the investment brokerage firm or the credit institution or receiving orders from customers or prospective customers and transmitting them to the investment brokerage firm or the credit institution, placing financial instruments and providing consultations in respect of such financial instruments and services offered by the investment brokerage firm or credit institution.
(2) The responsible person and an employee of a tied agent who is directly engaged in the activity of providing the investment services referred to in Paragraph 1 hereof shall be a natural person in its legal capacity who:
1) is 18 years old;
2) has at least a secondary school education;
3) has the necessary professional knowledge about the investment service to be distributed and financial instruments to be offered so that he/she is able to ensure the execution of the tasks of the tied agent specified in Paragraph 1 hereof;
4) is of good repute and not subject to any restrictions referred to in Paragraph 3 hereof.
(3) The responsible person and an employee of a tied agent who is directly engaged in the activity of providing the investment services referred to in Paragraph 1 hereof shall not be a person who:
1) has been convicted for a deliberate crime;
2) has been convicted for a deliberate crime, though has been released from the punishment due to limitation, pardon or amnesty;
3) has been a subject in a criminal case for a deliberate crime that was dismissed due to limitation or amnesty;
4) has been recognized criminally liable for a deliberate crime in a case that was dismissed on a non-vindicative basis.
(4) An investment brokerage firm and a credit institution shall ensure training of the responsible persons and of employees of the tied agent who are directly engaged in the activity of providing the investment services referred to in Paragraph 1 hereof in order to equip them with the necessary knowledge about the investment services that are distributed through the medium of the tied agent.
(5) An investment brokerage firm and a credit institution shall be responsible that the responsible person and the employees of the tied agent who are directly engaged in the activity of providing the investment services referred to in Paragraph 1 hereof comply with the criteria set out in Paragraphs 2 and 3 hereof.
(6) An investment brokerage firm and a credit institution shall keep a register of tied agents for recording the following information:
1) firm name or name and surname of a tied agent (for a natural person), registration number, legal address, phone or fax number and e-mail address;
2) name and surname of the responsible person of a tied agent;
3) member state where a tied agent performs the activity of providing the investment services referred to in Paragraph 1 hereof.
(7) The register of tied agents shall be available to the public, publicly trustworthy and any person shall be entitled to access it on the Internet homepage of an investment brokerage firm or a credit institution. An investment brokerage firm and a credit institution shall be responsible for the accuracy and completeness of the information in the register of tied agents.
(8) When performing its professional activity, a tied agent shall disclose to the customers the full information on its status and on the investment brokerage firm or

the credit institution it represents. An investment brokerage firm and a credit institution, on whose behalf a tied agent performs, shall be fully and unconditionally responsible for the professional activity of the tied agent.
(9) An investment brokerage firm and a credit institution shall supervise compliance of the activities of the chosen tied agents with the requirements of this Law.
(10) An investment brokerage firm and a credit institution shall have an obligation upon its own initiative or upon the Commission's initiative to immediately cancel the registration of a tied agent, where the tied agent:
1) violates the requirements of this Law;
2) violates the requirements of the regulatory provisions governing the prevention of laundering of proceeds derived from criminal activities;
3) operates in a member state in accordance with the principle of freedom of establishment or of provision of services and has violated the laws of that member state that protect the public interests and the requirements of other regulatory provisions governing the financial instruments market;
4) requests to cancel the entry in the register of tied agents;
5) is being liquidated.
(11) Appeal in court of the administrative act of the Commission for cancelling an entry in the register of tied agents shall not suspend the execution of that provision.
(12) Where a tied agent is a legal person, it shall have an obligation, upon its own initiative or upon the Commission's initiative, to immediately suspend from office its responsible person or an employee who is directly engaged in the activity of providing the investment services referred to in Paragraph 1 hereof, where:
1) it is uncovered that he/she has created a situation that may jeopardize the interests of the tied agent's customers;
2) he/she fails to comply with the requirements of Paragraph 2 hereof or may be subject to any of the restrictions set out in Paragraph 3 hereof;
3) he/she has violated the requirements of the regulatory provisions governing the prevention of laundering the proceeds derived from criminal activities;
4) he/she violates the requirements of this Law.
(13) Appeal in court of the administrative act of the Commission for suspending from office the persons referred to in Paragraph 12 hereof shall not suspend the execution of that provision.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 104
Restrictions on the Provision of Investment Services
(1) The Commission shall be entitled to restrict the right of an investment brokerage firm to provide one or several investment services or hold financial instruments where:
1) an investment brokerage firm fails to comply with the requirements of laws and other regulatory provisions;
2) an investment brokerage firm fails to comply with the administrative rules that are included in the administrative acts issued by the Commission in respect of that firm or the administrative acts issued by other institutions ensuring compliance with this Law and the Commission's regulatory provisions deriving thereof;
3) an application for the recognition of the insolvency of an investment brokerage firm has been filed with the court or an investment brokerage firm has been declared insolvent;
4) the liquidation procedure of an investment brokerage firm has been initiated;
5) an investment brokerage firm takes actions that are or are likely to be detrimental to the financial stability, solvency or repute of that investment brokerage firm or the stability of the financial instruments market.

(2) The Commission shall be entitled to restrict the right of a credit institution to provide one or several investment services or hold financial instruments where:
1) a credit institution fails to comply with the requirements of laws and other regulatory provisions;
2) a credit institution fails to comply with the administrative rules that are included in the administrative acts issued by the Commission in respect of that institution or the administrative acts issued by other institutions ensuring compliance with this Law and the Commission's regulatory provisions deriving thereof;
3) the Commission applies intensified supervision to a credit institution;
4) the Commission has received an application for recognizing insolvency or takes a decision on filing an application for recognizing insolvency with the court;
5) the Commission has received an application for the liquidation of a credit institution;
6) a credit institution takes actions that are or are likely to be detrimental to the financial stability, solvency or reputation of that credit institution or the stability of the financial instruments market.
(3) Where the Commission restricts the right of an investment brokerage firm or a credit institution to hold financial instruments, the Commission shall be entitled to demand that the investment brokerage firm or the credit institution transfers all financial instruments belonging to its customers to another investment brokerage firm or credit institution that engages in holding financial instruments.
(As amended by the Laws of June 9, 2005, of June 15, 2006, and of October 4, 2007 taking effect on November 8, 2007)

Chapter VIII
Granting the Licence to an Investment Brokerage Firm

Article 105
General Requirements to Receive the Licence
An investment brokerage firm shall be entitled to receive the licence provided that it ensures the following:
1) its initial capital complies with the requirements of this Law and the Commission's regulations;
2) the members of its executive board and council (if formed) comply with the requirements of this Law;
3) its shareholders (members) comply with the requirements of this Law;
4) the chairman of the executive board and at least one member of the executive board are competent in investment matters.

Article 106
Requirements for the Members of the Executive Board or the Council and the Owners of Units (Shareholders) of an Investment Brokerage Firm
(1) A person shall be entitled to become a member of the executive board or the council of an investment brokerage firm provided that he/she:
1) is sufficiently competent in the sphere he/she will be responsible for in the investment brokerage firm;
2) has the necessary education and at least three years of work experience at a commercial company, an organization or an institution of a similar size;
3) is of good repute;
4) has not been deprived of the right to engage in commercial activities.
155
(2) A person shall not be entitled to become a member of the executive board or the council of an investment brokerage firm where he/she:

1) has been convicted for a deliberate crime, including for reckless bankruptcy;
2) has been convicted for a deliberate crime, though has been released from the punishment due to limitation, pardon or amnesty;
3) has been a subject in a criminal case for a deliberate crime that was dismissed due to limitation or amnesty;
4) has been recognized criminally liable in a case that was dismissed on a nonvindicative basis;
5) has intentionally disclosed false information on itself to the Commission by submitting documents to receive the licence in order to engage in any activities in the financial and capital market.
(3) A person shall be entitled to become a member of the council of an investment brokerage firm (if formed) provided that he/she:
1) is competent in financial management matters;
2) has the necessary education and at least three years of work experience at a commercial company, an organization or an institution of a similar size;
3) is of good repute;
4) has not been deprived of the right to engage in commercial activities.
(4) A person shall not be entitled to become a member of the council of an investment brokerage firm (if formed) where he/she:
1) has been convicted for a deliberate crime, including for reckless bankruptcy;
2) has been convicted for a deliberate crime, though has been released from the punishment due to limitation, pardon or amnesty;
3) has been a subject in a criminal case for a deliberate crime that was dismissed due to limitation or amnesty;
4) has been recognized criminally liable in a case that was dismissed on a nonvindicative basis;
5) has intentionally disclosed false information on itself to the Commission by submitting documents to receive the licence in order to engage in any activities in the financial and capital market.
(5) Owners of units (shareholders) of an investment brokerage firm who have a qualifying holding shall be persons who:
1) are of good repute;
2) have sufficient financial resources and there is a documental evidence of the legal source of these resources;
3) whose identification may be obtained.
(6) The managing body of an investment brokerage firm shall have an obligation, on its own initiative or upon receipt of the Commission's request, to promptly suspend from office members of the executive board or council who fail to comply with the requirements of this Law.
(As amended by the Laws of June 9, 2005, and of June 15, 2006 taking effect on July 13, 2006)

Article 107
Documents to be Submitted by an Investment Brokerage Firm to Receive the Licence
(1) To receive the licence, an investment brokerage firm shall submit to the Commission an application wherein it lists the investment services and ancillary (noncore) investment services it wishes to provide.
(2) An investment brokerage firm shall submit the following documents along with an application:
1) documents of the members of its executive board or council (if formed):
a) statement containing the information referred to in Paragraph 4 hereof,
b) copy of the page from the passport or other identification document as established

by law that contains personal identification data [name, surname, citizenship, identity number (if any) or year and date of birth],
c) copies of education documents;
2) balance sheet and capital adequacy calculation as at the end of the previous month that have been prepared in compliance with the requirements for drawing up reports/accounts and preparing capital adequacy calculation of investment brokerage firms set out in regulatory provisions, and documents that evidence compliance with the requirements for the initial capital (e.g., financial statements audited by an official auditor, a statement issued by a credit institution, documents that evidence changes in the capital in the current year of operation);
3) descriptions of the policy and procedures of an internal control system of an investment brokerage firm needed for the activity of an investment brokerage firm and for the provision of quality investment services and ancillary (non-core) investment services:
a) description of the organizational chart of the investment brokerage firm that explicitly discloses the obligations and authority of the members of the council (if formed) and the executive board, and in detail establishes and divides the tasks performed by the organizational units and the obligations of the managers and employees of the organizational units providing investment services or ancillary (noncore) investment services. Where an investment brokerage firm intends to establish branches, it shall also submit a description of the organizational chart of its branches and of the obligations of the managers and employees of the branches providing investment services or ancillary (non-core) investment services,
b) description of the main principles of the accounting policy and organization of accounting,
c) description of the management information system;
d) regulations for protecting the information system, including regulations for the protection of the financial instruments accounting database,
e) description of the internal auditing system,
f) description of the internal control procedures whereby laundering of proceeds derived from criminal activities and terrorism financing are prevented, including a description of the procedure whereby customers are identified and economic activity is managed,
g) description of policies and procedures whereby significant operational risks are managed;
h) description of policies and procedures whereby an undertaking ensures compliance of its activity,
i) drafts of the regulations referred to in Paragraph 2 of Article 1332 hereof, where an investment brokerage firm intends to operate a multilateral trading facility;
4) program of operations for at least three next years of operation that contains detailed information on its strategy, financial projections (including the draft balance sheet, draft profit and loss statement, draft capital adequacy calculation, projected fixed costs during the year of operation), market research description and other information that the investment brokerage firm deems necessary and that enables to make a clear and fair opinion of its planned operations;
5) description of the procedure whereby those financial services and ancillary (noncore) investment services, for whose provision an investment brokerage firm wishes to obtain the licence, are provided and controlled;
51) description of the procedure whereby the transactions that have been made by using inside information or to manipulate the market are identified;
52) description of the policy for preventing conflicts of interest;
53) description of the order execution policy;
6) information on shareholders (members) of an investment brokerage firm:

a) for natural persons, a copy of the page from the passport or other identification document as established by law that contains personal identification data [name, surname, citizenship, identity number (if any) or year and date of birth],
b) for legal persons, firm name, legal address, number and place of registration. Legal persons that are registered in a foreign country shall also submit copies of registration documents;
c) an amount of the qualifying holding directly or indirectly acquired by shareholders or members/participants of an investment brokerage firm.
(3) Where an investment brokerage firm does not intend to hold financial instruments, it shall not submit the regulations governing the procedure whereby financial instruments are accounted and the regulations for the protection of the financial instruments accounting database.
(4) The statement referred to in Subparagraph a) of Paragraph 1 hereof shall be filled out by the members of the council (if formed) and the executive board. The statement shall disclose the following information:
1) firm name of the investment brokerage firm;
2) name, surname, identity number (if any) or year and date of birth;
3) position;
4) citizenship;
5) education (academic degree);
6) information on professional training;
7) information on the criminal record, if any;
8) information on a managerial position in a commercial company that has been recognized insolvent;
9) information on the deprivation of the right to engage in commercial activities;
10) information on employers during the previous 10 years and job descriptions.
(5) The Commission shall be entitled to request that the investment brokerage firm ensure the accuracy of the documents and information it submits.
(6) Where the information or documents referred to in Paragraph 2 hereof is amended prior to the Commission taking a decision on granting the licence, the investment
159
brokerage firm shall promptly submit new information or the full text of the respective documents with amendments to the Commission.
(7) (Deleted by the Law of June 9, 2005)
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 108
Procedure whereby the Licence is Granted
(1) The Commission shall scrutinize the application for the licence submitted by an investment brokerage firm and take a decision within three months of the receipt of the documents that are relevant for decision-taking, are referred to in this Law and have been prepared and formatted in compliance with the requirements of regulatory provisions.
(2) The Commission shall not grant the licence to an investment brokerage firm where:
1) this Law and other regulatory provisions have been violated when establishing an investment brokerage firm;
2) a close link of an investment brokerage firm with third parties is or is likely to be detrimental to the financial stability of that firm or restricts the right of the Commission to carry out the supervision function as established by law;
3) laws and other regulatory provisions of a foreign country that apply to persons that have a close link with an investment brokerage firm restrict the right of the

Commission to carry out the supervision function as established by law;
4) the documents submitted by an investment brokerage firm contain false or incomplete information;
5) members of the executive board of an investment brokerage firm fail to comply with the requirements of law;
6) it is impossible to verify the identity, repute and soundness of the financial standing of the persons that have a qualifying holding in an investment brokerage firm or the Commission detects that the influence of the persons with a qualifying holding in an investment brokerage firm will not ensure financially sound and prudent management of the investment brokerage firm that would also comply with the regulatory provisions governing the activity of investment brokerage firms;
7) the Commission detects that the financial resources that are invested in the capital of an investment brokerage firm have been derived from unusual or suspicious financial transactions and there is no documental evidence to the legal source of these resources.
(3) Where the Commission takes a decision on refusing the licence, an investment brokerage firm shall be entitled to submit a repeated application for the licence after rectifying all deficiencies specified in the refusal document.
(4) The Commission shall consult with the supervisory authority of the respective member state before granting the licence to an investment brokerage firm that:
1) is a subsidiary undertaking of an investment brokerage firm, a credit institution or an insurance company licensed in a member state;
2) is a subsidiary undertaking of a parent undertaking whose other subsidiary undertaking is an investment brokerage firm, a credit institution or an insurance company licensed in a member state;
3) is controlled by a person controlling also another investment brokerage firm, credit institution or insurance company licensed in a member state.
(5) Before issuing the licence or in the course of supervising a licensed investment brokerage firm, the Commission shall request the supervisory authority of the respective member state to submit information on the suitability of that investment brokerage firm's shareholders and on the repute and experience of the members of its executive board, where these persons are involved in the management of other commercial companies of the group where the respective investment brokerage firm will be included, and shall assess the said information.
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 108.1
Notification of Changes after Receipt of the Licence
Within seven days after changes in the composition of the executive board or council (if formed) of an investment brokerage firm, that investment brokerage firm shall notify the Commission of these changes. An investment brokerage firm shall submit the documents referred to in Subparagraph 1 of Paragraph 2 of Article 107 hereof in respect of the newly appointed member of the executive board or council simultaneously with the notification.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 109
Changing the Investment Services and Ancillary (Non-Core) Investment Services Listed in the Licence
(1) Where an investment brokerage firm wishes to supplement the investment services or ancillary (non-core) investment services listed in its licence with new investment services or ancillary (non-core) investment services or to refuse from any investment

service or ancillary (non-core) investment service listed in its licence, it shall submit an application to this effect to the Commission.
161
(2) Where an investment brokerage firm wishes to start providing new investment services or ancillary (non-core) investment services, it shall submit the following along with an application:
1) supplement to its program of operations;
2) description of the procedure in respect of those investment services or ancillary (non-core) investment services that the investment brokerage firm wishes to start providing;
3) amendments to the existing descriptions of the policies and procedures of the investment brokerage firm, where those amendments are to be made because of commencing the provision of new investment services or ancillary (non-core) investment services;
4) (Deleted by the Law of June 9, 2005);
5) capital adequacy calculation, where the investment brokerage firm is subject to a higher initial capital requirement because of commencing the provision of new investment services or ancillary (non-core) investment services.
(3) Within 15 days of the receipt of all documents that are relevant for decisiontaking, are referred to in this Law and have been prepared and formatted in compliance with the requirements of regulatory provisions, the Commission shall scrutinize the application submitted by an investment brokerage firm for changing the investment services or ancillary (non-core) investment services listed in the licence of that investment brokerage firm.
(4) An investment brokerage firm shall not pay the state duty for changing the investment services or ancillary (non-core) investment services listed in the licence.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 110
Re-registering the Licence and Granting a Duplicate Licence
(1) The Commission shall re-register the licence where the firm name of an investment brokerage firm is changed.
(2) An investment brokerage firm shall submit an application for re-registration of the licence to the Commission not later than within five business days after re-registering the firm name.
(3) The Commission shall re-register the licence not later than within five business days of the receipt of an application.
(4) Where the licence has been lost, an investment brokerage firm shall submit an application to the Commission without delay, requesting it to grant a duplicate licence.
(5) The Commission shall grant a duplicate licence not later than within five business days of the receipt of an application.

Article 111
Procedure whereby the Licence is Revoked
(1) The Commission shall revoke the licence granted to an investment brokerage firm in the following cases:
1) an investment brokerage firm fails to start its business within 12 months of the day of granting the licence;
2) it is detected that an investment brokerage firm has submitted false information to receive the licence;
3) an investment brokerage firm has not provided the investment services or ancillary (non-core) investment services indicated in its licence for more than six months;

4) an investment brokerage firm repeatedly or persistently fails to comply with the requirements of laws and other regulatory provisions;
5) an investment brokerage firm fails to rectify the violations of regulatory provisions by the deadline established by the Commission;
6) an investment brokerage firm has initiated liquidation procedures;
7) bankruptcy proceedings of an investment brokerage firm have been initiated in due course of law;
8) an investment brokerage firm has submitted a written application for revoking its licence;
9) it is detected that an investment brokerage firm no longer complies with the requirements for receiving the licence as set out in this Law.
(2) The Commission shall supervise an investment brokerage firm as established by this Law until the investment brokerage firm settles its liabilities to its customers in full amount.
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Chapter IX
Provision of Investment Services on the Internal Market of the European Union

Article 112
Procedure whereby an Investment Brokerage Firm Registered in a Member State Starts Providing Investment Services and Ancillary (Non-Core) Investment Services in the Republic of Latvia
(1) An investment brokerage firm registered in a member state shall be entitled to provide only those investment services and ancillary (non-core) investment services in the Republic of Latvia that are listed in the licence granted to that firm in its home country.
(2) A branch of an investment brokerage firm registered in a member state shall be entitled to start providing investment services and ancillary (non-core) investment services in the Republic of Latvia without receiving the licence referred to in this Law only after:
1) the Commission has received a statement from the supervisory authority of the home country that contains the following:
a) confirmation that the respective investment brokerage firm has a valid licence for the provision of investment services,
b) program of operations of a branch,
c) address of a branch,
d) name, surname, citizenship, identity number (if any) or year and place of birth of the manager of a branch,
e) information on the investor protection system in which the respective investment brokerage firm participates,
f) written confirmation by the supervisory authority of the home country to the effect that it will notify the Commission of on-site inspections in branches of an investment brokerage firm in the Republic of Latvia in due time prior to such inspections, will not prevent the Commission's representatives from participating in such inspections and after inspections will promptly submit a report on the findings of an inspection to the Commission;
2) the Commission has notified the supervisory authority of the home country of its readiness to start supervising a branch of an investment brokerage firm or 30 days have passed of the day when the Commission received the statement referred to in Paragraph 1 hereof from the supervisory authority of the home country.
(3) An investment brokerage firm registered in a member state shall have an

obligation to notify the supervisory authority of the home country and the Commission 30 days in advance of any amendments to the information referred to in Subparagraph 1 of Paragraph 2 hereof and of its intention to discontinue the operation of a branch.
(4) An investment brokerage firm registered in a member state shall be entitled to start providing investment services and ancillary (non-core) investment services in the Republic of Latvia without opening a branch, provided that the Commission has received the respective statement from the supervisory authority of the home country of that investment brokerage firm and sent a confirmation of receipt to that authority.
(5) Where an investment brokerage firm registered in another member state intends to use tied agents in the Republic of Latvia, the Commission shall be entitled to request that the supervisory authority of the home country of that investment brokerage firm provide the identification data on such agents.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 113
Procedure whereby an Investment Brokerage Firm Registered in the Republic of Latvia Starts Providing Investment Services and Ancillary (Non-Core) Investment Services in another Member State
(1) An investment brokerage firm registered in the Republic of Latvia shall be entitled to provide in another member state only those investment services and ancillary (noncore) investment services that are listed in the licence granted to that firm by the Commission.
(2) An investment brokerage firm registered in the Republic of Latvia shall be entitled to start providing investment services and ancillary (non-core) investment services in another member state by opening or without opening a branch in due course of this Article.
(3) An investment brokerage firm registered in the Republic of Latvia that wishes to start providing investment services and ancillary (non-core) investment services in any member state shall submit an application to the Commission. In the application, it shall list the investment services and ancillary (non-core) investment services it intends to provide, the member state where it intends to provide those investment services and ancillary (non-core) investment services and the intended manner of their provision (by opening or without opening a branch or by using tied agents). Where an investment brokerage firm intends to use tied agents, it shall submit to the Commission identification data on these agents. Upon request of the supervisory authority of the host member state the Commission shall provide to it identification data on those tied agents that the investment brokerage firm intends to use in that member state.
(4) An investment brokerage firm that wishes to start providing investment services and ancillary (non-core) investment services in any member state by opening a branch shall specify the address of the branch and the information on the manager of the branch referred to in Subparagraph 1 of Paragraph 2 of Article 107 hereof in the application. It shall append to the application documents that give a clear and fair opinion of the planned operation of the branch, notify of the investment services and the ancillary (non-core) investment services to be provided, of the organizational chart and work organization of the branch that are appropriate to provide those services, as well as of the intention of the respective branch to use tied agents or not.
(5) The Commission shall scrutinize an application for starting investment services and ancillary (non-core) investment services in another member state within 30 days of the receipt of all necessary documents that have been prepared and formatted in compliance with the requirements of this Law and notify the supervisory authority of the respective member state and the respective investment brokerage firm of its

decision in writing. The Commission shall take a decision not to allow the provision an investment services and ancillary (non-core) investment services by an investment brokerage firm in a member state by opening a branch, where the management structure or the financial standing of the investment brokerage firm are not appropriate for the intended activity.
(6) The Commission shall send to the supervisory authority of the respective member state information submitted by the investment brokerage firm and information on the investor protection system and the maximum amount of compensation effective in the Republic of Latvia along with the decision referred to in Paragraph 5 hereof.
(7) An investment brokerage firm shall notify the Commission and the supervisory authority of the respective member state in writing of any amendments to the information referred to in Paragraphs 3 and 4 hereof and of its intention to discontinue the operation of a branch not later than 30 days prior to making amendments or the intended discontinuation of the operation of a branch.
(8) The Commission shall scrutinize the documents referred to in Paragraph 7 hereof within 30 days of their receipt and shall notify the supervisory authority of the respective member state and the respective investment brokerage firm of its decision in writing.
(9) An investment brokerage firm may start providing investment services and ancillary (non-core) investment services in a member state without opening a branch after the Commission has notified the supervisory authority of the respective member state in due course of Paragraph 5 hereof.
(10) An investment brokerage firm may start the operation of a branch, where the Commission has received the notification by the supervisory authority of the respective member state to the effect that it is ready to start the supervision of a branch of an investment brokerage firm or two months have passed from the day when the Commission has sent the notification referred to in Paragraph 5 hereof to the supervisory authority of the respective member state.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Chapter X
Annual Report/Accounts of an Investment Brokerage Firm

Article 114
Rights of the Commission
(1) The Commission shall establish the procedure whereby an investment brokerage firm shall draw up its annual report/accounts and consolidated annual accounts in accordance with the regulatory provisions governing accounting procedures and with the international financial reporting standards.
(2) (Deleted by the Law of May 29, 2008)
(3) The Commission shall be entitled to request that an investment brokerage firm additionally submit an extended report by official auditors containing comments on the adequacy of the internal control system, analysis of operational risks of the investment brokerage firm and assessment of the firm's compliance with the requirements of regulatory provisions and the Commission's regulations and instructions.
(As amended by the Law of May 29, 2008 taking effect on July 1, 2008)

Article 115
Annual Report/Accounts of an Investment Brokerage Firm
(1) For each year of operation, an investment brokerage firm shall prepare an annual report/accounts that includes a balance sheet, off-balance-sheet items, a profit and loss statement, a statement of changes in the capital and reserves, a cash flow statement

and appendices, as well as the management report of the investment brokerage firm.
(2) The annual report/accounts shall be prepared in compliance with this Law and the Commission's regulations deriving thereof and with the international standards for financial statements. The annual report/accounts shall give a clear and fair opinion of the assets and liabilities of an investment brokerage firm, its financial standing, performance indicators and cash flows.
(3) Where it is not possible to give a clear and fair opinion of an investment brokerage firm by applying the requirements of Paragraph 2 hereof, relevant supplementary information shall be included in the annual report/accounts.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 116
Principles for Valuating Items in the Annual Report/Accounts of an Investment Brokerage Firm
(Deleted by the Law of May 29, 2008 taking effect on July 1, 2008)

Article 117
Management Report of an Investment Brokerage Firm on the Annual Report/Accounts
(1) The management report shall include a description of the financial standing and development of an investment brokerage firm. Where specific conditions have materially influenced the performance indicators of an investment brokerage firm during the reporting year or the annual report/accounts may not be considered sufficient, supplementary information shall be provided in a separate paragraph of the management report.
(2) The management report shall disclose important events, if any, after the end of the reporting year, the likely development of an investment brokerage firm and important measures for development.

Article 118
Audit of the Annual Report/Accounts of an Investment Brokerage Firm
(1) The annual report/accounts of an investment brokerage firm shall be audited by an official auditor. Where the annual report/accounts is not audited, the shareholders (members) meeting of the investment brokerage firm shall be prohibited from approving the annual report/accounts.
(2) When auditing the annual report/accounts, an official auditor shall be entitled to see all assets, accounting records, documents certifying those records and other information of the investment brokerage firm. The executive board, responsible officials and employees of the investment brokerage firm shall have the obligation to provide all necessary information to an official auditor.
(3) Where an official auditor prepares a qualified opinion, dividends shall be paid only with the Commission's consent.
(4) An official auditor shall have an obligation to provide to the Commission, upon its request, any information on the inspection carried out and the facts uncovered during that inspection.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 119
Obligations of an Investment Brokerage Firm
(1) An investment brokerage firm shall notify the Commission of all circumstances that are likely to influence significantly its further business.
(2) An investment brokerage firm shall submit a copy of the report by an official auditor to the management to the Commission within 10 days of its receipt, but not later than on April 1 of the year following the reporting year.

(21) Not later than within 10 days after the approval of the annual report/accounts and not later than within three months after the end of the reporting year, an investment brokerage firm shall submit to the territorial office of the State Revenue Service, by the registration place of the investment brokerage firm, a copy of the annual report/accounts and of the official auditor's report together with an extract from the minutes of the meeting of shareholders or members/participants about approval of the annual report/accounts. Not later than within 10 days after the approval of the consolidated annual accounts and not later than within seven months after the end of the reporting year, an investment brokerage firm that prepares consolidated annual accounts shall submit to the territorial office of the State Revenue Service, by the registration place of the investment brokerage firm, a copy of the consolidated annual accounts and of the official auditor's report in addition to the documents specified in the first sentence hereof together with an extract from the minutes of the meeting of shareholders or members/participants about approval of the consolidated annual accounts. An investment brokerage firm shall submit the documents referred to in this Paragraph either as paper or electronic documents.
(22) The documents referred to in Paragraph 21 hereof, where they have been submitted as electronic documents, or the copies of those documents in an electronic form, where they have been submitted as paper documents, shall be transferred by the State Revenue Service to the Enterprise Register in an electronic form not later than within five business days. The Enterprise Register shall ensure that the received documents are available to the public. The procedure whereby electronic documents are transferred and certified shall be set out in an interinstitutional agreement signed by the State Revenue Service and the Enterprise Register.
(23) Upon receiving the documents referred to in Paragraph 22 hereof, not later than within five business days the Enterprise Register shall publish in the newspaper Latvijas Vēstnesis an announcement to the effect that the information referred to in Paragraph 21 hereof is available at the Enterprise Register.
(3) An investment brokerage firm to which the requirements for capital adequacy are applied in accordance with this Law both individually and at the level of the consolidation group shall, in addition to the conditions set out in Paragraph 21 hereof, itself ensure that its annual report/accounts together with the official auditor's report are disclosed to the public not later than on April 1 of the year following the reporting year, but the consolidated annual accounts together with the official auditor's report - not later than within seven months after the end of the reporting year. The above mentioned annual report/accounts and the consolidated annual accounts shall be identical with the documents audited by the official auditor. An investment brokerage firm may publish that information on its Internet homepage or choose another medium or location for making that information available to public.
(4) (Deleted by the Law of May 29, 2008)
(5) (Deleted by the Law of May 29, 2008)
(6) (Deleted by the Law of May 29, 2008)
(7) A branch of an investment brokerage firm of a foreign country or of a member state shall ensure that the annual report/accounts of the investment brokerage firm of a foreign country or of a member state is made available to public not later than within seven months after the end of the reporting year. At least the balance sheet, the profit or loss statement and the official auditor's opinion shall be translated into Latvian. A branch of an investment brokerage firm of a foreign country or of a member state may make that information available on its Internet homepage or choose another medium or location for making that information available to public.
(As amended by the Law of October 4, 2007, and of May 29, 2008 taking effect on July 1, 2008. See Transitional Provisions hereof)

Chapter XI

Capital Requirements

Article 119.1
General Issues
The requirements of this Chapter, except those set out in Article 120 hereof, shall not apply to those investment brokerage firms that have been licensed solely to receive and transmit for execution investors' orders in respect of transactions in financial instruments or provide consultations about investments in financial instruments, that do not engage in holding the financial instruments and money resources of customers and that cannot have liabilities to customers.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 120
Initial Capital of an Investment Brokerage Firm
(1) An investment brokerage firm that wishes to receive the licence shall ensure that its initial capital is at least:
1) an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate, where the investment brokerage firm wishes to provide any of the investment services referred to in Subparagraphs 1, 2, 3, 4 or 8 of Paragraph 4 of Article 3 hereof, except in cases when an investment brokerage firm wishes to provide solely the investment service referred to in Subparagraphs 1 or 8 of Paragraph 4 of Article 3 hereof;
2) an amount in lats equivalent to 125 000 euros, calculated at the Bank of Latvia's exchange rate, where the investment brokerage firm wishes to provide at least one of the investment services referred to in Subparagraphs 1, 2, 3, 4 or 8 of Paragraph 4 of Article 3 hereof and hold the financial instruments and money resources of customers;
3) an amount in lats equivalent to 730 000 euros, calculated at the Bank of Latvia's exchange rate, where the investment brokerage firm wishes to provide investment services of which at least one is the investment service referred to in Subparagraphs 5, 6 or 9 of Paragraph 4 of Article 3 hereof.
(2) An investment brokerage firm that wishes to receive the licence only for the provision of the investment services referred to in Subparagraphs 1 or 8 of Paragraph 4 of Article 3 hereof, without holding the financial instruments and money resources of customers, shall ensure compliance with at least one of the following requirements:
1) its initial capital shall be at least an amount in lats equivalent to 50 000 euros, calculated at the Bank of Latvia's exchange rate;
2) it shall insure its civil liability that becomes effective, where an investment brokerage firm incurs losses on customers as a result of failures in its professional activity or professional negligence. The minimum limit of the civil liability per year shall not be less than an amount in lats equivalent to 1 500 000 euros, calculated at the Bank of Latvia's exchange rate, and not less than an amount in lats equivalent to 1 000 000 euros, calculated at the Bank of Latvia's exchange rate, for a single claim;
3) by way of combining the initial capital and the amount of the civil liability insurance, it shall ensure coverage in an amount that is equivalent to the amount necessary to observe the requirements of Paragraphs 1 or 2 hereof.
(3) A commercial company that wishes to receive the licence only for the provision of the investment services referred to in Subparagraphs 1 and 8 of Paragraph 4 of Article 3 hereof without holding the financial instruments and money resources of customers and has been registered in the register of insurance and reinsurance intermediaries as an insurance broker in accordance with the Activities of Insurance and Reinsurance Intermediaries Law shall ensure, in parallel with the requirements for the amount of the civil liability insurance as set out in the Activities of Insurance and Reinsurance Intermediaries Law, compliance with at least one of the following requirements:

1) its initial capital shall be at least an amount in lats equivalent to 25 000 euros, calculated at the Bank of Latvia's exchange rate;
2) it shall additionally insure its civil liability that becomes effective where it incurs losses on customers as a result of failures in its professional activity or professional negligence. The minimum limit of the civil liability per year shall not be less than an amount in lats equivalent 750 000 euros, calculated at the Bank of Latvia's exchange rate, and not less than an amount in lats equivalent to 500 000 euros, calculated at the Bank of Latvia's exchange rate, for a single claim;
3) by way of combining the initial capital and the amount of the civil liability insurance, it shall ensure coverage in an amount that is equivalent to the amount necessary to observe the requirements of Paragraphs 1 or 2 hereof.
(4) The minimum amount of the claims referred to in Paragraphs 2 and 3 hereof that is expressed in the euro shall be reviewed annually and indexed where, in accordance with the information provided by the Statistical Bureau Eurostat, the consumer price index has changed in the countries of the European Economic Area and the European Commission has taken a decision on indexation.
(5) The own funds of an investment brokerage firm shall not fall below the minimum initial capital set out in this Article.
(In the wording of the Law of March 29, 2007, and as amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 121
Own Funds of an Investment Brokerage Firm
(1) An investment brokerage firm shall ensure own funds in the amount that shall at any time exceed or equal the total amount that is formed of the following capital requirements:
1) capital requirements for credit risk and risk of a reduction in recoverable amount. The capital requirements for credit risk are calculated as eight percent of the riskweighted value of total exposures;
2) capital requirements for foreign exchange risk and for commodities risk;
3) capital requirements for position risk on debt securities and equity securities, for settlement risk and for counterparty risk on trading portfolio exposures and, where a permission of the Commission has been received to exceed the limits on large exposures in respect of trading portfolio exposures, the capital requirements for such excess;
4) capital requirements for operational risk.
(2) The Commission shall establish the cases when an investment brokerage firm may be exempt from the requirements of Paragraph 1 hereof by changing the procedure whereby the total capital requirements are determined in respect of the investment brokerage firm.
(3) To calculate the capital requirements for credit risk, an investment brokerage firm shall be entitled to use the Standardized Approach or, where the Commission permits it, the Internal Ratings Based Approach.
(4) Upon receipt of a permission to use the Internal Ratings Based Approach to calculate the capital requirements for credit risk, an investment brokerage firm shall also calculate the capital requirements for risk of a reduction in the recoverable amount.
(5) To calculate the capital requirements for foreign exchange risk, for commodities risk, for position risk on debt securities and equity securities an investment brokerage firm shall be entitled to use the Standardized Approach or, where the Commission permits it, internal models.
(6) To calculate the capital requirements for operational risk, an investment brokerage firm shall be entitled to use the Basic Indicator Approach, the Standardized Approach

or, where the Commission permits it, the Alternative Standardized Approach or the Advanced Measurement Approach for measuring operational risk.
(7) To calculate the capital requirements for credit risk, as referred to in this Article, an investment brokerage firm shall be entitled to use only the credit assessment by an external institution assessing credits (a rating agency) that has been recognized by the Commission as appropriate in accordance with the provisions of the Law on Credit Institutions.
(8) The Commission shall establish the elements to be included in own funds and the procedure whereby own funds are calculated.
(9) In addition to the requirements of this Law, the Commission shall be entitled to establish other requirements governing the business of investment brokerage firms to diminish operational risk of such firms and protect investors' interests.
(In the wording of the Law of March 29, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 122
Limits to Exposures of an Investment Brokerage Firm
(1) An investment brokerage firm shall observe the following limits on exposures:
1) total large exposures shall not exceed the own funds of an investment brokerage firm more than eight-fold. An exposure shall be considered large where total transactions with a single customer or a group of connected customers exceed 10 percent of the own funds of an investment brokerage firm;
2) total exposures with a single customer or a group of connected customers shall not exceed 25 percent of the own funds of an investment brokerage firm;
3) where a customer or a group of connected customers is the parent undertaking or a subsidiary undertaking of an investment brokerage firm, or one or several subsidiary undertakings of its parent undertaking, the exposures with such customer or group of connected customers shall not exceed 20 percent of the own funds of an investment brokerage firm;
4) total exposures with the persons linked to an investment brokerage firm shall not exceed 15 percent of the own funds of an investment brokerage firm. This limit may not apply to the exposures referred to in Subparagraph 3 hereof.
(2) For the purposes of this Law, a group of connected customers shall mean two or more persons that constitute a joint risk for an investment brokerage firm because of the following:
1) one of these persons exercises a direct or indirect control over another person or other persons, except in the cases when persons that exercise a direct or indirect control over another person or other persons are the Latvian state and local governments, member states of the European Union, member states of the European Economic Development and Cooperation Organization and of the European Economic Area, local governments of the member states of the European Union and of the European Economic Area;
2) these persons are linked so that the financial problems of one person are likely to encumber debt settlement of another person or other persons irrespective of the fact that the relationship referred to in Subparagraph 1 hereof does not exist between those persons.
(3) For the purposes of this Law, a person linked to an investment brokerage firm shall mean any person who is:
1) shareholder (member/participant) of an investment brokerage firm having a qualifying holding in the investment brokerage firm;
2) subsidiary undertaking of an investment brokerage firm and an undertaking where an investment brokerage firm has a directly or indirectly acquired holding entitling that firm to exercise significant influence over the financial and operational policy

decisions of that undertaking;
3) chairman or member of an investment brokerage firm's council (if formed) and executive board, head and employees of the internal audit service, auditor or other employee of an investment brokerage firm who is duly authorized to plan, manage and monitor the business of the investment brokerage firm and is responsible thereof;
4) undertaking where the persons referred to in Subparagraphs 1 and 3 hereof have a qualifying holding.
(4) The Commission shall determine the set of exposures subject to limits. The Commission shall be entitled to authorize an investment brokerage firm to exceed the limits on trading portfolio exposures, where the investment brokerage firm calculates additional capital requirements for that excess.
(5) The Commission shall be entitled to authorize an investment brokerage firm not to apply the limits referred to in Subparagraphs 1, 2 and 3 of Paragraph 1 hereof to exposures with the subsidiary undertakings of an investment brokerage firm, the parent undertaking or the subsidiary undertakings of the parent undertaking, where the investment brokerage firm and the customers referred to in Subparagraph 3 of Paragraph 1 hereof are subject to consolidated supervision by the Commission, the supervisory authority of another member state or a supervisory authority of a foreign country in a country where consolidated supervision is performed in accordance with the same requirements that are applied to member states.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 123
Subordinated Capital
(Deleted by the Law of March 29, 2007 taking effect on May 1, 2007)

Article 123.1
Capital of an Investment Brokerage Firm for Covering the Risks
(1) In addition to the requirements of Article 121 hereof, an investment brokerage firm shall ensure sufficient capital for covering the risks inherent in its activity and the contingent risks, and determine the elements and the structure thereof.
(2) An investment brokerage firm shall develop a comprehensive, motivated and efficient strategy and procedures that are appropriate for the nature, volume and complexity of its operations and shall take the necessary measures for continuously assessing the capital and maintaining a sufficient level of capital.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 123.2
Disclosure of Information Related with the Regulatory Requirements
(1) An investment brokerage firm shall disclose to the public information on the goals, methods and policies for managing risks inherent in its activity, as well as on the requirement for own funds and on capital adequacy. The Commission shall establish the requirements for disclosing such information.
(2) Upon request of the commercial company that wishes to receive a loan, an investment brokerage firm shall explain the motivation for the internal rating assigned to it and, if necessary, ensure an explanation thereof in writing. The explanation shall be prepared where the costs of its preparing are commensurate with the amount of the loan.
(3) The Commission shall be entitled to establish the requirements for information to be included in the explanation for assigning a rating, where the practice established in 174
the financial sector fails to provide a sufficient motivation for the explanation of the internal rating referred to in Paragraph 2 hereof.

(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 123.3
Observing the Regulatory Requirements on an Individual Basis at the Level of an Investment Brokerage Firm
(1) An investment brokerage firm shall comply with the requirements of Articles 121 and 122 and of Paragraph 1 of Article 124 hereof on an individual basis.
(2) An investment brokerage firm that is neither a parent undertaking registered in the Republic of Latvia and subject to consolidated supervision, nor its subsidiary undertaking, or an investment brokerage firm that is not subject to the consolidated supervision set out in Article 1234 hereof shall ensure compliance with the requirements referred to in Article 1231 hereof on an individual basis.
(3) An investment brokerage firm that is neither a parent undertaking, nor a subsidiary undertaking or an investment brokerage firm that is not subject to the consolidated supervision set out in Article 1234 hereof shall ensure compliance with the requirements of Paragraph 1 of Article 1232 hereof on an individual basis.
(4) A subsidiary undertaking of a parent investment brokerage firm of the Republic of Latvia shall be entitled not to comply with the requirements of Paragraph 1 hereof on an individual basis, where all the following conditions are fulfilled in order to ensure a proper distribution of the own funds between the parent undertaking and the subsidiary undertaking, the Commission has agreed to it and:
1) there are no current or foreseen material practical or legal impediment preventing the parent undertaking from duly transferring own funds to the subsidiary undertaking or settling the liabilities of the subsidiary undertaking;
2) the parent undertaking ensures appropriate management of the subsidiary undertaking and guarantees the fulfillment of the liabilities of the subsidiary undertaking or the risks of the subsidiary undertaking are immaterial at the level of the consolidation group;
3) the procedures whereby the parent undertaking assesses, measures and controls risk also apply to the subsidiary undertaking;
4) the parent undertaking has more than 50 percent of the shares with voting rights of the subsidiary undertaking or the parent undertaking is entitled to appoint or remove the majority of the management body of the subsidiary undertaking.
(5) The exemption referred to in Paragraph 4 hereof may also be applied by a subsidiary undertaking of a parent financial holding company of the Republic of Latvia that complies with the requirements of Article 1234 hereof at the level of the consolidation group, provided that the Commission has agreed to it.
(6) The Commission shall lay down the procedure for calculating the performance indicators of investment brokerage firms in respect of the regulatory requirements, which are referred to in this Article and shall be observed on an individual basis, regulations for setting up an internal control system, announcing separate events, drawing up and submitting reports/accounts and the procedure for preparing and disclosing information necessary for the supervision of investment brokerage firms and for issuing the necessary permissions.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 123.4
Observing the Regulatory Requirements at the Level of the Consolidation Group
(1) A parent investment brokerage firm of the Republic of Latvia shall observe the requirements of Article 121 and of Subparagraphs 1 and 2 of Paragraph 1 of Article 122 and of Article 1231 hereof at the level of the consolidation group of an investment brokerage firm.
(2) An investment brokerage firm that is a subsidiary undertaking of a parent financial

holding company of the Republic of Latvia shall observe the requirements of Paragraph 1 hereof at the level of the consolidation group of the holding company.
(3) A parent investment brokerage firm of the European Union that is registered in the Republic of Latvia shall observe the requirements of Paragraph 1 of Article 1232 hereof at the level of the consolidation group. A parent investment brokerage firm of the European Union shall determine those subsidiary undertakings registered in the Republic of Latvia that shall observe the requirements of Paragraph 1 of Article 1232 hereof on an individual basis or at the level of the consolidation subgroup.
(4) An investment brokerage firm shall observe the requirements of Paragraph 3 hereof at the level of the consolidation group of the financial holding company, where its parent undertaking is a parent financial holding company of the European Union that is registered in the Republic of Latvia. A parent financial holding company of the European Union shall determine those subsidiary undertakings registered in the Republic of Latvia that shall observe the requirements of Paragraph 1 of Article 1232 hereof on an individual basis or at the level of the consolidation sub-group.
(5) The Commission shall be entitled to grant a full or a partial exemption to an investment brokerage firm that is registered in the Republic of Latvia and is a subsidiary undertaking of a parent undertaking of a foreign country from observing the requirements of Paragraph 1 of Article 1232 hereof, where the parent undertaking provides the information that is equivalent to the information required in accordance with Paragraph 1 of Article 1232 hereof.
(6) Where an investment brokerage firm that is a subsidiary undertaking of a parent investment brokerage firm of the Republic of Latvia or of a parent financial holding company of the Republic of Latvia, or whose parent financial holding company has a subsidiary undertaking of a foreign country that is an investment brokerage firm, other financial institution, a credit institution or an investment management company, or it has a holding in such institution or undertaking, that investment brokerage firm shall observe the requirements of Article 121 hereof and of Subparagraphs 1 and 2 of Paragraph 1 of Article 122 and of Article 1231 of this Law at the level of the consolidation sub-group.
(7) The parent undertakings and the subsidiary undertakings referred to in this Article shall observe the requirements of Subparagraph 11 of Paragraph 1 of Article 124 hereof at the level of either a consolidation group or a consolidation sub-group and shall ensure that their internal control system is sufficiently consistent and integrated to provide all data and information necessary for consolidated supervision.
(8) The Commission shall establish the procedure for calculating the performance indicators of investment brokerage firms in respect of the regulatory requirements, as referred to in this Article, at the level of either a consolidation group or a consolidation sub-group, regulations for setting up an internal control system, for announcing separate events, for drawing up and submitting reports/accounts and the procedure for preparing and disclosing information necessary for the consolidated supervision of investment brokerage firms and for issuing the necessary permissions, as well as a set of the commercial companies to be included in a consolidation group or a consolidation sub-group, their consolidation methods and the inclusion of differing requirements set out in the regulatory provisions of other member states for the calculation of the capital requirements of a consolidation group or a consolidation sub-group.
(9) Where an investment brokerage firm that is a parent investment company of the Republic of Latvia has a subsidiary undertaking, a credit institution, the requirements of this Article shall be observed only at the level of the consolidation group of the investment brokerage firm.
(10) Where an investment brokerage firm is a subsidiary undertaking of a parent credit institution of the Republic of Latvia or where an investment brokerage firm is a

subsidiary undertaking of a financial holding company whose subsidiary undertaking is also a credit institution, the investment brokerage firm shall observe the regulatory requirements on an individual basis.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Chapter XII
Provision of Investment Services

Article 124
General Requirements
(1) Pursuant to its licence for the provision of investment services, an investment brokerage firm shall fulfill and comply with the following requirements during the validity of the licence:
1) ensure compliance of its capital adequacy with the requirements of this Law and of the Commission's regulatory provisions and compliance with other requirements governing the operations of investment brokerage firms;
2) ensure that the members of its executive board and the council (if formed) are persons of good repute;
3) ensure that the chairman of its executive board and at least one member of its executive board are persons who are competent in investment matters;
4) ensure internal supervision and audit of its operations, including the procedure whereby its employees are entitled to receive investment services at that investment brokerage firm, other investment brokerage firms or credit institutions;
5) ensure execution of transactions in respect of financial instruments, keep the secret of customers' financial instruments accounts and respective transactions pursuant to law;
6) carry out safety measures in respect of processing, storing and transmitting of data pursuant to the requirements of this Law, the Commission's regulatory provisions and its internal rules;
7) ensure that the financial instruments of its customers and its own financial instruments are held distinct all the time;
8) ensure that the money resources of its customers and its own money resources are held distinct all the time;
9) ensure that the documents supporting transactions in respect of financial instruments are stored for 10 years and that other requirements of the Commission's regulatory provisions in respect of filling out and storing of such documents are complied with;
10) ensure that the documents on compliance with the requirements of Chapter XII hereof are stored for 10 years. The Commission shall determine the list of the documents to be stored;
11) ensure establishing and operation of a comprehensive and efficient internal control system that is commensurate with the nature, volume and complexity of its operations and includes the following basic elements:
a) organizational structure that is commensurate with the size of the investment brokerage firm and its operational risks, with a clearly established, explicit and systematic distribution of the duties, authorizations and responsibilities of the responsible employees and structural units of the investment brokerage firm in the execution and control of transactions,
b) system for identifying, managing, monitoring and reporting risks inherent in the activity of an investment brokerage firm and contingent risks,
c) internal control procedures.
12) ensure continuous and systematic provision of investment services and ancillary (non-core) investment services by using appropriate systems, means and procedures;

13) take all necessary administrative and organizational measures to prevent the adverse effect of the conflicts of interest referred to in Article 127 hereof on the customers' interests.
(2) A credit institution that provides investment services or ancillary (non-core) investment services shall fulfill and comply with the following requirements:
1) establish adequate organizational units for the provision of investment services and ancillary (non-core) investment services and ensure the management, internal supervision and audit of those units, including the procedure whereby the employees of these units are entitled to receive investment services in these units, another credit institution or investment brokerage firm;
2) ensure that the manager of an organizational unit is competent in investment matters and of good repute;
3) ensure execution of transactions in respect of financial instruments, the secret of customers' financial instruments accounts and respective transactions pursuant to law;
4) carry out safety measures in respect of processing, storing and transmitting of data pursuant to the requirements of this Law, the Commission's regulatory provisions and its internal rules;
5) ensure that the financial instruments of its customers and its own financial instruments are held distinct all the time;
6) ensure that the documents supporting transactions in respect of financial instruments are stored for 10 years and that other requirements of the Commission's regulatory provisions in respect of filling out and storing of such documents are complied with;
7) ensure that other documents related with the fulfillment of the requirements of Chapter XII hereof are stored for 10 years. The Commission shall establish the list of the documents to be stored;
8) ensure continuous and systematic provision of investment services and ancillary (non-core) investment services by using appropriate systems, means and procedures;
9) take all necessary administrative and organizational measures to prevent the adverse effect of the conflicts of interest referred to in Article 127 hereof on the customers' interests.
(3) An investment brokerage firm and a credit institution that is a member of the regulated market organizer shall be entitled not to apply the requirements of Articles 126, 1261, 1262, 128, 1281, 1282 and 1283 hereof to another member of the market organizer when concluding transactions on the regulated market.
(4) An investment brokerage firm and a credit institution that is a member/participant of a multilateral trading facility shall be entitled not to apply the requirements of Articles 126, 1261, 1262, 128, 1281, 1282 and 1283 hereof to another member/participant of the facility when concluding transactions in the multilateral trading facility.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 124.1
Status of a Customer
(1) A person to whom an investment brokerage firm and a credit institution provide investment services and ancillary (non-core) investment services may have the status of a professional customer, of a retail customer or of an eligible counterparty.
(2) Professional customers in respect of all investment services and instruments shall be the following:
1) the following institutions that have been licensed to perform in the financial market and are supervised in the Republic of Latvia or another country:
a) credit institutions,
b) investment brokerage firms,

c) other licensed or regulated financial institutions,
d) investment funds and investment management companies,
e) insurers,
f) pension funds,
g) commodity dealers,
h) undertakings that make transactions for their own account on the markets of options, futures or financial derivatives or of underlying assets of derivative contracts for the sole purpose of hedging positions on financial derivatives markets or that make transactions for the account of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such undertakings is assumed by clearing members of the same markets;
i) other commercial companies whose main business is investment in financial instruments and that perform such investments on a large scale;
2) commercial companies that comply with two of the three requirements:
a) own funds are at least an amount in lats equivalent to 2 million euros, calculated at the Bank of Latvia's exchange rate,
b) net turnover is at least an amount in lats equivalent to 40 million euros, calculated at the Bank of Latvia's exchange rate,
c) balance sheet total is at least an amount in lats equivalent to 20 million euros, calculated at the Bank of Latvia's exchange rate;
3) countries and local governments, public institutions that service public debt, national central banks, the World Bank, the International Monetary Fund, the European Central Bank and other international financial institutions;
4) other commercial companies whose main business is investment in financial instruments and that perform such investments on a large scale;
5) a person recognized as a professional customer in another country in accordance with the procedure that is equivalent to the procedure set out in this Article.
(3) An investment brokerage firm or a credit institution shall notify a customer of its status prior to starting the provision of investment services or ancillary (non-core) investment services.
(4) A customer shall be entitled to ask an investment brokerage firm or a credit institution to grant it other status. A retail customer may obtain the status of a professional customer in due course of Paragraphs 5, 6 and 7 hereof. A professional customer may obtain the status of a retail customer in due course of Paragraphs 9 and 10 hereof. An investment brokerage firm and a credit institution shall notify the customer on these rights in due course of Article 1261 hereof.
(5) An investment brokerage firm or a credit institution that provides investment services and ancillary (non-core) investment services shall be entitled to recognize as a professional customer any person which is not referred to in Paragraph 2 hereof, but has made a request to this effect and whose knowledge and experience have been assessed by the investment brokerage firm and the credit institution, and which complies with at least two of the following criteria:
1) the person has made transactions of a notable volume on the respective market, at least 10 transactions per quarter during the previous four quarters;
2) the value of that person's financial instruments portfolio, including financial resources and financial instruments, exceeds an amount in lats equivalent to 500 000 euros, calculated at the Bank of Latvia's exchange rate;
3) the person has an experience in the financial sector of at least one year in a position requiring knowledge in respect of transactions and services that the person intends to make or receive as a professional customer.
(6) Prior to recognizing the person referred to in Paragraph 5 hereof as a professional customer, an investment brokerage firm or a credit institution shall assess its

competence, experience and knowledge to ascertain that, in view of the specific nature of the intended transactions or services, the customer is able to take independent investment decisions and is aware of the respective risks.
(7) The status of a professional customer may be granted to the person referred to in Paragraph 5 hereof in general or in respect of a separate type of investment services, type of activity or a specific transaction or product. A person wishing to be recognized as a professional customer shall submit to an investment brokerage firm or a credit institution an application indicating the type of investment services, or of transactions or products in respect of which it wishes to obtain the status of a professional customer. Prior to granting the status of a professional customer to a person, an investment brokerage firm or a credit institution shall warn it in writing on the investor protection rights it is likely to lose while in the status of a professional customer, and the person shall sign it to certify that it has received the warning and is aware of the consequences of lost rights. A written agreement shall be signed for granting the status of a professional customer.
(8) A person that has been recognized as a professional customer in due course of Paragraphs 5, 6 and 7 hereof shall submit to an investment brokerage firm or a credit institution information on any changes in its business that may affect its compliance with the requirements set out for the status of a professional customer. When receiving information that a customer no longer complies with the requirements for being a professional customer, an investment brokerage firm or a credit institution shall take a decision on cancelling the status and notify in writing the respective person.
(9) A professional customer may be granted the status of a retail customer in general in respect of all services to be provided or separate types of investment services, transactions or products. Where a professional customer wishes to obtain the status of a retail customer, it shall submit an application to an investment brokerage firm or a credit institution, indicating the type of investment services, transactions or products in respect of which it wishes to obtain the status of a retail customer.
(10) To grant the status of a retail customer to a professional customer, an investment brokerage firm or a credit institution and the person considered as a professional customer shall sign a written agreement. That agreement shall specify the types of investment services, transactions or products in respect of which the status of a retail customer is applied to that person.
(11) An investment brokerage firm or a credit institution that provides investment services and ancillary (non-core) investment services shall develop and approve internal policy and procedures to ensure that the requirements of this Article in respect of the status of a customer are observed.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 124.2
Eligible Counterparties
(1) An investment brokerage firm, a credit institution, an insurance company, an investment management company, a pension fund and its management companies, other financial institutions that have been licensed and perform in accordance with the regulatory provisions of a member state or of a foreign country governing financial services, the commercial companies referred to in Subparagraphs 10 and 11 of Paragraph 7 of Article 107, national governments and other public institutions that
182
service public debt, central banks and supranational organizations shall be entitled to be an eligible counterparty.
(11) An investment brokerage firm and a credit institution may apply the status of an eligible counterparty also to the persons referred to in g), h) and i) of Subparagraph 1

and in Subparagraphs 2 and 3 of Paragraph 2 of Article 1241 hereof.
(2) When making transactions with an eligible counterparty and providing to it the investment services referred to in Subparagraphs 1, 2 or 6 of Paragraph 4 of Article 3 hereof, an investment brokerage firm and a credit institution shall be entitled not to apply the requirements of Articles 126, 1261, 1262, 128, 1281, 1282 and 1283 hereof.
(3) Prior to starting the provision of investment services and ancillary (non-core) services, an investment brokerage firm and a credit institution shall inform the undertakings referred to in Paragraph 1 hereof about the their status of an eligible counterparty.
(4) The persons referred to in Paragraph 1 hereof shall be entitled to request in due course of Article 1241 hereof that an investment brokerage firm or a credit institution grant them the status of a professional customer or a retail customer. Where the person referred to in Paragraph 1 hereof does not indicate directly whether it seeks the status of a professional or of a retail customer, the investment brokerage firm and the credit institution shall grant it the status of a professional customer.
(5) In order that the status of an eligible counterparty be applied to the persons referred to in g), h) and i) of Subparagraph 1 and in Subparagraphs 2 and 3 of Paragraph 2 of Article 1241 hereof, an investment brokerage firm and a credit institution shall receive the consent of that person. Consent may be given in respect of the provision of investment services in general, of individual investment services or in respect of individual transactions.
(6) Where the potential customer of an investment brokerage firm or of a credit institution is the commercial company that is referred to in Paragraph 11 hereof and has been registered in another member state, an investment brokerage firm and a credit institution shall apply to it the status of a customer that would apply to it in accordance with the regulatory provisions of that member state. An investment brokerage firm and a credit institution shall be entitled to apply to it the status of a customer on the basis of the information provided by the commercial company about the regulatory provisions of the respective member state.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 125
Entitlement to Financial Instruments
(1) Financial instruments shall belong to their acquirer as of the moment book entries in respect of those financial instruments are made in the financial instruments account of the acquirer.
(2) A book entry in a person's financial instruments account shall be evidence to entitlement to financial instruments, except in the cases referred to in Paragraph 3 hereof.
(3) An investment brokerage firm, a credit institution or the Central Depository shall be entitled to open a financial instruments account in which the financial instruments held by a particular person are accounted for (nominee account).
(4) An investment brokerage firm and a credit institution shall be responsible for a prompt registration of the transactions in respect of financial instruments and for prompt making of book entries of the financial instruments resulting from those transactions in the financial instruments accounts of customers.
(41) The financial instruments that belong to a customer of an investment brokerage firm or of a credit institution shall not be used in transactions, including securities financing transactions, that are made by an investment brokerage firm or a credit institution for its own account or for other customer’s account. This requirement shall not apply to the cases when a customer has given its prior consent to such transactions and an investment brokerage firm or a credit institution makes the transaction in

accordance with specific conditions established by the customer. A retail customer shall confirm its consent with a signature or using an equivalent method.
(42) The financial instruments that belong to a customer of an investment brokerage firm or of a credit institution and are accounted in a nominal account which is opened with a third party and in which the financial instruments of several customers are jointly held shall not be used for securities financing transactions or other transactions made by an investment brokerage firm or a credit institution for its own account, except in cases when in addition to the requirements of Paragraph 41 hereof one of the following conditions is observed:
1) all customers whose financial instruments are held in the nominal account have given their prior consent to that transaction in accordance with the requirements of Paragraph 41 hereof;
2) an investment brokerage firm or a credit institution has at its disposal a system or a control mechanism that ensures that the financial instruments of only those customers that have given prior consent are used in securities financing transactions or other transactions made by an investment brokerage firm or by a credit institution for its own account.
(43) In the case referred to in Paragraph 42 hereof an investment brokerage firm and a credit institution shall account financial instruments in a way that ensures information on customers who have established specific conditions for the execution of a transaction and on the number of financial instruments they own, to ensure proper distribution of profit or loss.
(5) Financial instruments belonging to a customer of an investment brokerage firm or a credit institution shall not be used by the investment brokerage firm or the credit institution to settle the claims of its creditors. This requirement shall also apply to
184
cases when an investment brokerage firm or a credit institution is recognized insolvent in due course of law.
(6) Where an investor has submitted an instruction to dispose of financial instruments to an investment brokerage firm or a credit institution and that investment brokerage firm or that credit institution has started to execute a transaction based on the instruction, those financial instruments shall not be used to meet creditor claims on the person disposing of the financial instruments.
(7) Attachment shall be imposed on the financial instruments that belong to legal persons and in respect of which book entries are made in financial instruments accounts with an investment brokerage firm or a credit institution and those that belong to investment brokerage firms and credit institutions and in respect of which book entries are made in financial instruments accounts with the Central Depository only pursuant to an order by a bailiff in due course of the Law on Civil Process.
(8) Attachment shall be imposed on the financial instruments that belong to natural persons and in respect of which book entries are made in financial instruments accounts with an investment brokerage firm or a credit institution only pursuant to an order by a bailiff in due course of the Law on Civil Process or those financial instruments shall be arrested on the basis of a prosecutor's sanction.
(9) The financial instruments that belong to legal persons and in respect of which book entries are made in financial instruments accounts with an investment brokerage firm or a credit institution and those that belong to investment brokerage firms and credit institutions and in respect of which book entries are made in financial instruments accounts with the Central Depository shall be recovered in due course of the Law on Civil Process where there is an order by a bailiff, in the cases prescribed by tax laws where there is a request by tax administration bodies, or in the cases prescribed by other laws where there is a request by the State Revenue Service.
(10) The financial instruments belonging to natural persons shall be recovered in due

course of the Law on Civil Process where there is an order by a bailiff or pursuant to the Law on Taxes and Duties where there is a decision by tax administration bodies on recovering delayed tax payments.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 126

Contract for the Provision of Investment Services and Ancillary (Non-Core) Investment Services

(1) Prior to starting the provision of investment services and ancillary (non-core) investment services, an investment brokerage firm and a credit institution shall sign a written contract with a customer for the provision of investment services and ancillary (non-core) investment services. The contract shall indicate:
1) identification data of the investment brokerage firm or the credit institution and the customer's address, and, where a nominal account is opened, the identification data and the address of the person opening the nominal account;
185
2) procedure whereby the customer gives instructions to an investment brokerage firm or a credit institution for making transactions in financial instruments, and whereby the customer is identified;
3) procedure whereby, in view of the requirements of Article 1261 hereof, information related to the making of a transaction in financial instruments is exchanged between the investment brokerage firm or the credit institution and the customer (e.g., the manner of giving and receiving information, means of exchange, deadlines);
4) procedure for the events related with financial instruments (e.g., a shareholders meeting, payment of dividends and interest, redemption of debt financial instruments, changing the nominal value of financial instruments, uniting issues of financial instruments, dividing issues of financial instruments, issuing subscription rights);
5) procedure whereby transactions in financial instruments are settled between the investment brokerage firm or the credit institution and the customer;
6) procedure whereby the investment brokerage firm or the credit institution notifies a customer in case it changes its service fees;
7) procedure whereby mutual losses are compensated;
8) procedure whereby disputes are resolved;
9) procedure whereby the contract is changed.
(2) An electronic contract may be signed only provided that an investment brokerage firm and a credit institution have signed a prior written contract with a customer that sets out the right of the investment brokerage firm and the credit institution to sign electronic contracts with customers and the customer identification procedure.
(3) Prior to signing a contract for the provision of investment services and ancillary (non-core) investment services, an investment brokerage firm and a credit institution shall have an obligation to notify a customer of the procedure whereby complaints and disputes deriving from the contract are settled in an out-of-court procedure.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 126.1

Forms of Exchanging Information Related to Investment Services

(1) An investment brokerage firm or a credit institution shall provide information to customers on paper or electronically. By choosing the form for the provision of information, an option is ensured for a customer to store the information addressed to him/her in person and multiply it in the same form during the time that is reasonably necessary in view of the content of that information.
(2) An investment brokerage firm or a credit institution shall ensure that a customer has the right to choose the form of exchanging information. The form of exchanging information whereby an investment brokerage firm and a credit institution provide

information to customers shall be established in the contract for the provision of investment services.
(3) An investment brokerage firm or a credit institution shall provide information to a customer electronically, where:
1) electronic exchange of information is appropriate for the conditions in which a transaction is made or will be made between an investment brokerage firm or a credit institution and a customer;
2) a customer to whom information will be provided may choose whether to receive information on paper or electronically, and the customer has specifically noted that he/she wishes to receive information in that form.
(4) An investment brokerage firm or a credit institution shall be entitled to provide information to a customer by means of the Internet where that information is not addressed to a customer in person and provided that the following conditions are observed:
1) a customer has confirmed that the Internet is available to him/her;
2) a customer has specifically noted that he/she agrees to the provision of information in that form;
3) a customer has been notified electronically of the Internet homepage address and the site on the homepage where information is available;
4) information is duly updated;
5) information on the Internet homepage is constantly available for the time a customer reasonably needs to check it.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 126.2
Suitability and Appropriateness of an Investment Service and an Ancillary (Non-Core) Investment Service for a Customer's Interests
(1) To determine whether an investment service is suitable and appropriate for a customer's interests, an investment brokerage firm or a credit institution shall require information on the following from the customer or the prospective customer:
1) experience and knowledge in respect to the transactions to be concluded during the provision of investment services, the goals he/she wants to achieve with the transactions, and the financial standing, where the investment brokerage firm or the credit institution provides consultations on investments in financial instruments or manages financial instruments on an individual basis under investors' authorization;
2) experience and knowledge in respect to the transactions to be concluded during the provision of investment services, where the investment brokerage firm or the credit institution provides an investment service not referred to in Paragraph 1 hereof.
(2) Information that an investment brokerage firm or a credit institution obtains in due course of Subparagraph 1 of Paragraph 1 hereof shall be used by it to determine that, in view of the type and volume of the service offered, the particular proposed transaction, being part of providing consultations on investments in financial instruments, or the executed transaction, being part of managing financial instruments on an individual basis under investors' authorization,
1) is appropriate for the investment goals of that customer;
2) is such that the customer is financially able to assume any investment risk associated with his/her investment goals;
3) is such that the customer has the necessary experience and knowledge to comprehend the risk associated with a transaction or his/her portfolio management.
(3) Information that an investment brokerage firm or a credit institution obtains in due course of Subparagraph 2 of Paragraph 1 hereof shall be used by it to determine that a customer has the necessary knowledge to comprehend the risk associated with the

type of service or product offered.
(4) Information on the knowledge and experience of a customer or of a prospective customer in the area of investment shall include information on the following:
1) types of services, transactions and financial instruments the customer is aware of;
2) customer's transactions in financial instruments: their nature, volume, frequency and time over which they have been made;
3) education and profession or relevant previous profession of the customer or of the prospective customer.
(5) When requiring information referred to in Paragraph 4 hereof, an investment brokerage firm and a credit institution shall take into account such factors as the status of a customer (a retail customer, a professional customer), the type and the volume of the service to be provided, the type of the product or of the intended transaction, complexity of the service and the associated risks.
(6) Information on the investment goals of the customer or of the prospective customer shall include, if necessary, information about the deadline by which the customer wishes to hold the investment, his/her choice for assuming the risk, risk profile and investment purposes.
(7) Information on the financial standing of the customer or of the prospective customer shall include, if necessary, information on the sources and volume of his/her regular income, assets, including liquid assets, investments and real estate, and regular financial liabilities.
(8) An investment brokerage firm and a credit institution shall not be entitled to allow a customer not to provide the information referred to in this Article.
(9) Where an investment brokerage firm or a credit institution fails to obtain the information referred to in Subparagraph 1 of Paragraph 1 hereof while providing consultations on investments in financial instruments or managing financial instruments on an individual basis under investors' authorization, it shall not be entitled to advise investment services or financial instruments to a customer or a prospective customer.
(10) Where, on the basis of the information obtained in due course of Subparagraph 2 of Paragraph 1 hereof, an investment brokerage firm or a credit institution considers that the respective product or service is not suitable to a customer, it shall warn the customer. Where a customer refuses to provide the information referred to in Subparagraph 2 of Paragraph 1 hereof to an investment brokerage firm and a credit institution or where an investment brokerage firm or a credit institution possess information that this information is incomplete or fails to contain the latest changes, the investment brokerage firm or the credit institution shall warn the customer or the prospective customer that it is not in a position to assess the suitability of the intended service or product to the customer. Where the investment brokerage firm or the credit institution has warned the customer, but the customer has not submitted additional information, the undertaking shall not be responsible for the consequences caused by the customer's refusal to provide information, provision of incomplete information or failure to notify of changes in the previously submitted information.
(11) The warnings referred to in Paragraph 10 hereof may be made in a standardized format.
(12) Where an investment brokerage firm or a credit institution provides to a customer only the investment services referred to in Subparagraphs 1 or 2 of Paragraph 4 of Article 3 hereof, it shall not require that the customer submits to it the information referred to in Subparagraph 2 of Paragraph 1 hereof, provided that all of the following conditions are in place:
1) the service is related to the shares that are admitted to trading on the regulated market in a member state or in a foreign country complying with the requirements of Chapter I of Section D hereof, to money market instruments, bonds or other types of

debt securities (except those bonds or debt securities that embed a derivative instrument), investment fund units and other non-complex financial instruments;
2) the service is provided upon the initiative of the customer or of the prospective customer;
3) the customer or the prospective customer has been explicitly informed that, when providing this service, an investment brokerage firm does not assess the suitability of the provided investment service or of the offered instrument to the customer and that due to this the customer does not receive adequate protection;
4) an investment brokerage firm and a credit institution shall comply with the requirements of Articles 127 and 1271 hereof for the prevention of conflicts of interest.
(13) Other non-complex financial instruments referred to in Subparagraph 1 of Paragraph 12 hereof are the financial instruments not referred to in item c) of Subparagraph 32 of Article 1 hereof or are not derivative instruments, and comply with the following conditions:
1) such financial instruments may be issued into circulation frequently, bought back or otherwise sold at the prices that are publicly available to market participants and that are either market prices or prices available in valuation systems that are independent from the issuer;
2) they do not incur any existing or potential liabilities on customers in excess of the acquisition costs of the instrument;
3) information on the characteristics of the financial instruments is publicly available, is easily understandable and allows an average retail customer to take an informed decision for making a transaction in this instrument.
(14) The requirements of this Article shall not apply to professional customers, because professional customers are considered to be persons that have the necessary experience and knowledge of the products, transactions and services in respect of which a customer is classified as a professional customer, and that are financially able to assume risk for any loss that an investment may incur on it.
(15) The requirements of this Article shall not apply, where an investment service is offered as a part of another financial product that is subject to the requirements of the European Union regulatory provisions in respect of credit institutions or consumer credit and to other requirements in respect of a customer risk assessment and provision of information.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 127
Conflict of Interest
(1) An investment brokerage firm and a credit institution shall take all necessary and possible measures to identify and prevent a conflict of interest that, during the provision of investment services or of ancillary (non-core) investment services, may arise between the investment brokerage firm or the credit institution, including their employees, tied agents, persons exercising a direct or indirect control over the investment brokerage firm or the credit institution, and a customer, or among customers.
(2) To identify the type of a conflict of interest that may arise during the provision of investment services or ancillary (non-core) investment services, an investment brokerage firm and a credit institution shall take into account the situations when the investment brokerage firm or the credit institution, a person referred to in Paragraph 31 of Article 101 hereof that is linked to it and a person that directly or indirectly exercises control over the investment brokerage firm or the credit institution:
1) is likely to make a financial gain or avoid a financial loss at the expense of a customer;

2) has an interest in the outcome of a service provided to a customer or of a transaction carried out on behalf of a customer, which is distinct from the customer's interest in that outcome;
3) has an incentive to favor the interests of another customer or a group of customers;
4) carries out the same professional activity as the customer;
5) receives or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services, other than the standard commission or fee for that service.
(3) To ensure the fulfillment of the requirements of Paragraph 1 hereof, an investment brokerage firm and a credit institution shall develop, approve and implement a policy for the prevention of conflicts of interest that is commensurate with their size, organization, type of professional activity, scale and complexity of operations. Where an investment brokerage firm or a credit institution is a member of a group of commercial companies, the policy shall include the prevention of the conflicts of interest arising as a result of the business or structure of other members of the group.
(4) The policy of an investment brokerage firm and a credit institution for the prevention of conflicts of interest shall:
1) with reference to specific types of investment services and ancillary (non-core) services carried out by an investment brokerage firm and a credit institution or by a third party on their behalf, identify the circumstances which give or may give rise to a conflict of interest entailing a material damage to the interests of one or more customers;
2) specify procedures to be followed and measures to be adopted in order to prevent conflicts of interest.
(5) When establishing the procedure and the measures for the prevention of conflicts of interest, an investment brokerage firm and a credit institution shall ensure that they are commensurate with the size and activities of the investment brokerage firm or the credit institution and of the group to which it belongs, and with the materiality of the damage to the interests of customers.
(6) When fulfilling the requirements of Subparagraph 2 of Paragraph 4 hereof, an investment brokerage firm and a credit institution, in view of its structure and the types of investment services they provide, shall ensure the following:
1) effective procedures to prevent or control the exchange of information between the persons referred to in Paragraph 31 of Article 101 hereof that are engaged in activities involving a risk of a conflict of interest, where the exchange of that information may harm the interests of one or more customers;
2) separate supervision of the persons referred to in Paragraph 31 of Article 101 hereof whose main business is carrying out activities on behalf of customers or providing services to customers or who represent other interests, including those of an investment brokerage firm or of a credit institution, or who otherwise represent different interests that may conflict the interests of a customer;
3) removal of any direct link between the remuneration or revenues of the persons referred to in Paragraph 31 of Article 101 hereof who are engaged in the provision of different investment services, where a conflict of interest may arise in relation to the activities carried out while providing investment services;
4) measures to prevent or limit third parties from exercising inappropriate influence over the way in which investment services or ancillary (non-core) investment services are provided;
5) measures to prevent or control the simultaneous or sequential involvement of the person referred to in Paragraph 31 of Article 101 hereof in the provision of different investment services or ancillary (non-core) investment services, where such involvement may impair the proper management of conflicts of interest;
6) other additional procedures and measures, if necessary, to prevent the conflicts of

interest as a result of the activities of the persons referred to in Paragraph 31 of Article 101 hereof.
(7) Where the organizational or administrative measures established by an investment brokerage firm or a credit institution in accordance with the requirements of this Article for the management of conflicts of interest are insufficient to duly ensure that the damage to customers' interests will be avoided, the investment brokerage firm or the credit institution, before starting the provision of the respective investment service to the customer, shall explicitly disclose to a customer the essence or the sources of conflicts of interest in view of the requirements of Article 1261 hereof.
(8) An investment brokerage firm and a credit institution shall keep and regularly update a record of the types of investment services or of the ancillary (non-core) investment services that have been provided by them or on their behalf and that have given or are likely to give rise to a conflict of interest entailing material damage to the interests of one or several customers.
(9) An investment brokerage firm and a credit institution shall establish and implement a system to ensure the fulfillment of the requirements of Article 127.1 hereof in respect of restrictions for making personal transactions.
(10) An investment brokerage firm and a credit institution that disseminate investment research shall additionally carry out the measures set out in Article 1272 hereof to prevent conflicts of interest.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)
Article 127.1
Restrictions on Making Personal Transactions
192
(1) A personal transaction shall mean a trade transaction in financial instruments that is made by a person referred to in Paragraph 31 of Article 101 hereof that is linked to an investment brokerage firm or a credit institution or that is made for the benefit of such person, where at least one of the following criteria is met:
1) the transaction has been made outside the scope of the job or of the professional duties of that person;
2) the transaction has been made for the account of that person;
3) the transaction has been made for the account of the spouse, a child, a step-child (a child of the spouse that is not the child of that person) or for the account of another relative who has shared the household with the person referred to in Paragraph 31 of Article 101 hereof for at least one year before making the transaction;
4) the transaction has been made for the account of another person whose relationship with the person referred to in Paragraph 31 of Article 101 hereof is such that the relevant person has a direct or indirect material interest in the outcome of the transaction other than the fee for the execution of the transaction.
(2) The persons referred to in Paragraph 31 of Article 101 hereof shall be prohibited from the following:
1) making a personal transaction on the basis of inside information available to the person as a result of job or professional duties in an investment brokerage firm or a credit institution, making a personal transaction by using or inappropriately disclosing information that contains a business secret, or making a personal transaction that contradicts the requirements set out in this Law for an investment brokerage firm and a credit institution;
2) advising a third party to make a transaction in financial instruments that would be a personal transaction of the advising person to which the restrictions set out in Subparagraph 1 hereof, Subparagraph 1 of Paragraph 3 of Article 1272 and Paragraph 2 of Article 1281 of this Law apply, except where a transaction has been made by performing job or professional duties;

3) disclose information to a third party or express an opinion, where the person disclosing information knows or ought to have known that as a result of the disclosed information the third party will make or is likely to make or advise another person to make a transaction in financial instruments that would qualify as a personal transaction to the person disclosing information and to which the restrictions set out in Subparagraph 1 hereof, Subparagraph 1 of Paragraph 3 of Article 1272 and Paragraph 2 of Article 1281 of this Law apply, except where information has been disclosed by performing job or professional duties.
(3) The persons referred to in Paragraph 31 of Article 101 hereof shall notify an investment brokerage firm and a credit institution of the personal transactions made.
(4) An investment brokerage firm and a credit institution shall be entitled to establish that the person referred to in Paragraph 31 of Article 101 hereof shall have a permission issued by an investment brokerage firm or a credit institution for making personal transactions.
(5) An investment brokerage firm and a credit institution shall ensure that the persons referred to in Paragraph 31 of Article 101 hereof are informed of the duty set out in this Article to notify an investment brokerage firm and a credit institution of the personal transactions made and restrictions established in respect of personal transactions.
(6) An investment brokerage firm and a credit institution shall oversee that the persons referred to in Paragraph 31 of Article 101 hereof and linked to them comply with the requirements set out in this Article.
(7) An investment brokerage firm and a credit institution shall establish and maintain a register for information on the transactions made by the persons referred to in Paragraph 31 of Article 101 hereof, on the basis of the information either provided by the relevant persons or uncovered during their supervision. Where an investment brokerage firm and a credit institution outsource the provision of an investment service or of a critical element thereof, the outsourcing contract shall set out the procedure whereby a register of personal transactions of the persons referred to in Paragraph 31 of Article 101 hereof is maintained and the procedure whereby the investment brokerage firm and the credit institution receive information from the provider of outsourced services on the personal transactions made by these persons.
(8) Where an investment brokerage firm or a credit institution has established that a permission issued by it is necessary for making personal transactions, it shall keep information on the issued permissions or refusals to grant permission.
(9) The provisions of this Article shall not apply, where:
1) a personal transaction has been made as part of the management of financial instruments on an individual basis, and there has been no prior communication in connection with the transaction between the portfolio manager and the person referred to in Paragraph 31 of Article 101 hereof or other person on whose behalf the transaction has been made;
2) a personal transactions has been made in open-end investment fund units and the person referred to in Paragraph 31 of Article 101 hereof or other person on whose behalf the transaction has been made is not involved in the management of that fund.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 127.2
Measures for the Prevention of Conflicts of Interest in Respect of Persons who Produce Investment Research
(1) For the purposes of this Article, investment research shall mean research or other information which recommends or suggests, directly or indirectly, an investment strategy concerning one or several financial instruments or issuers of financial instruments, including an opinion as to the present or future value or future price of

such instruments, and which is intended for distribution channels or the public and in relation to which the following conditions are met:
1) it is labeled as investment research or is otherwise presented as an objective or independent explanation of the matters contained in the research;
2) it is not a recommendation to a customer provided during a consultation on investments in financial instruments.
(2) An investment brokerage firm and a credit institution that produce investment research intended for dissemination to their customers or to the wider public under their own responsibility or the responsibility of the group of commercial companies to which the investment brokerage firm or the credit institution belongs, or under the responsibility of other commercial companies, or arrange the production of such research shall ensure that all measures set out in Paragraph 6 of Article 127 hereof are implemented in respect of the financial analysts involved in the production of investment research and other persons referred to in Paragraph 31 of Article 101 hereof whose responsibility or professional activity interests are likely to conflict the interests of the persons to which investment research is disseminated.
(3) An investment brokerage firm and a credit institution that produce investment research shall ensure the following:
1) financial analyst and other persons referred to in Paragraph 31 of Article 101 hereof shall be prohibited from making personal transactions or transactions for the account of other person, including for the account of an investment brokerage firm or a credit institution, in the financial instruments that underlie investment research or in related financial instruments, where that financial analyst or the person referred to in Paragraph 31 of Article 101 hereof possesses information about the content of investment research that is not available to the public or customers or in respect of which conclusions may not be made from already publicly available information, as long as the recipients of investment research have an opportunity to learn the content of investment research and carry out activities on the basis of research. The requirements of this Subparagraph shall not apply, where a financial analyst or other persons referred to in Paragraph 31 of Article 101 hereof make transactions as market makers, fulfilling their duties in good faith and in accordance with the established procedure, as well as execute a customer's order submitted on the customer's initiative;
2) in addition to the requirements of Paragraph 1 hereof, a financial analyst and other persons referred to in Paragraph 31 of Article 101 hereof involved in the production of investment research shall be prohibited from making personal transactions in financial instruments that underlie investment research or in related financial instruments, where a transaction is contrary to the investment recommendation suggested by the research, except in cases when such transaction has been approved by a structural unit performing the compliance control function of an investment brokerage firm and a credit institution;
3) an investment brokerage firm and a credit institution, a financial analyst and a person referred to in Paragraph 31 of Article 101 hereof involved in the production of investment research shall be prohibited from accepting material or other inducements from the persons that might be interested in the content of the investment research;
4) an investment brokerage firm and a credit institution, a financial analyst and a person referred to in Paragraph 31 of Article 101 hereof involved in the production of investment research shall be prohibited from promising issuers a favorable research coverage;
5) before the publication, issuers and persons referred to in Paragraph 31 of Article 101 hereof shall be prohibited from reviewing a draft investment research developed by a financial analyst, where the draft includes a recommendation or a projected price, except where compliance with the legal liabilities of the investment brokerage firm or

the credit institution is verified.
(31) For the purposes of this Article, a financial instrument that is related with a financial instrument shall mean a financial instrument whose price is essentially influenced by the changes in the price of a financial instrument that underlies the research. A financial instrument that is related with a financial instrument may be a financial derivative.
(4) The provisions of Paragraph 3 hereof shall not apply to an investment brokerage firm and a credit institution disseminating investment research produced by a third party, where:
1) the legal person that has produced investment research and that investment brokerage firm or credit institution are not members of the same group of commercial companies;
2) when disseminating investment research, the investment brokerage firm or the credit institution does not substantially change its content;
3) the investment brokerage firm or the credit institution does not present the investment research as having been produced by it;
4) the person who produced investment research complies with the requirements of this Law or equivalent requirements for the prevention of conflicts of interest.
(5) Where the information whereby an investment strategy in respect of one or several financial instruments or issuers of financial instruments is directly or indirectly recommended or suggested, including an opinion of the present or future value or future price of such instruments, is intended for distribution channels or the public, but it fails to comply with the conditions set out in Paragraph 1 hereof, it shall be considered a marketing communication. The requirements of this Article shall not apply to the production of a marketing communication.
(6) When disseminating the information referred to in Paragraph 5 hereof, an investment brokerage firm or a credit institution shall label it as a marketing communication and indicate that this information has not been prepared on the basis of the requirements of regulatory provisions promoting independence of investment research and is not subject to the prohibition from making transactions before disseminating investment research.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 128
Obligations in Relations with Customers
(1) When providing investment services to customers, an investment brokerage firm and a credit institution shall have the obligation to perform as a decent and careful manager and ensure that the services are provided in a professional and careful manner in a customer's interests.
(2) In contracts for the provision of investment services and ancillary (non-core) investment services signed with a customer, an investment brokerage firm and a credit institution shall not include provisions that are contrary to the provisions of Paragraph 1 hereof or imply consequences that are likely to be directed against a customer in any manner.
(3) An investment brokerage firm and a credit institution shall ensure that only its duly authorized persons are entitled to take decisions on managing the financial instruments of customers on an individual basis and provide consultations on investments to customers.
(4) To perform the tasks set out in Paragraph 3 hereof, an investment brokerage firm or a credit institution shall be entitled to authorize only those persons who have appropriate education and experience and who are competent in the sphere of investment services.

(5) An investment brokerage firm and a credit institution shall ensure that the information provided to customers or prospective customers, including marketing communications, is fair, clear and not misleading. Marketing communications shall be clearly identifiable as such.
(6) Prior to concluding a contract, an investment brokerage firm and a credit institution shall disclose to the customer or the prospective customer information on the following:
1) the investment brokerage firm or the credit institution and the investment services and ancillary (non-core) investment services it provides;
2) financial instruments and investment strategies offered, risks associated with investments in respective financial instruments or with a particular investment strategy;
3) execution venues;
4) costs of offered services and associated charges.
(7) An investment brokerage firm and a credit institution shall disclose the information referred to in Paragraph 6 hereof so that customers or prospective customers can duly understand the essence of the offered investment service, ancillary (non-core) investment service and the particular type of the financial instrument and take appropriate decisions for making an investment. This information may be provided in a standardized format. An investment brokerage firm and a credit institution shall continue to inform customers without a specific request while providing the investment service, where the relevant information is amended or supplemented.
(8) The Commission shall establish the requirements for the content of information on the investment service, financial instruments, service costs and transactions made that is provided to a customer by an investment brokerage firm and a credit institution while providing that investment service.
(9) Execution of a customer's order shall not be delayed, and a customer's order shall be promptly executed (except where the law provides otherwise) in accordance with the instructions established in the customer's order. When executing a customer's order, an investment brokerage firm and a credit institution shall observe the requirements of Article 1281 hereof.
(10) When executing a customer's order in accordance with the requirements of Article 1281 hereof, an investment brokerage firm and a credit institution shall take all necessary measures to act in the best interests of customers.
(11) An investment brokerage firm and a credit institution shall provide information to a customer on the execution of his/her orders and the provision of investment services, including information on the costs for the execution of the order or the provision of the investment services, in accordance with the requirements of Article 1261 hereof and the Commission's regulatory provisions.
(12) In respect of an investment service and an ancillary (non-core) investment service, an investment brokerage firm and a credit institution shall be prohibited from paying or being paid a fee or a commission or providing or being provided with any non-monetary benefit other than the following:
1) a fee or a commission paid by or provided to a customer or a person acting on a customer's behalf, or any non-monetary benefit paid by or provided to a customer or a person acting on a customer's behalf;
2) a fee or a commission paid by or provided to a third party or a person acting on its behalf, or any non-monetary benefit paid by or provided to a third party or a person acting on the its behalf, where:
a) the existence, nature and amount of the fee or the commission or the benefit, or, where the amount cannot be ascertained, the method of calculating that amount shall be clearly disclosed to the customer prior to the provision of the relevant investment

service or ancillary (non-core) investment service in a manner that is comprehensive, accurate and understandable. This information may be provided to a customer in an aggregated form, but the customer is entitled to receive detailed information,
198
b) the payment of the fee or the commission or the provision of any non-monetary benefit is for the purpose of enhancing the quality of the relevant service to a customer and it does not impair compliance with the undertaking's duty to act in the best interests of the customer;
3) fees that ensure or are necessary for the provision of investment services or ancillary (non-core) investment services (such as custody costs of financial instruments, settlement and trading place fees, regulatory levies) or legal fees, where such fees by their nature cannot contradict the undertaking's obligation to act honestly, fairly and professionally in accordance with the best interests of its customers.
(13) A customer shall be entitled to submit a complaint to an investment brokerage firm and a credit institution in respect of the provision of investment services. An investment brokerage firm and a credit institution shall establish, implement and maintain effective procedures for the recording and handling of complaints received from retail customers or prospective retail customers, and shall keep a record of the measures taken in respect of those complaints.
(14) Customers that are considered as consumers in the meaning of the Consumer Rights Protection Law shall be entitled to submit complaints to the Consumer Rights Protection Centre in respect of the violations of the requirements of this Law and of other regulatory provisions for the protection of consumer rights, where they are related to the provision of investment services.
(15) The Commission shall submit to customers an opinion about complaints for the violation of the requirements of this Law and of other regulatory provisions, where it is related to the provision of investment services.
(16) Where a customer incurs loss because an investment brokerage firm or a credit institution has provided incorrect information or failed to fulfill the requirements of this Article, that customer shall be entitled to request that the loss be covered in general course of law.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 128.1
Provisions for Executing a Customer's Order
(1) An investment brokerage firm and a credit institution that have received the licence for making transactions for investors' account shall take the necessary measures and implement the procedures to ensure the fulfillment of the following requirements when executing a customer's order:
1) orders executed on a customer's behalf are promptly and accurately recorded;
2) customers orders are carried out sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the customer require otherwise;
3) a retail customer is notified in good time of any material difficulty relevant to the proper carrying out of orders;
4) the financial instruments or money resources received as a result of a transaction are promptly delivered to the financial instruments account and cash account of the respective customer.
(2) An investment brokerage firm and a credit institution as well as any person referred to in Paragraph 31 of Article 101 hereof that is linked to them shall not misuse the information available to it that relates to pending customer orders.
(3) Where a customer has issued a limit order in respect of the shares that are admitted

to trading on the regulated market and this order is not promptly executed in the prevailing market conditions, an investment brokerage firm or a credit institution shall take measures to ensure the earliest possible execution of the transaction by making public information on this order to the market, unless the customer expressly instructs otherwise. This requirement shall be considered as fulfilled, where an investment brokerage firm or a credit institution, in compliance with Article 31 of the Commission Regulation (EC) No 1287/2006, has submitted a limit order to the regulated market organizer or the person operating a multilateral trading facility.
(4) The Commission shall be entitled to exempt an investment brokerage firm and a credit institution from the obligation, referred to in Paragraph 3 hereof, to send a limit order to the regulated market organizer or to the multilateral trading facility, where the transaction exceeds the normal market size of shares or of the class of shares. The normal market size of shares or of the class of shares shall be calculated in due course of Article 20 of the Commission Regulation (EC) No 1287/2006.
(5) An investment brokerage firm and a credit institution shall be entitled to aggregate a customer's order with a transaction for their own account or with another customer's order provided that the undertaking has developed and implements the policy for aggregating and allocating of orders. The policy for aggregating and allocating of orders may be included in the order execution policy and it shall set out the following:
1) orders may be aggregated provided that it is unlikely that the aggregation of orders or transactions will be disadvantageous to the interests of any customers whose orders will be aggregated;
2) prior to aggregating orders or transactions, an investment brokerage firm and a credit institution have an obligation to notify every customer, whose order is to be aggregated, that the effect of aggregation may incur loss in relation to a particular order;
3) fair allocation of aggregated orders and transactions, providing in sufficiently precise terms an explanation on the influence of the volume and price of orders on the allocation of orders in each particular case;
4) the procedure whereby aggregated customer orders are allocated, where an aggregated order is partially executed;
5) the procedure whereby the requirements of Paragraphs 6 and 7 hereof are met in respect of the allocation or reallocation of aggregated customer orders and transactions for own account.
(6) Where an investment brokerage firm or a credit institution has aggregated transactions for its own account with one or several customer orders, it shall allocate or reallocate the respective transaction without detriment to the customer's interests.
(7) Where an investment brokerage firm or a credit institution aggregates a customer order with a transaction for its own account and the aggregated order is partially executed, it shall allocate the related transactions according to priority, at first for the benefit of the customer and then for its own benefit. Where an investment brokerage firm or a credit institution is able to demonstrate on reasonable grounds that without the aggregation it would not have been able to carry out the order on such advantageous terms, or at all, it may apply a proportionate allocation of income in respect of the transaction for its own account.
(8) An investment brokerage firm or a credit institution that transfers to another investment brokerage firm or a credit institution the instructions or orders it has received from its customers for the provision of investment services shall send to that undertaking information on the recommendations it has given to the customer and the information it has received from the customer in accordance with the conditions of Article 1262 hereof.
(9) An investment brokerage firm or a credit institution that transfers to another

investment brokerage firm or a credit institution the instructions or orders it has received from its customers for the provision of investment services or ancillary (noncore) investment services shall be responsible for the following:
1) completeness and accuracy of the information transmitted;
2) appropriateness for the customer of the recommendations or advice provided.
(10) When providing investment services or ancillary (non-core) investment services, an investment brokerage firm and a credit institution that receive customer instructions or orders for the provision of investment services from another investment brokerage firm or credit institution shall rely on the information submitted by the customer and on any advice and recommendations that have been provided to the customer by another investment brokerage firm or credit institution and shall conclude the transaction on the basis of such information.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 1282
Acting in the Best Interests of Customers
(1) When executing customers' orders for making transactions in financial instruments, managing investors' financial instruments on an individual basis under investors' authorization or accepting and transmitting for execution customers' orders for making transactions in financial instruments, an investment brokerage firm and a credit institution shall ensure the best possible result for customers taking into account the price, costs, speed, likelihood of execution and settlement, volume, nature or any other consideration relevant to the execution of orders.
(2) To ensure the best possible results for customers, an investment brokerage firm and a credit institution shall develop and approve the order execution policy in accordance with the requirements of Article 1283 hereof.
(3) An investment brokerage firm and a credit institution shall assess and establish in the order execution policy those factors of their operations, referred to in Paragraph 1 hereof, that are important to ensure the best possible results for their customers. To determine the importance of the factors for the execution of orders, an investment brokerage firm and a credit institution shall additionally assess the following criteria:
1) characteristics of a customer, including its categorization as a retail or a professional customer;
2) type of a customer's order;
3) type of the financial instrument that is the subject of the order;
4) execution venue to which that order can be directed (the regulated market, a multilateral trading facility, a systematic internalizer, a market maker or other liquidity provider).
(4) An investment brokerage firm and a credit institution shall be prohibited from making transactions in the financial instruments owned or held by a customer, where they have not obtained the customer's consent to their order execution policy when concluding the agreement for the provision of investment services. An investment brokerage firm and a credit institution shall be entitled to make transactions outside the regulated market and the multilateral trading facility upon receipt of a prior consent from a customer for individual transactions or by including this option in the agreement.
(5) Upon a customer's request, an investment brokerage firm and a credit institution shall have an obligation to prove that the order will be executed in line with the order execution policy.
(6) Where an investment brokerage firm and a credit institution execute an order on behalf of a retail customer, the best possible result shall be determined in terms of the total consideration representing the price of the financial instrument and the costs related to the execution of the order, which shall include all expenses incurred by the

customer that are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees or commission paid to other persons involved in the execution of the order.
(7) For the purposes of ensuring the best possible results for customers, where there is more than one execution venue listed in the undertaking's order execution policy for executing a customer's order in respect of a financial instrument, an investment brokerage firm and a credit institution shall assess and compare the results for the customer that would be achieved. In the assessment an investment brokerage firm and a credit institution shall additionally consider the commissions and costs for executing the order on each of the established eligible execution venues. When determining the commission for the execution of an order, an investment brokerage firm and a credit institution shall not be entitled to discriminate different execution venues.
(8) An investment brokerage firm and a credit institution shall be entitled not to observe the obligation to ensure the best possible results for customers in accordance with the order execution policy, where the customer has issued specific instructions for making transactions in financial instruments, for placing orders when managing his/her financial instruments on an individual basis and in respect of the person to whom the order shall be transmitted for execution. In that case an investment brokerage firm and a credit institution shall observe the specific instructions of the customer.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 1283
Order Execution Policy
(1) Where an investment brokerage firm and a credit institution execute a customer's order for making transactions in financial instruments on behalf of a customer, the order execution policy shall set out the following for each class of financial instruments:
1) information on execution venues where an investment brokerage firm and a credit institution execute customer orders. Order execution policy shall at least include those venues that enable an investment brokerage firm and a credit institution to obtain, on a consistent basis, the best possible result for the execution of customers' orders;
2) factors affecting the choice of execution venue for the respective class of financial instruments in accordance with Article 128.2 hereof.
(2) Where an investment brokerage firm and a credit institution manage investors' financial instruments on an individual basis under investors' authorization or accept or transmit for execution a customer's order for making transactions in financial instruments, they shall indicate in the order execution policy information on the institutions where the investment brokerage firm and the credit institution place orders or transmit for execution customer orders. An investment brokerage firm and a credit institution shall be entitled to transmit orders for execution only to such institutions that have in place an approved policy that ensures the best possible result for customers.
(3) An investment brokerage firm and a credit institution shall assess, on a regular basis, the efficiency of the order execution policy. An investment brokerage firm and a credit institution shall review their order execution policy and order execution measures once a year or in case of material changes affecting their ability to continue to obtain the best possible result in respect of customers' orders, on a consistent basis using the execution venues included in the order execution policy. Where material amendments are made to the order execution policy, an investment brokerage firm and a credit institution shall inform customers to this effect.
203
(4) Where amendments are made to the list of execution venues that are considered

important by an investment brokerage firm or a credit institution, it shall make respective amendments to the order execution policy and notify customers to this effect.
(5) Prior to concluding an agreement for the provision of investment services, an investment brokerage firm and a credit institution shall notify customers on the order execution policy developed in due course of this Article. In accordance with the requirements of Article 1261 hereof, an investment brokerage firm and a credit institution shall provide retail customers with the following information on their order execution policy:
1) account of the factors referred to in Paragraph 1 hereof that the investment brokerage firm or the credit institution considers to be relevant for the compliance with the requirement for obtaining the best possible result for customers, or the procedure whereby an investment brokerage firm and a credit institution assess and determine the relative importance of those factors;
2) a list of the execution venues on which the investment brokerage firm and the credit institution plan to ensure, on a consistent basis, obtaining the best possible result for the execution of customer orders;
3) a clear and prominent warning that any specific instructions from a customer may prevent the undertaking from taking the measures that, in accordance with the order execution policy, ensure obtaining the best possible result for the execution of those orders in respect of the elements covered by those instructions.
(6) Where an investment brokerage firm and a credit institution establish in their order execution policy an option to execute a customer's order outside the regulated market or the multilateral trading facility, they shall explicitly notify their customers of this option.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 129
Depositing the Money Resources of a Customer
(1) An investment brokerage firm shall be entitled to deposit money resources of a customer and use them exclusively to ensure the customer's transactions in financial instruments pursuant to a written contract signed by that customer and an investment brokerage firm.
(2) An investment brokerage firm shall deposit the money resources of customers distinct from its own money resources:
1) in a central bank of a member state, where it provides such service to investment brokerage firms or credit institutions;
2) in a bank registered in the Republic of Latvia or in a credit institution registered in a member state or in a bank registered in a foreign country;
3) in a money market fund that complies with the requirements of Paragraph 5 hereof.
(3) An investment brokerage firm shall be entitled to deposit customer's money resources in a money market fund only under a prior consent of a customer.
(4) When taking a decision on a credit institution or a fund for depositing the money resources of a customer, an investment brokerage firm shall, with due diligence and care, assess the competence and the market reputation of that credit institution or fund, the requirements or the court practice that are effective in the respective country in respect of holding a customer's money resources that may adversely affect a customer's interests. An investment brokerage firm and a credit institution shall reassess once a year the competence of the selected credit institution and the conditions for holding a customer's money resources.
(5) A money market fund, in which an investment brokerage firm is entitled to deposit financial resources in accordance with Paragraph 2 hereof, is an open-end investment

fund that has been licensed and is subject to supervision in a member state and complies with the following criteria:
1) its primary investment objective is to maintain the net asset value of the fund either constant at par, net of earnings, or at the value of the investors' initial capital, plus earnings;
2) with a view to achieving that primary investment objective, it shall invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or in money market instruments whose regular yield adjustments are consistent with such a maturity, and whose weighted average maturity is 60 days. It may also achieve this objective by making deposits with credit institutions
3) it must provide liquidity through same day or next day settlement.
(6) For the purposes of this Article, a high quality money market instrument is a money market instrument that has been awarded the highest available credit rating by each competent credit rating agency which has rated that instrument. For the purposes of this Article, a competent credit rating agency is an agency that has been acknowledged by the Commission as an appropriate external credit assessment institution in accordance with the requirements of the Credit Institution Law and that issues credit ratings in respect of money market funds regularly and on a professional basis.
(61) An investment brokerage firm shall notify the persons referred to in Paragraph 2 hereof to the effect that the money resources that the investment brokerage firm has transferred to them for holding belong to its customers.
(7) An investment brokerage firm shall account the money resources belonging to each customer that it deposits. When accounting the money resources of customers, an investment brokerage firm shall ensure that:
1) it is possible at any time to separate the money resources of one customer from those of another customer or from the money resources of the investment brokerage firm;
2) accounting records are compared on a regular basis with the accounting records of the third party with which the firm has deposited the resources of its customers.
(8) The money resources belonging to a customer of an investment brokerage firm shall not be used to meet creditor claims on that investment brokerage firm. This requirement shall also apply to the cases when an investment brokerage firm has been recognized insolvent in due course of law.
(9) Where, in accordance with a customer's instruction, a credit institution has deposited with the third party the money resources of its customers that are necessary to ensure the transactions made in financial instruments and does not disclose these money resources in its balance sheet, it shall comply with the requirements of Paragraphs 2, 3, 4, 5, 6, 61 and 8 hereof and ensure the following:
1) it is possible at any time to separate the customer's money resources from the money resources of another customer or of the credit institution;
2) the credit institution's accounting of the customer money resources it holds is compared on a regular basis with the accounting done by the third party with which the credit institution has deposited the money resources of its customers.
(In the wording of the Law of October 4, 2007, and as amended by the Laws of May 22, 2008, and of February 26, 2009 taking effect on March 25, 2009)

Article 129.1
Depositing the Financial Instruments of a Customer
(1) An investment brokerage firm and a credit institution shall be entitled to deposit the financial instruments of customers in accordance with a written contract between a customer and the investment brokerage firm or the credit institution.

(2) An investment brokerage firm shall deposit the financial instruments of a customer distinct from its own financial instruments.
(3) An investment brokerage firm and a credit institution shall be entitled to deposit the financial instruments of a customer held by them with a third party. When taking a decision on the third party with which to deposit the financial instruments of customers, an investment brokerage firm and a credit institution shall, with due diligence and care, assess the competence and the market reputation of that person and the requirements or the market practice that are effective in the respective country in respect of holding a customer's financial instruments that may adversely affect a customer's interests. An investment brokerage firm and a credit institution shall re206 assess once a year the competence of the selected person and the conditions for holding a customer's financial instruments.
(4) An investment brokerage firm and a credit institution shall be entitled to deposit a customer's financial instruments only with a third party that is subject to the requirements of a separate holding effective in the respective country and is supervised.
(5) An investment brokerage firm and a credit institution shall not be entitled to transfer the financial instruments of a customer to a third party registered in a foreign country, where the holding of financial instruments for the benefit of third parties is not regulated in that country, except the cases when at least one of the following conditions is met:
1) the nature of the financial instruments or of the related investment services requires them to be deposited with a third party in that country;
2) the financial instruments are held on behalf of a professional customer and that customer has requested in writing that the investment brokerage firm deposit them with a third party in that country.
(6) An investment brokerage firm and a credit institution shall account the financial instruments of its customers. When accounting the financial instruments of customers, an investment brokerage firm and a credit institution shall ensure that:
1) it is possible at any time to separate the financial instruments of one customer from those of another customer or from the money resources of the investment brokerage firm or the credit institution;
2) accounting records are compared on a regular basis with the accounting records of the third party with which the undertaking has deposited the financial instruments of its customers.
(7) An investment brokerage firm and a credit institution that has deposited the financial instruments of its customers with a third party shall ensure that the financial instruments of customers are identifiable separately from those of the third party or of the undertaking itself.
(8) An investment brokerage firm and a credit institution shall establish an appropriate organizational structure to reduce the risk incurred in the financial instruments of a customer or associated with the loss or diminution of the rights attaching to those instruments as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 129.2
Report by an Official Auditor
An investment brokerage firm and a credit institution shall ensure that at least once a year an official auditor inspects whether the measures taken are sufficient to meet the requirement of this Law for a distinct holding of the financial instruments and of the money resources of an investment brokerage firm or a credit institution and its

customers. An official auditor shall submit to the Commission a report in writing on the adequacy of the measures taken by an investment brokerage firm or a credit institution for compliance with the requirements of this Law.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 130

Financial Instruments Accounts

(1) Prior to opening a financial instruments account, an investment brokerage firm or a credit institution shall identify the person wishing to open the account and determine whether the financial instruments for which book entries are to be made in the account will belong to that person or will be held by that person. An account where book entries are made in respect of financial instruments held by a person shall be identified as a nominee account.
(2) A financial instruments account shall not be opened without identifying a customer. This requirement shall also apply to cash accounts of customers opened by an investment brokerage firm to ensure customers' transactions in financial instruments.
(3) Where a nominee account is opened, the account identification shall disclose information to the effect that the account is a nominee account and that financial instruments in the account do not belong to the person who opened the account.
(4) An investment brokerage firm and a credit institution shall be entitled to open a nominee account only provided that the person requesting the opening of a nominee account performs pursuant to the regulatory provisions whose requirements in respect of customer identification are as stringent as the requirements of the regulatory provisions effective in the Republic of Latvia.
(5) (Deleted by the Law of October 4, 2007).
(6) (Deleted by the Law of June 9, 2005)
(7) (Deleted by the Law of October 4, 2007).
(8) (Deleted by the Law of October 4, 2007).
(9) (Deleted by the Law of October 4, 2007).
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 130.1

Statements of Financial Instruments Accounts and of Cash Accounts

(1) In accordance with the mutual contract that governs the depositing of the financial instruments of a customer, and also upon a customer’s request, an investment brokerage firm or a credit institution shall issue a statement of a financial instruments account for:
1) transactions made in one, several or all financial instruments in a definite period of time;
2) transactions made in one, several or all financial instruments, including the securities financing transactions, over the whole existence of the account;
3) definite transaction in financial instruments;
4) customer’s financial instruments booked with the account.
(2) The statements of account shall disclose the identification data of an investment brokerage firm or a credit institution, customer identification data, the account number, the time period during which transactions on the account are disclosed, the date of issuing of the statement of account, the data identifying the financial instruments (title, ISIN code), opening and closing balance of the account, the date of making records of financial instruments in the account, the number and the price of the financial instruments for which records are made in the account as a result of each transaction made in financial instruments (if known), the total number of the financial instruments credited to and debited from the account during the time period covered

by the statement.
(3) An investment brokerage firm or a credit institution shall ensure that the statement of account is sent to a customer at least once a year, where the information included therein has not been sent to the customer otherwise. The following information shall be included in the statement:
1) information on the financial instruments belonging to a customer for which records are made at the end of the period covered by the statement. Where there is one or several pending transactions in the financial instruments portfolio of a customer on the day of issuing the statement of account, information on the financial instruments shall be disclosed by applying the accounting type data of the transaction day or of the settlement day. The chosen type of accounting shall be consistently applied to the statements of account;
2) an indication whether the financial instruments of a customer have been used in securities financing transactions and the volume of their application;
3) benefit gained by a customer as a result of using his/her financial instruments in securities financing transactions and the motivation for gaining the benefit.
(4) An investment brokerage firm or a credit institution that manages the financial instruments of a customer on an individual basis shall be entitled to include the information referred to in this Article in the report about an investment service that it provides to a customer in accordance with the provisions of Paragraph 11 of Article 128 hereof.
209
(5) The statement of a customer’s cash account that is opened with an investment brokerage firm shall disclose the relevant data that provide information on the financial instruments account equivalent to the information of this Article.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 131
Secret of Financial Instruments Accounts and Transactions in Financial Instruments
(1) An investment brokerage firm and a credit institution shall have the obligation to guarantee the secret of customers' financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by the investment brokerage firm and transactions in financial instruments.
(2) A credit institution shall guarantee the secret of customers' financial instruments accounts and transactions in financial instruments pursuant to the requirements of the Law on Credit Institutions and Paragraphs 11 and 12 hereof.
(3) An investment brokerage firm shall guarantee the secret of customers' financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by the investment brokerage firm and transactions in financial instruments pursuant to the requirements of this Law.
(4) An investment brokerage firm shall provide information on natural persons' financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by the investment brokerage firm and transactions in financial instruments to those persons or their legal representatives.
(5) An investment brokerage firm shall provide information on legal persons' financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by the investment brokerage firm and transactions in financial instruments to their duly authorized representatives and to their management bodies upon request by the managers of those institutions, as well as to the parent undertakings of these legal persons upon request by their managing bodies.
(6) An investment brokerage firm shall provide information on a customer, its financial instruments accounts, the money resources of customers that are referred to

in Article 129 hereof and accounted by the investment brokerage firm and transactions in financial instruments to a third party pursuant to a written contract provided that the customer has explicitly agreed to the disclosure of such information to a third party in the contract signed with the investment brokerage firm.
(7) An investment brokerage firm shall provide information on financial instruments accounts of legal and natural persons, the money resources of customers that are referred to in Article 129 hereof and accounted by the investment brokerage firm and their transactions in financial instruments to the extent necessary to carry out the respective functions and exclusively to the following public institutions in due course of law:
1) court and prosecutor's office, where information is needed :
a) in a criminal or another case where the confiscation of property may be applied in the cases established by law,
b) in a civil case that satisfies a civil claim arising from a criminal case,
c) in a civil case for the recovery of allowance (alimony), where there are neither earnings nor other property to collect those monies from,
d) in a civil case on dividing financial instruments that constitute a joint property of spouses,
e) in a case of a debtor's insolvency and bankruptcy,
f) in an inheritance case after a customer's death;
2) State Auditors' Office in respect of legal persons that have state property at their disposal, are financed from public resources or execute public procurement;
3) State Revenue Service, where:
a) a tax payer fails to submit to tax administration bodies the declaration or tax calculation prescribed by the respective tax laws,
b) during an on-site tax audit inspection at a tax payer's office, violations of the regulatory provisions governing accounting or taxes are detected,
c) a tax payer fails to pay taxes pursuant to the requirements of tax laws;
4) Office for the Prevention of Laundering of Proceeds Derived from Criminal Activities, in the cases and pursuant to the procedure set out in the Law on the Prevention of Laundering of Proceeds Derived from Criminal Activities;
5) state security institutions, upon request accepted by the prosecutor general or specifically authorized prosecutor where the information is necessary to verify whether the person owning financial instruments is linked with terrorism.
(8) Information on the account balance of a natural person, a testator, shall be provided to a notary in an inheritance case.
(9) An investment brokerage firm shall provide information upon a written request by a public institution wherein the person to be verified is named and the necessity for information is motivated in accordance with the relevant law.
(10) An investment brokerage firm shall be entitled to provide to its parent undertaking, which is an investment brokerage firm or a financial holding company, the information that is necessary to supervise that investment brokerage firm pursuant to this Law, the Commission's regulatory provisions or a mutual agreement between the Commission and the supervisory authority of the investment brokerage firm of a foreign country.
(11) An investment brokerage firm and a credit institution shall be entitled to provide information on financial instruments accounts of customers to the Central Depository and a market organizer where they need it to perform the functions set out in this Law.
(12) An investment brokerage firm and a credit institution shall provide information on customers' financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by an investment brokerage firm and transactions in financial instruments to the Commission where the Commission

needs it to carry out the supervisory function.
(As amended by the Laws of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Article 132
Liability for a Failure to Keep the Secret of a Financial Instruments Account or a Transaction in Financial Instruments
(1) Criminal proceedings shall be instituted against anyone who discloses, intentionally or unintentionally, information on the financial instruments accounts, the money resources of customers that are referred to in Article 129 hereof and accounted by an investment brokerage firm or transactions in financial instruments of the customers of an investment brokerage firm to the public or the persons not entitled to learn such information, where that person was entrusted with that information or learnt it as a shareholder (member), a member or a chairperson of the council (if formed), executive board or audit commission of that investment brokerage firm, as an employee of that investment brokerage firm, as an employee of the Commission or a public institution, as a representative of official auditors, as a person referred to in Paragraph 6 of Article 131, as a member of the council or executive board or an employee of the Central Depository or a market organizer.
(2) Persons committing the violations referred to in this Article shall also be punished where these violations are committed after the persons referred to in Paragraph 1 hereof have terminated contractual relationship or obligations, or job relationship with an investment brokerage firm, the Commission, a public institution or as representatives of official auditors.
(As amended by the Laws of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Article 133
Information to be Provided on a Regular Basis
(1) An investment brokerage firm shall prepare and submit to the Commission reports on its financial standing, the ratio of own funds to the sum of risk weighted assets and off-balance sheet items (the capital adequacy calculation), large exposures and transactions with persons linked to the investment brokerage firm, and other reports in due course and by the deadlines established by the Commission.
(2) (Deleted by the Law of May 22, 2008)
(3) The Commission shall be entitled to request that an investment brokerage firm and undertakings linked to it submit the consolidated financial statements in accordance with the submission procedure and deadlines established by the Commission's regulatory provisions.
(4) An investment brokerage firm shall have the obligation to notify the Commission without delay of any circumstances that are likely to influence the further business of that investment brokerage firm.
(As amended by the Laws of June 9, 2005, of October 4, 2007, and of May 22, 2008 taking effect on June 25, 2008)

Article 133.1
Trading in Financial Instruments in the Multilateral Trading Facility
(1) A multilateral trading facility may be operated by:
1) an investment brokerage firm that has been granted a licence for the operation of a multilateral trading facility;
2) a credit institution to which the Commission has granted a licence for the operation of a credit institution and that has obtained the right to operate a multilateral trading facility in due course of this Law;

3) a market organizer that has received a licence for the organization of the regulated market and that has obtained the right to operate a multilateral trading facility in due course of this Law.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)
Article 133.2
Duties of an Operator of a Multilateral Trading Facility
(1) An operator of a multilateral trading facility shall ensure the following:
1) fair and orderly trading in financial instruments in the facility and equal treatment of participants/members;
2) uniform access to information to participants/members and other users of the facility to enable them to take investment decisions;
3) information available to the users of the facility on the duties of the operator of the multilateral trading facility during the conclusion of transactions in the system;
4) safety for concluding transactions and efficiency of settlements.
(2) An operator of a multilateral trading facility shall approve binding rules for the participants/members of the system that set out the following:
1) criteria for trading in financial instruments in the system;
2) the procedure for trading in financial instruments;
3) the procedure whereby the status of a participant/member is obtained and lost.
(3) An operator of a multilateral trading facility shall supervise the activity of the participants/members in due course of this Law.
(4) An operator of a multilateral trading facility shall supervise the course of trading in the system to detect the violations of the requirements set by investment brokerage firms, credit institutions or market organizers, referred to in Paragraph 2 hereof, and prevent market manipulation.
(5) An operator of a multilateral trading facility shall be entitled to request and receive from participants/members information and documents that are necessary to decide whether participants/members comply with the status of a participant/member of a multilateral trading facility.
(6) An operator of a multilateral trading facility shall promptly notify the Commission of the detected violations of this Law and the operator's rules and of the decisions taken in respect of these violations. An operator of a multilateral trading facility shall promptly notify the Commission where it suspects that by making a transaction in the multilateral trading facility a market manipulation was made, and shall provide the necessary assistance to clarify the facts and the conditions.
(7) Upon the Commission's request, an operator of a multilateral trading facility shall have an obligation to promptly suspend or discontinue trading in financial instruments in the system.
(8) To ensure settlement of the transactions made in a multilateral trading facility, an operator of the facility shall be entitled to conclude agreements on the access to the clearing house, the central counterparty or the settlement facility in another member state. The Commission shall be entitled to restrict the conclusion of such agreements only where it can prove that these measures hamper proper functioning of the multilateral trading facility. The Commission shall take into account the system's oversight and supervision carried out by oversight or supervisory authorities in respect of clearing and settlement facilities.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 133.3
Participants/Members of a Multilateral Trading Facility
(1) A participant/member of a multilateral trading facility shall be a person that is entitled to make transactions in the system in the procedure set out in Subparagraph 3

of Paragraph 2 of Article 1332 hereof.
(2) The following may become a participant/member of a multilateral trading facility:
1) an investment brokerage firm to which the Commission has issued a licence for the provision of investment services or a credit institution to which the Commission has issued a licence for the activity of a credit institution and that has started the provision of investment services in due course of this Law;
2) an investment brokerage firm or a credit institution of another member state that has a licence for the provision of investment services issued by its registration country.
(3) An operator of a multilateral trading facility shall be entitled to grant the status of a participant/member to a person that is not referred to in Paragraph 2 hereof but that, according to the criteria set by the operator of the system, is suitable and appropriate and has a sufficient level of skills and competence for making transactions in the multilateral trading facility, and that has sufficient resources and organizational structure to fulfill the duties of a participant/member of a multilateral trading facility and guarantee due settlement of transactions.
(4) When concluding transactions in a multilateral trading facility, a participant/member of a multilateral trading facility shall be entitled not to apply the requirements of Articles 126, 1261, 1262, 128, 1281, 1282 and 1283 hereof in respect of another participant/member of the multilateral trading facility.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 133.4
Procedure Whereby an Operator of a Multilateral trading Facility Licensed in the Republic of Latvia Starts Its Operation in Another Member State
(1) An operator of a multilateral trading facility licensed in the Republic of Latvia shall be entitled to start operation in another member state to facilitate the access of the investment brokerage firms and credit institutions registered in that member state to the multilateral trading facility.
(2) An operator of a multilateral trading facility licensed in the Republic of Latvia that wishes to start operation in any member state shall submit an application to the Commission specifying that country.
(3) Within 30 days of receipt of the application the Commission shall send it to the supervisory authority of the respective member state. An operator of a multilateral trading facility shall start its operation as of the day when the supervisory authority of the respective member state receives the notification of the Commission.
(4) Upon request of the supervisory authority of the respective member state the Commission shall send to it identification data on an investment brokerage firm or a credit institution registered in the Republic of Latvia that is a participant/member of a multilateral trading facility in that member state.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 133.5
Procedure Whereby an Operator of a Multilateral Trading Facility Registered in another Member State Starts Its Operation in the Republic of Latvia
(1) An operator of a multilateral trading facility registered in another member state shall be entitled to perform activities in the Republic of Latvia to facilitate the access of the investment brokerage firms and credit institutions registered in the Republic of Latvia to the multilateral trading facility.
(2) An operator of a multilateral trading facility registered in another member state shall be entitled to start its operation in the Republic of Latvia, where the Commission has received a notification to this effect from the supervisory authority of the home country of the operator of the multilateral trading facility.

(3) The Commission shall be entitled to request from the supervisory authority of the home country of the operator of the multilateral trading facility identification data on the participants/members of the multilateral trading facility registered in the Republic of Latvia.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Chapter XII1
Requirements for Transparency of the Financial Market

(Chapter in the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 133.6
Notifications of the Transactions in Financial Instruments Admitted to Trading on the Regulated Market

(1) In accordance with the requirements of Paragraphs 12 and 13 of the Commission Regulation (EC) No.1287/2006, investment brokerage firms and credit institutions that provide investment services with financial instruments that are admitted to trading on the regulated market shall report, at least once a business day, the transactions made to the following persons:
1) the respective market organizer in due course established by it on the transactions in the financial instruments admitted to trading on the regulated markets in the Republic of Latvia, where the transactions have been made on the respective regulated market and where an investment brokerage firm or a credit institution is a member of the respective market organizer;
2) the Central Depository in due course established by it on the transactions in the financial instruments admitted to trading on the regulated markets in the Republic of Latvia, where the transactions have been made outside the regulated market irrespective of whether an investment brokerage firm or a credit institution is a participant of the Central Depository or not;
3) the Commission in due course established by it on the transactions in the financial instruments admitted to trading on the regulated markets in other member states irrespective of whether the transaction was made on the regulated market or outside the regulated market.
(2) The obligation to make the notification, referred to in Paragraph 1 hereof, shall not apply to the following financial instruments admitted to trading on the regulated market:
1) shares;
2) bonds and other debt securities;
3) rights to acquire shares, bonds and other debt securities;
4) share certificates;
5) derivative instruments;
6) money market instruments;
7) open-end investment fund units or equivalent securities that evidence a holding in open-end investment funds or similar collective investment undertakings.
(3) The notification shall include at least the following information:
1) class, ISIN code and number of the financial instrument;
2) date and time of concluding the transaction;
3) price of the transaction, if it is known;
4) firm name of the notifying person;
5) other information referred to in Table 1 of Appendix I of the Commission regulation (EC) No 1287/2006 as appropriate to the class of the financial instrument used in the transaction.
(4) The notification referred to in Subparagraph 1 of Paragraph 1 hereof may not be

made in respect of a transaction for which all information referred to in Paragraph 3 hereof is available on the trading system of the respective regulated market.
(5) An investment brokerage firm and a credit institution shall keep the information referred to in Paragraph 3 hereof on transactions in financial instruments and on transactions in the financial instruments admitted to trading on the regulated markets in member states for at least 10 years.
(6) After receipt of the notification referred to in Subparagraph 2 of Paragraph 1 hereof, the Central Depository shall promptly send to the organizer of the regulated market where the financial instruments are admitted to trading, information on the transactions made outside the regulated market. The Central Depository shall agree with the respective market organizer on the procedure whereby information on the transactions made outside the regulated market is sent.
(7) The market organizer shall summarize the transactions made on the respective regulated market and the information received from the Central Depository on the transactions made outside the regulated market in the financial instruments admitted to trading on the respective regulated market and send the summary information to the Commission at least once in a business day. The market organizer shall agree with the Commission the procedure whereby information is sent.
(8) The market organizer shall place the summary information referred to in Subparagraphs 1, 2 and 3 of Paragraph 3 hereof on its Internet homepage. The market organizer may in addition publish this information in any other means in accordance with the requirements set out in the rules of the organizer.

Article 133.7
Obligation to Disclose Pre-Trade Information of an Investment Brokerage Firm or a Credit Institution That Is a Systematic Internalizer
(1) The requirement for disclosing pre-trade information shall apply to an investment brokerage firm or a credit institution that makes transactions in the shares admitted to trading on the regulated market for its own account in an organized, frequent and systematic manner, executing customers' orders outside the regulated market or a multilateral trading facility and that shall be considered to be a systematic internalizer in accordance with the requirements of Article 21 of the Commission Regulation (EC) No1287/2006, except in cases when the size of a transaction is above the standard market size.
(2) To determine the standard market size, at least annually the Commission as the relevant competent authority of the share in terms of liquidity in accordance with Article 9 of Commission Regulation (EC) No 1287/2006 and in compliance with the requirements of Article 33 thereof, shall determine for each share the arithmetic average value of the orders executed in the market and group shares into the classes according to that value in due course of Table 3 of Annex II of that Regulation. To determine the arithmetic average value of the orders executed in the market, the Commission shall take into account all orders executed in the European Union in respect of that share excluding those large in scale compared to normal market size for that share.
(3) To establish a transaction size that is above the standard market size for the respective share, at least annually the Commission as the relevant competent authority of the share in terms of liquidity in accordance with the requirements of Article 33 of Commission Regulation (EC) No 1287/2006, shall calculate for each share the average daily turnover. On the basis of the average daily turnover, shares shall be grouped into classes in accordance with Table 2 of Appendix II of the above mentioned Regulation and the transaction size for each class of shares shall be established that is above the standard market size.
(4) The Commission shall post on its Internet homepage information on share classes

and send it to the Committee of European Securities Regulators.
(5) An investment brokerage firm or a credit institution that is considered to be a systematic internalizer shall establish the size or sizes of transactions at which it will quote. A quote shall include a bid or an offer price determined by an undertaking or both prices for the size of a transaction that is up to the standard market size for the class of shares to which the respective share belongs. The standard market size shall be determined in accordance with the requirements of Article 23 of Commission Regulations (EC) No 1287/2006. Each quote shall reflect the prevailing market conditions in accordance with the requirements of Article 24 of that Regulation.
(6) In accordance with the requirements of Articles 29 and 30 of Commission Regulation No 1287/2006, an investment brokerage firm and a credit institution that are systematic internalizers shall make public their quotes on a continuous basis during normal trading hours only in respect of the shares that are admitted to trading on the regulated market and have a liquid market. An investment brokerage firm and a credit institution shall be entitled, under exceptional market conditions, to withdraw their quotes that they have made public. Where there is no liquid market for shares, an investment brokerage firm and a credit institution shall inform on the quotes of share prices upon a customer's request.
(7) The Commission shall asses share liquidity and establish which shares shall be considered liquid shares in accordance with the criteria set out in Article 22 of Commission Regulation No 1287/2006. The Commission shall post on its Internet homepage the list of those shares and send it to the Committee of the European Securities Regulators.
(8) The Commission shall draw up and post on its Internet homepage the list of those investment brokerage firms to which it has granted a licence for the provision of investment services and of those credit institutions to which it has granted a licence for the activity of a credit institution and that have started the provision of investment services in due course of this Law and, in accordance with the conditions of this Article, shall be considered systematic internalizers making transactions in liquid shares. The Commission shall send the list to the Committee of European Securities Regulators.
(9) An investment brokerage firm and a credit institution that shall be considered a systematic internalizer shall execute the orders it receives from retail customers in relation to the shares for which it is a systematic internalizer at the quoted prices at the time of receipt of the order.
(10) An investment brokerage firm and a credit institution that shall be considered a systematic internalizer shall execute the orders it receives from professional customers in relation to the shares for which it is a systematic internalizer at the quoted price at the time of receipt of the order. It may execute that order at a better price in justified cases provided that this price is close to market conditions and provided that the order is of a size bigger than the size customarily undertaken by a retail customer as established in Article 26 of Commission Regulation (EC) No 1287/2006.
(11) An investment brokerage firm and a credit institution that shall be considered a systematic internalizer may execute orders it receives from a professional customer at a price that differs from its quoted price without having to comply with the conditions of Paragraph 10 hereof in respect of transactions where execution of transactions in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price, as set out in Article 25 of Commission Regulation (EC) No 1287/2006.
(12) Where an investment brokerage a credit institution that shall be considered a systematic internalizer makes only one quote or quotes for the transaction size that is lower than the standard market size, and it receives an order from a customer that is

bigger than its quotation size, but lower than the standard market size, it may execute that part of the order which exceeds its quotation size. In such case that part of the order shall be executed at the quoted price of the systematic internalizer, except where otherwise permitted under the conditions of Paragraphs 10 and 11 hereof.
(13) Where an investment brokerage firm and a credit institution that shall be considered a systematic internalizer quote in different sizes and receive an order between those sizes, which it wishes to execute, it shall execute the order at one of the quoted prices in compliance with the requirements of Article 1281 hereof, except in cases referred to in Paragraphs11 and 12 hereof
(14) On the basis of their commercial policy, an investment brokerage firm and a credit institution that shall be considered a systematic internalizer shall establish the following:
1) objective and non-discriminatory criteria to determine the customers to whom they give access to their quotes;
2) procedure whereby customers may make transactions with a systematic internalizer at its quotes;
3) total number of transactions it makes with a single customer in accordance with published conditions.
(15) On the basis of an investor's credit status, counterparty risk and the final settlement of the transaction, an investment brokerage firm and a credit institution that shall be considered a systematic internalizer shall be entitled to refuse to enter into or discontinue trading in its quotes.
(16) An investment brokerage firm and a credit institution that shall be considered a systematic internalizer shall be entitled to limit in a non-discriminatory way the number of transactions from the same customer and the total number of transactions from different customers at the same time, where the number and/or volume of orders sought by customers considerably exceeds the norm set out in accordance with the requirements of Article 25 of Commission Regulation (EC) No 1287/2006.
(17) The Commission shall supervise compliance of pricing and publication and of order execution with the requirements of this Article.

Article 133.8
Requirements for Disclosing Post-Trade Information for Investment Brokerage Firms and Credit Institutions
(1) An investment brokerage firm or a credit institution that either for its own account or on behalf of a customer concludes transactions in the shares admitted to trading on the regulated market outside the regulated market or the multilateral trading facility shall make public the information on the transactions in accordance with the requirements of Articles 3 and 27 of Commission Regulation (EC) No 1287/2006.
(2) This information shall be made public as close to real time as possible in accordance with the requirements of Articles 29 and 30 of Commission Regulation (EC) No 1287/2006, on a reasonable commercial basis and in a manner which is easily accessible to other market participants.
(3) With a prior approval of the Commission, an investment brokerage firm and a credit institution shall be entitled to defer, in due course of Article 28 of Commission Regulation (EC) No 1287/2006, the publication of the information referred to in Paragraph 1 hereof in respect of transactions that are large in scale compared with the normal market size for that share or that class of shares. An investment brokerage firm and a credit institution shall notify market participants on the conditions for deferred publication as approved by the Commission.

Article 133.9
Requirements for Disclosing Pre-Trade Information in a Multilateral Trading

Facility
(1) In accordance with the requirements of Articles 17 and 29 of Commission Regulation (EC) No 1287/2006 an operator of a multilateral trading facility shall make public bid and offer prices and the depth of trading interests at these prices in respect of the shares admitted to trading on the regulated market, on reasonable commercial terms and on a continuous basis during normal trading hours.
(2) The Commission may waive the obligation referred to in Paragraph 1 hereof for an operator of a multilateral trading facility to make public the information based on the market model or the type and size of orders in the cases defined in Articles 3, 18, 19 and 20 of Commission Regulation (EC) No 1287/2006, in particular where transactions are large in scale compared with the normal market size for the share or class of share.

Article 133.10
Requirements for Disclosing Post-Trade Information in a Multilateral Trading Facility
(1) In accordance with the requirements of Articles 3, 27 and 29 of Commission Regulation (EC) No 1287/2006 an operator of a multilateral trading facility shall make public information on the transactions in shares which are admitted to trading on the regulated market, on a reasonable commercial basis, as close to real-time as possible.
(2) The obligation to make public the information set out in Paragraph 1 hereof shall not apply to the transactions on which all information referred to in Paragraph 1 hereof is available in the respective trading system.
(3) With a prior approval of the Commission, an operator of a multilateral trading facility shall be entitled to defer, in due course of Article 28 of Commission Regulation (EC) No 1287/2006, the publication of the information referred to in Paragraph 1 hereof in respect of transactions that are large in scale compared with the normal market size for that share or that class of shares. An operator of a multilateral trading facility shall notify market participants on the conditions for deferred publication as approved by the Commission.

Chapter XIII
Registration of Investment Service Providers Registered in Foreign Countries

(The title of the Chapter as amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Article 134
Rights of Investment Service Providers Registered in Foreign Countries
(1) An investment brokerage firm or a credit institution that has been registered in a foreign country and received a licence for the provision of investment services in its registration country (hereinafter in this Chapter, "an undertaking of a foreign country") may become a member of a market organizer, a participant of the Central Depository or a participant/member of a multilateral trading facility upon its registration with the Commission.
(2) (Deleted by the Law of June 9, 2005)
(3) The registration with the Commission of an undertaking of a foreign country pursuant to the procedure set out in Paragraphs 1 and 2 hereof shall not entitle the respective undertaking to provide investment services or ancillary (non-core) investment services in the Republic of Latvia.
(As amended by the Laws of June 9, 2005, of June 15, 2006, and of October 4, 2007 taking effect on November 8, 2007)

Article 135
Registration with the Commission
(1) The Commission shall register an undertaking of a foreign country only after signing with the supervisory authority of its registration country an agreement for exchanging the information that the Commission needs to supervise the business of that undertaking of a foreign country.
(2) The agreement referred to in Paragraph 1 hereof shall not be signed where the supervisory authority of the respective foreign country has the obligation to submit information to the Commission within the framework of an agreement signed by the member states of the International Organization of Securities Commissions.
(3) An undertaking of a foreign country shall submit the following documents to the Commission:
1) application containing:
a) its firm name,
b) its address, phone number, fax number and e-mail address (if any);
2) copy of its registration certificate;
3) copy of the licence for the provision of investment services granted in its registration country or the list of investment services it is entitled to provide that is certified by the supervisory authority of the respective foreign country;
4) list of persons entitled to represent it in relations with the Commission, the market organizer and the Central Depository, and list of authorized signatures of those persons that is certified by the respective undertaking of a foreign country.
(4) The Commission shall take a decision on registering an undertaking of a foreign country within 30 days of the receipt of all documents set out in this Article that have been prepared and formatted in compliance with the requirements of regulatory provisions.
(5) The Commission shall not register an undertaking of a foreign country where:
1) that undertaking cannot provide documental evidence to the fact that it fulfills and complies with the capital adequacy requirements as set out in this Law and the Commission's regulatory provisions or equivalent requirements;
2) there is documental evidence at the Commission's disposal to the fact that the undertaking of a foreign country participates in the laundering of proceeds derived from criminal activities or the regulatory provisions in respect of preventing the laundering of proceeds derived from criminal activities of the undertaking's registration country are not as stringent as the requirements of the regulatory provisions effective in the Republic of Latvia.
(6) When registering an undertaking of a foreign country, the Commission shall include it in a special register. The Commission shall notify a market organizer and the Central Depository of including an undertaking of a foreign country in the register.
(7) The register of undertakings of foreign countries shall be posted on the Commission's Internet homepage and be publicly credible.
(As amended by the Laws of June 9, 2005, of June 15, 2006, and of October 4, 2007 taking effect on November 8, 2007)

Article 136
Obligations of a Registered Undertaking
(1) Where the documents referred to in Paragraph 3 of Article 135 hereof are amended or the information contained therein changed, an undertaking of a foreign country shall notify the Commission to this effect in writing within 15 business days.
(2) Where an undertaking of a foreign country is prohibited from providing investment services in its registration country, the respective undertaking shall notify the Commission to this effect without delay.

(As amended by the Law of June 16, 2006 taking effect on July 13, 2006)

Article 137
Deleting an Undertaking from the Register
The Commission shall delete an undertaking of a foreign country from the register where an undertaking:
1) fails to comply with the requirements of regulatory provisions, regulations of a market organizer or the Central Depository or the Commission's legitimate requirements;
2) by the established deadline, fails to rectify the violations of regulatory provisions detected by the Commission;
3) is prohibited from providing investment services in its registration country;
4) submits an application for deleting it from the register.
(As amended by the Law of June 15, 2006 taking effect on July 13, 2006)

Chapter XIV
Supervision of the Provision of Investment Services

Article 138
Supervisory Authorities
(1) The Commission, a market organizer licensed by the Commission and the Central Depository shall supervise, within their competency, the provision of investment services.
(2) The Commission shall also monitor that the supervision performed by a market organizer and the Central Depository complies with the requirements of regulatory provisions.
(3) To ensure supervision of the provision of investment services, the Commission, in parallel with the rights set out in the Law on Financial and Capital Market Commission and other rights set out in this Law, shall be entitled to the following directly or in cooperation with other institutions:
1) establish the obligation of an investment brokerage firm to maintain capital at the level that exceeds the minimum level set out in Paragraph 1 of Article 121 hereof;
2) establish the obligation of an investment brokerage firm to review the procedures for the enforcement of the measures it has introduced to comply with the requirements of Article 1231 and of Subparagraph 11 of Paragraph 1 of Article 124 hereof;
3) request that an investment brokerage firm applies a special provisions policy or asset recognition policy in respect of its own funds;
4) request that any person submit information on its activities in the financial and capital market and that such person arrive in person at the Commission and provide information himself/herself;
5) see the documents that are necessary for the execution of its tasks and functions;
6) request and receive from the participants of the financial instruments market printouts of telephone conversations and other data transmission records;
7) request that participants of the financial instruments market terminate any activities that are contradictory to the requirements of this Law;
8) suspend trading in financial instruments;
9) restrict the rights of an investment brokerage firm or a credit institution to provide investment services or hold financial instruments;
10) cancel the licences for the provision of investment services and ancillary (noncore) investment services that has been granted to an investment brokerage firm.
(As amended by the Laws of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Article 139
Supervision of an Investment Brokerage Firm
(1) The Commission and its duly authorized persons shall be entitled to supervise the business of an investment brokerage firm, also to carry out on-site inspections.
(2) (Deleted by the Law of June 9, 2005)
(3) Duly authorized representatives of the Commission shall be entitled to see all documents, accounting registers and databases of an investment brokerage firm, make extracts, duplicates (copies) of those documents and request that the members of the managing bodies and other officials of an investment brokerage firm give the explanations and information necessary for the inspection.
(4) Upon receipt of a written motivated request by the Commission, an investment brokerage firm shall submit duplicates (copies) of documents or other information related to its business to the Commission.
(5) The Commission shall submit a written report on findings of an inspection to an investment brokerage firm whereby it specifies the detected violations and gives instructions for the necessary changes in the further business of the investment brokerage firm.
(6) Where an investment brokerage firm does not agree with the Commission's report on the inspection, it shall be entitled to file a complaint with the board of the Commission. The board of the Commission shall be entitled to initiate a repeated inspection, take a decision on amending the report of an inspection or reject the complaint.
(7) The Commission shall be entitled to prohibit an investment brokerage firm from establishing a close link with third parties, request that such link be terminated, or prohibit an investment brokerage firm from making transactions with such parties, where a close link is likely to be or is detrimental to the financial stability of the investment brokerage firm or restricts the Commission's right to carry out the supervision function as established by law.
(8) The Commission shall be entitled to cancel decisions taken by the managing bodies of an investment brokerage firm on appointing members of the executive board and the council (if formed) where these persons fail to comply with the requirements of this Law.
(As amended by the Law of June 9, 2005 taking effect on July 12, 2005)

Article 140
Supervision of an Investment Brokerage Firm Registered in another Member State
(1) The Commission shall supervise that the branches of an investment brokerage firm registered in another member state that operate in the Republic of Latvia comply with the requirements of Subparagraphs 9 and 10 of Paragraph 1 of Article 124, 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof. The Commission shall be entitled to inspect the measures taken by such branches for ensuring compliance with these requirements. Where the Commission detects that a branch of an investment brokerage firm registered in that member state and that operates in the Republic of Latvia performs activities that are contrary to the requirements of Subparagraphs 9 and 10 of Paragraph 1 of Article 124, 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof, it shall promptly request that the investment brokerage firm of that member state terminate these activities.
(2) Where a branch of an investment brokerage firm registered in another member state that operates in the Republic of Latvia persists in performing the activities that are contrary to the requirements of Subparagraphs 9 and 10 of Paragraph 1 of Article 124, 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof, the Commission shall notify the supervisory authority of the home country and take

measures to prevent these violations. As part of these measures the Commission shall be entitled to prohibit the respective investment brokerage firm from providing investment services in the Republic of Latvia until the violations are rectified. The Commission shall notify the European Commission in accordance with the requirements of Article 147 hereof.
(3) Where the Commission detects that a branch of an investment brokerage firm registered in another member state that operates in the Republic of Latvia performs activities that are contrary to the requirements of the regulatory provisions that are effective in the Republic of Latvia and govern the financial instruments market and that are not referred to in Paragraph 1 hereof, it shall promptly notify to this effect the supervisory authority of the home member state and request that it rectify the detected violations and notify the Commission of the measures taken.
(4) Where the Commission detects that an investment brokerage firm registered in another member state provides investment services without opening a branch and performs activities that are contrary to the regulatory provisions that are effective in the Republic of Latvia and govern the financial instruments market, it shall promptly notify the supervisory authority of the home country and request that it rectify the detected violations and notify the Commission of the measures taken.
(5) Where a branch of an investment brokerage firm registered in another member state that operates in the Republic of Latvia or an investment brokerage firm registered in another member state that provides investment services in the Republic of Latvia without opening a branch persists in performing the activities that are contrary to the regulatory provisions that are effective in the Republic of Latvia and govern the financial instruments market, the Commission shall promptly notify the supervisory authority of the home country and take measures to rectify these violations. As part of these measures the Commission shall be entitled to prohibit the respective investment brokerage firm from providing investment services in the Republic of Latvia until the violations are rectified. The Commission shall notify the European Commission in accordance with the requirements of Article 147 hereof.
(6) The requirements set out in Paragraphs 1, 2, 3 and 4 hereof shall not prevent the Commission from taking actions to rectify the violations that are contrary to the laws effective in the Republic of Latvia and protecting the public interests. As part of such actions, the Commission shall be entitled to prohibit the respective investment brokerage firm from providing investment services in the Republic of Latvia until the violations are rectified.
(7) The provisions of this Article shall not restrict the right of an investment brokerage firm registered in another member state to disseminate information and advertise its investment services in the Republic of Latvia, provided that this information and advertisements are not contrary to the regulatory provisions protecting the public interests.
(8) Upon its own initiative or receipt of a request by the supervisory authority of the home country, the Commission shall be entitled to carry out on-site inspections in a branch of an investment brokerage firm registered in another member state that operates in the Republic of Latvia. The supervisory authorities of the home country shall be entitled to carry out on-site inspections themselves in a branch of an investment brokerage firm operating in the Republic of Latvia or authorize other persons to carry out such inspections, notifying the Commission to this effect in advance.
(9) The Commission shall be entitled to take a motivated decision and refuse that the supervisory authority of another member state carries out an inspection in the territory of the Republic of Latvia upon request of that supervisory authority and that the authorized representatives of the supervisory authority of another member state take part in inspections or provide information to the supervisory authority of a member

state, where
1) that inspection or participation of the authorized representatives of the supervisory authority of another member state therein adversely affects the sovereignty, security or state policy of the Republic of Latvia;
2) a court procedure has been initiated in the Republic of Latvia for the same violation and against the same persons;
3) a court verdict has already been taken in respect of the same violation and against the same persons.
(10) The Commission shall prohibit a branch of an investment brokerage firm registered in a member state that operates in the Republic of Latvia or an investment brokerage firm registered in a member state that provides investment services in the Republic of Latvia without opening a branch from providing investment services in the Republic of Latvia, where it has received a notification from the supervisory authority of the home country to the effect that the licence of that investment brokerage firm has been revoked.
(11) The Commission shall be entitled to carry out an on-site inspection in an investment brokerage firm registered in another member state, that is a member of the regulated market organizer registered in the Republic of Latvia and makes transactions on the regulated market without opening a branch, by notifying to this effect the supervisory authority of the respective member state.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 140.1
Supervision of a Branch of a Credit Institution Registered in Another Member State that Provides Investment Services in the Republic of Latvia
(1) The Commission shall monitor that the branches of a credit institution registered in another member state that provide investment services in the Republic of Latvia comply with the requirements of Subparagraphs 6 and 7 of Paragraph 2 of Article 124, of Articles 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof. The Commission shall be entitled to inspect the measures that the branch takes to ensure compliance with these requirements. Where the Commission detects that a branch of a credit institution registered in that member state that operates in the Republic of Latvia carries out activities that contradict the requirements of Subparagraphs 6 and 7 of Paragraph 2 of Article 124, of Articles 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof, it shall promptly request that the branch should terminate these activities.
(2) Where a branch of a credit institution registered in another member state that operates in the Republic of Latvia continues to carry out the activities that contradict the requirements of Subparagraphs 6 and 7 of Paragraph 2 of Article 124, of Articles 126, 1261, 1262, 128, 1281, 1282, 1283, 1336, 1337 and 1338 hereof, the Commission shall notify the supervisory authority of the home member state and take measures to eliminate these violations. Within these measures, the Commission shall be entitled to prevent, until the elimination of these violations, the branch from providing investment services in the Republic of Latvia. The Commission shall notify the European Commission of the measures taken in accordance with the requirements of Article 147 hereof.
(In the wording of the Law of May 22, 2008 taking effect on June 25, 2008)
Article 141
Supervision of an Investment Brokerage Firm Registered in the Republic of Latvia and Provision of Investment Services in a Member State
(1) Prior to an on-site inspection in a branch of an investment brokerage firm registered in the Republic of Latvia that provides investment services in a member

state, the Commission shall notify the supervisory authority of that member state to this effect.
(2) Upon its own initiative or receipt of the Commission's request, the supervisory authority of a member state shall be entitled to carry out on-site inspections in a branch of an investment brokerage firm registered in the Republic of Latvia that operates in its territory.
(3) The Commission shall promptly notify the supervisory authorities of the respective member states of revoking of the licences granted to investment brokerage firms registered in the Republic of Latvia whose branches operate in those member states or that provide investment services in those member states without opening a branch.

Article 142
Consolidated Supervision
The Commission shall perform consolidated supervision of a parent investment brokerage firm of the Republic of Latvia and of a parent investment brokerage firm of the European Union that is registered in the Republic of Latvia, applying, by analogy, to the supervision of those firms the relevant provisions of Articles 1014, 1015, 1016, 1017, 1018, 1019, 10110, 10111, 10112, 10113, 10114 and 10115 of the Law on Credit Institutions, which refer to the consolidated supervision of a parent undertaking of the Republic of Latvia and of a parent undertaking of the European Union that is registered in the Republic of Latvia.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Section F1
Provision of Outsourced Services
(Section in the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 1421
Procedure whereby the Provision of Outsourced Services Is Commenced
(1) For the purposes of this Law, a market organizer, the Central Depository and an investment brokerage firm shall be a recipient of an outsourced service. Where the recipient and the provider of an outsourced service are members of one group of commercial companies, the recipient of an outsourced service, when meeting the requirements of this Article, shall be entitled to take into account the extent to which it controls the service provider or has the ability to influence its actions or to which the provider of an outsourced service is subject to the consolidated supervision of the group.
(2) Outsourced services shall be provided to a market organizer, the Central Depository and an investment brokerage firm exclusively by a provider of outsourced services having experience of at least three years in providing those services that a market organizer, the Central Depository and an investment brokerage firm plans to delegate to that provider of outsourced services.
(3) At least 30 days before receiving an outsourced service, a market organizer, the Central Depository and an investment brokerage firm shall submit to the Commission a motivated written application for receiving the planned outsourced service. The application shall be submitted along with a description of the policy and procedure for outsourcing services and the original or a certified copy of the contract for an outsourced service.
(4) A market organizer, the Central Depository and an investment brokerage firm shall submit to the Commission amendments to a description of the policy and procedure for outsourcing services not later than on the next day of the approval of those amendments.

(5) A contract for an outsourced service shall lay down the following:
1) a description of the outsourced service to be received;
2) exact requirements for the volume and quality of the outsourced service;
3) the rights and obligations of the recipient of an outsourced service and the provider of outsourced services, including;
a) the right of the recipient of an outsourced service to monitor the quality of the outsourced service on a continuous basis, see all documents, document and accounting registers, request from the provider of an outsourced service information related to the provision of the outsourced service,
b) the right of the recipient of an outsourced service to give to the provider of outsourced services instructions the fulfillment of which is mandatory and which relate to the execution of the outsourced service in an honest, qualitative, timely and regulations-compliant manner,
c) the right of the recipient of an outsourced service to submit to the provider of outsourced services a motivated written request to terminate, without delay, the contract for an outsourced service, where the recipient of an outsourced service has discovered that the provider of outsourced services fails to comply with the requirements for the volume or quality as laid down in the contract for an outsourced service,
d) the obligation of the provider of outsourced services to ensure for the recipient of an outsourced service opportunities to monitor the quality of the provision of the outsourced service on a continuous basis,
e) the obligation of the provider of outsourced services to terminate, without delay, the contract for an outsourced service upon receipt of a motivated written request by the recipient of an outsourced service;
f) the obligation of the provider of outsourced services to ensure quality outsourced service and duly manage the risks associated with the provision of an outsourced service,
g) the obligation of the provider of outsourced services to notify the recipient of an outsourced service of any changes that are likely to affect its ability to provide the outsourced service efficiently, in due amount, quality and in accordance with the requirements of this Law,
h) the obligation of the provider of outsourced services not to disclose information that is related with the recipient of the outsourced service or a customer and contains a business secret in accordance with the requirements of law;
4) The Commission’s right to see all documents, the accounting and documents registers and to request from the provider of outsourced services any information related to the provision of outsourced services and the carrying out of the Commission’s functions;
5) the contingency plan of the recipient of an outsourced service for disaster, including introduction and periodic testing of backup facilities, where that is necessary to ensure uninterrupted provision of the investment service and protection of customers' interests having regard to the function, service or activity that has been outsourced.
(6) A market organizer, the Central Depository or an investment brokerage firm that plans to receive an outsourced service in due course of this Law shall develop an adequate policy and procedure for outsourcing services. The procedure whereby services are outsourced shall lay down the following:
1) the internal procedure whereby decisions on receiving an outsourced service are taken;
2) the procedure whereby a contract for an outsourced service is concluded and terminated, and its execution is monitored;
3) the persons and organizational units responsible for cooperation with the provider

of outsourced services and for the monitoring of the volume and quality of the received outsourced service, as well as the rights and obligations of the respective persons;
4) the actions of the recipient of an outsourced service in cases when the provider of outsourced services has not fulfilled or will not be able to fulfill the terms and conditions of the contract for an outsourced service;
5) the procedure whereby the risks associated with the receiving of an outsourced service are assessed and managed.
(7) The Commission shall be entitled to carry out inspections of the business of the provider of outsourced services at its premises or on the site where the outsourced service is provided, including the right to see all documents, the documents and accounting registers, make copies of documents, as well as request from the provider of outsourced services information related to the provision of the outsourced service or necessary to carry out the Commission's functions.
(8) The provider of outsourced services shall commence the provision of an outsourced service, where, within 30 days of the submission of the application referred to in Paragraph 3 hereof, the recipient of an outsourced service has not received the Commission's prohibition for receiving the outsourced service.
(9) A provider of outsourced services shall be entitled to further delegate the provision of an outsourced service to another person only upon receipt of the consent of the respective recipient of an outsourced service. Prior to further delegating an outsourced service, a market organizer, the Central Depository and an investment brokerage firm shall inform the Commission in writing to this effect and submit the documents referred to in Paragraph 3 hereof. The provisions of this Law shall apply to the further delegation of outsourced services and the final provider of outsourced services.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 1422
Restrictions on the Provision of Outsourced Services
(1) The Commission shall prohibit the regulated market organizer, the Central Depository or an investment brokerage firm from receiving the planned outsourced service where:
1) the provisions of this Law are violated;
2) receiving an outsourced service is likely to restrict the ability of the regulated market organizer, the Central Depository or an investment brokerage firm to provide the services set out in this Law or to influence the legitimate interests of their customers or aggravate the conditions under which the Commission has granted the licence to the provider of outsourced services for the respective professional activity;
3) receiving an outsourced service is likely to restrict the ability of the managing bodies of a recipient of an outsourced service to fulfill its obligations as established in regulatory provisions, articles of association or other internal provisions of the recipient of an outsourced service;
4) receiving of an outsourced service will prevent or restrict the Commission from carrying out its functions as established in law;
5) the contract for an outsourced service fails to comply with law and does not give a clear and fair opinion of the envisaged cooperation between the provider of outsourced services and the recipient of an outsourced service and the requirements for the volume and quality of the outsourced service.
(2) Receiving an outsourced service shall not free a market organizer, the Central Depository and an investment brokerage firm from liability as established in law or a contract with a customer. A recipient of an outsourced service shall be responsible for the performance of a provider of outsourced services to the same extent as for its own

performance.
(21) The Commission shall be entitled to request that the recipient of an outsourced service provide information that is related with the provision of the outsourced service or necessary for the Commission to perform its functions.
(3) The Commission shall be entitled to request that a recipient of an outsourced service rectify the deficiencies arising from receiving the outsourced service and to establish the deadline for rectifying them. Where the deficiencies are not rectified by the established deadline, the Commission shall request that the recipient of an outsourced service terminate the contract for an outsourced service and shall establish the deadline for terminating it.
(4) The Commission shall be entitled to request that a recipient of an outsourced service terminate an effective contract for an outsourced service without delay, where the Commission detects that:
1) the recipient of an outsourced service fails to constantly monitor the quality of the provided outsourced service or monitors it irregularly or inadequately;
2) the recipient of an outsourced service fails to manage risks associated with the provided outsourced service or manages them inadequately or without due quality;
3) there are serious deficiencies in the activity of the provider of outsourced services that jeopardize or are likely to jeopardize the fulfillment of the obligations of the recipient of an outsourced service;
4) any of the circumstances referred to in Paragraph 1 hereof exists.
(5) A recipient of an outsourced service shall notify the Commission without delay, where it detects that the provider of outsourced services fails to comply with the requirements for the volume or quality of the outsourced service as established in the contract for an outsourced service.
(6) Receiving an outsourced service shall not free the recipient of an outsourced service from the obligation to manage risks associated with its operation as established in regulatory provisions.
(7) Appeal in court of the administrative act issued by the Commission and referred to in Paragraphs 1, 3 and 4 hereof shall not suspend the execution of the provision.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Section G
Exchange of Information

Article 143
Exchanging Information with the Supervisory Authorities of Member States to Ensure Supervision of the Provision of Investment Services
(1) The Commission shall be responsible for cooperation and exchange of information with the supervisory authorities of other member states to ensure supervision of the provision of investment services in the territories of member states.
(2) Upon receipt of a motivated request, the Commission shall provide information to the supervisory authorities of other member states in respect of members of the executive board and the council (if formed) and owners of those investment brokerage firms that provide investment services in the territories of those member states or have a close link with investment brokerage firms licensed or to be licensed in those member states. The Commission shall be entitled to note that information may be disclosed to third parties that need it for the performance of their functions set out in laws, only upon a prior written consent of the Commission.
(3) The Commission shall notify the supervisory authorities of the respective member state of any sanctions and restrictions on business, which it applies to those investment brokerage firms that are registered in the Republic of Latvia and provide investment services in the territory of that member state.

(31) Where there is information at the Commission's disposal that a commercial company that is not subject to its supervision performs activities in another member state that contradict the regulatory provisions of that member state in the area of the financial instruments market, the Commission shall notify the supervisory authority of the respective member state.
(4) The Commission shall exchange information for the purposes set out in this Article in accordance with the requirements of Article 15 of Commission Regulation (EC) No 1287/2006 with the supervisory authority of another member state that has been recognized as a contact person for the exchange of information.
(In the wording of the Law of October 4, 2007, and as amended by the Law of May 22, 2008 taking effect on June 25, 2008)

Article 144
Exchanging Information with the Supervisory Authorities of Member States to Ensure Supervision of the Prohibition from Using Inside Information and Market Manipulation
(1) The Commission shall be entitled to request that the supervisory authority of a member state submit information that is necessary to the Commission to perform its obligations in respect of supervision of the prohibition from using inside information and market manipulation that are set out in Chapter VI of Section D.
(2) Upon receipt of a motivated request, the Commission shall submit to the supervisory authorities of member states information that is necessary to them to perform their obligations in respect of supervision of the prohibition from using inside information and market manipulation.
(3) Where the Commission does not have the information requested from it by the supervisory authorities of member states in due course of Paragraph 1 hereof, the Commission shall perform within its competence to obtain the required information.
(4) Where the Commission cannot obtain the information requested from it by the supervisory authority of a member state, the Commission shall notify the respective supervisory authority to this effect, specifying the reasons due to which it is not possible to submit the required information.
(5) The Commission shall be entitled not to submit the required information to the supervisory authority of a member state where:
1) the submission of this information would influence unfavorably the sovereignty, security or public policy of the Republic of Latvia;
2) legal proceedings have been instituted for the same violation and in respect of the same persons in the Republic of Latvia;
3) court judgment has been taken for the same violation and in respect of the same persons.
(6) Where the Commission does not submit information to the supervisory authority of a member state on the basis of any Subparagraph of Paragraph 5 hereof, the Commission shall notify the respective supervisory authority, submitting the publicly available information on the legal proceedings or the court judgment, if it has been taken.
(7) The Commission shall be entitled to request that the supervisory authority of a member state carry out an inspection of the violation of the prohibition from using inside information or market manipulation in the territory of the respective member state. The Commission shall also be entitled to request that its duly authorized persons take part in the inspection.
(8) Upon receipt of a motivated request by the supervisory authority of a member state, the Commission shall have the obligation to carry out an inspection in respect of the violation of the prohibition from using inside information and market manipulation in the territory of the Republic of Latvia.

(9) The Commission shall be entitled to refuse the request by the supervisory authority of a member state to carry out an inspection in the territory of the Republic of Latvia or the request that duly authorized representatives of the supervisory authority of a member state take part in an inspection, where:
1) such inspection or participation of duly authorized representatives of the supervisory authority of a member state in such inspection would influence unfavorably the sovereignty, security or public policy of the Republic of Latvia;
2) legal proceedings have been instituted for the same violation and in respect of the same persons in the Republic of Latvia;
3) court judgment has been taken for the same violation and in respect of the same persons.
(10) Where on the basis of any Subparagraph of Paragraph 9 hereof the Commission refuses the request by the supervisory authority of a member state to carry out an inspection in the territory of the Republic of Latvia or the request that duly authorized representatives of the supervisory authority of a member state take part in an inspection, the Commission shall notify the respective supervisory authority, submitting the publicly available information on the legal proceedings or the court judgment, if it has been taken.
(11) The Commission shall be entitled to notify the Committee of European Securities Regulators where the supervisory authority of a member state fails to respond, within one month, to the Commission's request in respect of the information referred to in Paragraph 1 hereof or to the Commission's request in respect of carrying out of an inspection or participation of the duly authorized representatives of the Commission in an inspection referred to in Paragraph 7 hereof, or where the Commission receives a refusal document from the supervisory authority of a member state without any motivation.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 144.1
Exchanging Information with the Supervisory Authorities of Member States to Ensure the Public Offer and the Admission of Financial Instruments to Trading on the Regulated Market
(1) The Commission shall be responsible for the cooperation with the competent authorities of member states to ensure the fulfillment its obligations and exercising of its authority as established in Section C and Chapter II of Section D hereof.
(2) Upon receipt of a motivated request to this effect, the Commission shall submit to the competent authorities of member states information that is needed to carry out the functions vested with them in accordance with the regulatory provisions of the respective member state.
(3) The Commission shall cooperate with the supervisory authorities of other member states and exchange with them information that is needed to carry out their functions.
(4) The Commission shall have an obligation to cooperate with the competent authorities of other member states, where:
1) an issuer has more than one competent authority of the home member state due to the various classes of its transferable securities;
2) it is required that trading in transferable securities in different member states be suspended or discontinued to ensure compliance with equivalent conditions for different trading locations and investor protection.
(5) In the cases referred to in Paragraph 4 hereof, the Commission shall be entitled to request assistance of the competent authority of the home member state as of the commencement of inspection of the conditions of the case, especially regarding transferable securities of a new type or a rare form. Competent authorities of the home member state shall be entitled to request that the Commission submit to them

information on any elements characteristic of the market supervised by the Commission.
(6) Where, in due course of Article 55 hereof, the Commission has received information on the decision of the regulated marker organizer to suspend or discontinue trading on its regulated market in a financial instrument that is admitted to trading on the regulated market in another member state, it shall promptly notify the supervisory authority of the respective member state. The Commission shall notify the supervisory authority of the respective member state also when it itself takes a decision to suspend or discontinue trading on its regulated market in a financial instrument that is admitted to trading on the regulated market in another member state.
(7) Where the Commission receives information from the supervisory authority of another member state on suspending or discontinuing trading on the regulated market in a financial instrument that is admitted to trading on the regulated market in the Republic of Latvia or in a multilateral trading facility in the Republic of Latvia, it shall request that the trading in this financial instrument be suspended or discontinued on the regulated market in the Republic of Latvia. The Commission shall be entitled not to request suspending or discontinuing trading in a financial instrument on the regulated market, where this can damage the investors' interests or normal market operation.
(In the wording of the Law of June 9, 2005, and as amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 144.2
Exchanging Information with the Supervisory Authorities of Member States to Ensure the Supervision of a Share Buyout Offer
(1) The Commission shall be responsible for the exchange of information with the supervisory authorities of other member states with the aim to ensure that the procedure of a share buyout offer is supervised in the territory of each member state.
(2) On the basis of an appropriately motivated request, the Commission shall provide the supervisory authorities of member states with information and documents about a share buyout offer, the shareholders of a target company, transactions in the shares of a target company and other information that is needed for the supervisory authorities of member states to ensure the supervision of a share buyout offer or investigation of the possible violations in respect of a share buyout offer.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)

Article 144.3
Exchanging Information with the Supervisory Authorities of Member States to Ensure Disclosure of the Regulated Information
(1) The Commission shall be responsible for cooperation with the competent authorities of member states to ensure that it fulfills the duties and exercises the powers set out in Article 54 hereof and in Chapters III, IV and VI of Section D of this Law.
(2) On the basis of an adequately motivated application, the Commission shall submit to the competent authorities of member states the information that they need to fulfill their functions.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)

Article 144.4
Exchanging Information on Transactions in Financial Instruments with Supervisory Authorities of Other Member States
(1) The Commission shall be responsible for cooperation with the supervisory

authorities of other member states to ensure exchanging of information on transactions in financial instruments admitted to trading on the regulated market.
(2) The Commission shall exchange information with the supervisory authorities of other member states on transactions in financial instruments admitted to trading on the regulated market in accordance with the requirements of Article 14 of Commission Regulation (EC) No1287/2006.
(3) The Commission shall send to the supervisory authority of the respective member state the information it has received in due course of Article 1336 hereof on transactions made by a branch of an investment brokerage firm and a credit institution of that member state.
(4) The Commission shall send to the supervisory authority of the respective member state the information it has received in due course of Article 1336 hereof on the transactions made by an investment brokerage firm and a credit institution, registered in the Republic of Latvia, in financial instruments admitted to trading on the regulated market of another member state, where the supervisory authority is the relevant competent authority of that particular financial instrument in accordance with Article 8 of Commission Regulation (EC) No1287/2006.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)

Article 145
Exchanging Information with Supervisory Authorities of Foreign Countries
(1) The Commission shall be entitled to sign agreements with the supervisory authorities of foreign countries on exchanging information to carry out the supervision function and to join the agreements on exchanging information of the International Organization of Securities Commissions.
(11) The Commission shall be entitled to conclude a contract on exchanging information with organizations, institutions or other legal persons of foreign countries that:
1) perform supervision of credit institutions, other financial institutions, insurance companies and the financial market;
2) are responsible for liquidation, bankruptcy and other procedures of investment brokerage firms;
3) when performing the supervision function, carry out audit in investment brokerage firms and other financial institutions, credit institutions and insurance companies or administer compensation schemes;
4) are responsible for the oversight of those bodies that are involved in the liquidation, bankruptcy and other procedures of investment brokerage firms;
5) are responsible for the oversight of the persons that carry out audit in investment brokerage firms, insurance companies, credit institutions and other financial institutions.
(2) To verify the fairness of the information that has been received by the Commission when performing supervision on the basis of the consolidated financial statements and that refers to a credit institution, an investment brokerage firm, other financial institution, a financial holding company, a mixed-activity holding company or a subsidiary undertaking of a credit institution, an investment brokerage firm, a financial holding company and a mixed-activity holding company registered in a foreign country, the Commission shall be entitled to send a request to the supervisory authority of the respective foreign country, asking it carry out an on-site inspection in the respective undertaking.
(3) The Commission shall be entitled to conclude contracts on exchanging information with the organizations and institutions referred to in Paragraphs 1 and 11 hereof, where the regulatory provisions of the respective foreign country set out liability that is equivalent to the liability set out in the regulatory provisions of the

Republic of Latvia for unauthorized disclosure of restricted information. Such information shall be used only to perform the supervision of the participants of the financial and capital market or the functions of the relevant institutions set out in laws. The institutions of the respective foreign country shall be entitled to disclose information only upon a written agreement of the Commission and for the purposes for which the agreement has been given.
(As amended by the Laws of June 9, 2005, and of October 4, 2007 taking effect on November 8, 2007)

Article 146
Restricted Information
(1) The information received by the Commission from the supervisory authority of a member state or a foreign country to carry out the supervision function and the information referred to in Article 20 of the Law on the Financial and Capital Market Commission shall be treated as restricted information.
(2) The information referred to in Paragraph 1 hereof may be disclosed to third parties if they need this information to perform their functions as established by law provided that there is a prior written consent by the supervisory authority of the respective member state or foreign country and this information is disclosed exclusively for the purposes for which the respective supervisory authority has given its consent.
(3) The Commission shall be entitled to use the restricted information received from the supervisory authority of a member state or a foreign country to perform its functions:
1) to verify the information submitted by investment brokerage firms to receive the licence for the provision of investment services;
2) to verify the compliance of the business of an investment brokerage firm or a credit institution with the requirements of law;
3) to apply the liability as established by laws in the cases when this Law is violated;
4) in legal proceedings whereby the administrative acts issued by the Commission or its actual behavior are disputed;
5) to monitor the proper functioning of trading venues of financial instruments.
(4) The provisions of this Article shall not restrict the Commission's right to provide restricted information:
1) to institutions whose responsibility is to supervise credit institutions, insurers other financial institutions and the financial market in member states or foreign countries;
2) to authorities or persons that are responsible for the bankruptcy and liquidation procedure of investment brokerage firms in the Republic of Latvia, member states or foreign countries;
3) to persons that perform on-site inspections and audit as established by law in investment brokerage firms or other financial institutions as part of their supervision function of the financial and capital market in the Republic of Latvia, member states or foreign countries;
4) to authorities that manage investment and deposit compensation schemes provided that they need this information to perform their functions.
(5) The provisions of this Article shall not prohibit the Commission from providing restricted information to the Bank of Latvia, the central banks of member states and other institutions that are responsible for the oversight of payment systems, where they need this information to perform their functions as established by law.
(6) The provisions of this Article shall not prohibit the Commission from providing restricted information to the market organizer, the Central Depository and the institutions that ensure clearing and settlement of transactions in financial instruments in member states, where the Commission considers that the provision of this information is necessary to ensure adequate action of these institutions in the case of

default of counterparties in a settlement or where there are grounds to expect their default.
(As amended by the Law of October 4, 2007 taking effect on November 8, 2007)

Article 147
Commission's Obligation to Inform the European Commission
(1) The Commission shall notify the European Commission:
1) of granting the licence for the provision of investment services and ancillary (noncore) investment services to an investment brokerage firm that is a subsidiary undertaking of an undertaking registered in a foreign country;
2) of the cases when, as a result of obtaining a qualifying holding, an investment brokerage firm registered in the Republic of Latvia becomes a subsidiary undertaking of an undertaking registered in a foreign country;
3) of the cases referred to in Paragraph 3 of Article 241 hereof and Paragraph 4 of Article 551 hereof;
4) of share buyout offers made in respect of the target companies whose shares are in public circulation in Latvia;
5) of the cases listed in Paragraph 3 of Article 643 hereof;
6) of the activities it carries out in accordance with Paragraph 2 of Article 401 and Paragraphs 2 and 5 of Article 140 hereof.
(2) In the cases referred to in Subparagraphs 1 and 2 of Paragraph 1 hereof, the Commission shall send to the European Commission information on the structure of the concern where the respective investment brokerage firm is included.
(3) The Commission shall notify the European Commission of any general difficulties that investment brokerage firms that have received the licence from the Commission to provide investment services or ancillary (non-core) investment services encounter when providing investment services or when commencing the provision of investment services in a foreign country.
(4) The Commission shall notify the European Commission and other member states on the interim financial statements that shall be submitted by a capital company whose shares are admitted to trading on the regulated market and on the application of the requirements of Paragraph 4 of Article 62 hereof.
(In the wording of the Law of June 9, 2005, and as amended by the Laws of June 15, 2006, of March 29, 2007, and of October 4, 2007 taking effect on November 8, 2007)

Section H
Liability for Violating the Regulatory Provisions Governing the Financial Instruments Market

(Section in the wording of the Law of June 9, 2005 taking effect on July 12, 2005)

Article 148
Liability
(1) Where financial instruments have been offered to the public in violation of the requirements of this Law, the Commission shall be entitled to warn an issuer or impose a penalty of up to 10 000 lats on an issuer.
(2) Where an issuer has provided false or misleading information on the events significant to it, the Commission shall be entitled to warn the issuer or impose a penalty of up to 10 000 lats on the issuer.
(3) Where the requirements of Article 61 hereof have been violated, the Commission shall be entitled to warn the person that has failed to fulfill its obligation to notify, according to the established procedure, of an acquired or lost qualifying holding in a joint-stock company, or to impose a penalty of up to 10 000 lats on that person.
(4) Where a person that, in accordance with Articles 55 and 66 and the transitional provisions hereof, has an obligation to make a mandatory share buyout offer fails to

fulfill that obligation in accordance with the established procedure, the Commission shall be entitled to warn that person or impose a penalty of up to 10 000 lats on that person.
(5) As to other violations of this Law or any regulatory provisions issued pursuant to this Law, the Commission shall be entitled to warn the person that has violated the regulatory provisions or impose a penalty of up to 10 000 lats on that person.
(6) In case of a failure to comply with the requirements for a public offer, the admission of financial instruments to trading on regulated markets and Regulation (EC) No 809/2004, the Commission shall be entitled to issue a warning or impose a penalty of up to 10 000 lats.
(7) For a failure to comply with the requirements of Subparagraph 5 of Paragraph 2, Subparagraph 6 of Paragraph 3 and of Paragraph 7 of Article 54 and of Articles 56 and 57 hereof, the Commission shall be entitled to issue a warning to an issuer or impose a penalty of up to 10 000 lats.
(71) For a failure to draw up a corporate governance statement in accordance with the requirements of Article 562 hereof the Commission may issue a warning to an issuer or impose a penalty of up to 10 000 lats.
(8) For the provision of investment services and ancillary (non-core) investment services without complying with the requirements of this Law the Commission shall be entitled to issue a warning to an investment brokerage firm or a credit institution or impose a penalty of up to 10 000 lats.
(9) For a failure to observe the requirements for disclosing pre-trade and post-trade information as set out in this Law the Commission shall be entitled to issue a warning to an investment brokerage firm, a credit institution or the regulated market organizer or impose a penalty of up to 10 000 lats.
(As amended by the Laws of March 29, 2007, of October 4, 2007, and of May 22, 2008 taking effect on June 25, 2008)

Article 149
Collection of Penalty
Any penalty imposed for the violations referred to in Article 148 hereof shall be credited to the state budget.
Transitional Provisions
1. Upon this Law taking effect, the Law on Securities (published in Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, No. 20 of 1995; Nos. 14 and 23 of 1997; No. 22 of 1998; Nos. 6 and 13 of 2000; Nos. 12 and 23 of 2001) shall become ineffective.
2. Where as a result of a directly or indirectly acquired holding in a joint-stock company whose shares are admitted to trading on the regulated market a person has at least 10 percent of the voting rights, that person shall notify the shareholders meeting that takes a decision on approving the annual report/accounts for 2003. The notification shall include all information set out in Paragraph 6 of Article 61 hereof.
3. Within one month of the shareholders meeting that takes a decision on approving the annual report/accounts for 2003, a joint-stock company whose shares are admitted to trading on the regulated market shall publish, in the newspaper Diena, a list of those persons that have directly or indirectly acquired a holding in that company. The published information shall specify the percentage of voting rights acquired by each person and the amount of each person's indirectly acquired holding.
4. The shareholders meeting of those joint-stock companies whose shares have been in public circulation before the day of this Law taking effect but have not been admitted to trading on the regulated market shall take a decision on the admission of their shares to trading on the regulated market by December 31, 2005, at the latest, by a simple majority of votes of the shareholders voting at the meeting. Where a

shareholder abstains when voting in respect of the admission of shares to trading on the regulated market, such vote shall be treated as a vote against the admission of shares to trading on the regulated market. Where as a result of total votes against and abstained the shareholders meeting takes a decision that the shares will not be admitted to trading on the regulated market, those shareholders who voted against and abstained shall make a mandatory share buyout offer in due course of this Law and in accordance with the requirements that apply to share buyouts set out in Subparagraph 2 of Paragraph 1 of Article 66 hereof. Where the shareholders meeting takes a decision on admitting shares to trading on the regulated market, the documents referred to in Paragraphs 1 and 2 of Article 48 hereof shall be submitted to the Commission not later than within three months of the day of taking the decision. When taking a decision on admitting shares to trading on the regulated market, the shareholders meeting shall be entitled to take the decision irrespective of the number of votes of the shareholders present at the meeting. The executive board of the jointstock company shall be responsible for convening the shareholders meeting.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
4.1 Those joint-stock companies whose shares have been in public circulation before the day of this Law taking effect but have not been admitted to trading on the regulated market and which have taken the decision on admitting shares to trading on the regulated market shall submit to the Commission the documents set out in Paragraphs 1 and 2 of Article 48 hereof by December 31, 2005.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
4.2 In respect of those joint-stock companies whose shares have been in public circulation before the day of this Law taking effect but have not been admitted to trading on the regulated market and which have been declared insolvent:
1) and are in the process of recovery, the shareholders meeting shall take a decision on admitting shares to trading on the regulated market in due course of Paragraph 4 of the transitional provisions hereof not later than within three months of the end of recovery process;
2) and whose bankruptcy procedure has been initiated, the Commission shall take a decision on removing their shares from public circulation and canceling their issue certificate.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
4.3 Where the shares of a joint-stock company have been in public circulation before the day when this Law takes effect but have not been admitted to trading on the regulated market, the shareholders of that joint-stock company shall:
1) submit the notification referred to in Article 61 hereof to the Commission and the joint-stock company in due course of and by the deadline established in Article 61 hereof;
2) make a mandatory share buyout offer in due course of this Law in the case referred to in Subparagraph 1 of Paragraph 1 of Article 66 hereof.
(In the wording of the Law of June 9, 2005, as amended by the Law of October 4, 2007 taking effect on November 8, 2007)
4.4 Those joint-stock companies whose shares have been in public circulation before the day of this Law taking effect, but have not been admitted to trading on the regulated market, and the shareholders of those joint-stock companies shall be held liable for violating this Law in accordance with Article 148 hereof.
(In the wording of the Law of June 9, 2005, as amended by the Law of October 4, 2007 taking effect on November 8, 2007)
5. Shareholders who have a qualifying holding in an investment brokerage firm on the day when this Law takes effect shall notify the Commission to this effect within 10 days in due course of this Law.
6. The provisions of Paragraph 4 of Article 69 hereof shall also apply to the

restrictions on share disposal set out in Article 34 of the Law on Joint-Stock Companies, where a joint-stock company fails to re-register itself with the Commercial Register by the day when this Law takes effect.
7. Within one month of this Law taking effect, the Central Depository shall post effective regulations that are binding on the participants of the Central Depository on its Internet homepage and publish them in the newspaper Latvijas Vēstnesis, and ensure the execution of its functions as established in this Law.
8. Investment brokerage firms licensed by the Commission for taking up intermediation business shall re-register their licence with the Commission within six months of the day when this Law takes effect and list the investment services and ancillary (non-core) investment services they wish to provide in the application for reregistration.
9. (Deleted by the Law of June 9, 2005 taking effect on July 12, 2005)
10. Article 22, Paragraphs 4 and 5 of Article 25, Paragraph 4 of Article 28, Paragraphs 3 and 4 of Article 36, second sentence of Paragraph 7 of Article 37, Paragraph 3 of Article 48, Article 49, Paragraphs 3 and 7 of Article 50, Paragraph 3 of Article 84, Paragraphs 3 and 4 of Article 95, Paragraph 4 of Article 102, Paragraph 4 of Article 103, Articles 112, 113, 140 and 141, Paragraphs 5, 12, 13 and 14 of Article 142 and Article 147 hereof shall take effect upon adopting a special law.
11. Chapter X hereof shall take effect as of January 1, 2005. An investment brokerage firm shall draw up the annual report/accounts for 2003 and 2004 pursuant to the Laws on Annual Accounts of Enterprises and on Consolidated Annual Accounts.
12. Amendments to Paragraph 3 of Article 93 hereof and Paragraph 7 of Article 93 hereof shall take effect on January 1, 2006.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
13. Issuers that are registered in a foreign country and whose transferable securities have already been admitted to trading on the regulated market shall choose the competent authority of their home member state in accordance with the requirements of this Law and shall notify their decision to the chosen competent authority of their home member state by December 31, 2005.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
14. Where the Commission has taken a decision on issuing permission to make a public offer by July 1, 2005, an issue prospectus shall be valid for 12 months of the day of taking the decision.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
15. Where the Commission has registered a prospectus by July 1, 2005, the requirements of Paragraph 1 of Article 50 hereof shall apply.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
16. Where the Commission has approved an issue prospectus or a prospectus by July 1, 2005, but the issuer, the person making a public offer or asking for the admission of transferable securities to trading on the regulated market wishes to make a public offer or to ask for the admission of transferable securities to trading on the regulated market also in another member state after this Law has taken effect, it shall prepare a new issue prospectus or prospectus pursuant to the requirements of Section C and Chapter II of Section D hereof.
(In the wording of the Law of June 9, 2005 taking effect on July 12, 2005)
17. Where the shares of a target company are in public circulation simultaneously in several member states, of which one is Latvia, and where the target company does not have its legal address in any of them, within four weeks of Article 561 hereof taking effect the Commission and the supervisory authorities of other member states shall agree as to which supervisory authority will supervise the buyout offers that will be made in respect of the shares of the target company. Where the Commission and the supervisory authorities of member states fail to reach an agreement by that deadline, on the first day after the expiration of the period of four weeks the target company

shall establish which of the said supervisory authorities will supervise the buyout offers that will be made in respect of the shares of the target company.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)
18. Articles 561 and 572 hereof shall take effect on January 1, 2007.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)
19. The shareholders of joint-stock companies whose shares are in public circulation, who have acquired at least 95 percent of the total shares with voting rights, shall be entitled to make a final share buyout offer within three months of Article 691 hereof taking effect.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)
20. The shareholders of joint-stock companies whose shares have been removed from public circulation within 12 months before Article 691 hereof taking effect, who have acquired at least 95 percent of the total shares with voting rights, shall be entitled to make a final share buyout offer within three months of Article 691 hereof taking effect, without the admission of the shares of that joint-stock company to trading on the regulated market.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)
21. Within three months of Article 691 hereof taking effect, a person who has acquired, directly or indirectly, a holding in a joint-stock companies whose shares are admitted to trading on the regulated market that amounts to at least one-twentieth but does not exceed one-tenth of the total shares with voting rights, shall notify to this effect the organizer of the regulated market where the shares of that joint-stock company are admitted to trading and the joint-stock company itself.
(In the wording of the Law of June 15, 2006 taking effect on July 13, 2006)
22. Not later than by June 30, 2007, a shareholder that is subject to the requirements of Chapter IV of Section D hereof shall notify the issuer of the proportion of the voting rights and capital it owns on the day when the information is submitted, where that shareholder has not submitted equivalent information before this Law taking effect.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
23. Not later than by July 30, 2007, in due course of Article 642 hereof, an issuer shall disclose to the public information has received in accordance with the requirements of Paragraph 22 of the Transitional Provisions hereof.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
24. The Internal Ratings Based Approach for the calculation of the capital requirements for credit risk and the Advanced Measurement Approach for the calculation of the capital requirements for operational risk shall be used by investment brokerage firms after January 1, 2008.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
25. Investment brokerage firms that apply the Internal Ratings Based Approach for the calculation of risk-weighted values shall ensure that by December 31, 2009 their own funds are at any time above the amounts indicated in Paragraphs 27, 28 and 29 of the Transitional Provisions hereof or equal these amounts.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
26. Investment brokerage firms that apply the Advanced Measurement Approach for the calculation of the capital requirements for operational risk shall ensure that from January 1, 2008 until December 31, 2009 their own funds are at any time above the amounts indicated in Paragraphs 28 and 29 of the Transitional Provisions hereof or equal these amounts.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
27. By December 31, 2007, the own funds of an investment brokerage firm shall be at least 95 percent of the minimum own funds calculated in accordance with the procedure for the capital adequacy calculation established by the Commission.

(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
28. From January 1 until December 31, 2008, the own funds of an investment brokerage firm shall be at least 90 percent of the minimum own funds calculated in accordance with the procedure for the capital adequacy calculation established by the Commission.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
29. From January 1 until December 31, 2009, the own funds of an investment brokerage firm shall be at least 80 percent of the minimum own funds calculated in accordance with the procedure for the capital adequacy calculation established by the Commission.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
30. To fulfill the requirements of Paragraphs 25, 26, 27, 28 and 29 of the Transitional Provisions hereof, an investment brokerage firm shall calculate the performance indicators on an individual basis or at the level of the consolidation group in accordance with Articles 1233 and 1234 hereof.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
31. By December 31, 2007 an investment brokerage firm shall be entitled to calculate the capital requirements for credit risk and counterparty risk, as set out in Article 121 hereof, by using the Standardized Approach, provided that it applies the procedure for the capital adequacy calculation established by the Commission.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
32. Where an investment brokerage firm makes use of the option set out in Paragraph 31 of the Transitional Provisions hereof, by December 31, 2007 it shall be entitled to calculate the capital requirements for position risk on debt securities and equity securities, as set out in Article 121 hereof by applying the procedure for the capital adequacy calculation established by the Commission.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
33. Where an investment brokerage firm makes use of the option set out in Paragraph 31 of the Transitional Provisions hereof, it shall be exempt from the requirements of Articles 1231 and 1232 hereof by December 31, 2007.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
34. When making use of the option set out in Paragraph 31 of the Transitional Provisions hereof, an investment brokerage firm shall reduce the capital requirements for operational risk, as set out in Subparagraph 4 of Paragraph 1 of Article 121 hereof for the amount that has been determined as a ratio of the total value of exposures to the total value of exposures subject to credit risk, for which the capital requirements for credit risk are calculated in accordance with Paragraph 31 of the Transitional Provisions hereof.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
35. Where the risk-weighted value of all exposures is calculated in accordance with Paragraph 31 of the Transitional Provisions hereof, an investment brokerage firm shall ensure compliance with the limits on large exposures and on exposures with the persons linked to the investment brokerage firm in accordance with the procedure established by the Commission before these amendments taking effect.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
36. Subparagraph 10 of Paragraph 1 of Article 124 hereof shall take effect on November 1, 2007.
(In the wording of the Law of March 29, 2007 taking effect on May 1, 2007)
37. An issuer whose financial instruments are admitted to trading on the regulated market, shall submit to the Commission, by February 1, 2008, the following:
1) internal rules developed by the issuer on compiling and maintaining the list of holders of inside information and the procedure whereby the persons included in the list of holders of inside information are entitled to make transactions in the financial

instruments or commodity derivatives of that issuer;
2) the list of holders of inside information in accordance with the requirements of Paragraphs 2 and 3 of Article 86 hereof. The list shall include historic information on the former holders of inside information as of establishing the list and the topical information on the existing holders of inside information. In respect of the existing holders of inside information, the year and the date of including the person in the list shall be indicated and in respect of the former holders of inside information the year and the date of including the person in the list shall be indicated along with the year and the date from which inside information of the issuer is not longer available to the person.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)
38. By February 1, 2008, investment brokerage firms that have obtained a licence from the Commission for the provision of investment services, and credit institutions that have obtained the right to provide investment services in due course of this Law shall develop the policy referred to in Article 1241 hereof for ensuring the status of a customer, the policy referred to in Article 127 hereof for the prevention of conflicts of interest and the policy referred to in Article 1283 hereof for the execution of orders.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)
39. By February 1, 2008, investment brokerage firms that have obtained a licence from the Commission for the provision of investment services, and credit institutions that have obtained the right to provide investment services in due course of this Law shall notify the existing customers of their status in accordance with the requirements of Article 1241 hereof.
(In the wording of the Law of October 4, 2007 taking effect on November 8, 2007)
40. Article 562 hereof takes effect on September 1, 2008 and it shall apply to the reporting periods that end on that date or after that date.
(In the wording of the Law of May 22, 2008 taking effect on June 25, 2008)
41. Capital companies whose transferable securities are admitted to trading on the regulated market shall apply the provisions of Article 541 hereof after the establishment of the audit committee. A capital company whose transferable securities are admitted to trading on the regulated market shall elect the members of the audit committee in the nearest meeting of shareholders or members/participants.
(In the wording of the Law of May 22, 2008 taking effect on June 25, 2008)
42. Amendments to Article 119 hereof shall apply to the report/accounts that were submitted to the State Revenue Service on July 1, 2008 or on a later date.
(In the wording of the Law of May 29, 2008 taking effect on July 1, 2008)
43. Where an application about an administrative act of the Financial and Capital Market Commission was filed to the Administrative Regional Court by January 1, 2009, the decision about the application filed shall be taken, the instituted administrative case reviewed and the judgment in the case taken and appealed in accordance with the provisions of the Law on Administrative Proceedings.
(In the wording of the Law of October 23, 2008 taking effect on January 1, 2009)
44. In respect of the financial years starting until January 1, 2012, an issuer whose legal address is in a foreign country, may draw up consolidated annual financial statements and consolidated interim financial statements of six months in accordance with the generally accepted accounting principles of the People's Republic of China, Canada, the Republic of Korea or the Republic of India.
(In the wording of the Law of February 26, 2009 taking effect on March 25, 2009)
45. Where the convocation of a shareholders meeting has been issued by December 31, 2009, the provisions of the Law that were in effect by December 31, 2009, shall apply to the convocation of the shareholders meeting, submission of questions and tabling of items on the agenda and the procedure of the shareholders meeting.
(In the wording of the Law of October 15, 2009 taking effect on January 1, 2010)

Reference to the European Union Directives
(In the wording of the Law of June 9, 2005, as amended by the Laws of June 15, 2006, of March 29, 2007, of October 4, 2007, of May 22, 2008, of May 29, 2008, of February 26, 2009, and of October 15, 2009;
the amendments take effect on January 1, 2010)

The Law incorporates the legal norms deriving from:
1) Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;
2) (deleted by the Law of October 4, 2007);
3) (deleted by the Law of October 4, 2007);
4) European Parliament and Council Directive 95/26/EC of 29 June 1995 amending Directives 77/780/EEC and 89/646/EEC in the field of credit institutions, Directives 73/239/EEC and 92/49/EEC in the field of non-life insurance, Directives 79/267/EEC and 92/96/EEC in the field of life assurances, Directive 93/22/EEC in the field of investment firms and Directive 85/611/EEC in the field of undertakings for collective investment in transferable securities (Ucits), with a view to reinforcing prudential supervision;
5) Directive 2000/64/EC of the European Parliament and of the Council of 7 November 2000 amending Council Directives 85/611/EEC, 92/49/EEC, 92/96/EEC and 93/22/EEC as regards exchange of information with third countries;
6) Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities
7) Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements;
8) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance
250
undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;
9) Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse);
10) Commission Directive 2003/124/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the definition and public disclosure of inside information and the definition of market manipulation;
11) Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions;
12) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids;
13) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on the regulated market and amending Directive 2001/34/EC;
14) Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions;

15) Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;
16) Directive 2006/31/EC of the European Parliament and of the Council of 5 April 2006 amending directive 2004/39/EK on markets in financial instruments, as regards certain deadlines;
17) Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
18) Commission Directive 2007/14 EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on the regulated market;
251
19) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings;
20) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;
21) First Council Directive 68/151/EEC of 9 March 1968 on co-ordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;
22) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions;
23) Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies;
24) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector;
25) Directive 2007/36/EC of the European parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies.
This Law takes effect on January 1, 2004.
The Saeima adopted this Law on November 20, 2003.
On behalf of the President of the State
I. Ūdre, Chairperson of the Saeima
Riga, December 11, 2003

ANNEX XV

ANNEX XV - EXTRACTS FROM THE CRIMINAL LAW

Chapter I

General Provisions

Section 2. Application of The Criminal Law in the Territory of Latvia

(1) The liability of a person who has committed a criminal offence in the territory of Latvia shall be determined in accordance with this Law.
(2) If a foreign diplomatic representative, or other person, who, in accordance with the laws in force or international agreements binding upon the Republic of Latvia, is not subject to the jurisdiction of the Republic of Latvia, has committed a criminal offence in the territory of Latvia, the issue of this person being held criminally liable shall be decided by diplomatic procedures or in accordance with bilateral agreements of the states.

Section 3. Applicability of The Criminal Law to Aircraft, and Sea and River Vessels Outside the Territory of Latvia

A person who has committed a criminal offence outside the territory of Latvia, on an aircraft, or a sea or river vessel or other floating means of conveyance, if this means of conveyance is registered in the Republic of Latvia and if it is not provided otherwise in international agreements binding upon the Republic of Latvia, shall be held liable in accordance with this Law.

Section 4. Applicability of The Criminal Law Outside the Territory of Latvia

(1) Latvian citizens, non-citizens and foreigners who have a permanent residence permit for the Republic of Latvia, shall be held liable, in accordance with this Law, in the territory of Latvia for an offence committed in the territory of another state or outside the territory of any state regardless of whether it has been recognised as criminal and punishable in the territory of commitment.
(2) Soldiers of the Republic of Latvia who are located outside the territory of Latvia shall be held liable for criminal offences in accordance with this Law, unless it is provided otherwise in international agreements binding upon the Republic of Latvia.
(3) Foreigners who do not have permanent residence permits for the Republic of Latvia and who have committed serious or especially serious crimes in the territory of another state which have been directed against the Republic of Latvia or against the interests of its inhabitants, shall be held criminally liable in accordance with this Law irrespective of the laws of the state in which the crime has been committed, if they have not been held criminally liable or committed to stand trial in accordance with the laws of the state where the crime was committed.
(4) Foreigners who do not have a permanent residence permit for the Republic of Latvia and who have committed a criminal offence in the territory of another state, in the cases provided for in international agreements binding upon the Republic of Latvia, irrespective of the laws of the state in which the offence has been committed, shall be held liable in accordance with this Law if they have not been held criminally liable for such offence or committed to stand trial in the territory of another state.
[17 October 2002; 16 December 2004; 21 May 2009; 21 October 2010]

Section 5. Time when The Criminal Law is In Force

(1) The criminality and punishability of an offence (act or failure to act) are determined by the law, which was in force at the time the offence was committed.

(2) A law which recognises an offence as not punishable, reduces the punishment or otherwise is beneficial to a person, as long as it is not provided otherwise by the applicable law, has retrospective effect, that is, it applies to offences which have been committed prior to the applicable law coming into force, as well as to a person who is serving a punishment or has served a punishment but regarding whom conviction remains in effect.
(3) A law, which recognises an offence as punishable, increases the punishment, or is otherwise not beneficial to a person, does not have retrospective effect.
(4) A person, who has committed a crime against humanity, a crime against peace, a war crime or has participated in genocide, shall be punishable irrespective of the time when such offence was committed.

Chapter II
Criminal Offences

Section 6. Concept of a Criminal Offence

(1) An offence (act or failure to act) committed deliberately (intentionally) or through

negligence, provided for in this Law, and for the commission of which criminal punishment is

set out, shall be considered a criminal offence.

(2) An offence (act or failure to act) which has the constituent elements of an offence set out in this Law, but has been committed in circumstances, which exclude criminal liability, shall not be considered criminal.

Section 7. Classification of Criminal Offences

(1) Criminal offences are criminal violations and crimes. Crimes are sub-divided as follows: less serious crimes, serious crimes and especially serious crimes.
(2) A criminal violation is an offence for which this Law provides for deprivation of liberty for a term not exceeding two years, or a lesser punishment.
(3) A less serious crime is an intentional offence for which this Law provides for deprivation of liberty for a term exceeding two years but not exceeding five years, or an offence, which has been committed through negligence and for which this Law provides for deprivation of liberty for a term exceeding two years, but not exceeding ten years.
(4) A serious crime is an intentional offence for which this Law provides for deprivation of liberty for a term exceeding five years but not exceeding ten years, or an offence, which has been committed through negligence and for which this Law provides for deprivation of liberty for a term exceeding ten years.
(5) An especially serious crime is an intentional offence for which this Law provides for deprivation of liberty for a term exceeding ten years, life imprisonment or the death penalty.
[21 May 2009]

Section 12. Liability of a Natural Person as the Representative of a Legal Person

(1) In a legal person matter, a natural person who has committed a criminal offence acting as an individual or as a member of the collegial institution of the relevant legal person on the basis of a right to represent the legal person, to act on behalf of or to take decisions in the name of such legal person, or realising control within the scope of the legal person or while in the service of the legal person, shall be criminally liable therefor.

(2) For legal persons, who are not public law legal persons, the coercive measures provided for in Chapter VIII.[1] of this Law may be applied.
[5 May 2005]

Section 15. Completed and Uncompleted Criminal Offences

(1) A criminal offence shall be considered completed if it has all the constituent elements of a criminal offence set out in this Law.
(2) Preparation for a crime and an attempted crime are uncompleted criminal offences.
(3) The locating of, or adaptation of, means or instrumentalities, or the intentional creation of circumstances conducive for the commission of an intentional offence, shall be considered to be preparation for a crime if, in addition, it has not been continued for reasons independent of the will of the guilty party. Criminal liability shall result only for preparation for serious or especially serious crimes.
(4) A conscious act (failure to act), which is directly dedicated to intentional commission of a crime, shall be considered to be an attempted crime if the crime has not been completed for reasons independent of the will of the guilty party.
(5) Liability for preparation for a crime or an attempted crime shall apply in accordance with the same Section of this Law as sets out liability for a specific offence.
(6) A person shall not be held criminally liable for an attempt to commit a criminal violation.

Section 19. Participation

Criminal acts committed knowingly by which two or more persons (that is, a group) jointly, knowing such, have directly committed an intentional criminal offence shall be considered to be participation (joint commission). Each of such persons is a participant (joint perpetrator) in the criminal offence.

Chapter IV

Punishment

Section 42. Confiscation of Property

(1) Confiscation of property is the compulsory alienation to State ownership without compensation of the property owned by a convicted person or parts of such. Confiscation of property may be specified as a basic punishment or as an additional punishment. Property owned by a convicted person, which he or she has transferred to another natural or legal person, may also be confiscated.
(2) Confiscation of property may be specified only in the cases provided for in the Special Part of this Law.
(3) A court, in determining partial confiscation of property, shall specifically indicate which property is to be confiscated. The court, in determining confiscation of property for a criminal offence against traffic provisions, shall apply partial confiscation of property and relate it to the vehicle. A court, in determining confiscation of property for a cruel treatment of animals, shall apply partial confiscation of property and relate it to the animals.
(4) The indispensable property of the convicted person or of his or her dependants, which may not be confiscated, is that specified by law.
[12 February 2004; 6 October 2005; 21 May 2009]

Chapter VIII[1]
Coercive Measures Applicable to Legal Persons

Section 70.[1] Basis for the Application of Coercive Measures to Legal Persons

(1) For the criminal offences provided for in the Special Part of this Law, coercive measures may be applied to a legal person, if the criminal offence has been committed in the interests of the legal person by a natural person in conformity with the provisions of Section 12, Paragraph one of this Law.
(2) Coercive measures applicable to legal persons shall not apply to State, local government and other public law legal persons.
[5 May 2005]

Section 70.[2] Types of Coercive Measures Applicable to Legal Persons

(1) For a legal person one of the following coercive measures may be specified:

1) liquidation;
2) limitation of rights;
3) confiscation of property; or
4) monetary levy.

(2) For a legal person the following additional coercive measures may be specified:
1) confiscation of property; and
2) compensation for harm caused.
(3) For the criminal violations provided for in the Special Part of this Law and less serious crimes by a legal person, as a basic coercive measure only a monetary levy may be applied, except in cases where the legal person, a branch, representation or structural unit thereof has been especially established for the committing of a criminal offence.
(4) For the serious and especially serious crimes provided for in the Special Part of this Law by a legal person, as basic coercive measures liquidation, limitation of rights, confiscation of property or monetary levy may be applied.
(5) Confiscation of property may also be applied to a legal person as an additional coercion measure, if as a result of the offence by the legal person it has gained a material benefit and as basic coercion measures limitation of rights or monetary levy has been applied to it.
(6) Compensation for harm caused may be applied as an additional coercive measure to a legal person, if as a result of the criminal offence by the legal person it has caused substantial harm or serious consequences are caused thereby.
[5 May 2005]

Section 70.[3] Liquidation

(1) Liquidation is the compulsory termination of the activities of a legal person, a branch, representation or structural unit thereof.
(2) A legal person, a branch, representation or structural unit thereof shall be liquidated only in such cases, if the legal person, a branch, representation or structural unit thereof has been especially established for the committing of a criminal offence or if a serious or especially serious crime has been committed.
(3) In liquidating a legal person, a branch, representation or structural unit thereof, all of the existing property thereof shall be alienated without compensation to the ownership of the State. Such property, which is necessary for the legal person to fulfil its obligations to employees, the State and creditors, shall not be alienated.
[5 May 2005]

Section 70.[4] Limitation of Rights

Limitation of rights is the deprivation of rights as to a specific form of entrepreneurial activity, to the acquisition of permits or rights provided for in regulatory enactments or a prohibition to perform a specific type of activity for a term of not less than one and not exceeding five years.
[5 May 2005]

Section 70.[5] Confiscation of Property

(1) Confiscation of property is the compulsory alienation to State ownership without compensation, fully or partially, of the property owned by a legal person, which may be applied as a basic coercive measure or as an additional coercive measure.
(2) A court, in determining partial confiscation of property, shall specifically indicate which property is to be confiscated.
(3) In determining full confiscation of property, the property owned by a legal person, which is necessary to fulfil its obligations to employees, the State and creditors, shall not be confiscated.
(4) Property owned by a legal person, which has been transferred to another legal or natural person, may also be confiscated.
[5 May 2005]

Section 70.[6] Monetary Levy

(1) A monetary levy is a compulsory levy, which in conformity with the seriousness of the criminal offence and the financial circumstances of a legal person, shall be determined in the amount of not less than one thousand and not exceeding ten thousand times the minimum monthly wage specified in the Republic of Latvia at the moment of the rendering of the judgment, indicating in the judgment the amount of the monetary levy in the monetary units of the Republic of Latvia.

(2) A monetary levy, which has been imposed upon a legal person, shall be paid from the funds of the legal person for the benefit of the State.
(3) If a legal person avoids the payment of the monetary levy, such coercive measure shall be implemented by compulsory procedures.
[5 May 2005]

Section 70.[7] Compensation for Harm Caused

(1) Compensation for harm caused is the compensation of the material losses caused as a result of a criminal offence, as well as the rectification of other interests protected by law and rights jeopardised.
(2) Harm shall be compensated or rectified from the funds of a legal person.
(3) If a legal person avoids the compensation for harm caused, such coercive measure shall be implemented by compulsory procedures.
[5 May 2005]

Section 70.[8] Conditions for the Application of Coercive Measures to Legal Persons

(1) In determining coercive measures, a court shall take into account the nature of the criminal offence and the harm caused.
(2) A court in applying coercive measures to a legal person shall observe the following conditions:
1) the actual actions of the legal person;
2) the status of the natural person in the institutions of the legal person;
3) the nature and consequences of the acts of the legal person;
4) measures, which the legal person has performed in order to prevent the committing of a new criminal offence; and
5) the size, type of activities and financial circumstances of the legal person.
(3) The coercive measures provided for in this Law may be applied by a court to a legal person on the basis of a proposal from the Office of the Public prosecutor.
[5 May 2005]

Chapter X
Crimes against the State

Section 88. Terrorism

(1) For a person who commits the use of explosives, use of fire, the use of nuclear chemical, chemical, biological, bacteriological, toxic or other weapons of mass destruction, mass poisoning, spreading of epidemics and epizootic diseases, kidnapping of persons, taking of hostages, hijacking of air, land or sea means of transport or other activities if they committed for the purpose of intimidating inhabitants or with the purpose of inducing the State, its institutions or international organisations to take any action or refrain therefrom, or for purposes of harming the State or the inhabitants thereof or the interests of international organisations (terrorism),
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than eight and not exceeding twenty years, with confiscation of property.
(2) For a person who commits destruction or damage to physical objects, automated data processing systems, electronic networks, as well as other objects located in the territory or the continental shelf of the State, if such activities are committed for the purpose provided for in Paragraph one of this Section,
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than eight and not exceeding twenty years, with confiscation of property.
(3) For a person who commits the acts provided for in Paragraph one or two of this Section if commission thereof is by a group of persons pursuant to previous agreement (a terrorist group),
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than ten and not exceeding twenty years, with confiscation of property.
(4) For a person who commits the establishment or leading of a terrorist group,
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than fifteen and not exceeding twenty years, with confiscation of property.
[18 May 2000; 8 December 2005; 13 December 2007/2]

Section 88.[1] Financing of Terrorism

(1) For a person who commits the direct or indirect collection or transfer of any type of acquired funds or other property for the purposes of utilising such or knowing that such will be fully or partially utilised in order to commit one or several acts of terror or in order to transfer such to the disposal of terrorist groups or individual terrorists (financing of terrorism),
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than eight and not exceeding twenty years, with confiscation of property.

(2) For a person who commits the financing of terrorism if commission thereof is by a group of persons pursuant to previous agreement or it committed on large scale,
the applicable punishment is life imprisonment or deprivation of liberty for a term of not less than fifteen and not exceeding twenty years, with confiscation of property.
[28 April 2005; 13 December 2007/2]

Section 88.[2] Invitation to Terrorism and Terrorism Threats

For a person who commits a public invitation to terrorism or threat to commit an act of terror, if there is a basis for considering that it may be committed,
the applicable punishment is deprivation of liberty for a term not exceeding eight years.
[13 December 2007/2]

Section 88.[3] Recruitment and Training of Persons for the Commitment of Acts of Terror

For a person who commits the recruitment or training of persons for the commitment of acts of terror,
the applicable punishment is deprivation of liberty for a term of not exceeding ten years, with or without confiscation of property.
[13 December 2007/2]

Section 89.[1] Criminal Organisation

(1) For a person who commits the establishment of such a criminal organisation (association), in the composition of which are at least five persons, for the purpose of committing especially serious crimes against humanity or peace, war crimes, to commit genocide or to commit especially serious crimes against the State, as well as for involvement in such an organisation or in an organised group included within such organisation or other criminal formation,
the applicable punishment is deprivation of liberty for a term of not less than eight and not exceeding seventeen years, with confiscation of property.
(2) For a person who commits the leading of a criminal organisation or participates in the committing of the crimes provided for in Paragraph one of this Section by such an organisation,
the applicable punishment is deprivation of liberty for a term of not less than ten and not exceeding twelve years or life imprisonment, with confiscation of property.
[25 April 2002]

Chapter XVIII
Criminal Offences against Property

Section 177. Fraud

(1) For a person who commits acquiring property of another, or of rights to such property, by the use, in bad faith, of trust, or by deceit (fraud),
the applicable punishment is deprivation of liberty for a term not exceeding three years, or custodial arrest, or community service, or a fine not exceeding sixty times the minimum monthly wage.
(2) For a person who commits fraud, if commission thereof is repeated, or by a group of persons pursuant to prior agreement,
the applicable punishment is deprivation of liberty for a term not exceeding six years, or with confiscation of property, or a fine not exceeding one hundred times the minimum monthly wage.
(3) For a person who commits fraud, if it has been committed on a large scale, or has been committed in an organised group, or it has been committed, acquiring narcotic, psychotropic,

powerfully acting, poisonous or radioactive substances or explosive substances, firearms or ammunition,
the applicable punishment is deprivation of liberty for a term of not less than five years and not exceeding thirteen years, or a fine not exceeding one hundred and fifty times the minimum monthly wage, with or without confiscation of property, and with or without police supervision for a term not exceeding three years.
[12 February 2004; 13 December 2007/2]

Section 177.[1] Fraud in an Automated Data Processing System

(1) For a person who commits the knowingly entering of false data into an automated data processing system for the acquisition of the property of another person or the rights to such property, or the acquisition of other material benefits, in order to influence the operation of the resources thereof (computer fraud),
the applicable punishment is deprivation of liberty for a term not exceeding five years or custodial arrest, or community service, or a fine not exceeding eighty times the minimum monthly wage.
(2) For a person who commits computer fraud, if commission thereof is repeated, or by a group of persons pursuant to prior agreement,
the applicable punishment is deprivation of liberty for a term not exceeding eight years or with confiscation of property, or a fine not exceeding one hundred and fifty times the minimum monthly wage.
(3) For a person who commits computer fraud, if it has been committed on a large scale or if it has been committed in an organised group,
the applicable punishment is deprivation of liberty for a term of not less than five years and not exceeding fifteen years, or a fine not exceeding two hundred times the minimum monthly wage, with or without confiscation of property, and with or without police supervision for a term not exceeding three years.
[28 April 2005; 13 December 2007/2]

Chapter XIX
Criminal Offences of an Economic Nature

Section 195. Laundering of the Proceeds from Crime

(1) For a person who commits laundering of criminally acquired financial resources or other property,
the applicable punishment is deprivation of liberty for a term not exceeding three years, or a fine not exceeding one hundred times the minimum monthly wage, with or without confiscation of property.
(2) For a person who commits the same acts, if the commission thereof is repeated or if committed by a group of persons pursuant to prior agreement,
the applicable punishment is deprivation of liberty for a term of not less than three and not exceeding eight years, with confiscation of property
(3) For a person who commits the acts provided for by Paragraph one or two of this Section, if commission thereof is on a large scale, or if commission thereof is in an organised group,
the applicable punishment is deprivation of liberty for a term of not less than five and not exceeding twelve years, with confiscation of property, and with or without police supervision for a term not exceeding three years.
[25 April 2002; 28 April 2005; 13 December 2007/2]

Section 195.[1] Knowingly Providing False Information regarding Ownership of Resources

(1) For a person who commits knowingly providing false information to a natural or legal person which is not a State institution and which is authorised by law to request information regarding transactions and the financial resources involved therein or the true owner of other property or the true beneficiary,
the applicable punishment is custodial arrest or community service, or a fine not exceeding forty times the minimum monthly wage.
(2) For a person who commits the same acts, if commission thereof is repeated, or by them substantial harm is caused to the State or business, or to the rights and interests of other persons protected by law,
the applicable punishment is deprivation of liberty for a term not exceeding three years, or a fine not exceeding one hundred times the minimum monthly wage.
[28 April 2005]

Section 195.[2] Avoidance of Declaring of Cash

(1) For a person who commits the non-declaration or false declaration of cash as specified in regulatory enactments, which in crossing the State border of the Republic of Latvia is brought into the customs territory of the European Union or taken out thereof, if commission thereof is repeated within one year,

the applicable punishment is deprivation of liberty for a term not exceeding two years, or a fine not exceeding one hundred times the minimum monthly wage.
(2) For a person who commits the non-declaration or false declaration of cash as specified in regulatory enactments, which in crossing the State border of the Republic of Latvia is brought into the customs territory of the European Union or taken out thereof, if commission thereof criminally acquired cash or if commission thereof is in an organised group,
the applicable punishment is deprivation of liberty for a term not exceeding five years, or a fine

not exceeding two hundred times the minimum monthly wage.

[8 December 2005]

Section 207. Entrepreneurial Activities without Registration or a Permit (Licence)

(1) For a person who commits engaging in entrepreneurial activities, without registration or without a special permit (licence) where the requirement for such is prescribed by law, or commits continuing operation of an undertaking (company) after issue of an order for suspension of its operation, if commission of such acts is repeated within a one year period,
the applicable punishment is deprivation of liberty for a term not exceeding two years, or custodial arrest, or community service, or a fine not exceeding one hundred times the minimum monthly wage, with or without deprivation of the right to engage in entrepreneurial activity for a term not exceeding three years.
(2) For a person who commits engaging in entrepreneurial activity, without registration or without a special permit (licence) where the requirement for such is provided for by law, or commits continuing operation of an undertaking (company) after issue of an order for suspension of its operation, if substantial harm has been caused, by such entrepreneurial activity or continuation of operation, to the State, or to the rights and interests protected by law of a person,
the applicable punishment is deprivation of liberty for a term not exceeding five years or confiscation of property, or community service, or a fine not exceeding one hundred and fifty times the minimum monthly wage, with or without deprivation of the right to engage in entrepreneurial activity for a term of not less than two years and not exceeding five years.
[12 February 2004]

Section 218. Evasion of Tax Payments and Payments Equivalent Thereto

(1) For a person who commits evasion of tax payments and payments equivalent thereto or commits concealing or reducing income, profits and other items subject to tax, if commission of such acts is repeated within a year,
the applicable punishment is deprivation of liberty for a term not exceeding three years, or custodial arrest, or community service, or a fine not exceeding eighty times the minimum monthly wage, with or without deprivation of the right to engage in entrepreneurial activity for a term of not less than two years and not exceeding five years.
(2) For a person who commits evasion of tax payments and payments equivalent thereto or of concealing or reducing income, profits and other items subject to tax, if losses on a large scale are caused thereby to the State or local government,
the applicable punishment is deprivation of liberty for a term not exceeding five years, or community service, or a fine not exceeding one hundred and twenty times the minimum monthly wage, with or without confiscation of property, and with or without deprivation of the right to engage in entrepreneurial activity for a term of not less than two years and not exceeding five years.
(3) For a person who commits the acts provided for by Paragraph two of this Section, if commission thereof is in an organised group,
the applicable punishment is deprivation of liberty for a term of not less than five and not exceeding fifteen years, with confiscation of property, deprivation of the right to engage in entrepreneurial activity for a term of not less than two years and not exceeding five years, and with police supervision for a term not exceeding three years.
[12 February 2004; 13 December 2007/2]

Chapter XXII

Criminal Offences against Administrative Order

Section 272. Failing to Provide Requested Information and Providing False Information

(1) For a person who commits failing to make timely provision of requested information to a State institution authorised by law to request information, if commission thereof is repeated within a one year period,
the applicable punishment is custodial arrest, or community service, or a fine not exceeding thirty times the minimum monthly wage.
(2) For a person who knowingly commits providing false information to a State institution authorised by law to request information, including a parliamentary investigation commission,
the applicable punishment is deprivation of liberty for a term not exceeding two years or community service, or a fine not exceeding fifty times the minimum monthly wage.
(3) For a person who commits refusal to give an explanation, opinion or translations in a parliamentary investigation commission,
the applicable punishment is deprivation of liberty for a term not exceeding one year, or community service, or a fine not exceeding fifty times the minimum monthly wage.
[18 December 2003; 12 February 2004]

ANNEX XVI

ANNEX XVI - EXTRACTS FROM THE CRIMINAL PROCEDURAL LAW

Chapter 8
Immunity from Criminal Proceedings

Section 121. Professional Secrets Protected by Criminal Proceedings

(1) The rights to not testify shall not be restricted, and personal notes shall not be seized, for the following persons:

1) a clergyman, regarding information that has been discovered in a confession;

2) a defence counsel and an advocate who has provided legal assistance in any form, regarding information the confidentiality of which has been entrusted to him or her by a defendant;

3) an interpreter who has been retained by an advocate for ensuring defence rights, and regarding whom such advocate has informed a person directing the proceedings, indicating the following necessary information regarding the interpreter: given name, surname, personal identity number, and place of practice or declared place of residence.

(2) The following shall be permitted only with the permission of three judges of the Senate of the Supreme Court:

1) to interrogate a judge and to withdraw his or her personal notes regarding a secret of the deliberations room; and

2) to interrogate, withdraw documents, and request information regarding employees who perform direct detective operations in a criminal environment, intelligence or counterintelligence in foreign states.

(3) The permission of an investigating judge shall be necessary:

1) for the inspection and withdrawal of secret or top secret documents containing State secrets;

2) the inspection and withdrawal of an unopened will, and the interrogation of persons who have approved such will regarding the will; and

3) in order to interrogate an employee and a person who performs investigatory activities on behalf of a person directing the proceedings or an investigating institution if such persons do not wish to provide testimony.

(4) A medical institution shall provide information regarding a patient only on the basis of a written request of a person directing the proceedings.

(5) Undisclosable information or documents, which contain such information and are at the disposal of credit institutions or financial institutions, shall be requested in pre-trial proceedings only with the decision of an investigating judge. Transactions in the accounts of clients of credit institutions or financial institutions shall be monitored in pre-trial proceedings for a certain time period only with the permission of an investigating judge. Transaction in the account of a client of a credit institution or financial institution may be monitored for a period of time up to three months, but, if necessary, the investigating judge may extend the time period for a period of time up to three months.

[19 January 2006; 14 January 2010]

Chapter 9
Proving and Evidence

Section 127. Evidence

(1) Evidence in criminal proceedings is any information acquired in accordance with the procedure provided for in the Law, and fixed in a specific procedural form, regarding facts that

persons involved in the criminal proceedings use, in the framework of the competence thereof, in order to justify the existence or non-existence of conditions included in an object of evidence.
(2) Persons involved in criminal proceedings may use as evidence only reliable, attributable, and admissible information regarding facts.
(3) Information regarding facts acquired in investigative action measures, and information that has been recorded with the assistance of technical means, shall be used as evidence only if it is possible to examine such information in accordance with the procedures specified in this Law.
(4) If the information referred to in Paragraph three of this Section is used as evidence in criminal proceedings, a reference shall be appended thereto regarding which institution, when and for what time period has accepted the performance of investigative action measures. A reference shall be issued to the person directing the proceedings by the head of the institution which has accepted the performance of the investigative action measure or an official authorised by him or her.
[12 March 2009]

Section 134. Material Evidence

(1) Material evidence in criminal proceedings may be any thing that was used as an instrumentality or object for committing a criminal offence, or that has preserved traces of a criminal offence, or contains information in any other way regarding facts and is usable in proving. The same thing may be a material evidence in several criminal proceedings.
(2) If a thing is to be used in proving in connection with the thematic information included therein, such thing shall be considered not as material evidence, but rather as a document.
[12 March 2009]

Section 135. Documents

(1) A document may be evidence in criminal proceedings, if such document is to be used in proving only in connection with the thematic information contained therein.
(2) A document may contain information regarding facts in writing or in another form. Computerised information media, and recordings made with sound- and image-recording technical means, the thematically recorded information in which may be used as evidence shall also be considered documents, within the meaning of evidence, in criminal proceedings.

Section 136. Electronic Evidence

Evidence in criminal proceedings may be information regarding facts in the form of electronic information that has been processed, stored, or broadcast with automated data processing devices or systems.

Section 137. Information Acquired by Investigative Actions

Evidence in criminal proceedings may be information regarding facts that has been fixed in the minutes of investigative actions, or recorded in other forms specified in this Law.

Chapter 10
Investigative Actions

Section 145. Interrogation

Interrogation is an investigative action the content of which is the acquisition of information from a person to be interrogated.

Section 146. Summons to an Interrogation

(1) A person shall be summoned to an interrogation with a summons or in some other way, informing the person regarding who is summoning such person, the case in which such person is being summoned to provide testimony and the consequences of not attending.
(2) A person arrested shall be summoned to an interrogation through the intermediation of the institution in which such person is held. A person arrested may also be interrogated in such institution.
(3) A minor shall usually be summoned to an interrogation through the intermediation of his or her lawful representative, educational institution, or Orphan's Court (parish court). If conditions exist that justifiably prohibit or hinder the use of such summoning procedure, the minor shall be summoned without using the referred to intermediation.
(4) A person for whom special protection has been specified shall be summoned to an interrogation through the intermediation of the institution that ensures the special protection of such person.
[12 March 2009]

Section 147. Interrogation Procedure

(1) Interrogation shall begin with the ascertaining of the identity of the person to be interrogated and the languages to be used in the interrogation. It shall be ascertained whether the person being interrogated understands the language in which the proceedings are taking place, and the language in which he or she can testify.
(2) A performer of an investigative action shall explain to a person being interrogated the rights and duties provided for him or her in this Law.
(3) The data of a person to be interrogated – his or her given name, surname, and personal identity number –are a component of a testimony.
(4) If a testimony is related to numbers, dates, and other information that is difficult to remember, a person being interrogated has the right to use his or her documents and notes, as well as to read such documents and notes. The notes of the person being interrogated may be appended to the case.
(5) During the course of an interrogation, a person being interrogated may be presented with the objects, documents, and sound and image recordings appended to a case, and documents may be read to him or her or recordings played for him or her, regarding which a note shall be made in the minutes. Materials shall be presented only after the testimonies in the relevant matter of a person being interrogated have been recorded in the minutes.
(6) The reading of prior testimony of a person being interrogated shall be allowed if:
1) there are substantial contradictions between prior testimony and current testimony;
2) the person being interrogated refuses to testify; or
3) the case is being adjudicated in court in the absence of the person being interrogated.
(7) If special procedural protection has been specified for a person, the provisions of Section 308 of this Law shall be complied with in an interrogation thereof.

Section 159. Inspection

(1) An inspection is an investigative action during the course of which the performer of the investigative action directly detects, determines, and records the features of an object, if the possibility exists that such object is related to the criminal offence being investigated.
(2) In order to find traces of a criminal offence, and to ascertain other significant conditions, a visual inspection may be performed of the site of the event, the terrain, the premises, vehicle, item, document, corpse, animal, or another object.

Section 169. Examination Procedures

(1) Examination shall take place in compliance with the provisions of an inspection, except for that which is indicated in this Section.
(2) If an examination is related to the denuding of the body of the person to be examined, but the executor of the investigative action is a person of the opposite sex, the performer of the investigative action shall assign a medical specialist to perform such operation. Minutes shall be written by the performer of the investigative action with the participation of the medical specialist who performed the examination.

Section 179. Searches

(1) A search is an investigative action whose content is the search by force of premises, terrain, vehicles, and individual persons for the purpose of finding and removing the object being sought, if there are reasonable grounds for believing that the object being sought is located in the site of the search.
(2) A search shall be conducted for the purpose of finding objects, documents, corpses, or persons being sought that are significant in criminal proceedings.

Section 183. Search of a Person

(1) If there are sufficient grounds for believing that objects or documents that are significant for criminal proceedings are located in the clothing of a person, in the property in his or her presence, on his or her body, or in the open cavities of his or her body, a search of such person may be conducted.
(2) A search of a person may be conducted only by an official of the same sex as such person, inviting a medical practitioner to be present if necessary, regardless of his or her sex.

Section 184. Search in the Premises of Diplomatic or Consular Representative Offices

(1) A search in the premises of a diplomatic or consular representative office, or in premises used by the parliamentary and governmental official delegations and missions of foreign states, may be conducted only on the basis of a request of the head of such representative office, delegation, or mission, or with his or her consent.
(2) A search of premises wherein reside the employees of the diplomatic representative offices of foreign states and other institutions of foreign states, as well as the members of the parliamentary and governmental official delegations and missions of foreign states who enjoy diplomatic immunity in accordance with the international agreements binding on Latvia, and the family members thereof, and a search of such employees, members, and the family members thereof, may be conducted only on the basis of a request thereof and with the consent thereof.
(3) A person directing the proceedings shall request the consent referred to in this Section with the intermediation of the Ministry of Foreign Affairs of the Republic of Latvia.
(4) The presence of a representative of the Ministry of Foreign Affairs is mandatory in the conducting of a search in the premises of a diplomatic or consular representative office.

Section 185. Issuance of a Copy of the Minutes of a Search

A copy of the minutes of a search shall be issued to the person at whose site such investigative action was conducted, or to another person referred to in Section 181, Paragraphs one and two of this Law.

Section 186. Seizure

Seizure is an investigative action whose content is the removal of objects or documents significant to a case, if the performer of the investigative action knows where or by whom the

concrete object or document is located and a search for such object or document is not necessary, or such object or document is located in a publicly accessible place.

Section 187. Decision on Seizure

(1) A seizure shall be conducted with the decision of a person directing the proceedings.
(2) A decision on a seizure shall indicate who will seize an object or document, where, with whom, in what case, and the objects and documents that will be seized.

Section 188. Seizure Procedures

(1) In commencing a seizure, the performer of the investigative action shall issue a copy of the decision on the seizure to the person at whose site the seizure is taking place. Such person shall sign regarding such acquainting in the decision. Then the performer of the investigative action shall summon such person to voluntarily issue the object being seized. The person shall sign therefor in the decision. Then the performer of the investigative action shall invite the person to issue the object being seized without delay.
(2) Seized objects or documents shall be described in the minutes of the seizure.
(3) A copy of the minutes of a seizure shall be issued, after the completion of the investigative action, to the person at whose site the seizure was conducted.
(4) If a person refuses to issue an object to be seized, or if the object or document to be seized cannot be found in the indicated location and there is reason to believe that such object or document is located elsewhere, a decision on the conducting of a search may be taken in accordance with the procedures specified in Section 180 of this Law, and the search may be conducted in order to find such object or document.
[14 January 2010; 21 October 2010]

Section 189. Submission of Objects and Documents on the basis of the Initiative of a Person

(1) Persons are entitled to submit to a person directing the proceedings objects and documents that such persons believe may be significant in the criminal proceedings.
(2) The fact of submission shall be recorded in the minutes, which shall indicate the identifying features of the objects or documents, as well as an explanation by the submitter regarding the circumstances of the origination or acquisition of the object.
(3) If a person submits an object or document during an investigative action, such submission shall be recorded in the minutes of such investigative action.
(4) If it has been ascertained that a submitted object or document does not have any significance in criminal proceedings, such object or document shall be returned to the submitter.

Section 190. Submission of Objects and Documents Requested by a Person Directing the Proceedings

(1) A person directing the proceedings, without conducting the seizure provided for in Section 186 of this Law, is entitled to request from natural or legal persons, in writing, objects, documents and information regarding the facts that are significant to criminal proceedings, including in the form of electronic information and document that is processed, stored or transmitted using electronic information systems.
(2) If natural or legal persons do not submit the objects and documents requested by a person directing the proceedings during the term specified by such person directing the proceedings, the person directing the proceedings shall conduct a seizure or search in accordance with the procedures specified in this Law.

(3) The heads of legal persons have a duty to perform a documentary audit, inventory, or departmental or service examination within the framework of the competence thereof and on the basis of a request of a person directing the proceedings, and to submit documents, within a specific term, together with the relevant additions regarding the fulfilled request.
(4) [19 January 2006]
(5) If a document or object significant to criminal proceedings is located in any administrative case, civil case or another criminal case, a person directing the proceedings shall request it from the holder of the relevant case. The original of a document or object shall be issued only temporarily for conducting of an expert-examination, but in other cases a certified copy of a document or image of an object shall be issued.
[19 January 2006; 12 March 2009; 14 January 2010]

Section 191. Storage of Data located in an Electronic Information System

(1) A person directing the proceedings may assign, with a decision thereof, the owner, possessor or keeper of an electronic information system (that is, a natural or legal person who processes, stores or transmits data via electronic information systems, including a merchant of electronic communications) to immediately ensure the storage, in an unchanged state, of the totality of the specific data (the retention of which is not specified by law) necessary for the needs of criminal proceedings that is located in the possession thereof, and the inaccessibility of such data to other users of the system.
(2) The duty to store data may be specified for a term of up to thirty days, but such term may be extended, if necessary, by an investigating judge by a term of up to thirty days.
[12 March 2009; 14 January 2010]

Section 192. Disclosure and Issue of Data Stored in an Electronic Information System

(1) During the pre-trial criminal proceedings an investigator with the consent of a public prosecutor or a data subject and a public prosecutor with the consent of a higher-ranking prosecutor or a data subject may request, that the merchant of an electronic information system disclose and issue the data to be stored in the information system in accordance with the procedures specified in the Electronic Communications Law.
(2) During the pre-trial criminal proceedings the person directing the proceedings may request in writing, based on a decision of an investigating judge or with the consent of a data subject, that the owner, possessor or keeper of an electronic information system disclose and issue the data stored in accordance with the procedures provided for in Section 191 of this Law.
(3) In adjudicating a criminal case, a judge or the court panel may request that a merchant of electronic communications discloses and issues the data to be stored in accordance with the procedures specified by the Electronic Communications Law or that the owner, possessor or keeper of an electronic information system disclose and issue the data stored in accordance with the procedures provided for in Section 191 of this Law.
[14 January 2010]

Chapter 11
Special Investigative Actions

Section 219. Control of Data Located in an Automated Data Processing System

(1) The search of an automated data processing system (a part thereof), the data accumulated therein, the data environment, and the access thereto, as well as the removal thereof without the information of the owner, possessor, or maintainer of such system or data shall be performed, based on a decision of an investigating judge, if there are grounds for believing that the

information located in the concrete system may contain information regarding facts included in circumstances to be proven.
(2) If there are grounds for believing that sought data (information) is being stored in a system, located in another territory of Latvia, that may be accessed in an authorised manner by using the system referred to in a decision of an investigating judge, a new decision shall not be necessary.
(3) A person directing the proceedings may request, for the commencement of an investigative action, that the person who oversees the functioning of a system or performs duties related to data processing, storage or transmission provide the necessary information, ensure the completeness of the information and technical resources present in the system and make the data to be controlled unavailable to other users. A person directing the proceedings may prohibit such person to perform other actions with data subject to control, as well as shall notify such person regarding the non-disclosure of an investigative secret.
(4) In a decision on the control of data present in an automated data processing system an investigating judge may allow a person directing the proceedings to remove or store otherwise the resources of an automated data processing system, as well as to make copies of these resources.
[12 March 2009]

Chapter 12
Actions with Material Evidence and Documents

Section 240. Definitive Action with Material Evidence and Documents

(1) A judgment or decision on the termination of criminal proceedings shall indicate what shall be done with material evidence and documents, that is:

1) property and documents shall be returned to the owners or lawful possessors thereof;

2) the instrumentalities of a criminal offence owned by a suspect or accused shall be confiscated, but if they do not have any value – destroyed;

3) criminally obtained property and documents shall be confiscated;

4) objects the circulation of which is prohibited shall be transferred to the relevant institutions or destroyed;

5) objects that do not have any value shall be issued to interested persons upon their request, or destroyed;

6) objects which were intended or had been used for commission of a criminal offence shall be confiscated, but if they do not have any value – destroyed.

(2) In deciding on return of material evidence to the owner or lawful possessor thereof, action with the material evidence shall be determined concurrently in case the owner or lawful possessor will not have removed the relevant evidence within two months from the date when a notification was sent.
(3) If material evidence must be returned to the owner or lawful possessor thereof, the person directing the proceedings shall, not later than within 14 days after entering into effect of a judgment or decision regarding termination of the criminal proceedings, notify thereof the owner or lawful possessor of the material evidence and the institution, which ensures storage of the material evidence.
(4) If the owner or lawful possessor of the material evidence has not removed the relevant material evidence within two months from the date when a notification was sent, the material evidence shall be destroyed or put up for sale according to that indicated in the judgment or decision.
(5) If material evidence must be returned to the owner or lawful possessor thereof, however, it is not possible to do so, the owner shall be compensated with an object of the same sort and the same quality, or also paid the value that exists at the time of compensation. It shall not apply to cases when material evidence has been destroyed or put up for sale in accordance with the conditions of Paragraph four of this Section.

(6) The Cabinet shall determine the procedures for putting up for sale or destruction of material evidence in the cases specified in Paragraphs one and four of this Section.
(7) If a criminal offence has been committed with an instrumentality owned by other person, another property of a suspect or accused may be subject to confiscation or financial resources may be collected in a value of the instrumentality of a criminal offence.
[21 October 2010]

Chapter 27
Actions with Criminally Acquired Property

Section 355. Criminally Acquired Property

(1) Property shall be recognised as criminally acquired, if such property directly or indirectly has come into the property or possession of a person as a result of a criminal offence.
(2) If the opposite has not been proven, property, including financial resources, shall be recognised as criminally acquired if such property or resources belong to a person who:

1) is a member of an organised criminal group, or supports such group;

2) has him or herself engaged in terrorist activities, or maintains permanent relations with a person who is involved in terrorist activities;

3) has him or herself engaged in the trafficking of human beings, or maintains permanent relations with a person who is engaged in the trafficking of human beings;

4) has him or herself engaged in criminal activities with narcotic or psychotropic substances, or maintains permanent relations with a person who is engaged in such activities;

5) has him or herself engaged in criminal activities with counterfeit currency, State financial instruments or maintains constant relations with a person who is involved in such activities;

6) has him or herself engaged in criminal activities in order to cross the State boundary or to promote relocation of another person across the State boundary, or to ensure a possibility to other persons to reside illegally in the Republic of Latvia, or maintains constant relations with a person who is involved in such activities;

7) has him or herself engaged in criminal activities in relation to child pornography or sexual abuse of children, or maintains constant relations with a person who is involved in such activities.

(3) Within the meaning of this Section, the maintenance of permanent relations with another person who is engaged in specific criminal activities means that the person lives together with a second person or controls, determines, or influences the behaviour thereof.
[29 June 2008; 12 March 2009]

Section 356. Recognition of Property as Criminally Acquired

(1) Property may be recognised as criminally acquired by a court adjudication that has entered into effect, or by a decision of a public prosecutor regarding the termination of criminal proceedings.
(2) During pre-trial criminal proceedings, property may also be recognised as criminally acquired by:

1) a decision of a district (city) court in accordance with the procedures specified in Chapter 59 of this Law, if a person directing the proceedings has sufficient evidence that does not cause any doubt regarding the criminal origins of the property or the relation of the property to a criminal offence;

2) a decision of a person directing the proceedings, if, during a pre-trial criminal proceedings, property was found with and seized from a suspect, accused, or third person in relation to which property the owner or lawful possessor thereof had previously submitted a loss

of property, and, after the finding thereof, has proven his or her rights to such property, eliminating any reasonable doubt.
[12 March 2009; 21 October 2010]

Section 357. Returning of Criminally Acquired Property

(1) Property shall be returned, on the basis of ownership, to the owner or lawful possessor thereof by a decision of a person directing the proceedings, after the storage of such property is not longer necessary for the achievement of the purpose of criminal proceedings.
(2) Property, the circulation of which is prohibited by law and which, as a result of such prohibition, is located in the possession of a person illegally, shall not be returned to such possessor, but rather transferred to the relevant State authority, with a decision of a person directing the proceedings, or to a legal person that is entitled to obtain and use such property.
(3) Property, also financial resources the origin of which is the State resources used for disclosure of a criminal offence, shall be returned to the legal possessor or recovered for the benefit of him or her. If such property is alienated, destroyed or concealed and it is not possible to return it, other property, also financial resources, may be subjected for such recovering in the value of the property to be returned.
[12 March 2009]

Section 358. Confiscation of Criminally Acquired Property

(1) Criminally acquired property shall be confiscated with a court decision, if the further storage of such property is not necessary for the achievement of the purpose of criminal proceedings and if such property does not need to be returned to the owner of lawful possessor, and acquired financial resources shall be included in the State budget.
(2) If criminally acquired property has been alienated, destroyed, concealed or disguised, and the confiscation of such property is not possible, other property, and financial resources, at the value of the property being confiscated may be subjected to confiscation or recovery.
(3) If an accused does not have property that may be subjected to the confiscation referred to in Paragraph two of this Section, the following may be confiscated:

1) property that the accused person after the committing of the criminal offence has alienated to a third person without corresponding consideration;

2) the property of the spouse of the accused person, if separate ownership of the property of the spouses was not specified at least one year before the commencement of the criminal offence;

3) the property of another person, if the accused has a common (undivided) household with such person.

(4) The following shall be included in the State budget:

1) resources that have been acquired in realising confiscated property or property, in accordance with the procedures specified in regulatory enactments, the ownership of which has not been ascertained or the owner of which does not have lawful right to such property, or the owner or lawful possessor of which has refused such property;

2) resources that a person has acquired from the realisation of property, knowing the criminal origins of such property;

3) yield acquired as a result of the use of criminally acquired property;

4) confiscated financial resources;

5) financial benefits, or material benefits of another nature, that a State official has accepted as a bribe.

[17 May 2007; 12 March 2009; 14 January 2010]

Section 359. Use of the Resources from the Realisation of Criminally Acquired Property

If a victim has requested compensation for harm, and the resources referred to in Section 358, Paragraph four of this Law have been acquired in concrete criminal proceedings, such resources shall be used first for the ensuring and payment of the requested compensation.

Section 360. Rights of Third Persons

(1) If criminally acquired property has been found on a third person, such property shall be returned, on the basis of ownership, to the owner or lawful possessor thereof.
(2) If criminally acquired property has been returned to the owner or lawful possessor thereof, the third person who acquired such property, or pledge, in good faith has the right to submit a claim, in accordance with civil procedures, regarding compensation for the loss, including against an accused or convicted person.

Chapter 28
Ensuring of a Solution to Financial Matters

Section 361. Imposition of an Attachment on Property

(1) In order to ensure the solution of financial matters in criminal proceedings, as well as the possible confiscation of property, an attachment shall be imposed in criminal proceedings on the property of a detained person, suspect, or accused, and also on property due to such person from other persons, or the property of persons who are materially liable for the actions of the suspect or accused. An attachment may be imposed as well on property in order to ensure the collection of the value of an instrumentality of criminal offence to be confiscated, if such instrumentality is owned by another person. An attachment may also be imposed on criminally acquired property, or property related to criminal proceedings, that is located with other persons.
(1^1) An attachment may be imposed on property, also on financial resources, in the value of criminally acquired property, as well as on the yield acquired as a result of the use of criminally acquired property.
(2) An attachment may also be imposed on property in proceedings regarding the application of compulsory measures on legal persons, and regarding the determination of compulsory measures of a medical nature, if the ensuring of a solution to financial matters in criminal proceedings, a possible recovery of money, or a confiscation of property is necessary.
(3) In pre-trial proceedings, an attachment shall be imposed on property with a decision of a person directing the proceedings that has been approved by an investigating judge, but during a trial a court shall take a decision.
(4) In emergency cases when property may be alienated, destroyed, or hidden due to a delay, a person directing the proceedings may imposed an attachment on the property with the consent of a public prosecutor. A person directing the proceedings shall notify an investigating judge regarding the imposed attachment not later than on the next working day by presenting the protocol and other materials that justify the necessity and emergency of the attachment. If the investigating judge does not approve the decision of the person directing the proceedings regarding the imposition of the attachment on property, the attachment shall be seized from the property.
(5) A decision on the imposition of an attachment on property shall indicate the purpose for the imposition of the attachment and the person who owns the property upon which the attachment has been imposed, and, if the amount of the financial matter to be solved is known, the necessary ensuring sum shall also be indicated.
(6) A person directing the proceedings may assign the State police the execution of an attachment, and shall notify the relevant public register wherein the right to such property have been registered regarding the attachment of property, so that such register may register a

prohibition on alienating such property and on burdening such property with other case or obligation rights. A certified copy of a decision shall be sent to a public register.
(7) If a mortgage pledge or other pledge, which has been specified by law and should be registered, was registered in relation to property before an attachment was imposed, actions with the pledged property may take place only after co-ordination with a person directing the proceedings. If such property has been recognised by a court decision as criminally acquired, the attachment of the property has priority in relation to the pledge.
(8) An attachment shall not be imposed on basic necessity objects used by the person upon whose property the attachment is being imposed, or by the family members of such person and the persons dependent on such person. Annex 1 to this Law shall determine the list of such objects. A prohibition specified in this Paragraph shall not apply to criminally acquired property or other property related to a criminal offence.
[12 March 2009; 14 January 2010]

Section 362. Protocol regarding the Imposition of an Attachment on Property

(1) A protocol shall be written regarding the imposition of an attachment on property. A protocol shall not be written, if a decision on the imposition of an attachment of property is transferred to a credit institution for execution or to a public register and it is not necessary to describe individual features of the property.
(2) A protocol shall record the following:
1) each object upon which the attachment has been imposed, indicating the name, label, weight, level of wear, and other individual features;
2) the objects upon which the attachment has not been imposed, if the attachment has been imposed on an entire property;
3) the application that a third person has submitted regarding ownership of the property.
(3) In imposing an attachment on property, the owner, possessor, user, or holder of such property shall notify regarding a prohibition on acting with, or using, such property, and, if necessary, the property shall be seized and placed in storage.
(4) If property has been seized, the protocol shall indicate precisely what has been seized, and where and with whom such property has been placed in storage.
(5) If an attempt to hide, destroy, or damage property was made during the term of the imposition of an attachment, an entry regarding such attempt shall be made in the protocol.
[12 March 2009]

Section 363. Issuance of Copies of a Protocol regarding the Imposition of an Attachment on Property

(1) A copy of a protocol regarding the imposition of an attachment on property shall be issued, in return for a signature, to the person by whom a description of the property was made, or one of his or her family members of legal age, but if such person is not present, the copy shall be issued to a representative of the self-government in the administrative territory of which the attachment was imposed on the property.
(2) If an attachment has been imposed on property that is located in the territory of a legal person, a copy of the protocol regarding the imposition of the attachment on the property shall be issued, in return for a signature, to a representative of such legal person.

Section 364. Determination of the Value of Property Subjected to an Attachment

(1) Property upon which an attachment is being imposed shall be assessed on the basis of the actual value thereof, taking into account the level of wear of such property. If necessary, a specialist shall be invited for the determination of the value of the property.
(2) Money and securities shall be registered on the basis of the nominal value thereof.

(3) If an attachment must be imposed on only a portion of the property for a specific sum, the owner or user of the property has the right to indicate the property that, according to his or her view, should be subjected to attachment.

Section 364.[1] Permission for Realisation of Attached Property

(1) If a person directing the proceedings after imposition of an attachment on property determines that in relation to the same property there is a registered note of a sworn bailiff regarding directed recovery, the person directing the proceedings shall inform the sworn bailiff regarding imposition of an attachment on the property.
(2) If it is necessary for a sworn bailiff in accordance with the procedures specified in the Civil Procedure Law, in executing the adjudication, to bring a collection in respect of the attached property, he or she shall submit an application to a person directing the proceedings. The person directing the proceedings shall, after assessment of the conditions of the criminal proceedings and the essence of that claim for the satisfaction of which a note is registered regarding bringing of collection, take a decision on permission or prohibition for the bailiff to bring a collection in respect of such property. An amount to be retained for the ensuring of property matters in the criminal proceedings shall be indicated in a decision on permission to bring a collection in respect of attached property. A decision taken by the person directing the procedures shall not be subject to appeal.
(3) If the conditions of criminal proceedings have significantly changed after evaluation of which a person directing the procedures has given a permission for a bailiff to bring a collection in respect of attached property, a person directing the proceedings may take a decision on the prohibition to bring a collection in respect of attached property notifying such decision to the bailiff until the day of auction of the property or until the day when property is given to a trading enterprise for selling according to commission regulations.
(4) A sworn bailiff shall, after realisation of property under attachment in accordance with the procedures specified by the Civil Procedure Law, notify thereof a person directing the procedures asking to cancel attachment for realised property, and shall transfer the amount indicated in a decision to the deposit (storage) of a credit institution provided by a person directing the proceedings. A person directing the proceedings shall decide on imposition of an attachment on these financial resources. The confirmation of an investigating judge is not necessary for such decision.
[12 March 2009]

Section 365. Storage of Attached Property

(1) Property upon which attachment is imposed may be left in storage with the owner or user thereof, his or her family members, or another natural person or legal person to whom the liability, provided for by law, regarding the storage of the referred to property shall be explained. Such persons shall sign regarding such storage.
(2) [12 March 2009]
(2^1) Property upon which an attachment is imposed but which is not possible to leave in storage with the persons specified in Paragraph one of this Section shall be handed over for storage to the institutions specified by the Cabinet with the decision of the person directing the proceedings. The Cabinet shall determine the procedures for storage of such property. Property the continued storage of which is not possible or the continued storage of which causes losses for the State shall be handed over for sale or destruction in accordance with the procedures specified by the Cabinet with the decision of the person directing the proceedings.
(3) If an attachment is imposed on objects, the circulation of which has been prohibited by law, as well as on money, currency and securities, letters of credit issued by banks, bills of exchange, stocks and other monetary documents, as well as on precious metals and precious stones, as well

as on articles made from precious metals or precious stones, the place of storage and the procedures for storage thereof shall by determined by the Cabinet.
(4) Monetary deposits and securities stored in banks or other credit institutions shall not be seized, but, after the receipt of a decision on the imposition of an attachment on property, withdrawal operation with such deposits or securities shall be discontinued.
[12 March 2009; 14 January 2010]

Section 366. Revocation of an Attachment on Property

(1) A person directing the proceedings shall take a decision on the revocation of an attachment on property, and shall immediately notify the persons upon the property of whom the attachment was imposed, or in the storage of whom the attached property was placed, regarding such revocation. A decision on a revocation of an attachment shall be taken, if:

1) a court takes a judgment of acquittal;

2) the court has not taken a decision that the property shall be recognised as criminally acquired;

3) a person directing the proceedings terminates criminal proceedings with a rehabilitating decision;

4) compensation for harm has not been requested in criminal proceedings, or a victim has withdrawn such request;

5) a criminal offence has been reclassified on the basis of another Section of the Criminal Law that does not provide for confiscation of property;

5^{1}) a bailiff has sold attached property with a permission of a person directing the proceedings in accordance with the procedures specified in the Civil Procedure Law, in order to execute the adjudication;

6) any other reason for the ensuring of a solution to financial matters has ceased.

(2) A person directing the proceedings may retain an attachment only for the portion of property that may be necessary for the covering of procedural expenditures.
(3) After the entering into effect of an adjudication, a person directing the proceedings shall immediately notify the relevant public register wherein the rights to such property have been registered regarding the removal of an attachment.
(4) If, within a month after the day when a notification regarding revocation of an attachment on property was sent, a person upon the property of whom the attachment was imposed and whose property was transferred in storage in accordance with Section 365, Paragraph $2.^{1}$ of this Law has not removed the property belonging thereto, a person directing the proceedings or – after entering into effect of the final adjudication in the criminal proceedings – a judge, public prosecutor of the institution, which sent the notification, or the head of an investigating institution or a unit thereof shall take a decision regarding putting up for sale or destruction of the property. The decision shall not be subject to appeal. The Cabinet shall determine the procedures for putting up for sale and destruction of the property.
[12 March 2009; 21 October 2010]

Part C
International Co-operation in the Criminal-legal Field

Chapter 64
General Provisions of Co-operation

Section 673. Types of International Co-operation

(1) Latvia shall request international co-operation in criminal matters from a foreign state (hereinafter also – criminal-legal co-operation), and shall ensure such co-operation:

1) in the extradition of a person for criminal prosecution, trial, or the execution of a judgment, or for the determination of compulsory measures of a medical nature;

2) in the transfer of criminal proceedings;

3) in the transfer of a convicted person for the execution of a sentence of deprivation of liberty;

4) in the execution of procedural actions;

5) in the recognition and execution of a judgment;

6) in other cases provided for in international treaties.

(2) Criminal-legal co-operation with international courts and with courts and tribunals established by international organisations (hereinafter – international court) shall provide for the transfer of persons to international courts, for procedural assistance for such courts, and for the execution of the adjudications of international courts.

Section 674. Legal Basis of Criminal-legal Co-operation

(1) The sources of criminal-procedural rights specified in Section 2 of this Law shall regulate criminal-legal co-operation.

(2) The criminal procedure of another state may be applied, if such necessity has been justified in a request for criminal-legal co-operation, and if such application is not in contradiction with the basic principles of Latvian criminal procedure.

(3) Latvia may request that a foreign state, in fulfilling a request for criminal-legal assistance, apply the criminal procedure specified in Latvia, or separate principles thereof.

Section 675. Competent Authorities in Criminal-legal Co-operation

(1) The competent authorities that are specified in regulatory enactments shall send and received requests for criminal-legal co-operation, and such institutions shall regulate international co-operation in criminal matters.

(2) A Latvian competent authority may agree, in criminal-legal co-operation, with a foreign competent authority regarding the direct communication between courts, Prosecutor's Offices, and investigating institutions.

(3) If an agreement with a foreign state regarding criminal-legal co-operation does not exist, the Minister for Justice and the Prosecutor General have the right, within the framework of the competence specified in this Part of this Law, to submit to the foreign state a request for criminal-legal co-operation, or to receive a request from the foreign state for criminal-legal co-operation.

(4) The officials referred to in Paragraph three of this Section may request from, or submit to, a foreign state a confirmation that reciprocity will be observed in criminal-legal co-operation, that is, that the co-operation partner will hereinafter provide assistance, observing the same principles.

Section 676. Admissibility of Evidence within the Framework of Criminal-legal Co-operation

Evidence that has been acquired as a result of criminal-legal co-operation and in accordance with the criminal procedure specified in a foreign state shall be made equivalent to the evidence acquired in accordance with the procedures provided for in this Law.

Section 677. Participation of an Advocate

(1) In performing criminal-legal co-operation, an advocate shall be summoned to provide legal assistance to a person, or, in the cases provided for in this Part of this Law, to perform the assistance of a defence counsel.

(2) An advocate may provide legal assistance from the moment when a person is detained or placed under arrested, or in other cases provided for in this Law.
(3) In providing legal assistance, an advocate has the following rights:

1) to meet with the person under conditions that ensure the confidentiality of the conversation;

2) to submit evidence and submit requests;

3) to receive the data necessary for the provision of legal aid in accordance with the procedures specified in regulatory enactments.

(4) The participation of an advocate is mandatory in the cases specified in Section 83 of this Law.
(5) An investigating judge or court may, in assessing the financial situation of a person, completely or partially release such person from payment for legal assistance. If the person has been released from payment for legal assistance, the work remuneration of an advocate shall be covered by State resources in accordance with the procedures specified in regulatory enactments. The Latvian Council of Sworn Advocates may also release a person from payment for legal assistance and cover the work remuneration of an advocate from the budget thereof.
(6) In the proceedings of criminal-legal co-operation, a defence counsel has the same rights as in criminal proceedings taking place in Latvia.
[12 March 2009]

Section 678. Form and Content of Criminal Proceedings Co-operation Document

[22 November 2007]

(1) A request for criminal-legal co-operation shall be submitted in writing, if an international agreement or law has not specified otherwise.
(2) A request shall indicate:

1) the name of the authority of the submitter of the request;

2) the object and essence of the request;

3) a description of the criminal offence and the legal classification of such offence;

4) information that may help identify a person.

(3) A request shall also indicate other information that is necessary for the execution thereof.
(4) If in co-operation of criminal proceedings with the Member States of the European Union a special document is provided for, the form and content thereof shall be defined by the Cabinet.
(5) A competent authority, in sending a request for criminal-legal co-operation, may request a foreign state to ensure the confidentiality of the information contained in the request.
[22 November 2007; 14 January 2010]

Chapter 67
Takeover in Latvia of Criminal Proceedings Commenced in a Foreign State

Section 723. Content and Condition of the Takeover of Criminal Proceedings

The takeover of criminal proceedings is the continuation in Latvia of criminal proceedings commenced in a foreign state, on the basis of a request of the foreign state or with the consent thereof, if such continuation is required by procedural interests and the offence is punishable in accordance with the Criminal Law of Latvia.

Section 724. Competent authority in the Takeover of Criminal Proceedings

(1) In the pre-trial criminal proceedings, the Prosecutor General's Office shall adjudicate and decide requests regarding the takeover of criminal proceedings.
(2) In the trial of a criminal case, the Ministry of Justice shall examine and decide requests regarding the takeover of criminal proceedings.

[12 March 2009]

Section 725. Grounds for the Takeover of Criminal Proceedings

(1) The following are grounds for the takeover of criminal proceedings:

1) a request submitted by a foreign state regarding the takeover of criminal proceedings (hereinafter also – request for the takeover of criminal proceedings), and the consent of Latvia to take over such criminal proceedings;

2) a request submitted by Latvia regarding the transfer of criminal proceedings (hereinafter also - request for the transfer of criminal proceedings), and the consent of a foreign state to transfer such criminal proceedings;

(2) If an offence in connection with which the takeover of criminal proceedings is being requested (hereinafter in Chapters 67 and 68 – offence) is not criminally punishable in Latvia, but is punishable in accordance with other laws the submitter of the request shall immediately be informed thereof, without taking over the criminal proceedings. The receipt of consent is a basis for the continuation of proceedings in accordance with the procedures provide for in Latvian law.

Section 726. Reasons for the Rejection of a Request for the Takeover of Criminal Proceedings

(1) The takeover of criminal proceedings shall not be admissible, if:

1) the offence in connection with which the takeover of criminal proceedings is being requested is not considered criminal in accordance with the Criminal Law of Latvia;

2) a limitation period of criminal liability has entered into effect, or the six months by which a limitation period has been extended have passed, if the offence comes into the criminal-legal jurisdiction of Latvia only in accordance with a request regarding the takeover of criminal proceedings;

3) evidence has not been obtained that provides a basis for holding a person suspect or accusing a person in the committing of an offence;

4) a final adjudication has been rendered in Latvia regarding the same offence;

5) a request regarding a takeover of criminal proceedings in which a judgment of conviction has entered into effect has been submitted by a state with which Latvia does not have an agreement regarding mutual recognition and execution of court judgments rendered in criminal proceedings, and, in addition, such state has the opportunity to execute an imposed punishment itself.

(2) A request for the takeover of criminal proceedings may not be fulfilled, if:

1) such request is not sufficiently justified;

2) the person who is suspected or is accused in the committing of the offence only resides in Latvia occasionally;

3) there are grounds for believing that the offence is political or expressly military, or the request has been submitted in order to prosecute a person due to his or her race, religious affiliation, nationality, gender, or political views;

4) the offence was not committed in the territory of the state that submitted the request;

5) the takeover of criminal proceedings would be in contradiction to the international obligations of Latvia toward another state;

6) the continuation of proceedings does not comply with the principles of the judicial system of Latvia;

(3) Latvia does not have an agreement regarding the takeover of criminal proceedings with the state of the submitter of the request.

Section 727. Terms for the Adjudication of a Request for the Takeover of Criminal Proceedings

(1) A request for the takeover of criminal proceedings shall be decided within 10 days, and, if the amount of material is particularly large, such request shall be decided within 30 days.
(2) In particular cases where the translation of documents is necessary, a request for the takeover of criminal proceedings shall be decided after the receipt of the translation within the terms provided for in Paragraph one of this Section.
(3) If additional information is necessary for deciding, competent authorities shall request such additional information from the state of the submitter of the request. After the receipt of additional information, a matter shall be decided within the terms provided for in Paragraph one of this Section.
(4) If proceedings regarding an offence may be commenced in Latvia only on the basis of a complaint of a victim, but such complaint has not been attached to received materials, a competent authority shall immediately inform the victim and take a decision after the receipt of the consent or refusal of the victim. If the victim has not provided an answer within 30 days, proceedings may be terminated.

Section 728. Deciding of a Request for the Takeover of Criminal Proceedings

(1) Having adjudicated a request of a foreign state, necessary documents, and additional information, if such information was requested, a competent authority shall take one of the following decision:
1) regarding the takeover of criminal proceedings and the transfer thereof for the performance of proceedings;
2) regarding the rejection of a request for the takeover of criminal proceedings.
(2) The decision referred to in Paragraph one of this Section shall be immediately sent, together with a translation thereof, to the state that submitted the request.

Section 729. Request of Latvia regarding the Transfer of Criminal Proceedings

(1) If criminal proceedings are taking place in another state simultaneously with criminal proceedings in Latvia regarding the same offence, competent authorities may submit to the foreign state a request regarding the transfer of the criminal proceedings to Latvia, if such request complies with the interests of court proceedings and promotes the course of criminal proceedings.
(2) A request shall not be submitted if reasons exist that exclude the takeover of criminal proceedings.

Section 730. Procedures for the Takeover of Criminal Proceedings

(1) If prosecution has been pursued against a person in another state, and the relevant person has been transferred to a court or convicted, the competent authority shall transfer criminal proceedings for continuation to the Prosecutor's Office according to the domicile, or place of residence, in Latvia of such person.
(2) A public prosecutor shall decide, within 10 days, whether evidence is sufficient for the holding of a person criminally liable in accordance with the Criminal Law of Latvia, and shall pursue prosecution or transfer criminal proceedings for the investigation.
(3) If a prosecution has not been pursued in another state against a person, criminal proceedings shall be transferred for the investigation.
(4) Subsequent criminal proceedings shall take place in accordance with general procedures.
[12 March 2009]

Section 740. Duty to Inform a State that Submitted a Request

(1) A person directing the proceedings shall inform the competent authority that decided on a request for a takeover of criminal proceedings regarding the final decision taken in the criminal proceedings that were taken over. In taking over proceedings, such institution may assign the person directing the proceedings to inform such institution regarding other taken decisions, if such necessity arises from the international obligations of Latvia.
(2) A competent authority shall inform the state that submitted a request regarding a taken final decision, as well as regarding other procedural actions, if contracts or mutual agreements provide for such informing.

Chapter 68
Transfer of Criminal Proceedings Commenced in Latvia

Section 741. Content and Condition of a Transfer of Criminal Proceedings

(1) Transfer of criminal proceedings is the suspension thereof in Latvia and the continuation thereof in a foreign state, if there are grounds for holding a person suspect, or prosecuting a person, for the committing of an offence, but the successful and timely performance of the criminal proceedings in Latvia is not possible or hindered, and, in addition, transfer to the foreign state promotes such impossibility or hindrance.
(2) The transfer of criminal proceedings in which a judgment of conviction has entered into effect shall be admissible only if the judgment may not be executed in Latvia, and the foreign state in which the convicted person resides does not accept a judgment of another state for execution.

Section 742. Competent Authorities

(1) The Prosecutor General's Office shall submit a request to a foreign state regarding the transfer of criminal proceedings during pre-trial proceedings.
(2) The Ministry of Justice shall submit a request to a foreign state regarding the transfer of criminal proceeding during a trial or after the entering into effect of a judgment.

Section 743. Grounds for the Transfer of Criminal Proceedings

The following are grounds for the transfer of criminal proceedings commenced in Latvia to a foreign state:

1) a request submitted by Latvia for taking over criminal proceedings, and the consent of a foreign state to takeover such criminal proceedings;

2) a request submitted by a foreign state for the transfer of criminal proceedings, and the consent of Latvia to transfer criminal proceedings taking place in Latvia for the continuation thereof in the foreign state.

Section 744. Reasons for a Transfer of Criminal Proceedings

(1) A person directing the proceedings shall consider the matter regarding the initiation of the transfer of criminal proceedings, if the conditions referred to in Section 741 of this Law exist, and:

1) the suspect, accused, or convicted person is a foreign citizen and permanently lives or resides in his or her state of citizenship;

2) the suspect, accused, or convicted person is located in a foreign state and his or her extradition is not possible or has been refused;

3) criminal proceedings are being performed in a foreign state against the same person and regarding the same criminal offence, as well as other offences;

4) the most important evidence or the majority of witnesses are located in a foreign state;

5) the ensuring of the presence of the accused in criminal proceedings in Latvia is not possible;

6) it is or will not be possible to execute a sentence in Latvia.

(2) Having determined the conditions and reasons for the transfer of criminal proceedings, a person directing the proceedings shall submit to the competent authority a proposal to send a request for the takeover of criminal proceedings.

Section 745. Request for a Takeover of Criminal Proceedings

(1) In addition to that which is indicated in Section 678 of this Law, a request for a takeover of criminal proceedings shall substantiate that the conditions and reasons for a transfer of criminal proceedings exist, and that the transfer complies with the interests of the criminal proceedings.

(2) All the procedural documents, or copies thereof, existing in a criminal case to be transferred, as well as the text of the Sections of the Criminal Law, with a translation thereof, that determine liability regarding the criminal offence indicated in the decision on the holding of a person suspect or the holding of a person criminally liable shall be attached to a request, if such attachment is provided for in a treaty or in the agreement of competent authorities.

(3) If a temporary arrest request has been submitted in a foreign state, a request for a takeover of criminal proceedings shall be submitted in as short a time as possible, but not later than on the fifteenth day after placing of a person under arrest.

(4) If a request for a takeover of criminal proceedings has been submitted without attached materials, such materials shall be submitted in as short as time as possible, but if temporary arrest has been applied to a person, such materials shall be submitted not later than on the twelfth day after the submission of the request.

Section 746. Consequences of the Submission of a Request for a Takeover of Criminal Proceedings

(1) A competent authority shall inform the competent authority of a foreign state regarding each procedural action performed after the submission of a request for a takeover of criminal proceedings, and shall send copies of the relevant procedural documents.

(2) Latvian institutions shall not perform procedural actions in transferred criminal proceedings, if:

1) a report of a foreign state has been received regarding a takeover of criminal proceedings;

2) Latvia has given consent for a transfer to a foreign state of criminal proceedings taking place in Latvia.

(3) Proceedings may be renewed in Latvia, if a report has been received:

1) regarding a retraction of a takeover;

2) that proceedings regarding an offence in a foreign state have been terminated.

Section 747. Arrest

(1) If there are grounds for believing that a person will attempt to evade criminal proceedings in the state that received a request, a competent authority shall send a request regarding temporary arrest up to the submission of a request for a takeover of criminal proceedings.

(2) If a security measure – arrest – has been applied to a person in Latvia, the sending of a request for a takeover of criminal proceeding shall not be grounds for the revocation thereof. In such case, a person directing the proceedings shall continue the necessary procedural actions up to the receipt of an answer of the state that received the request.

(3) If criminal proceedings have been renewed after the transfer thereof, the term of arrest shall only include the term that a person spent under arrest in Latvia, and the entire term of arrest related to such offence shall be included in the term of a sentence.

Section 748. Transfer of Criminal Proceedings against a Latvian Citizen

The transfer of criminal proceedings related to an offence in the committing of which a Latvian citizen is being held suspect or prosecuted shall be admissible, if:

1) the relevant person is located outside of Latvia and the extradition thereof has been refused or deferred for a lengthy term;

2) Latvia has a treaty with a foreign state regarding a transfer of criminal proceedings;

3) a foreign state with which a treaty regarding a transfer of criminal proceedings does not exist has provided a sufficient guarantee that the limits of a punishment and criminal liability specified in Section 739 of this Law will be complied with.

Chapter 71
Execution in Latvia of a Sentence Imposed in a Foreign State

Section 785. Determination of a Confiscation of Property to be Executed in Latvia

(1) A confiscation of property to be executed in Latvia shall be determined, if such confiscation has been imposed in a foreign state and if the Criminal Law of Latvia provides for such confiscation as a basic punishment or additional punishment regarding the same offence, or if property would be confiscated in criminal proceedings taking place in Latvia on grounds provided for in another law.

(2) If a judgment of a foreign state provides for the confiscation of property, but the Criminal Law of Latvia does not provide for the confiscation of property as a basic punishment or additional punishment, confiscation shall be applied only in the amount, determined in the judgment of the foreign state, that the object to be confiscated is an instrumentality of the committing of the offence or has been obtained by criminal means.

(2^1) The amount of a confiscation of property imposed in a foreign state, if an adjudication has been made regarding a certain amount of money, shall be calculated according to the currency exchange rate specified by the Bank of Latvia which was in force on the day of announcement of the judgment of conviction.

(3) If several adjudications have been received at the same time regarding the confiscation of property in respect of an amount of money and these adjudications have been issued in respect of one person who does not have sufficient resources in Latvia to execute all the adjudications, or several adjudications have been received at the same time regarding the confiscation of property in respect of a certain part of property, a court shall take a decision on which of the adjudications will be executed, taking into account:

1) the severity of a criminal offence;

2) attachment imposed on the property;

3) succession in which adjudications regarding the confiscation of property have been received in Latvia.

[11 June 2009; 14 January 2010]

Section 801. Deferral of the Execution of a Sentence

The execution in Latvia of a sentence imposed in a foreign state may be deferred in the same cases and in accordance with the same procedures as the execution of a sentence imposed in Latvia.

Section 801.[1] Conditions for the Execution of an Adjudication regarding Recovery of a Financial Nature Made in a European Union Member State

The adjudication regarding a fine (to legal persons – recovery of money) made in a European Union Member State, compensation to the victim determined in the same adjudication, compensation of procedural costs and payment to the support foundation or organisation of

victims (hereinafter – adjudication regarding recovery of a financial nature) shall be executed in Latvia.
[29 June 2008]

Section 801.[2] Basis for the Execution of an Adjudication regarding Recovery of a Financial Nature

The basis for the execution of an adjudication regarding recovery of a financial nature shall be the following:

1) an adjudication, issued by a competent authority of a European Union Member State, regarding recovery of a financial nature or a certified copy thereof and a certification completed in a special form;

2) a fact that a person, to whom recovery of a financial nature applies to, has a place of residence in Latvia (to a legal person – a registered legal address) or he or she owns property or has other revenue;

3) an adjudication of the court of Latvia regarding determination of recovery of a financial nature to be fulfilled in Latvia;

4) a writ of execution issued by the court of Latvia regarding transfer of the adjudication regarding recovery of a financial nature for execution in Latvia.
[29 June 2008]

Section 801.[3] Reasons for the Refusal to Execute the Adjudication regarding Recovery of a Financial Nature

(1) Execution of the adjudication regarding recovery of a financial nature shall be refused, if:

1) a certification has not been sent or it is incomplete, or does not conform with the content of the adjudication;

2) the principle of inadmissibility of double jeopardy (*ne bis in idem*) is violated when executing the adjudication regarding recovery of a financial nature;

3) there is a reason to consider that the sentence is determined on the basis of the race, religious belonging, nationality, sex or political beliefs;

4) the adjudication regarding recovery of a financial nature applies to an offence that is not considered as an offence according to the laws of Latvia;

5) criminal procedural immunity, provided for in Chapter 8 of this Law, is present;

6) the execution of sentence is not possible in Latvia;

7) limitation period has become applicable and the adjudication regarding recovery of a financial nature pertains to an offence that is in the jurisdiction of Latvia;

8) the person has not reached the age from which criminal liability applies;

9) the adjudication regarding recovery of a financial nature has been made during the absence of the person, except for the cases when the person has been informed regarding the process or the person has informed that he or she does not dispute the adjudication regarding recovery of a financial nature;

10) the determined recovery of a financial nature exceeds an equivalent of 70 euros in lats (recalculating in accordance with the currency exchange rate specified by the Bank of Latvia which was in force on the date when the adjudication was proclaimed).

(2) Factual circumstances encountered in the adjudication regarding recovery of a financial nature and guilt of the person shall be binding to the court of Latvia. If the adjudication regarding recovery of a financial nature has been made regarding an offence specified in Annex 3 to this Law, the examination in relation to whether this offence may be considered as criminal also according to the laws of Latvia shall not be carried out.
[29 June 2008]

Section 801.[4] Procedures for the Examination of the Adjudication regarding Recovery of a Financial Nature

(1) Upon the receipt of the adjudication regarding recovery of a financial nature, within 10 days, the Ministry of Justice shall ascertain whether the reasons specified in Section 801.[3], Paragraph one, Clauses 1, 2, 8 and 10 of this Law are not present (if necessary, shall request additional information), and the assessed material shall be sent to a court.
(2) Upon the receipt of the adjudication regarding recovery of financial nature and materials attached thereto, the court shall ascertain whether the reasons for refusal specified in Section 801.[3] of this Law are not present, and shall decide on recovery of a financial nature to be executed in Latvia or regarding refusal to execute the adjudication. If necessary, the court may request additional information from a European Union Member State which made the adjudication regarding recovery of a financial nature.
[29 June 2008]

Section 801.[5] Determination of Recovery of a Financial Nature to be Executed in Latvia

(1) In Latvia, the execution of the recovery of a financial nature specified in the adjudication shall be determined by a chief judge of district (city) court according to the location of the person or the property thereof.
(2) The issue regarding the execution of the adjudication regarding recovery of a financial nature shall be reviewed by a chief judge of district (city) court according to the procedures specified in Section 651 and Section 784, Paragraphs two, four and five of this Law.
(3) If a European Union Member State has indicated in the adjudication that the laws thereof allow the substitution of the fine determined in the adjudication regarding recovery of a financial nature, it shall take place according to the procedures specified in Section 645 of this Law.
(4) If a person, in relation to whom the adjudication regarding recovery of a financial nature has been made in a European Union Member State, submits a evidence regarding a complete or partial execution of the adjudication regarding recovery of a financial nature, the court shall communicate with the competent authority of the European Union Member State through the Ministry of Justice or directly with it for the receipt of an approval.
[29 June 2008]

Section 801.[6] Termination of the Execution of Recovery of a Financial Nature

(1) Execution of recovery of a financial nature shall be terminated, if the adjudication of conviction regarding recovery of a financial nature has been revoked in the European Union Member State.
(2) The decisions of the relevant European Union Member State regarding the reduction of the sentence, issue of an amnesty or clemency deed shall be binding to Latvia.
(3) The notification received from the European Union Member State regarding legal facts provided for in Paragraphs one and two of this Section, shall be sent by the Ministry of Justice to a court which previously has decided regarding issues related to the execution of recovery of a financial nature for the taking of a decision.
[29 June 2008]

Section 801.[7] Notifications of the Ministry of Justice to the Competent authority of the European Union Member State

The Ministry of Justice shall notify the competent authority of the European Union Member State regarding:

1) sending of the adjudication regarding recovery of a financial nature to a court for determination of recovery of a financial nature to be executed in Latvia;

2) a decision on the refusal to execute the adjudication regarding recovery of a financial nature;

3) execution of recovery of a financial nature;

4) substitution of the fine.

[29 June 2008]

Section 801.[8] Basis for the Execution of an Adjudication of a European Union Member State Regarding a Confiscation of Property

The basis for the execution of an adjudication of a European Union Member State regarding a confiscation of the instrumentalities of a criminal offence and the proceeds of crime (hereinafter – adjudication regarding confiscation of property):

1) an adjudication regarding confiscation of property or a certified copy thereof and a certification completed in a special form;

2) a fact that a person, to whom the adjudication regarding confiscation of property applies to, has a place of residence (to a legal person – a registered legal address) or he or she owns property or has other revenue;

3) a decision of the court of Latvia regarding the confiscation of property to be executed in Latvia and a writ of execution regarding transfer of the decision for the execution;

[11 June 2009]

Section 801.[9] Reasons for the Refusal to Execute an Adjudication Regarding Confiscation of Property

Execution of an adjudication regarding a confiscation of property shall be refused, if:

1) a certification of a special form has not been sent or it is incomplete, or does not conform with the content of the adjudication to which it is appended;

2) an offence to which the adjudication applies is not included in Annex 2 to this Law and is not criminal according to the Law of Latvia;

3) the principle of inadmissibility of double jeopardy (*ne bis in idem*) is violated when executing the adjudication;

4) criminal procedural immunity, provided for in Chapter 8 of this Law, is present;

5) the execution of the adjudication is not possible in Latvia;

6) limitation period has become applicable and the adjudication pertains to an offence that is in the jurisdiction of Latvia;

7) the person has not reached the age from which criminal liability applies;

8) the adjudication has been made during the absence of the person, except for the cases when the person has been informed regarding the process or the person has informed that he or she does not dispute the adjudication;

9) there is a reason to consider that sentence has been determined on the basis of the person's sex, race, religious affiliation, nationality, language or political beliefs;

10) the execution of the sentence would be in contradiction to the basic principles of the Latvia legal system.

(2) If the adjudication regarding a confiscation of property has been made regarding an offence specified in Annex 2 to this Law, the examination in relation to whether this offence may be considered as criminal also to the laws of Latvia, shall not be carried out.

[11 June 2009]

Section 801.[10] Deferral of the Execution of Adjudication Regarding a Confiscation of Property

(1) A court may defer an execution of adjudication regarding a confiscation of property, if:

1) the total value which will be obtained upon execution of the adjudication may exceed the amount specified in the adjudication because such adjudication is implemented in several European Union Member States at the same time;

2) the execution thereof may cause harm to criminal proceedings in Latvia;

3) a person in Latvia has applied to court contesting the procedures of execution;

4) the execution of confiscation of property is commenced in Latvia.

(2) A sworn bailiff, in determining the reasons referred to in Paragraph one of this Section, shall defer the execution of confiscation of property and perform measures for ensuring the execution of confiscation of property. A sworn bailiff shall notify a court and the Ministry of Justice regarding deferring the execution of adjudication.

(3) The Ministry of Justice shall inform a Member State which has taken the adjudication regarding deferring of execution thereof.

[11 June 2009]

Section 801.[11] Procedures for Examination of Adjudication Regarding a Confiscation of Property

(1) The Ministry of Justice shall, upon receipt of the adjudication regarding confiscation of property, within 10 days, but if the amount of materials is especially large, within 30 days, ascertain whether the reasons specified in Section 801.[9], Paragraph one, Clause 1 or 7 of this Law for refusal are present and the assessed materials shall be sent to a court.

(2) If translation of documents is necessary, examination of adjudication regarding a confiscation of property shall take place within time periods referred to in Paragraph one of this Section after receipt of the translation.

(3) The translation of documents shall be ensured not later than within five months after receipt of an adjudication.

(4) If the Ministry of Justice considers that the provided information is not sufficient, it shall request additional information from a European Union Member State. The matter shall be decided within the time periods referred to in Paragraph one of this Section after the receipt of additional information.

[11 June 2009]

Section 801.[12] Decision on Confiscation of Property to be Executed in Latvia

(1) A judge of district (city) court shall examine the adjudication regarding a confiscation of property in a written procedure according to the place of residence of a person (for a legal person – according to a registered legal address) or the place of location of property.

(2) A judge of district (city) court shall, having received an adjudication regarding a confiscation of property and materials, check the grounds for execution of adjudication, find out whether the reasons referred to in Section 801.[9] of this Law for refusal are present, and shall take a decision on the confiscation of property to be executed in Latvia or regarding refusal to execute the referred to adjudication. A judge of district (city) court shall send a writ of execution to a bailiff in which he or she indicates that a decision has been taken on the basis of a request of a competent authority of a foreign state regarding the confiscation of property. A judge of district (city) court shall send a copy of the taken decision and the information regarding a bailiff, to which a decision is sent for the execution, to the Ministry of Justice.

(3) A decision on the confiscation of property taken by a judge of a district (city) court may be appealed to a court of appeals within 10 days from the day of receipt of decision submitting a complaint to the district (city) court. Submission of the complaint shall not suspend the execution of a decision on the confiscation of property to be executed in Latvia. A judge of the court of appeals shall examine a complaint in a written procedure and a decision shall not be subject to appeal.

(4) If an adjudication regarding a confiscation of property is taken regarding a certain amount of money, a judge of a district (city) court shall specify in a decision the amount of money to be confiscated in lats in accordance with the currency exchange rate specified by the Bank of Latvia which was in force on the day of announcement of the adjudication.
(5) If a person, in relation to whom the adjudication regarding a confiscation of property has been made, submits a evidence regarding a complete or partial execution of the adjudication regarding the confiscation of property, a judge of a district (city) court shall communicate with the relevant European Union Member State through the Ministry of Justice for the receipt of an approval thereof. A judge of the district (city) court shall, upon receipt of confirmation regarding complete execution of a confiscation of property, revoke a decision on the confiscation of property to be executed in Latvia. If the confirmation regarding partial execution of the confiscation of property has been received, a judge of the district (city) court shall amend the decision in accordance with the received confirmation.
[11 June 2009; 14 January 2010]

Section 801.[13] Procedures for the Execution of Adjudication Regarding a Confiscation of of Property

(1) If several adjudications regarding a confiscation of property are received, a court shall decide which adjudication to execute taking into account the conditions referred to in Section 785, Paragraph three of this Law.
(2) The decisions of the relevant European Union Member State regarding reduction of a sentence, issue of an amnesty or clemency acts are binding on Latvia.
(3) The execution of a confiscation of property shall be terminated, if a European Union Member State has revoked an adjudication regarding the confiscation of property.
(4) The Ministry of Justice shall send a notification received from a European Union Member State regarding legal facts provided for in Paragraphs two and three of this Section to a court which has transferred a decision for execution, and shall inform a sworn bailiff thereon.
[11 June 2009]

Section 801.[14] Submission of Complaints Regarding Execution of Adjudication Regarding a Confiscation of Property

(1) A person, against whom or against whose property a decision on the confiscation of property to be executed in Latvia is directed against, may appeal the activities of a sworn bailiff in accordance with the procedures specified in the Civil Procedure Law.
(2) A complaint regarding the reasons for taking an adjudication regarding a confiscation of property shall be submitted to a court of a European Union Member State.
(3) If a complaint regarding the reasons for taking an adjudication regarding a confiscation of property is received, the Ministry of Justice shall, after the receipt of information from a court, inform the relevant European Union Member State thereon.
[11 June 2009]

Section 801.[15] Notifications of the Ministry of Justice to a European Union Member State

(1) The Ministry of Justice shall inform a European Union Member State regarding sending of an adjudication regarding confiscation of property to a court in Latvia for determination of a confiscation of property.
(2) The Ministry of Justice shall, after the receipt of information from a court, inform the relevant European Union Member State regarding:
1) a decision on the refusal to execute an adjudication regarding a confiscation of property;

2) a decision on the refusal because it is not possible to execute a confiscation of property;

3) complete or partial non-execution of an adjudication regarding a confiscation of property;

4) execution of an adjudication regarding a confiscation of property.

[11 June 2009]

Section 801.[16] Conditions for Division of Money or Property Obtained as a Result of Confiscation of Property with a European Union Member State

(1) The Ministry of Justice, upon the request of a European Union Member State, shall decide a matter regarding division of money or property obtained as a result of confiscation of property with this Member State.

(2) If the money obtained as a result of confiscation of property does not exceed the equivalent of EUR 10 000 in lats (recalculating such amount in accordance with the currency exchange rate specified by the Bank of Latvia which was in effect on the day of announcement of the adjudication regarding a confiscation of property), the Ministry of Justice shall take a decision on refusal to transfer the money to a European Union Member State. If the money obtained as a result of confiscation of property exceeds the equivalent of EUR 10 000 in lats, the Ministry of Justice shall take a decision to transfer half of the money to the relevant European Union Member State.

(3) The Ministry of Justice, upon consulting with the relevant European Union Member State, may take a decision on different division of the money, which has not been referred to in Paragraph two of this Section and which does not harm the financial interests of Latvia.

(4) The Ministry of Justice may, upon the request of a European Union Member State, take a decision on the return of a property obtained as a result of confiscation of property to such Member State.

(5) The Ministry of Justice shall refuse a request of a European Union Member State regarding division of money or property obtained as a result of a confiscation of property, if the request is received after one year of the day of sending of a notification regarding execution of an adjudication regarding the confiscation of property.

(6) The Cabinet shall determine the procedures by which the money or property obtained as a result of a confiscation of property are to be divided with European Union Member States and by which the money is to be transferred, as well as the criteria for the division of money and property.

[11 June 2009; 14 January 2010; 21 October 2010]

Chapter 73
Assistance to a Foreign State in the Performance of Procedural actions

Section 811. Grounds for the Assistance to a Foreign State in the Performance of Procedural actions

The following are grounds for procedural assistance:

1) a request of a foreign state regarding the provision of assistance in the performance of a procedural action (hereinafter in this Chapter also - request of a foreign state);

2) a decision of a competent authority of Latvia regarding the admissibility of a procedural action.

Section 812. Competent Authorities in the Examination of a Request of a Foreign State

(1) In the pre-trial proceedings, the Prosecutor General's Office shall examine and decide a request of a foreign state, and up to the commencement of criminal prosecution the State Police shall also examine and decide such request.
(2) After transfer of a case to a court, the Ministry of Justice shall examine and decide a request of a foreign state.
(3) If state or competent authorities have come to an agreement regarding direct contact, the relevant institutions shall examine and decide requests.
[12 March 2009; 14 January 2010]

Section 813. Procedures for the Fulfilment of a Request of a Foreign State

(1) A request of a foreign state regarding the provision of assistance in the performance of a procedural action shall be fulfilled in accordance with the procedures specified in this Law.
(2) A request may be fulfilled in accordance with other procedures if so requested by a foreign state and if such execution is not in contradiction with the basic principles of the criminal procedure of Latvia.
(3) On the basis of a request of a foreign state, a competent authority may permit a representative of the foreign state to participate in the performance of a procedural action, or to personally perform such operation in the presence of a representative of the institution fulfilling the request.

Section 814. Deciding of a Request of a Foreign State

(1) A request of a foreign state regarding the provision of assistance in the performance of a procedural action shall be decided immediately, but not later than within 10 days after the receipt thereof. If additional information is necessary for the deciding of a request, such information shall be requested from the state that submitted the request.
(2) In adjudicating a request of a foreign state, a competent authority shall take one of the following decisions:
1) regarding the possibility of the execution of the request, determining the institution that will fulfil the request, terms, and other conditions;
2) regarding a refusal to fulfil the request or a part thereof, substantiating the refusal.
(3) A state that submitted a request shall immediately be informed regarding a taken decision, if the execution of the request or a part thereof has been rejected or if a foreign state has so requested.

Section 815. Fulfilment of a Request of a Foreign State

(1) An investigating institution, the Prosecutor's Office or a court shall fulfil a request of a foreign state under the assignment of a competent authority.
(2) The institution fulfilling a request of a foreign state shall, in a timely manner, inform the foreign state, on the basis of an order of a competent authority, regarding the time and place of the performance of a procedural action. The competent authority shall send to the foreign state the materials obtained as a result of the execution of the request.
(3) If a procedural action has not been performed or has been performed partially, a foreign state shall be notified regarding the reasons for the non-execution of a request.
(4) If, in fulfilling a request of a foreign state, facts are acquired for the further examination of which the performance of other emergency procedural actions are necessary, the executor of the request is entitled, in accordance with the procedures specified in this Law, to perform such activities, notifying the initiator of the request thereof.
(5) The executor of a request of a foreign state, having determined during the execution of the request objects and documents, the circulation is prohibited by law and seizure of which is not justified in the request, shall seize such objects and documents, and write a separate protocol regarding such seizure.

Section 816. Reasons for the Refusal of the Fulfilment of a Request of a Foreign State

The execution of a request of a foreign state may be refused, if:

1) the request is related to a political offence, except for the case when a request applies to terrorism or financing of terrorism;

2) the execution of the request may harm the sovereignty, security, social order, or other substantial interests of the State of Latvia;

3) sufficient information has not been submitted and the acquisition of additional information is not possible.

[14 January 2010]

Section 824. Transfer of an Object to a Foreign State

An object necessary as material evidence may be transferred to a foreign state on the basis of a request of such foreign state. If necessary, a competent authority of Latvia shall request guarantees that the object will be returned.

Section 825 . Procedures for the Issuance of Procedural Documents of a Foreign State

On the basis of a request of a foreign state, a competent authority shall organise the issuance of the procedural documents of a foreign state to a person in Latvia. A protocol shall be written regarding such issuance in accordance with the requirements of Section 326 of this Law.

Section 825. [1] Execution of Procedural Adjudication of a European Union Member State regarding Provision of Property for Confiscation or Provision of Acquiring Evidence in Latvia

(1) Imposition of attachment of property or search requested by a European Union Member State in Latvia shall be performed on the basis of procedural adjudication regarding provision of property for confiscation or regarding provision of acquiring evidence issued by the competent authority of the European Union Member State to which a certification is attached.

(2) The Prosecutor General's Office upon receiving procedural adjudication regarding provision of property for confiscation or regarding provision of acquiring evidence if possible without delay but not later than within 24 hours upon the receipt thereof shall:

1) evaluate the possibility for carrying out of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence. If the execution of adjudication is possible it shall point the executive institution for such adjudication and shall perform the necessary action for execution thereof.

2) notify the relevant competent authority of the European Union Member State regarding the receipt for carrying out of adjudication regarding provision of property for confiscation or provision of acquiring evidence or regarding a refusal of execution thereof substantiating the refusal.

(3) Procedural adjudication regarding provision of property for confiscation in Latvia shall be carried out in accordance with the procedures specified in Chapter 28 of this Law, but the procedural adjudication regarding provision of acquiring evidence in Latvia – in accordance with the procedures specified in Chapter 10 of this Law. For imposition of an attachment upon property or search the permission of an investigating judge shall not be necessary.

(4) Execution conditions of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence specified by a European Union Member State shall be observed insofar as they do not contradict to the basic principles of this Law.

(5) If upon execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence it is necessary to carry out procedural actions additionally

indicated in this adjudication, they shall be carried out in accordance with the procedures specified by this Law.
(6) If the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence has been issued according to an offence referred to in Annex 2 to this Law, and if such sentence of deprivation of liberty, the maximum limit of which is not less than three years, is provided for commitment of the crime in the state, which issued the adjudication, examination regarding whether such offence is criminal also according to the Law of Latvia shall not be performed.
[22 November 2007]

Section 825.[2] Reasons for Refusal of Execution of Procedural Adjudication of a European Union Member State regarding Provision of Property for Confiscation or Provision of Acquiring Evidence

(1) The procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence shall be refused to be carried out if:

1) a certification has not been sent, is incomplete or is not related to the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence to which it has been attached;

2) the criminal-procedural immunity referred to in Chapter 8 of this Law exists;

3) upon execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence a principle of inadmissibility of double jeopardy *(ne bis in idem)* is violated; and

4) the offence that refers to the procedural adjudication regarding provision of property for confiscation or provision of evidence acquisition is not included in Annex 2 to this Law and is not criminal according to the Law of Latvia with exception of cases when the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence refers to evasion of such taxes and fees that are not provided for in the regulatory enactments of Latvia or are provided for but the regulation thereof specified in regulatory enactments of Latvia is different from the regulation specified in adjudication of regulatory enactments of the issuing state.

(2) The Prosecutor General's Office, within a framework of the case referred to in Paragraph one, Clause 1 of this Section is allowed to:

1) declare a term for submission or clarification of certification;

2) in exceptional cases, accept for examination an equivalent document if it contains information that shall be indicated in the certification; and

3) release the competent authority issuing the adjudication from the duty to submit or clarify the certification, if it considers that the submitted information is complete.

(3) The Prosecutor General's Office shall, without delay, notify the competent authority issuing the adjudication that it is not possible to carry out the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence due to the documents, items or property not being present in the location indicated in the adjudication or the indicated location thereof is not indicated precisely enough, and its determination is also not possible after communication in writing with the competent authority issuing the adjudication.
[22 November 2007]

Section 825.[3] Reasons for Deferral of Execution of Procedural Adjudication regarding Provision of Property for Confiscation or Provision of Acquiring Evidence of a European Union Member State

(1) Execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence may be delayed if:

1) execution thereof may be harmful to a criminal proceeding initiated in Latvia;

2) an attachment is imposed on the property indicated in an adjudication or the indicated items or documents are seized for another criminal proceedings in which the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence is taken– until the moment of revoking the decision or the entering into effect of the final adjudication in the criminal proceedings; and/or

3) to the property indicated in the adjudication concerning imposition of an attachment on property, a burden is applied according to other procedures – until the repeal of the burden or until the moment when the final adjudication comes into effect.

(2) Regarding deferral of execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence and the reasons thereof, the competent authority of the issuing state of the adjudication shall be notified, without delay, if possible indicating the time to which the execution of deferral is postponed.

(3) Procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence shall be carried out immediately after elimination of the reasons for execution thereof informing, without delay, the competent authority of the state issuing the adjudication.

(4) The Prosecutor General's Office shall inform the competent authority issuing the adjudication regarding any burden or restriction referring to the property that is indicated in the adjudication regarding imposition of an attachment on the property.

[22 November 2007]

Section 825.[4] Storage in Latvia of Seized Documents, Items and Attached Property

(1) Seized documents, items or attached property shall be stored insofar until the request of legal assistance regarding transfer of documents and items or confiscation of property from the competent authority issuing the adjudication is received.

(2) A limited term regarding storage of the seized documents, items and attached property may be indicated taking into consideration an opinion of the issuing state that is expressed in writing.

(3) If the competent authority of the issuing state of adjudication notifies regarding revocation of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence, the seized documents, items or the attached property shall be returned to the owner, lawful possessor, user or holder, but the attachment imposed on the property shall be revoked.

[22 November 2007]

Section 825.[5] Further Activities in Latvia regarding Revoked Documents, Items and Attached Property

(1) If to the procedural adjudication regarding provision of property for confiscation or provision of evidence acquisition a request for criminal-legal assistance is not appended, but in the certification sending date thereof, until which documents and items or property to be confiscated shall be stored, is indicated, the Prosecutor General's Office may ask the competent authority of the relevant European Union Member State to alter such term, as well as to inform regarding the time up to which the storage of a document, item or property in Latvia shall be suspended.

(2) A request for criminal-legal assistance regarding submission of documents and items appended to the procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence shall be carried out in accordance with the procedures prescribed in Chapter 73 of this Law, but the request of criminal-legal assistance regarding confiscation of property – in accordance with the procedures prescribed in Chapter 71 of this Law.

(3) If the request of criminal-legal assistance regarding submission of documents and items is applicable to the adjudication referred to in Annex 2 to this Law and if regarding commitment thereof in the state of issuing of request of criminal-legal assistance a sentence of deprivation of liberty is provided for, the maximum limit of which is not smaller than three years, a verification whether this adjudication is criminal also according to the law of Latvia shall not be performed.

[22 November 2007]

Section 825.[6] Submission of Complaints regarding Execution of Procedural Adjudication regarding Provision of Property for Confiscation or Provision of Acquiring Evidence of a European Union Member State

(1) An activity related to execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence shall be appealed in accordance with the procedures specified in this Law.
(2) Submission of the complaint shall not suspend execution of procedural adjudication regarding provision of property for confiscation or regarding provision of acquiring evidence.
(3) A complaint regarding reasons for issuing adjudication on provision of property for confiscation or provision of acquiring evidence shall be submitted only to the court of the issuing state of the adjudication.
(4) If a complaint regarding activity related to the execution of procedural adjudication regarding provision of property for confiscation or provision of acquiring evidence has been received, the Prosecutor General's Office shall inform the competent authority of the issuing state of adjudication regarding submission of the complaint and the justification thereof, as well as regarding the result of examination of the complaint.
[22 November 2007]

Chapter 75
Joint Investigative Teams

Section 830. Joint Investigative Teams and the Conditions of the Establishment Thereof

(1) A joint investigative team is officials of Latvia and one foreign state or several foreign states authorised to perform pre-trial proceedings who operate jointly within the framework of criminal proceedings taking place in one state.
(2) A joint investigative team shall be established for the performance of concrete criminal proceedings, with the involved states mutually agreeing regarding the leader, composition, and term of operation thereof.
(3) A joint investigative team shall be established for the purpose of eliminating unjustified delays of proceedings that are related to the necessity to perform investigative actions in several states, particularly in cases where several states have commenced criminal proceedings regarding the same offence or a significant amount of the investigation is to be performed outside of the territory of the state in which the criminal proceedings are taking place.

Section 831. Competent Officials

The Prosecutor General, or, for the entering into of a concrete agreement, a person authorised by him or her, shall sign agreements on behalf of Latvia regarding the establishment of a joint investigative team.

Section 832. Grounds for the Operations of a Joint Investigative Team in Latvia

Grounds for the operation of a joint investigative team in Latvia are an agreement, signed by the official provided for in Section 831 of this Law, regarding the participation of Latvia in the establishment of such group.

Section 833. Leader of a Joint Investigative Team and His or Her Authorisations

(1) The leader of a joint investigative team (hereinafter in this Chapter – leader) is a representative of the state in which criminal proceedings are taking place.
(2) The appointment of a leader is an integral part of an agreement. A leader may be replaced only with the consent of all member states.
(3) If a leader is a representative of Latvia, he or she shall have the following authorisations:

1) to implement all the procedural rights that he or she would have if proceedings were taking place only in Latvia;

2) to assign an attached member of the group to independently perform procedural actions in Latvia;

3) to assign an attached member of the group to perform a specific amount of an investigation in the state of which he or she is a representative;

4) to decide the amount in which each member of the joint group is to be familiarised with the information at the disposal of the group.

(4) By coming to an agreement, member states may specify another scope of the authorisation of a leader.

Section 834. Member Attached by a Foreign State in a Joint Investigative Team

(1) In criminal proceedings taking place in Latvia, the attached member of a joint investigative team is the representative in such group of another member state.
(2) An employee of a multinational organisation may also be included in a joint investigative team, if he or she would have such rights in one of the member states.
(3) An attached member may independently perform in Latvia the procedural action assigned by a leader.
(4) An attached member shall perform procedural actions in the state that he or she represents within the framework of his or her authorisation and in the amount specified by a leader.
(5) If the legal assistance of a third country is necessary in the part of criminal proceedings the performance of which has been assigned to an attached member, such member shall submit requests for legal assistance in accordance with the procedures specified in his or her state.

Section 835. Latvian Member in a Joint Investigative Team

(1) The agreement regarding the establishment of a joint investigative team shall determine the procedural authorisation of the Latvian attached member in the state in which criminal proceedings are taking place.
(2) In criminal proceedings taking place in a foreign state, the Latvian attached member of a group has the right to independently perform procedural actions in Latvia within the framework of his or her procedural authorisation and in the amount specified by the leader.
(3) A member of a joint investigative team may place at the disposal of the leader all the information necessary for criminal proceedings available for him or her in Latvia in connection with his or her position.
(4) If criminal proceedings are taking place in Latvia, a joint investigative team may have several Latvian representatives. The authorisations thereof and relationship thereof with the leader are the same as in the case where criminal proceedings were to be performed only in an investigative group established in Latvia.

Section 836. Procedures in Criminal Proceedings Taking Place in Latvia

(1) If the leader is the Latvian representative, criminal proceedings shall take place in accordance with the procedures specified in Latvia.
(2) Attached members shall perform procedural actions in the state thereof in accordance with the procedures specified in such state, if the leader has not requested the application of

procedures specified in Latvia and such application is allowed by the legal system of the foreign state.
(3) All of the procedural actions performed in Latvia shall be subject to appeal in accordance with the procedures specified by Latvian law.
(4) The head of an investigating institution and a public prosecutor shall perform control and supervision in accordance with general procedures, if an agreement does not specify otherwise.

Section 837. Transfer of Criminal Proceedings to Another State

(1) If the conditions and reasons provided for in Chapter 68 of this Law exist for the transfer to another member state of criminal proceedings taking place in Latvia, the competent representatives of the states shall come to an agreement regarding the appointing of another leader.
(2) If member states are not capable of coming to an agreement regarding the replacement of a leader, or if reasons exist for the transfer of criminal proceedings to a third country, the operations of the joint investigative team shall be interrupted and shall hereinafter comply with the procedures specified in Chapter 43 of this Law.
(3) If a member state does not agree to the transfer of proceedings to a third country, the materials submitted by such state shall be returned upon request.

Section 838. Extradition

Extradition shall take place in accordance with general procedures independently of whether a person to be extradited is located in a member state or a third country.

ANNEX XVII

ANNEX XVII - METHODICAL MATERIAL ON APPLICATION OF LAW ON PREVENTION OF LEGALISATION OF CRIMINAL PROCEEDS AND FINANCING OF TERRORISM TO THE SUBJECTS OF THE LAW SUPERVISED BY THE STATE REVENUE SERVICE

Amendments dated 11.03.2010.
Amendments dated 05.07.2010.

Contents of the Methodical Material

1. General Provisions

1. The taxpayers which shall comply with the requirements of the Law on Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism and their obligations, rights and liability is stipulated in the Law on Prevention of the Legalisation of Criminal Proceeds and Financing of Terrorism (hereafter referred to as "law").

2. The list of characteristics of unusual transactions, the procedure of reporting about unusual or suspicious transactions and the forms of reports are stipulated in Regulations of the Cabinet of Ministers No.1071 dated 22 December 2008 "Regulations about the List of Characteristics of Unusual Transaction and the Procedure How Unusual or Suspicious Transactions Shall Be Reported" .

3. The list of third countries whose legal requirements in the field of prevention of legalisation of criminal proceeds and financing of terrorism are equivalent to the requirements of the legal acts of European Union is approved in Regulations of the Cabinet of Ministers No.966 dated 25 November 2008 "Regulations Regarding the List of Third States whose Legal Requirements in the Field of Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism are Equivalent to the Requirements of the Legal Acts of the European Union".

4. Criminal proceeds shall mean criminally acquired property and financial resources. The resources shall be deemed criminally acquired:
4.1. if a person, directly or indirectly, acquires ownership or possession of them as a result of a criminal offence;
4.2. if they belong to a person who is a member of a criminal gang involved in human trafficking, criminal activities with drugs and psychotropic substances, criminal activities with counterfeited money, criminal activities related to crossing of state border, criminal activities with child pornography or sexual abuse about which the subjects of investigative activities, pre-trial investigation authorities, prosecutor's office or court have information giving sufficient grounds to suspect this person for committing of such criminal offence which is connected with any of the mentioned activities or implication thereof;
4.3. if they belong or, directly or indirectly, controlled by a person who is included in any list of persons who are suspected of being involved in terrorist activities which is recognised by the Cabinet of Ministers and elaborated by states or international organisations. The subjects of the law are informed about the lists of the mentioned persons by the Service for Prevention of Legalisation of Criminal Proceeds (hereafter referred to as "Control service");

4.4. if they belong or, directly or indirectly, controlled by a person about which investigative activities, pre-trial investigation authorities, prosecutor's office or court have information giving sufficient grounds to suspect this person for commitment of terrorism related crime or implication thereof.

5. Legalisation of criminal proceeds shall mean converting of criminal proceeds into other valuables, changing their location or ownership, concealing or disguising the true nature, source, location, disposition, movement or ownership, acquiring of such proceeds for ownership (knowing that the proceeds derived from criminal activity), possession or use (also implication in any of such activities) in order to conceal or disguise the criminal origin of proceeds or to assist other person involved in committing of criminal offence, to avoid legal liability.

6. Terrorism financing shall mean direct or indirect collection or giving of financial resources or other property in order to fully or partially use it for commitment of one or several terrorist acts or in order to give it to the terrorist group or individual terrorist.

2. Subjects of the Law Supervised by SRS

1. Subjects of the law supervised by SRS are the following persons engaging in economic or professional activity (hereafter referred to as "subjects"):
1.1. tax advisors;
1.2. external accountants – a person that agrees to provide or provides accounting services to a customer on the basis of a written contract (other than employment contract) with the customer;
1.3. independent legal professionals when they act in the name of their customers to assist in the planning or execution of a transaction, to participate in any transaction or to perform other professional activity related to transactions and the transaction is:
- buying or selling real estate,
- buying or selling shares of an enterprise,
- managing a customer's money, financial instruments and other funds,
- opening or managing all kinds of accounts with credit or financial institutions,
- creating, managing or ensuring the operation or legal entities, making investments necessary for creating, managing or ensuring the operation of legal entity. Legal entity is a legal entity or an association of persons with independent legal capacity and capability.
1.4. legal entity and company service providers — a legal entity or an individual that has a business relationship with a customer and provides the following services:
- assists in establishing of a legal entity,
- acts as or arranges for another person to act as a director or a secretary of a merchant or other legal entity, a partner of a partnership or in a similar position,
- provides a registered office address, a correspondence address, a business address, and other similar services to a legal entity,
- acts or arranges for another person to act as a trustee in accordance with an express authorisation or a similar legal document,
- represents or arranges for another person to represent a shareholder or a member of a commercial company whose financial instruments are not listed on a regulated market, and who is subject to disclosure requirements in conformity with the EU legislative provisions or equivalent international standards.
1.5. persons acting in the capacity of agents or intermediaries in real estate transactions;
1.6. legal entities or individuals trading in real estate or acting as intermediaries in such transactions, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to EUR 15 000 or more, whether the transaction is made as a single operation or several linked operations;
1.7. legal entities or individuals trading in transport vehicles and acting as intermediaries in such transactions, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to EUR 15 000 or more, whether the transaction is made as a single operation or several linked operations;
1.8. legal entities or individuals trading in goods and acting as intermediaries in such transactions, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to EUR 15 000 or more, whether the transaction is made as a single operation or several linked operations;
1.9. taxpayer engaged in provision of any services, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to EUR 15 000 or more, whether the transaction is made as a single operation or several linked operations;
1.10. legal entities or individuals engaged in trading and intermediation in transactions of precious metals, stones and articles thereof, where the payment is made in cash in lats or other currency and the amount, at the exchange rate set by the Bank of Latvia on the transaction day, is equivalent to EUR 15 000 or more, whether the transaction is made as a single operation or several linked operations.

(Amendments made on 11.03.2010.)

3. Obligations of the Subjects of the Law

1. The subject of the law shall within 10 working days after starting of operation inform about its type of activity in writing the territorial authority of SRS in accordance with its legal address or declared place of residence.

2. The subject – a legal entity – shall appoint a structural unit or one or several employees who are authorized to take decision and are directly responsible for observation of requirements of the law. The subject shall, within 30 days of being classed as a subject, inform the territorial unit of SRS and the Control service about the appointment of the responsible structural unit or person. The subject – an individual who is engaged in economic or professional activity – shall, within 30 days of being classed as a subject, inform the Control service about himself/herself. (Amendments made on 11.03.2010.)

3. The obligation of the subject – a legal entity – is, in accordance with its type of activity, to develop and document an internal control system elaborating appropriate policies and procedures.

4. The obligation of the subject is to refrain from the execution of a transaction and to report it to Control service each time an unusual or suspicious transaction happens, i.e. if the subject has justified suspicion or information that the purpose of the transaction is the legalisation of criminal proceeds or financing of terrorism.

3.1. Notification about the Type of Activity

1. The subject of the law shall within 10 working days after starting of operation inform the territorial authority of the SRS about its type of activity in writing in accordance with its legal address or declared place of residence, submitting "Notification of the Taxpayer (Legal Entity or Individual) about its Type of Activity" (hereafter referred to as "Notification about Type of Activity").

2. The starting of operations shall mean the moment of registration of the subject in the Register of Enterprises or, for those legal entities and individuals, which do not have to register in the Register of Enterprises, after registration in the Taxpayer register of SRS.

3. If the activity specified in the law has started after the registration of the subject in the Register of Enterprises or Taxpayer register of SRS, the start of activity shall be documented by the subject with an order or specified in organizational documents.

4. The notification about the type of activity shall contain:
- taxpayer registration code (for an individual – ID code);
- name (for an individual – name, surname);
- in the column "operation period from" – indicate date when the taxpayer could be classed as a subject of the law;
- in the column "operation period to" – indicated date starting from which the taxpayer is no longer classed as a subject of the law. This column is filled in if the taxpayer plans to carry out economic or professional activity typical for a subject for a definite (i.e. known) period of time and in the event if the notification is submitted ceasing economic or professional activity typical for a subject of the law;
- signature and its transcript of a person responsible for correctness of the provided data (i.e. official with signature rights recorded in the Register of Enterprises or its authorized person);

- date of execution of notification;
- contact phone of a person responsible for correctness of the provided data.

5. In the event if a taxpayer has several types of economic activity (e.g. provision of accountancy services and tax advisory) which comply with several groups of subjects, in the notification about the type of activity all the types shall be indicated. Each type of activity shall have a period from which the taxpayer is regarded a subject of the law in the particular group of subjects.

6. In the event if the subject, which has already informed a territorial authority of the SRS about its type of activity, starts another one economic or professional activity typical for a subject of the law, submitting the notification about the new type of activity, previously submitted information (if it changed) about the type and period of activity of the subject is not necessary.

7. The form of notification about the type of activity is available as Annex 3 of this methodical material "Notification of the Taxpayer (Legal or Individual) about its Type of Activity", in the territorial authority of SRS and on SRS home page on Internet http://www.vid.gov.lv in the section Useful/Forms and applications/About Prevention of legalization of criminal proceeds and financing of terrorism.

3.2. Appointment of the Responsible Person

1. Subjects of the law – legal entities – shall appoint a structural unit or one or several employees who are entitled to make decisions and are directly responsible for compliance with the requirements of the law.
Upon the order or organizational document a person is appointed the responsible person who is entitled to make decisions in the company, e.g. member of the council, member of the board, director or other official who is entitled to represent the company.

2. The subject of the law shall, within 30 days of being classed as a subject, inform about the appointment of the structural unit or the responsible person:
2.1. Territorial authority of SRS, submitting the notification "Notification of the Taxpayer (Legal Entity) about the Appointment of the Responsible Person"
(hereafter referred to as "Notification about Appointment of the Responsible Person");
2.2. Control service, sending a letter with the name, surname, e-mail, phone and fax numbers of the responsible person.

3. The notification about the appointment of the responsible person shall include:
- taxpayer registration code;
- name;
- name of the structural unit responsible for compliance with the requirements of the law if the subject has appointed the structural unit which is entitled to make decisions and is responsible for the compliance with the law. In this case the notification shall include also the name, surname and e-mail address of the responsible person in the structural unit;
- name and surname of the employee responsible for compliance with the law if the subject appointed the responsible employee (employees) not the structural units. In the event that several persons who are responsible for compliance with the law have been appointed, the notification shall include the information about all responsible persons;
- contact phone of the structural unit or the employee responsible for compliance with the law;
- personal ID and e-mail of the employee responsible for compliance with the law;
- a notice on whether the notification is in relation to appointment or resignation of the responsible person or structural unit;
- date of appointment or resignation of the responsible person or the structural unit.
- name, surname and the signature of the person responsible for correctness of data;

- date of execution of the notification;
- contact phone of the person responsible for correctness of data.

4. In the event of changes in structural unit or responsible person, the subject shall submit the notification which includes data about resigned structural unit or responsible person or the date of resignation and the data about the appointed structural unit or responsible person and the date of appointment.

5. The form of the notification about the appointment of the responsible persons is available in Annex 4 of the methodical material "Taxpayer (Legal Entity) Notification about Appointment of the Responsible Person", at the territorial authority of SRS and on SRS home page www.vid.gov.lv in the section "Useful/Forms and Applications/About Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism".

6. The subject of the law shall ensure that the responsible persons know legal acts related to the prevention of legalisation of criminal proceeds and financing of terrorism, risks related to legalisation of criminal proceeds and financing of terrorism and organise regular training for employees in order to improve their skills to detect characteristics of unusual transaction and suspicious transactions and perform actions provided by the internal control system.

7. The subject of the law — a legal entity — is not entitled to disclose the data about the responsible persons or employees of structural units to the third parties.

8. The subject of the law – an individual who is engaged in economic or professional activity – shall inform the Control service about himself/herself as a person responsible for compliance with the law within 30 days of being classed as a subject by sending a letter which indicates the name and surname, e-mail, phone and fax numbers of the responsible person. The mentioned information is necessary that so the Control service is able to inform the subject about the list of persons who are suspects for involvement into terrorist activities and, in case of necessity, to contact the subject.
(Amendments made on 11.03.2010.)

3.3. Internal Control System

1. The subject of the law (a legal entity) in accordance with its type of activity shall develop the internal control system for prevention of legalization of criminal proceeds and financing of terrorism.

2. Internal control system shall include at least:
- customer identification procedure;
- procedure for risk assessment related to the legalization of criminal proceeds and financing of terrorism;
- due diligence procedure;
- customer transaction monitoring procedure;
- unusual and suspicious transactions identification procedure;
- procedure how the subject of the law refrains from execution of suspicious transaction;
- procedure of reporting to the Control service about unusual and suspicious transactions;
- procedure whereby data and records of customer identification, due diligence and transaction monitoring are stored;
- rights, duties and liability of employees observing the requirements of the law.

3. The subject of the law shall regularly assess the effectiveness of the internal control system, observing additional risks which may arise as a result of implementation and development of new technologies and, if necessary, shall improve the effectiveness of the internal control system.

4. The subjects of the law who face transactions with possibilities of legalisation of criminal proceeds and financing of terrorism periodically and for a short time, i.e. traders and service providers who receive from customers payments for goods and services in cash in the amount EUR 15 000 or more, may refrain from developing the internal control system elaborating appropriate policies and procedures and in writing envisage the internal procedure which includes at least:
- customer identification procedure;
- procedure for risk assessment related to the legalization of criminal proceeds and financing of terrorism (goods or services risk);
- procedure of reporting to the Control service about unusual and suspicious transactions.

3.3.1. Customer Identification and Due Diligence

1. The subject of the law shall identify a customer before establishing a business relation. A customer shall be identified when not establishing the business relationship before each transaction where:
- the amount of transaction or the total amount of several apparently linked transactions is equivalent to EUR 15 000 or more at the exchange rate set by the Bank of Latvia on the transaction day;
- a transaction corresponds to at least one of the characteristics of unusual transactions or gives rise to a suspicion of legalization of criminal proceeds, financing of terrorism or an attempt thereof;
- there are doubts about the veracity of the previously obtained identification data.

2. If, assessing the risk of legalisation of criminal proceeds and financing of terrorism, this risk is low, in order not to interrupt the normal conduct of transaction, a customer may be identified at inception of the business relationship but prior to executing the first transaction.

3. A customer – legal entity – shall be identified:
3.1. by requesting to present a registration certificate;
3.2. by requesting the data about the registered office of a customer;
3.3. be requesting to identify a representative who is entitled to represent a legal entity and obtaining a document or its copy certifying the rights to represent a legal entity.

4. A legal entity can be identified obtaining the data from the publicly available sources (e.g. Lursoft data base, Land Register etc).

5. A customer – an individual – shall be identified, verifying the identity on the basis of a personal identification document in which the following information is provided:
5.1. regarding a resident — name, surname, personal ID;
5.2. regarding non-resident — name, surname, date of birth, number and date of issue of identification document, state and authority which issued the document.
Individuals – non-residents – who personally appeared before the subject of the law in the Republic of Latvia shall be identified only by the document valid for entering into Latvia.
Individuals - non-residents, who have not personally appeared before the subject of the Law, shall be identified in their country of residence by using domestic passport of the respective country, other document that evidences the person’s identity and is accepted in the respective country or the document valid for entering the country where the person is being identified.

6. After customer identification, in order to assess possible risks, the subject shall apply customer due diligence:
- establishes information on beneficial owner;
- obtains information on the purpose and intended nature of the business relationship;
- after entering into the business relationship and while the relationship lasts, monitors the transactions;
- ensures that the documents, data and information obtained during customer due diligence are properly kept and updated on regular basis.

6.1. The subject shall establish the information on beneficial owner for customers - legal entities to which enhanced customer due diligence shall apply and for all customers where it is known or there is a suspicion that the transaction is executed in the interests or on order of another person, obtaining the information in one of the following ways:
- obtaining a statement signed by the customer about the beneficial owner;
- using data or documents from Latvian or foreign information systems;
- establishing itself the beneficial owner in cases when data on the beneficial owner cannot be obtained otherwise.

6.2. A subject of the law shall obtain and make records of information on the purpose and intended nature of the business relationship, including information on services that the customer intends to use, the origin of the customer's funds, the intended number and volume of transactions, the customer's economic or personal activity for which the customer will use the respective services.

6.3. After establishing a business relationship, a subject of the law updates the information on the customer's economic or personal activity and monitors transactions on regular basis to ensure that they are not unusual or suspicious. The subject, when monitoring a business relationship, shall pay particular attention to the following:
- unusually large and complex transactions or mutually linked transactions, which have an apparent economic or visibly lawful purpose, and are atypical for a customer;
- transactions involving persons from third countries that, in accordance with the opinion of international organizations, shall be considered as countries and territories where there are no effective regulatory provisions for combating legalisation of criminal proceeds and financing of terrorism or that have refused to cooperate with international organizations in the area of prevention of legalization of criminal proceeds and financing of terrorism.

7. The scope of customer due diligence is defined based on the risk assessment in relation to legalization of criminal proceeds and financing of terrorism.

8. In order to apply due diligence, the subject of the law is entitled to request from customers and customers shall have a duty to provide truthful information and documents necessary for customer due diligence, including information and documents on the beneficial owners, transactions, economic and personal activities of customers and beneficial owners, the financial standing and the origin of money or other funds.

9. The subject of the law shall document the customer identification and due diligence activities (register and make copies of the documents certifying identification data) and shall store them at least five years after termination of business relationship. Upon request of the supervisory and control authority or the Control service the subject shall present these documents to the supervisory and control authority or submit copies to the Control service.

For example, the subject may elaborate a questionnaire which includes questions about the customer identification and transactions. The customer shall fill in the questionnaire and approve it by signing.

10. Where the subject fails to obtain truthful information and documents that are needed for customer identification and due diligence which would permit the subject to carry out inspection on its merits, the subject shall terminate the business relationship with the customer and require that the customer meets his/her liabilities prematurely. In such event the subject of the law shall take the decision on terminating the business relationship also in respect of customers who have the same beneficial owners or requiring these customers to meet their liabilities prematurely.

11. Tax advisors, external accountants and other independent legal professionals in the course of defending or representing that customer in pre-trial criminal proceedings or judicial proceedings, or providing advice on instituting or avoiding judicial proceedings may refrain from observing the lawful duty to terminate business relations with the customer if they cannot obtain information needed for identification or due diligence. This shall not apply in cases when the aforementioned subjects of the law themselves are involved in legalisation of criminal proceeds or financing of terrorism or when they know that their customers carry out illegal activities.

3.3.2. Customer Risk Assessment in Connection to Legalisation of Criminal Proceeds and Financing of Terrorism

1. Establishing business relationships with a customer, the subject shall define the initial customer risk, assessing the following risk categories:
- country risk;
- customer legal form risk;
- risk related to customer economic or personal activity;
- risk raised by goods or services used by the customer.

2. Country risk of the customer's state of residence (registration) is the risk for the subject to get involved into legalisation of criminal proceeds or financing of terrorism cooperating with a customer from the state whose economic, social, legal or political situation may facilitate use of the country for legalisation of criminal proceeds or financing of terrorism.

2.1. High risk customer registration (residence) countries are the countries or territories:
- which are included in the list of low tax or non-tax countries and territories approved by the Cabinet of Ministers;
- against which UNO or EU have defined financial or civil restrictions;
- which is included into the list of non-cooperating countries of the Financial Action Task Force or against which this organization has published a statement as against the country or a territory which has no legal acts for combating legalization of criminal proceeds or financing of terrorism or where these acts are with significant inconsistencies and therefore do not comply with international requirements. The information about such countries and territories included into the list of non-cooperating countries is posted on the home page of http://www.fatf-gafi.org/.

2.2. The list of third countries which legal requirement in the field of prevention of legalisation of criminal proceeds and financing of terrorism are equivalent to the legal requirements of EU is approved by Regulations of the Cabinet of Ministers No.966 from 25 November 2008 "Regulations Regarding the List of Third Countries Whose Legal Requirements in the Field of Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism are Equivalent to the Legal Requirements of EU".

3. The Control service shall inform the subjects of the law about the list of persons who are suspects for involvement in the terrorist activities using specific e-mail addresses created by the subjects for such needs.
Identification data about persons who are suspects for involvement in terrorist activities are posted in the lists of USA OFAC (Office of Foreign Asset Control). Information about OFAC is available at: http://www.ofac.us/.

4. From the point of view of legal form high risk of legalization of criminal proceeds and financing of terrorism is for a customer whose choice of legal form does not comply with its type of activity. For example, it is a registered association but it is engaged in commercial activity or the representative of a commercial company is member who does not have basic knowledge of the type of activity of the commercial company.

5. From the point of view of customer's types of commercial activity which have high risk of legalization of criminal proceeds and financing of terrorism, the high risk types of commercial activity are the following:
- organization of gambling;
- encashment services;
- intermediation in transaction with real estate;
- trading in precious metals and stones;
- trading in weapons and ammunition;
- reinsurance services, except if the service provider is duly licensed and supervised or international rating agencies have granted the service provider the investment grade;
- cash services (e.g. cash offices, currency exchange points, money payment agents or other service providers which ensure money transfer opportunities).

6. Goods (services) risk is the risk that the service rendered by or goods offered by the subject of the law can be used for legalization of criminal proceeds or financing of terrorism. For example, luxury goods are delivered for cash (yachts, paintings, jewellery articles etc).

3.3.3. Identification of Suspicious Transactions

1. The subject of the law can identify suspicious transaction only if it is well aware of the economic activity of its customers. Therefore, the duty of the subject is to orientate himself in the economic activity of the customer, i.e. to know basic types of activity of the customer, specifications of cash flow typical for such economic activity etc.

2. If it is detected that a customer executes a transaction which, in the view of the subject, is atypical of the economic or professional activity of the customer, the employee of the subject shall immediately inform the person responsible for compliance with the law.

3. Basic indicators of suspicious transactions in the transactions of the customers of the subject are, for example:

3.1. in relation to customer (atypical transaction):
- problems with customer identification (customer does not wish to provide identification information or provides incomplete information or provides false or hardly verifiable information or refuses to provide information);
- customer is nervous without obvious reason;
- customer is accompanied or is watched;
- transaction is atypical for a customer;
- customer brings the money which is not counted (unless it is usual for this customer or type of business);

- customer performs complex or unusual transactions (with no clear economic or legal purpose);
- customer acts as cover for other person's transaction;
- customer prefers the simplest types of transactions (which do not require identification or reporting to Control service);
- declaration of large cash amounts on border;
- declaration of large saved amounts;
- suspicion about connection with terrorism or financing thereof;

3.2. in relation to transaction (atypical amount or type for a customer):
- atypically large amount of transaction for the customer;
- the transaction has no clear legal purpose (or is not connected with its economic or professional activity);
- property is acquired at an obviously inappropriate price;
- the transaction is connected with other transaction which has already been reported to the Control service;
- the suspicion about the transaction is reported by mass media, police, internal security services;
- is connected with a suspicious transaction in a foreign country;
- the transaction is disproportionately large for the revenues from the economic activity of the customer;
- a counterfeit document is used in the transaction;
- tax evasion is planned or is committed;
- alleged fraud;
- the collateral obviously does not cover the received loan;
- increase of fixed capital for an unjustifiably large amount;
- unclear origin of funds used in the transaction;
- establishing a commercial company when the payment is made by a person who is not a member of this company.

4. The following indications can give proof of suspicious transaction in the customer's economic activities:
- frequent change of address;
- a customer does not wish the correspondence to be sent to legal address;
- frequent change of receivers (contact persons) at the same customer's address;
- excessive security;
- a customer shows excessive interest about the procedures of the subject and a customer has unusually advanced knowledge about criminal transactions or legal requirements regarding reporting to the Control service;
- a customer fails to provide exhaustive information about deposited amounts and incoming transfers in general;
- a customer provides fictitious, confusing or controversial explanations about transactions;
- a customer becomes defensive in relation to the asked questions or excessively justifies himself/herself;
- a person responsible for transactions is too nervous or unwillingly agrees to meet;
- a customer is involved in suspicious transaction but conceals it;
- a customer insists that due diligence shall be performed very quickly;
- a customer offers money or free assistance;
- a customer's management tried to persuade its employees not to fill in all necessary transaction documentation;
- unusually valuable contracts with obviously unconnected third parties, especially foreign business partners;
- a customer lacks knowledge necessary for economic or professional activity which is typical for market participants;
- establishment of commercial companies without obvious goals of profit;

- unusually large payments or payments in unusual currencies for investments from an account which is not one of the customer's accounts;
- a customer looks for such investment opportunities where it would be complicated to identify the origin of funds;
- making valuable investments followed by borrowing pledging this investment;
- investment without obvious purpose or admission of unusual loss without clear purpose;
- establishing of foreign subsidiaries or branches without obvious business need and manipulation with prices with assistance of this company;
- unusual and continuous trips;
- transaction prices which are significantly lower or higher than market prices;
- unusual or unusually large fees, unusual bit payments for atypical services or loans to consultants, related parties or state officials;
- execution of transactions atypical for economic or professional activity of a customer;
- transactions in which business partners are difficult to identify;
- transactions without written approval of the responsible person, incorrect records, hard to trace transactions;
- unusually large currency exchange transactions;
- evasion from customer identification and due diligence documentation procedure;
- use of intermediaries without obvious economic or professional purpose.

3.3.4. Refraining from Executing a Transaction

1. The subject of the law takes a decision to refrain from executing one or several linked transactions where the transaction is related or is suspected or maybe reasonable suspected of being related to legalisation of criminal proceeds or financing of terrorism.

2. The subject of the law shall immediately but not later than on the next working day inform the Control service about refraining from executing a transaction.

3. The Control service, not later than within 60 days after receiving of report about refraining from executing a transaction, shall issue the order to suspend the transaction for a period specified in the order or informs the subject in writing about the additional period defined by the prosecutor general or specially authorized prosecutor which is necessary for receiving of the requested information from abroad or informs in writing that further refraining from executing a transaction is unjustified and shall be stopped.

4. Receiving the order from the Control service the subject of the law shall suspend the transaction for a period specified in the order informing the customer about it in writing and sending a customer the copy of the order.

5. If a customer provided justified information about the legality of origin of financial or other resources to the subject, it shall immediately forward it to the Control service and the Control service shall cancel the order about suspension of the transaction.

6. The subject of the law shall stop refraining from transaction if, within the specified period, it did not receive the order to suspend the transaction from the Control service and did not receive the written notification about additional period defined by the prosecutor general of specially authorised prosecutor or a written notification that further refraining from executing a transaction is unjustified and shall be stopped.

7. If a subject of the law cannot refrain from executing suspicious or unusual transaction, of if refraining from executing of such transaction can serve as information which could assist persons involved in legalisation of criminal proceeds and financing of terrorism to escape

liability, the subject of the law is entitled to execute the transaction and report it to the Control service in due order.

3.3.5. Reporting Duty

1. The subject of the law shall immediately inform the Control service about each unusual and suspicious transaction.

2. The subject of the law, taking the decision about refraining from executing unusual or suspicious transaction, shall inform the Control service about it.

3. The list of indicators of unusual transaction and the procedure of reporting about unusual or suspicious transactions are defined in the Regulations of the Cabinet of Ministers No.1071 from 22 December 2008 "Regulations about the List of Characteristics of Unusual Transaction and the Procedure How Unusual or Suspicious Transactions Shall Be Reported".

4. The report about unusual or suspicious transaction is submitted by the subject to the Control service in writing with covering letter indicating enclosed documents and electronic data carriers (if any) or is sent electronically in encrypted format pursuant to the bilateral agreement between the Control service and the subject.
(Amendments made on 11.03.2010.)
4.1. The form of report about unusual or suspicious transaction, which is submitted in paper format, is available in annex to this methodical material as Annex 1 to the Regulations of the Cabinet of Ministers No.1071 dated 22 December 2008 "Report about Unusual or Suspicious Transaction" and on SRS home page on Internet http://www.vid.gov.lv/ in section "Legal Acts/About Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism"/Regulations of CM/Annexes/Annex No.1".
4.2. The form of report about unusual or suspicious transaction which is submitted electronically, is available in annex to this methodical material as Annex 2 to the Regulations of the Cabinet of Ministers No.1071 dated 22 December 2008 "Report about Unusual or Suspicious Transaction" and on SRS home page on Internet http://www.vid.gov.lv/ in section "Legal Acts/About Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism"/Regulations of CM/Annexes/Annex No.2".

5. The subject of the law not later than on the next day shall register reports submitted to the Control service and shall ensure that they are available to supervisory and control authorities.

6. Duty to report about unusual or suspicious transaction shall not apply to tax advisors, external accountants and other independent legal professionals in cases where they represent the customer in pre-trial criminal proceedings or judicial proceedings, or providing advice on instituting or avoiding judicial proceedings.

4. Indicators of Unusual Transaction

4.1. Indicators of Unusual Transactions for Tax Advisors and External Accountants

1. Unusual transaction in relation to tax advisors and external accountants is a transaction which meets at least one of the following indicators:
1.1. the transaction has a participant who is suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
1.2. the total amount of cash loans received by a customer from individuals (also from the owner of the commercial company) within the fiscal period is LVL 40 000 or more (for owner of the commercial company – total amount of cash loans issued to the company exceeds the amount paid out as dividends by LVL 40 000 or more).

4.2. Indicators of Unusual Transaction for Independent Legal Professionals

1. Unusual transaction in relation to independent legal professionals is a transaction which meets at least one of the following indicators:
- the transaction has a participant who is suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer gives or receives cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary.

2. The transaction is unusual in relation to independent legal professional where:

2.1. has provided advice about a real estate buying or selling transaction which meets at least one of the following indicators:
- has a participant who is suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer gives or received cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary;
- a customer buying a real estate concludes the agreement which envisages single or several payments in cash for the amount of LVL 15 000 or more;
- a customer concluding cooperation agreement about buying of a real estate makes payments in cash to the entrepreneur’s cash office in the amount of LVL 20 000 or more;

2.2. has provided advice about a share buying or selling transaction, which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer gives or received cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary;

2.3. has provided advice about a transaction related to management of the customer’s money, financial instruments and other resources, which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;

- a customer gives or received cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary;

2.4. has provided advice about opening or management of any accounts in credit or financial institutions which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer gives or received cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary;

2.5. has provided advice about creating, managing or ensuring the operation of legal entity and making investments necessary for creating, managing or ensuring the operations of legal entities which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer gives or received cash in the amount of LVL 10 000 or more authorizing to act as financial intermediary.

4.3. Indicators of Unusual Transaction for Entrepreneurs Engaged in Trading in Real Estate and Intermediation Thereof

1. Unusual transaction in relation to entrepreneurs engaged in trading in real estate and intermediation thereof is a transaction which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer, buying a real estate, concludes the agreement which envisages single or several cash payments for the amount of LVL 15 000 or more or a customer, concluding cooperation agreement regarding buying of a real estate;
- makes cash payment in the cash office of the entrepreneur in the amount of LVL 20 000 or more;

4.4. Indicators of Unusual Transaction for Entrepreneurs Engaged in Trading in Vehicles of Transport and Intermediation Thereof

1. Unusual transaction in relation to entrepreneurs engaged in trading in vehicles of transport and intermediation thereof is a transaction which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;
- a customer, buying a vehicle of transport, makes one or several cash payments in the amount of LVL 20 000 or more.

4.5. Indicators of Unusual Transaction for Entrepreneurs Engaged in Trading in Precious Metals, Stones and Articles Thereof

1. Unusual transaction in relation to entrepreneurs engaged in trading in precious metals, stones and articles thereof is a transaction which meets at least one of the following indicators:
- has a participant who is a suspected of committing a terror act or implicated thereof, or who is in the list of persons which is communicated by the Control service to the subjects of the law and their supervisory and control authorities;

- a customer, buying precious metals, stones and articles thereof, makes cash payments for the amount of LVL 10 000 or more;
- a customer sells or offers precious metals, stones or articles thereof for the price which does not exceed 50 % of the market value which is defined in accordance with the rate set by the Bank of Latvia.
(Amendments dated 11.03.2010.)

5. SRS Rights

1. SRS, as a supervisory body, supervising how subjects of the law observe the requirements stated thereof, is entitled to the following:
- to visit premises owned or used by the subjects of the law which are connected with their economic or professional activity and to carry out inspections thereof;
- to request from the supervised subjects of the law the information related to implementation of the requirements thereof;
- to request to present original documents;
- to review and receive copies and extracts of the documents;
- to request and to receive the appropriate clarifications;
- to carry out action in order to prevent or limit the opportunities of legalisation of criminal proceeds or financing of terrorism;
- to execute acts about offences and the related facts;
- to define the term for the subjects to remedy the violations of the requirements of the law and to control the process of elimination of offences;
- to publish statistical information about violation of the law and the applied sanctions;
- to request from state and related public authorities (e.g. local governments) any possessed information for the fulfilment of the duties specified in the law;
- to provide recommendations to the subjects of the law in relation to fulfilment of the duties specified in the law.

2. SRS officials and employees are not entitled to disclose information in their possession about the responsible persons or employees of the structural units and data provided to the Control service to the customers of the subjects and other persons except when the information is provided to pre-trial investigation authorities, prosecutor’s office or court and when a subject refrained from actions.

6. Penalties for Violations of Requirements of the Law on Prevention of Legalisation of Criminal Proceeds and Financing of Terrorism

1. Penalties for violations of requirements of the Law on Prevention of Legalisation of Proceeds and Financing of Terrorism are stipulated in Articles165.7 and 165.8 of the Latvian Administrative Violations.

2. For violation of requirements regarding customer identification or due diligence an individual shall be punished with a fine not exceeding LVL 400 but a legal entity – with a fine not less than LVL 150 and not exceeding LVL 500.

3. For failure to implement the internal control system for prevention of legalisation of criminal proceeds and financing of terrorism legal entities shall be punished with a fine not exceeding LVL 500.

4. For failure to appoint the employee responsible for prevention of legalisation of criminal proceeds and financing of terrorism legal entities shall be punished with a fine not less than LVL 100 and not exceeding LVL 500.

5. For failure to ensure training for employees about prevention of legalisation of criminal proceeds and financing of terrorism legal entities shall be punished with a fine not less than LVL 100 and not exceeding LVL 500.

6. For failure to timely provide information specified in the legal acts related to prevention of legalisation of criminal proceeds and financing of terrorism, i.e. notification about the type of activity and appointment of the responsible person, SRS shall impose a fine not exceeding LVL 250 on individuals and not exceeding LVL 500 on legal entities.
(Amendments dated 05.07.2010.)

7. Annexes
Annex 1
to the Regulations of the Cabinet of Ministers
No. 1071 dated 22 December 2008

Report on Unusual or Suspicious Transaction
(to be submitted in paper form)

Sections I, II, III, VI and VII to be filled by all reporters

I	Information on the subject of the law		
1. Subject of the law (individual's name and surname or legal entity's name			
2. Registration number of personal ID number			
3. Compiler's name, surname, phone number			
4. Reporting date		5. Report No.	

II	Transaction data		
1. Transaction place (institution)			
2. Transaction date (dd.mm.yyyy)		3. Date of the last transaction (in case of several joint transactions) (dd.mm.yyyy)	
4. Unusual transaction's indicator number pursuant to the Regulations of the Cabinet of Ministers No. 1071 from 22 December 2008		5. Suspicion indicator	
6. Status of transaction (underline where appropriate)	Planned Initiated Postponed	Declared Confirmed Done	Advised Subject of the law Refrained Other_____

7. Transaction type				
8. Transaction amount (00 000.00)		9. Currency (3 letter code)		
10. Special notes (underline where appropriate)	Subject of the law refrained from execution of transaction	Financing of terrorism	Related to politically exposed person	Also reported to law enforcement authority

III	1) Transaction performer (for transaction without money transfer (insurance, currency exchange, prizes etc.)) 2) Sender (for transactions with money transfer)	
Bank (for a transaction in a bank)	1. Bank SWIFT code (BIC code)	
	2. Bank account number	
Legal entity – transaction performer or sender	3. Name including abbreviation of business type at the end (LLC., SC, IC etc.)	
	4. Registration number	
	5. Registration country 2 letter code according to ISO standard	
	6. Address country 2 letter code according to ISO standard and address	
Individual – transaction performer or sender, or authorised person of a legal entity	7. Name (-s)	
	8. Surname	
	9. Personal ID number or date of birth (in format ddmmyy)	
	10. A personal identification document country 2 letter code according to ISO standard, number, issuer and date	
	11. Address country 2 letter code according to ISO standard and address	

IV	Money receiver (to be filled in only if report about the money transfer; do not fill in if report about insurance, currency exchange, prizes etc.)	
Bank (for a transaction in a bank)	1. Receiving bank SWIFT code (BIC code)	
	2. Bank account number	

Legal entity – receiver	3. Name including abbreviation of business type at the end (LLC., SC, IC etc.)	
	4. Registration number	
	5. Registration country 2 letter code according to ISO standard	
	6. Address country 2 letter code according to ISO standard and address	
Individual – transaction receiver or authorised person of a legal entity	7. Name (-s)	
	8. Surname	
	9. Personal ID number or date of birth (in format ddmmyy)	
	10. A personal identification document country 2 letter code according to ISO standard, number, issuer and date	
	11. Address country 2 letter code according to ISO standard and address	

V	Other participants of transaction	Information on other participant of transaction No.1	Information on other participant of transaction No.2
Bank (for a transaction in a bank)	1. Bank SWIFT code (BIC code)		
	2. Bank account number		
Other legal entity – participant of the transaction	3. Role in transaction (beneficiary, organiser etc.)		
	4. Name including abbreviation of business type at the end (LLC., SC, IC etc.)		
	5. Registration number		
	6. Registration country 2 letter code according to ISO standard		
	7. Address country 2 letter code according to ISO standard and address		
	8. Notes		

Other individual – participant of the transaction or authorised person of a legal entity	9. Role in transaction (beneficiary, organiser etc.)		
	10. Name (-s)		
	11. Surname		
	12. Personal ID number or date of birth (in format ddmmyy)		
	13. A personal identification document country 2 letter code according to ISO standard, number, issuer and date		
	14. Address country 2 letter code according to ISO standard and address		
	15. Notes		

VI	Explanatory notes
Short notes (up to 16 symbols, including spaces). Indicates only the most relevant: number of transactions conjoint in the report or currency to which money is exchanged, or account type (business or private) of representative of designated profession (lawyer, notary, etc.) or other.	
Explanatory text (in addition to indicated data without repeating)	

VII	Annexes			
Type of annex	Paper form	Excel form	Scanned document	Number of pages
Copy of personal identification document				
Copy of drivers license				
Copy of registration certificate				
Account statement				
Copy of agreement				
Other _____				

Annex No.2

to the Regulations of the Cabinet of Ministers

No. 1071 dated 22 December 2008

Report on Unusual or Suspicious Transaction

(to be submitted electronically)

Transaction information

Report registration data							**Transaction information**						
Control service data			**At the subject of the law**										
Control service year (yy/..)	**Control service number**	**Control service registration date** (dd.mm.yyyy)	**Reporter code assigned by the control service**	**Report year** (yy/..)	**Report number**	**Report date (**dd.mm.yyyy)	**Transaction place (institution)** (2 letter code or SWIFT)	**Transaction status**	**Transaction date** (dd.mm.yyyy)	**Date of last transaction** (dd.mm.yyyy)	**Code of type of transaction** (101 – cash pay in; 102 – cash pay out; 107 – transfer)	**Unusual transaction's indicator number according to Cabinet Regulation No.1071 of 22 December 2008**	**Suspicion indicator**
1	2	3	4	5	6	7	8	9	10	11	12	13	14

1st continuation

Sender (for transactions with money transfer) or transaction performer (for transactions without money transfer)													
bank		**Legal entity**					**Individual (sender or transaction performer, or authorised person of a legal entity)**						
1. Bank SWIFT code (BIC code)	**1. Bank account number**	**1. Legal entity name including abbreviation of business type at the end** (LLC, SC, IC etc.)	**1. Legal entity registration number**	**1. Legal entity registration country** (2 letter code according to ISO standard)	**1. Legal entity address country** (2 letter code according to ISO standard)	**1. Legal entity address**	**1. Individual name (-s)**	**1. Individual surname**	**1. Individual personal identity number or date of birth** (ddmmyy – no dots)	**1. Individual personal identification documents number**	**1. Individual personal identification document issuer country** (2 letter code according to ISO standard)	**1. Individual address country** (2 letter code according to ISO standard)	**1. Individual address**
17	18	19	20	21	22	23	24	25	26	27	28	29	30

2nd continuation

Receiver														Notes	
bank		Legal entity					Individual (receiver or authorised person of a legal entity)								
2. Bank SWIFT code (BIC code)	2**. Bank account number**	**2. Legal entity name including abbreviation of business type at the end** (LLC, SC, IC etc.)	**2. Legal entity registration number**	**2. Legal entity registration country** (2 letter code according to ISO standard)	**2. Legal entity address country** (2 letter code according to ISO standard)	**2. Legal entity address**	**2. Individual name (-s)**	**2. Individual surname**	**2. Individual personal identity number or date of birth** (ddmmyy – no dots)	**2. Individual personal identification documents number**	**2. Individual personal identification document issuer country** (2 letter code according to ISO standard)	**2. Individual address country** (2 letter code according to ISO standard)	**2. Individual address**	**Short notes**	**Explanatory text**
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46

3rd continuation

Other participant (one person only)														
	bank		Legal entity					Individual						
3. Role in transaction (beneficiary or other)	**3. Bank SWIFT code (BIC code)**	3**. Bank account number**	**3. Legal entity name including abbreviation of business type at the end** (LLC, SC, IC etc.)	**3. Legal entity registration number**	**3. Legal entity registration country** (2 letter code according to ISO standard)	**3. Legal entity address country** (2 letter code according to ISO standard)	**3. Legal entity address**	3**. Individual name (-s)**	**3. Individual surname**	**3. Individual personal identity number or date of birth** (ddmmyy – no dots)	**3. Individual personal identification documents number**	**3. Individual personal identification document issuer country** (2 letter code according to ISO standard)	**3. Individual address country** (2 letter code according to ISO standard)	**3. Individual address**
47	48	49	50	51	52	53	54	55	56	57	58	59	60	61

Annex No.3

Notification of the Taxpayer (Legal or Individual) about its Type of Activity

(pursuant to Paragraph 3 of Article 45 of the Law on Prevention of Legalisation of Criminal Proceeds and Terrorism Financing)

Registration code of a legal entity (individual) | | | | | | | | | | | |

Name of a legal entity or name and surname of an individual .....

Type of Activity	Period of Activity	
	from	to
Tax advising		
External accountancy		
Provision of legal services, planning, confirmation or execution of transactions acting independently in favour/on behalf of a client:		
buying or selling of real estate		
buying or selling of enterprises		
managing the customer's money, financial instruments and other funds		
opening and managing all kinds of accounts in credit or financial institutions		
creating, managing or ensuring activity of legal entities as well and making investments necessary for creating, managing or ensuring of legal entities		
Provision of services related to creation or ensuring of activity of a legal entity		
Agency or intermediary services in transactions with real estate		
Trading in precious metals, precious stones and articles thereof		
Intermediation in trading of precious metals, precious stones and articles thereof		
Trading in real estate *		
Trading in vehicles of transport *		
Trading in other goods *		
Intermediation in trading in real estate *		
Intermediation in trading in vehicles of transport *		
Intermediation in trading in other goods *		
Provision of services *		

* if a payment is performed in cash, in lats or other currency, which, in accordance with the rate defined by the Bank of Latvia on the transaction execution date, is equal to EUR 15 000 or more, regardless, whether this transaction is performed as a single operation or several linked operations.

I hereby certify the correctness of the data:

Name, surname..... Signature

……..

Date | | | | | | | | |

Contact phone | | | | | | | | |

RECEIVED BY SRS
□□.□□. □□□□

Annex 4

Notification of Taxpayer (Legal Entity) about Appointment of Responsible Person

(pursuant to Paragraph 1 of Article 10 of the Law on Prevention of Legalisation of Criminal Proceeds and Terrorism Financing)

Registration code of a legal entity | | | | | | | | | | |

Name of a legal entity ....
....
....

Name of a structural unit:			
Name, surname of an employee *:		ID:	
Contact phone:		e-mail:	
□ *Appointment* □ *Resignation* date:			

Name of a structural unit:			
Name, surname of an employee *:		ID:	
Contact phone:		e-mail:	
□ *Appointment* □ *Resignation* date:			

Name of a structural unit:			
Name, surname of an employee *:		ID:	
Contact phone:		e-mail:	
□ *Appointment* □ *Resignation* date:			

Name of a structural unit:			
Name, surname of an employee *:		ID:	
Contact phone:		e-mail:	
□ *Appointment* □ *Resignation* date:			

* specifying the employee, you do not need to specify a structural unit

I hereby certify the correctness of the data:

Name, surname .... signature

Date | | | | | | | |

Contact phone | | | | | | | |

ANNEX XVIII

ANNEX XVIII - THE INSTRUCTION OF THE LATVIAN COLLEGIUM OF SWORN ADVOCATES

The Instruction of the Latvian Collegium of Sworn Advocates
(Approved by the decision No. 221 of the Latvian Council of Sworn Advocates, dated December 15, 2009)

„Procedure for performance a set of measures to ensure the fulfilment of requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism"

Issued in accordance with Article 2, Paragraph 1, Clause 45,
Article 1, Paragraph 2, Clause 46
of the Law on the Prevention of Laundering of Proceeds
from Criminal Activity and Financing of Terrorism,
and in accordance with Article 5, Clause 25
of the Advocacy Law of the Republic of Latvia

Preamble

The Instruction of the Latvian Council of Sworn Advocates is based on the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism, dated July 17, 2008, the Regulations of the Cabinet of Ministers No. 1071 „Regulation on unusual transaction indicator list and procedure for reporting of unusual and suspicious transactions", dated December 22, 2008,

During development of the Instruction of the Latvian Council of Sworn Advocates the FATF (the Financial Action Task Force) recommendations for representatives of legal profession, dated October 23, 2008, were observed,

Taking into account that the Clause 92 of the Constitution of the Republic of Latvia grants the rights to everyone to defend his or her rights and lawful interests in a fair court,

Taking into account that the Clause 20 of the Criminal Procedure Law establishes the rights of each person to have an assistance of a defence counsel, including the rights to choose his or her position of defence and the rights to invite a defence counsel at his or her own choice,

Taking into account that the Clause 315 of the Criminal Law establishes the criminal liability for failing to inform where it is known with certainty that preparation for or commission of a serious or especially serious crime is taking place,

Taking into account that the Clause 122 of the Criminal Procedure Law establishes the immunity of an advocate in providing legal assistance,

Taking into account that the Article 1.3. of the Code of Ethics of the Latvian Sworn Advocates establishes the confidentiality obligation of an advocate with respect to information obtained during the course of legal assistance,

Taking into account that according to reporting obligation of an advocate prescribed in the Clause 30 of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism, it is required to determine precise border between observance of this obligation and observance of the confidentiality obligation,

Taking into account that the measures performed to prevent laundering of proceeds from criminal activity and financing of terrorism must not restrict the free access to legal assistance according to the legal objectives of provision of legal assistance,

Taking into account that among the rules regarding restrictions of the activities of advocates, it is required to observe the general principles for professional activities of advocates, including to ensure the confidentiality obligation and the rights of person to have an assistance of a defence counsel,

Taking into account that fulfilment of the requirements of this instruction ensures a possibility to an advocate to avoid from possible involvement into laundering of proceeds from criminal activity and financing of terrorism,

Taking into account that a relationship between an advocate and a customer is established after conclusion of a mutual agreement, however in accordance with the Clause 67 of the Advocacy Law of the Republic of Latvia the confidentiality obligation of an advocate refers

not only to the course of conducting the case and after completion of the case, but also to occasions when an advocate has not undertaken the respective case, but has only listened to the summary of the situation of a potential customer,

Taking into account that the obligation prescribed in the Paragraph 1 of the Clause 6 of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism to establish the internal control system refers only to legal persons and thereby is not applicable to advocates and offices of sworn advocates,

Taking into account that in order to achieve the aim stated in the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism, it is required to perform customer identification, due diligence, continuous monitoring and keeping of customer files,

Taking into account that the requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism must be observed irrespective of the risk assessment results, except the obligation to perform customer due diligence and customer enhanced due diligence,

Taking into account that in order to prevent the laundering of proceeds from criminal activity and financing of terrorism the obligation of representatives of legal profession is to observe the requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism, by creating the required balance between obligations of those persons and observance of the requirements stated in the legal acts,

Taking into account that provision of legal assistance must not be burdened with additional obligations which are not within the competence of an advocate and which are in conflict with legal objectives of provision of legal services,

Taking into account that an advocate cannot properly perform his or her obligations to advise, to defend and to represent a customer, and a customer is being denied the granted rights to fair court, if an advocate in the court proceeding or in the preparation stage cooperates with state institutions, by transferring them information obtained when providing legal assistance, representing or defending a customer,

Taking into account that in order to comply with the requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism, it is required to develop additional recommendations and uniform application, the Latvian Council of Sworn Advocates has approved instruction available to each advocate, which contain the procedure for performance a set of measures in order to ensure the fulfilment of the requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism,

Taking into account that a set of measures carried out by the advocate in order to ensure the fulfilment of the requirements of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism depend from activities and specificity of services provided, this instruction is developed with the objective to determine common guidelines in which framework the representatives of legal profession shall establish rules of an individual conduct,

Chapter I. General Rules

Terms Used in the Instruction

Law – the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism.
Advocate – persons stated in the Clause 4 of the Advocacy Law of the Republic of Latvia.
Responsible person– a person, who shall be responsible for fulfilment of the requirements of this instruction.
Low risk of laundering of proceeds from criminal activity and financing of terrorism – a risk, which in the cases stated in the Clause 26 and in the Clause 27 of the Law, shall be considered a low risk.
The other terms used in this instruction shall correspond to the definitions stated in the Clause 1 of the Law.

Purpose of the Instruction

This instruction shall establish a set of measures to be carried out to ensure the fulfilment of the requirements of the Law in order to avert involvement of advocates in laundering of proceeds from criminal activity and financing of terrorism.

Subjects of the Instruction

The subjects of this instruction shall be advocates and offices of sworn advocates.
The responsible person:
an individually practising advocate, in case the legal assistance is provided independently;
a manager of the office of sworn advocates or managing partner in the office of sworn advocates.
In order to ensure the fulfilment of the requirements stated in this instruction and Law, the responsible person shall be entitled to delegate performance of certain tasks or obligations to his or her employee or to the authorized person.

Scope of Application of the Instruction

This instruction shall refer to an advocate, if an advocate acting on behalf and for the benefit of a customer provides legal assistance in planning or execution of transactions, participates in transactions or performs any other professional activities related to transactions for the benefit of a customer with regard to:
buying or selling of real estate, shares in the capital of a commercial company,
management of customer's money, financial instruments and other funds,
opening or managing all kinds of accounts with the credit institutions or financial institutions,
creating, managing or ensuring the operation of legal arrangements, as well as with regard to making investments necessary for creating, managing or administrating of legal arrangements,
if such transaction corresponds to least one indicator of unusual transactions stated in the Article 6 of the Regulations of the Cabinet of Ministers No.127 „Regulation on unusual transaction indicator list and procedure for reporting”.
The requirements of this instruction with regard to termination of a transaction relationship with a customer, with regard to request of pre-term fulfilment of customer's obligations, and with regard to the obligation to report for unusual or suspicious transaction, shall not be

applied to an advocate during the course of defending or representing a customer in pre-trial criminal proceeding or in the court proceeding or during the course of providing consultations regarding initiating or avoiding from the court proceeding.
The requirements of this instruction shall be mandatory if an advocate assists a customer in preparing or concluding transactions stated in the Article 4.1. which are related with the finances and real estate, and which are not related with the court proceeding.
The responsible person shall be exempt from the obligation to report for unusual or suspicious transaction if the information about transaction are obtained before court proceeding, during or after court proceeding, and also while evaluating the legal situation of a customer.
The obligation of an advocate not to disclose a professional secret shall be protected, if:
an advocate is not personally participating in laundering of proceeds from the criminal activity;
an objective of legal assistance is not to launder of proceeds from the criminal activity;
an advocate is not informed about the fact that a customer requires legal assistance in order to launder of proceeds from the criminal activity.
Offices of sworn advocates have the rights to establish the internal control system in accordance with the requirements stated in the chapter II of the Law.

Chapter II. Customer Identification

General Rules

The responsible person shall identify a customer:
before establishing a transaction relationship, or
before executing separate transaction, when not establishing the transaction relations, or
at inception of a transaction relationship in accordance with the procedure prescribed in the Law.
Where the risk associated with the laundering of proceeds from criminal activity and financing of terrorism is low, the responsible person shall be entitled to perform customer identification and establishing of the beneficial owner at inception of a transaction relationship, as soon as this becomes possible, but prior to executing the first transaction.
Customer identification shall be performed by filling a customer data form defined in the appendix 1 of this instruction, which is filled by the respective customer, as well as by requiring from the customer documents which confirm the data indicated therein.
The responsible person shall fill a customer identification form defined in the appendix 2 of this instruction, by taking into account the information received from a customer in accordance with the Article 5.3. of this instruction.
The responsible person shall ensure keeping of the filled customer identification form and documents submitted by a customer.
It shall be considered that the responsible person has fulfilled the obligation with respect to customer identification if she or he has received from a customer all information and documents prescribed in the Law.
The responsible person upon its own initiative shall be entitled to request additional information from a customer for performance of identification.

Identification of Natural Persons

The responsible person shall identify a natural person by verifying its identity on the basis of the customer's identification document, in which the following information is provided:
regarding a resident – the name, the surname, the personal identity number;
regarding a non-resident – the name, the surname, the date of birth, the number and the date of issue of the personal identification document, the country and the authority which issued the document.
A natural person - non-resident, who has personally appeared before an advocate, shall be identified only by the identification document valid for immigration into Latvia.
A natural person - non-resident, who has not personally appeared before an advocate, shall be identified in his or her country of residence by using the domestic passport of the respective country, other document that evidences the person's identity and is accepted by the respective country or a document that is valid for immigration into the country where the person is being identified.

Identification of Legal Persons

A legal person shall be identified by requesting:
to present documents, which confirm establishment or legal registration of a legal person;
information about a legal address of a customer and information about an actual address of non-residents;
to identify persons entitled to represent a legal person in relations with an advocate, and by acquiring the document which confirms their rights to represent the legal person.
The responsible person shall be entitled to identify a legal person by obtaining the above mentioned information from the European Business register or from the other publicly available reliable and independent source.

Chapter III. Risks

Risk of Laundering of Proceeds from Criminal Activity and Financing of Terrorism

During customer identification and customer due diligence, the responsible person shall perform the risk assessment of laundering of proceeds from the criminal activity and financing of terrorism by filling a risk assessment form defined in the appendix 2 of this instruction.
When performing the customer's risk assessment of laundering of proceeds from the criminal activity and financing of terrorism, the responsible person shall assess the risks prescribed in the Article 8.3. of the instruction together and in connection with certain circumstances of the case.
The responsible person shall assess the risk of laundering of proceeds from the criminal activity and financing terrorism by taking into account:
a customer in accordance with the Article 9 of this instruction;
a customer residence country in accordance with the Article 10 of this instruction;
economic or personal activities of a customer in accordance with the Article 11 of this instruction;
services used and transactions performed by a customer in accordance with the Article 12 of this instruction.
The responsible person shall request from a customer all necessary information, which is included in the customer identification form in order to assess the risk of laundering of proceeds from the criminal activity and financing of terrorism.

If a customer does not comply with any high risk indicators of laundering of proceeds from the criminal activity and financing terrorism as stated in this instruction, the responsible person shall identify whether a customer does not comply with any low risk indicators of laundering of proceeds from the criminal activity and financing of terrorism.
The responsible person shall not perform due diligence and enhanced due diligence to a customer who represents a low risk of laundering of proceeds from the criminal activity and financing terrorism.

Customer Risk

The following customer shall be considered as having a high risk:
a customer who is politically exposed person;
a customer, if the criminal proceeding is initiated against him or her and / or who is convicted of laundering of proceeds from the criminal activity or financing of terrorism;
a customer, if the information have been received from the Office for the Prevention of Laundering of Proceeds from Criminal Activity or other law enforcement institutions on the fact that the customer or customer's beneficial owner is suspect for the laundering of proceeds from the criminal activity or financing terrorism;
a customer, if there are justified suspicious on possible customer or customer's beneficial owner connection with the terrorism, although the customer is not included in the terrorist list of the Office for the Prevention of Laundering of Proceeds from Criminal Activity and the Office for the Prevention of Laundering of Proceeds from Criminal Activity has not received reports about the customer before;
a customer –legal person, if it corresponds to at least one of the mentioned elements:
legal person issues or is entitled to issue bearer stocks (capital securities);
structure of owners or shareholders of the legal person burdens the possibility to identify the beneficial owner;
association, foundation and equivalent legal arrangement which do not have a profit-making nature;
external accountant, advocate or provider of legal arrangement creating and operation services who has opened or will open an account in the financial institution on his or her name to perform financial transactions on customer's name.

Customer Residence Country Risk

A country or a territory shall be considered as having a high customer residence country risk where:
it has been included in the list of low tax or tax free countries and territories as approved by the Cabinet of Ministers;
the United Nations Organization or the European Union has established financial or civil legal restrictions in respect of it;
it has been included in the list of non–cooperating countries of the FATF or mentioned organization has published a statement to the effect that the respective country or territory does not have regulatory provisions for combating the laundering of proceeds from the criminal activity and financing of terrorism or such provisions fail to comply with international requirements due to material deficiencies.

Risk of Economic and Private Activities of Customer

Customer's commercial or private activities which are not related to the Republic of Latvia shall be considered as the risk associated with customer's economic or private activities, except if the following conditions exist:
a customer enters into a transaction relationship with a branch or a representative office or a parent or a subsidiary undertaking in a foreign country of a financial institution registered in the Republic of Latvia,
commercial or private activities of the customer are related to the country where that branch or representative office or the parent or the subsidiary undertaking is located.
The exception mentioned in the Article 11.1. of this instruction shall not refer to the cases, when a customer obtains certificates of an investment fund registered in the Republic of Latvia.
The following types of customer's commercial activities shall be considered as having a high risk of laundering of proceeds from criminal activity and financing of terrorism:
arrangement of gambling;
provision of cash collection services;
intermediation in transactions with real estate;
trading in precious metals and precious stones;
trading with weapons and munitions;
provision of reinsurance services, except in the cases, when the service provider has an appropriate licence and its activities are supervised or it has been granted an assessment in investment category by international rating agencies;
provision of money services (for example, account desks for payments, foreign exchange offices, money transmission agents or other service providers offering money transmission possibilities).

Risk of Used Services and Performed Transactions

A risk of used services and performed transactions shall be considered a high risk, if a service provided by an advocate or transactions performed by a customer could be used for laundering of proceeds from the criminal activity and financing of terrorism.
The following types of services used and transactions performed by a customer shall be considered as having a high risk of laundering of proceeds derived from the criminal activity or financing terrorism:
services where an advocate, acting as a financial intermediate, performs receiving and transmission of financial resources by using the operating account which is actually controlled by the advocate in relation with the transaction;
services which are directed to hide the identity of the beneficial owner or which hampers identification;
services requested by a customer, where an advocate does not have legal experience and knowledge, except in cases when the advocate due to lack of experience and knowledge involves other advocate in provision of this service;
alienation of real estate which takes place in unusually short time period comparing with the similar transactions, if such transaction does not have any obvious legal, tax, business, economic or other justification;
separate payments for performance of customer's transactions are received from persons which are not related with a customer or from unfamiliar third persons;
payments for services made in cash if the mentioned payment type is considered unusual;
transactions where it is obvious to the advocate that compensation for services provided is determined inadequate;

services related with heritage of property if an advocate is informed that the testator was convicted for performance of criminal offence and conviction for this crime is not extinguished;
transactions which are not related with customer's economic or private activities;
transactions which are specific due to such changes in the turnover of customer's financial resources which is not common for the customer's economic activities and explanations of the customer cause justified doubts;
other services used or transactions performed by a customer, which in an opinion of an advocate have a high risk of laundering of proceeds from the criminal activity or financing terrorism.

Chapter IV. Customer Due Diligence

Customer due diligence

Customer due diligence is a set of measures based on the risk assessment, whereby the responsible person shall:
establish information on the beneficial owner;
obtain information on the purpose and intended nature of a transaction relationship;
shall monitor a transaction relationship after entering into the transaction relationship;
ensure that the documents, data and information obtained during customer due diligence are kept and updated on a regular basis.
The responsible person shall perform customer due diligence:
before establishing a transaction relationship, including before opening an account and accepting money or other funds for keeping (possession);
when performing occasional transactions, which amount to 15 000 euro or more, irrespective of whether they are performed with one operation or with more apparently related operations;
where there is suspicion of laundering of proceeds from criminal activity and financing of terrorism irrespective of the exemptions stated in the Clause 26 and in the Clause 27 of the Law;
where there are doubts about veracity and conformity of the previously obtained customer identification or due diligence data.
When establishing the extent and the procedure of customer due diligence, the responsible person shall take into account the risks of laundering of proceeds from the criminal activity and financing of terrorism as stated in the Article 8.3. of this instruction.
The responsible person shall perform customer due diligence by filling a customer due diligence and enhanced due diligence form defined in the appendix 3 enclosed to this instruction.

Establishing the Beneficial Owner

The responsible person shall establish the beneficial owner to the following customer:
for legal persons, to which enhanced customer due diligence shall apply;
to any natural or legal person, where it is known or there is a suspicion that the transaction is executed in the interests or on order of another person.
The responsible person shall establish the beneficial owner by acquiring information about a natural person in one of the following forms:
by obtaining a statement signed by the customer about the beneficial owner;
by using data or documents from information systems of Latvia or of other countries;

if possible, by establishing itself the beneficial owner in cases when data on the beneficial owner cannot be obtained otherwise.

Identification of Purpose and Intended Nature of Transaction

At inception of a transaction relationship, the responsible person based on the risk assessment of the laundering of proceeds from the criminal activity and financing terrorism, shall obtain and make records of the information:
on the purpose and intended nature of a transaction relationship, including information on the services intended to provide to a customer;
on the origin of customer's funds;
on intended number and volume of transactions;
on economic or private activities of a customer for which the customer will use the services of an advocate.

Enhanced Customer Due Diligence

Enhanced customer due diligence are activities that are based on the risk assessment and are carried out in addition to customer due diligence in order:
to ascertain that the person indicated as the beneficial owner is the beneficial owner of the customer;
to ensure enhanced monitoring of customer's transactions.
In order to perform the obligation stated in the Article 16.1.1. of this instruction, the responsible person shall request a customer to submit the document which confirms that the indicated beneficial owner is the beneficial owner of the customer.
The responsible person shall perform enhanced due diligence in the following cases:
at inception of a transaction relationship with a customer who has not been physically present during the identification procedure;
at inception of a transaction relationship with a politically exposed person.
The responsible person shall perform enhanced customer due diligence by filling a customer due diligence and enhanced due diligence form defined in the appendix 3 of to this instruction.
In the event mentioned in the Article 16.3.1. of this instruction, the responsible person shall:
obtain additional documents or information evidencing a customer's identity;
perform additional verification of submitted documents or shall obtain a statement of a credit institution or a financial institution registered in another member state to the effect that a customer has a transaction relationship with that credit institution or financial institution;
ensure that the first payment in the course of the transaction relations is carried out through an account opened on a customer's name with a credit institution to which the requirements of this Law or of the European Union legislative provisions on the prevention of laundering of proceeds from the criminal activity and financing of terrorism apply;
require that a customer is present when executing the first transaction.

Monitoring of Transaction Relations

After establishing a transaction relationship, the responsible person based on the risk assessment of laundering of proceeds from the criminal activity and financing terrorism, shall:
update information on customer's economic or personal activities;
monitor transactions on a regular basis to ascertain that they are not unusual or suspicious.

When monitoring a transaction relationship, the responsible person shall pay particular attention to such customer transactions, which are unusually large, complex transactions or mutually linked transactions, which have no apparent economic or visible lawful purpose.
The responsible person shall establish the updating of the information about economic or private activities of a customer according to the risk assessment of laundering of proceeds from the criminal activity and financing of terrorism.
If a customer complies with a high risk of laundering of proceeds from the criminal activity and financing terrorism, the responsible person shall perform activities stated in the Article 17.1. of this instruction at least once every three month. In all other cases the responsible person shall perform activities stated in the Article 17.1. of this instruction at least every six month.
The responsible person shall establish the obligation to a customer to notify in due time on any changes in the information provided by a customer, and shall warn regarding consequences if the information required by the responsible person will not be provided.

Keeping and Regular Updating of Obtained Documents, Data and Information

The responsible person shall make records of customer identification and customer due diligence measures and upon request of the Latvian Council of Sworn Advocates or Control service shall present these documents to the Latvian Council of Sworn Advocates or shall provide copies of these documents to the Control service.
The responsible person shall keep and maintain the following for at least five years after termination of a transaction relationship:
copies of documents evidencing customer identification data;
information about a customer;
customer's statements about the beneficial owner;
correspondence with a customer, including correspondence by electronic mail;
forms filled in accordance with the requirements of this instruction;
other documents obtained during customer due diligence.
In separate cases upon an order of the Control service the mentioned term may be determined longer than five years, but it shall not exceed six years.

Chapter V. Recognizing and Accepting Results of Customer Identification and Customer Due Diligence

Procedure for recognizing and accepting results

The responsible person shall recognize and accept the results of customer identification and customer due diligence performed by credit institutions and financial institutions other than capital companies that buy and sell cash foreign currency and providers of money transmission and remittance services in a member state and a third country provided that the requirements in respect of the prevention of laundering of proceeds from the criminal activity and financing of terrorism as enforced in these countries are equivalent to the Law.
The recognition and acceptance of the results of customer identification and customer due diligence does not release the responsible person from the obligation to execute the requirements stated in the Law and in this instruction.
In order to observe the requirements stated in the Law ad in this instruction, in case the results of customer identification and customer due diligence are recognized and accepted, the responsible person shall:

request from the persons stated in the Article 19.1. of this instruction information acquired during customer identification and due diligence;
request from the persons stated in the Article 19.1. of this instruction documents based on which customer identification and customer due diligence was performed.
In the event a customer does not agree that the information and documents stated in the Article 19.3. of this instruction are transferred, the responsible person shall not be entitled to recognize and accept the results of customer identification and customer due diligence stated in the Article 19.1. of this instruction.

Chapter VI . Unusual and Suspicious Transactions

Identification of Unusual and Suspicious Transactions

The responsible person shall report to the Control service about each advised, planned, notified, started, delayed, executed or confirmed unusual or suspicious transaction.
A transaction shall be considered suspicious if it corresponds to at least one high risk indicator of laundering of proceeds from the criminal activity and financing terrorism or due to any other reason gives rise to a suspicion of laundering of proceeds from the criminal activity and financing of terrorism or of attempting to perform such activities or of other criminal offence related to such activities.
In accordance with this instruction before performing each transaction the responsible person shall verify whether the particular transaction does not comply with the indicators of unusual or suspicious transactions.
In order to perform this obligation the responsible person shall fill a form on identification of unusual and suspicious transactions enclosed as an appendix 4 of this instruction and shall keep the form in accordance with the general rules for keeping documents as stated in this instruction.
The filled form shall be considered as evidence which confirms the fact that responsible person has fulfilled requirements of the Law with regard to identification of unusual and suspicious transactions.
The responsible person shall establish a special register where he or she shall register reports addressed to the Control service about unusual or suspicious transactions.

Chapter VII. Closing Questions

Ensuring the Observance of Requirements of the Instruction, Liability and Publication of the Lists

The responsible person shall perform all required activities in order to ensure complete observance of the requirements of this instruction till January 1, 2010.
An advocate shall be disciplinary responsible for violation of the requirements stated in this instruction in accordance with the Clause 71 of the Advocacy Law of the Republic of Latvia.
A manager of the office of sworn advocates shall be disciplinary responsible in accordance with the Clause 71 of the Advocacy Law of the Republic of Latvia if the violation of the requirements stated in this instruction has been performed in the office of sworn advocates.

The instruction shall come into force on January 1, 2010.

Appendixes:
appendix: Customer Data Form (filled by the customer);
appendix: Customer Identification Form (filled by the responsible person);
appendix: Customer Due Diligence and Enhanced Due Diligence Form (filled by the responsible person);
appendix: Form on Identification of Unusual and Suspicious Transactions (filled by the responsible person).

Appendix No.1
Customer Data Form
(filled by the customer)

Developed in accordance with the Clauses 11, 12, 13, 23 and 29 of the
Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism,
and
in accordance with the Article 4.2.211.of the Statutes of the Latvian Collegium of Sworn advocates

1. Information about the customer:
1.1. For natural persons:
Name, surname:
Personal identification number:
Date of birth:
For non-residents:
Passport/No. of the personal identification document:
Date of issue:
Issuing authority:
Issuing country:
Address:
Telephone number:
1.2. For legal persons:
Name:
Registration No.:
Document confirming registration:
Legal address:
Customer's authorized person:
Basis and scope of the authorization:
Passport No.:
Date of issue:
Issuing authority:
Issuing country:
Contact address:
Telephone number:
Contact person:
Address of the contact person:
Telephone number of the contact person:

2. Customer residence country

3. Amount of the transaction

4. Intended number and volume of transactions

5. Payment type (cash/transfer)

6. Information about the beneficial owner:
(please fill about all beneficial owners)

I confirm that I am beneficial owner*:

□ Yes □ No, beneficial owner(s) is (please indicate below):

Name, surname:
Personal identification number (for residents)/Date of birth, No. of the passport, date of issue, issuing authority, issuing country (for non - residents):

Name, surname:
Personal identification number (for residents)/ Date of birth, No. of the passport, date of issue, issuing authority, issuing country (for non - residents):

7. Information about politically exposed person

I confirm that I am politically exposed person**:

□ Yes □ No

I confirm that the beneficial owner is politically exposed person**:

□ Yes □ No

If the answer to above question is positive, please indicate:
Country:
Institution:
Position:

8. Information about economic or private activities

The economic or private activities are performed outside the Republic of Latvia:

□ Yes □ No

The type of the commercial activity of the customer:
□ arrangement of gambling

---

* Natural person who owns the customer directly or indirectly or who controls the customer directly - other legal person or other natural person, or in whose interests the transaction is being performed. The beneficial owner of the merchant is considered the natural person which owns 25 per cent or more of the share capital or from the stocks with voting rights, including indirectly acquired participation. The beneficial owner of the political party, association and co-operate society is considered the respective political party, association or co-operative society.

** Natural person who takes one of the following positions: the head of the state, a member of the parliament, the head of the government, a minister, a deputy minister or an assistant minister, a state secretary, a judge of the supreme court, a judge of the constitutional court, a board or a council member of the supreme revision (audit) institution, a board or a council member of a central bank, an ambassador, a *charge d'affaires*, a commander of armed forces, a board or a council member of a state capital company, as well as person who has resigned from the respective position within one year, also the family members of those persons and persons who have transaction relations with politically exposed person or who jointly owns the share capital in commercial company.

□ provision of cash collection services
□ intermediation in transactions with real estate
□ trading in precious metals and precious stones
□ trading with weapons and munitions
□ provision of reinsurance services except in the cases when the service provider has an appropriate licence and its activity is supervised or it has been granted an assessment in investment category by international rating agencies
□ provision of money services (for example, account desks for payments, foreign exchange offices, money transmission agents or other service providers offering money transmission possibilities)
□ others (please indicate)

9. Information about transaction relations (brief description of purposes and nature):

10. Information about the origin of money used in the transaction:
□ Allowance (average over the last six month)
□ Periodic income from other resources (please also indicate the resource of income)..
□ Other income (please also indicate the resource of income)

Please be informed that in accordance with the requirements of the Paragraph one and Paragraph two of the Clause 28 of the Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism You have an obligation to provide required information. The advocate has an obligation to terminate the transaction relations with the customer and request pre-term fulfilment of the obligations.

I undertake to notify the advocate immediately of any changes in the data referred here, but no later than within 5 (five) days:

Signature of the customer:_____ Date:_____

I confirm that all data are true and complete:

Signature of the customer:_____ Date:_____

I am informed that the Clause 195.1 of the Criminal Law establishes the criminal liability for knowingly providing false information regarding ownership of resources:

Signature of the customer:_____ Date:_____

Appendix No.2
Customer Identification, Due Diligence and Risk Assessment Form
(filled by the responsible person)

Developed in accordance with the Clauses 11, 12, 13, 23 and 29 of the
Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism,
and
in accordance with the Article 4.2.211.of the Statutes of the Latvian Collegium of Sworn advocates

The customer	
The beneficial owner	
The agreement	
The date of inception of the transaction relations	
A legal person/ a natural person	
The risk of laundering of proceeds from criminal activity and financing of terrorism	High/Average*/Low
The customer due diligence required	Yes/No
The customer enhanced due diligence required	Yes/No
The frequency of monitoring the customer transactions	1 time per semester / 1 every 3 months / 1 time per month
The customer is participating in the identification procedure in person:	Yes/No

* the average risk of laundering of proceeds from criminal activity and financing of terrorism shall be considered the risk, which does not comply with the criteria of high or low risk

The date of filling the form:	
The responsible person:	
The form is enclosed to the customer file:	
It is required to fill the form repeatedly:	Yes/No
The date of filling the form repeatedly:	
The enhanced due diligence is applied to the customer transactions:	Yes/No
The term for keeping the form: (5 years from the date of filling)	

_____ _____
/Responsible person/ /dd.mm.yyyy./

Appendix No.3
Customer Due Diligence and Enhanced Due Diligence Form
(filled by the responsible person)

Developed in accordance with the Clauses 11, 12, 13, 23 and 29 of the
Law on the Prevention of Laundering of Proceeds from Criminal Activity and Financing of Terrorism,
and
in accordance with the Article 4.2.211.of the Statutes of the Latvian Collegium of Sworn advocates

The customer	
The agreement	
The customer due diligence exceptions as stated in the Law exist: Yes/No	
The basis of customer due diligence exception:	
The beneficial owner was established on the basis of: _____	
The list of the additional documents obtained during customer due diligence and customer identification: _____ number/name/number of pages/original or copy	

The results of the credit institution or/and financial institution on customer identification and due diligence are used to perform customer identification and due diligence in accordance with the requirements of the Law: Credit institution /Financial institution :_____ Country:_____ The consent of the customer to transferring the information and documents has been received: Yes/No	
Entitled to perform customer identification and due diligence on the basis of the results on customer identification and customer due diligence of the credit institution or/and financial institution: Yes/No	
The list of documents enclosed to the form that are received from the credit institution or/and financial institution: _____ number/name/number of pages/original or copy	
The date of filling the form:	
The responsible person:	
The form is enclosed to the customer file:	
It is required to fill the form repeatedly	Yes/No
The date of filling the form repeatedly:	
The enhanced due diligence is applied to the customer transactions:	Yes/No
The term for keeping the form: (5 years from the date of filling)	

_____ _____

/Responsible person/ /dd.mm.yyyy./

Appendix No. 4
Form on Identification of Indicators of Unusual or Suspicious Transactions
(filled by the responsible person)
Developed in accordance with the Regulations of the CM No. 1071
"Regulation on unusual transaction indicator list and procedure for reporting of unusual and suspicious transactions"
and
in accordance with the Article 4.2.211.of the Statutes of the Latvian Collegium of Sworn advocates

The customer		
The beneficial owner		
The description of the transaction		
The transaction is considered unusual:	Yes	No
The transaction is considered suspicious:	Yes	No
A high level of risk of laundering of proceeds from criminal activity and financing of terrorism is assigned to the customer:	Yes	No
Identified an indicator of unusual and/or suspicious transaction _____		
The transaction is considered suspicious and/or unusual	Yes	No
It is required to refrain from performance of the transaction	Yes	No

*The Article of the Regulations of the CM

If transaction is considered unusual, the responsible person has an obligation to report to the Control Service immediately in accordance with the Clause 30 of the Law and in accordance with the procedure stated in the Regulations of the CM.

An obligation to report does not refer to advocates when they defend or represent the customer in pre-trial criminal proceeding or court proceeding or when advocates provide consultations regarding initiating or avoiding from the court proceeding.

The date of filling the form:	
The responsible person:	
The form is enclosed to the customer file:	
It is required to fill the form repeatedly:	Yes/No
The date of filling the form repeatedly:	
The enhanced due diligence is applied to the customer transactions:	Yes/No
The term for keeping the form: (5 years from the date of filling)	

_____ _____
/Responsible person/ /dd.mm.yyyy./

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

ANNEX XIX

ANNEX XIX – ORDER ON CONTROL PROCEDURE OF TRANSACTIONS INVOLVING CULTURAL MONUMENTS

Riga

18.01.2010
No.1/3

Pursuant to Paragraph 10 of
Cabinet Regulation No.916 of 09.11.2004
"By-law of the State Inspection for Heritage Protection"

On Control Procedure of Transactions involving Cultural Monuments

On the basis of Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing (hereinafter – the Law) (specifically, Paragraph 4 of Section 3, Paragraph 1 of Section 30, Paragraph 1 of Section 38, Sub-clause $9(1^1)$ of Paragraph 1 of Section 45, Paragraph 1 of Section 46 and Section 48), as well as Freedom of Information Law (Clause 1 of Paragraph 2 of Section 5), I hereby order:

1. To approve the Control Procedure of Transactions involving Cultural Monuments and Cultural Objects.

2. Information provided in Paragraph 1 of this Order as well as information related to the implementation of this Order shall have the status of "restricted".

3. To repeal Inspection Order No.D-3 of 19.06.2009.

Attached: Control Procedure of Transactions involving Cultural Monuments and Cultural Objects, on 2 pages.

Head of Inspection J. Dambis

Drafted by: L. Ābele

11. CONTROL PROCEDURE OF TRANSACTIONS INVOLVING CULTURAL MONUMENTS AND CULTURAL OBJECTS

12.

APPROVED
by Order No.1/3 of 18.01.2010
of the State Inspection for Heritage Protection

1. In the State Inspection for Heritage Protection (hereinafter – Inspection), the Control Procedure of Transactions involving Cultural Monuments and Cultural Objects (hereinafter – Control Procedure) has been established taking into consideration the following legal acts:
1.1. Law on Protection of Cultural Monuments, Section 8 "Transactions with Cultural Monuments";
1.2. Law on Protection of Cultural Monuments, Section $18.^1$ "Exportation of Art and Antique Articles from the Republic of Latvia and Importation thereof into the Republic of Latvia";
1.3. Paragraph 2.2 of Cabinet Regulation No.916 of 09.11.2004 "By-law of the State Inspection for Heritage Protection";
1.4. Cabinet Regulation No.8 of 07.01.2003 "Exportation of Works of Art and Antiques from Latvia and Importation into Latvia";
1.5. Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing (hereinafter – the Law) - Paragraph 4 of Section 3, which states that public institutions shall also have a duty to comply with the requirements of this Law as to reporting unusual or suspicious transactions;
1.6. Clause 9 of Paragraph 1 of Section 3 of the Law, which states that the Law shall apply to legal or natural persons involved in trading items of culture or other goods, or acting as intermediaries in the said transactions, where the payment is made in cash in lats or another currency in the amount equivalent to or exceeding 15000 euros;
1.7. Sub-clause $9(1^1)$ of Paragraph 1 of Section 45 of the Law, which states that transactions with cultural heritage monuments are supervised and controlled by the State Inspection for Heritage Protection.
2. On behalf of the Head of Inspection, the Deputy Head of Inspection ensures implementation of the Control Procedure (including collection and evaluation of information, reporting to the Financial Intelligence Unit etc.).
3. Applications or information about alienation of cultural monuments (or parts thereof) received by the Inspection from persons are registered by the Customer Service and Document Management Department in the record-keeping database of the Inspection.
4. Issues related to alienation of cultural monuments are considered by:
4.1. Legal Office of the Inspection – in respect of immovable cultural monuments;
4.2. Department of Movable Monuments and Restoration Methodology – in respect of movable cultural monuments.

5. Within the framework of controlling transactions involving cultural monuments the responsible structural units ensure:

5.1. Recording of applications submitted by persons in a separate journal which is kept in the Legal Office. The following information is recorded in the journal:

Year/ index no.	Status of the person submitting the application in the transaction	Application registration number and list of documents attached to the application	Party (parties) to the transaction	Subject of transaction / status in the system of protection of cultural monuments	Description of important elements of the transaction (subject, payment procedure, price)	Checks	Prepared reply (type of document, date, reg.no.)/ notes

5.2. Checking of the transaction for elements of an unusual transaction specified in Cabinet Regulation No.1071 of 22.12.2008 "Regulations regarding List of Elements of Unusual Transactions and Procedures for Reporting about Unusual or Suspicious Transactions";

5.3. Checking of parties to the transaction against the list of persons suspected of terrorism provided by the Financial Intelligence Unit;

5.4. Obtaining information on the object of the transaction (report of inspection and photo recording);

5.5. Checking of information registered in state information systems according to the type of cultural monument (Register of State protected Cultural Monuments, Computerized Land-book, State Cadastre Register, Database of Companies registered in Latvia; Population Register, Register of the Integrated Information System of the Ministry of the Interior (according to the scope of access rights granted to the Inspection));

5.6. The Inspection's internal database of stolen and lost cultural objects.

6. If during the course of checking of a transaction elements of an unusual transaction are discovered or a transaction is suspicious in some other way, an official of the structural unit in charge prepares a report to the Financial Intelligence Unit in accordance with Cabinet Regulation No.1071 of 22.12.2008, which is then considered by the Deputy Head of Inspection.

7. If it is discovered that an object is listed in the register of stolen and lost objects or in the respective register of the Integrated Information System of the Ministry of the Interior, an official of the structural unit in charge prepares a report to the State Police and submits it to the Deputy Head of Inspection.

8. Collection of annual and other statistical information upon the request of the Financial Intelligence Unit is ensured by the Legal Office in cooperation with the Department of Movable Monuments and Restoration Methodology, which provides information on supervision and control measures related to transactions involving cultural monuments, cooperation with other institutions in the field of expert examination, attribution and movement of works of art and antiques, as well as other information requested by the Financial Intelligence Unit.

9. The structural unit in charge ensures storage of documented information (files) for at least five years.

10. If during the course of considering issues related to granting permission for cross-border movement of cultural objects elements of a suspicious or unusual

transaction are discovered, the responsible official of the Department of Movable Monuments and Restoration Methodology immediately informs the Deputy Head of Inspection who decides on reporting to the Financial Intelligence Unit in accordance with Cabinet Regulation No.1071 of 22.12.2008.

ANNEX XX

ANNEX XX - INSTRUCTIONS ON COMPLETION OF THE PAPER FORM OF UNUSUAL OR SUSPICIOUS TRANSACTION REPORTS

The form is intended for submission of unusual or suspicious transaction reports in paper to Prosecutor's Office of the Republic of Latvia Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (Financial Intelligence Unit Latvia; henceforth – the FIU), it is completed by the subjects of Latvian AML/TF Law that have no possibility to submit the report electronically. Written applications and complaints that contain information on unusual or suspicious financial transactions submitted by other persons, along with a cover letter are submitted to the FIU by officials of institutions and organizations who have received and examined such applications or complaints without completing the form of unusual or suspicious transaction reports included in this instructions.
Should there be no information to include in a field or a group of fields in the form, such fields should be marked with the symbol "Z".

1. Data of the subject of the Law

1.1. In the field Subject of the Law the name of a legal person or the name and surname of a natural person should be indicated.
1.2. In the field Registration number or personal ID the registration number of a legal person or the personal ID of a natural person should be indicated.
1.3. In the field Name, surname, and telephone nr of the compiler information on the person who has compiled the report should be indicated in order for the FIU to be able to clarify any ambiguous information should that be necessary.
1.4. In the field Date of the report the date when the report has been compiled should be indicated in the form dd.mm.yyyy (d-day, m-month, y-year).
1.5. In the field Nr of the report the number of the particular subject's report in the current year should be indicated. The number should consist of the last two digits of the year and following a virgule – the serial number of the report in the current year.

2. Information on the Transaction

2.1. In the field Name of the institution of transaction information on institution where the transaction has been conducted should be indicated; the name should correspond to the name in the field Subject of the Law (see 1.1.) if the subject of the Law reports transactions registered by itself.
2.2. In the field Date of transaction the date when the transaction has been conducted (or according to the state of the transaction it has been attempted) with the institution, or if the report combines information on several (e.g. – separated) transactions of one type, the date of the first transaction in the form dd.mm.yyyy should be indicated.
2.3. The field Date of final transaction should only be completed if the report combines information on several (e.g. – separated) transactions; the date of the final transaction should be indicated in the form dd.mm.yyyy.
2.4. In the field Number of the indication of unusual transaction the number of the subparagraph of The Cabinet of Ministers of the Republic of Latvia rule Nr. 1071 of 2008 corresponding to the contents of the report should be indicated.

2.5. In the field Indication of suspicion the substantiation for the suspicion of the transaction should be indicated, preferably by a code from the list distributed by the FIU; only one of the fields either 2.4. or 2.5. must be filled in.
2.6. In the group of fields State of transaction the field the reported transaction corresponds to should be underlined. Usually the transaction is Completed; however, in cases when the transaction has not been completed, a different value should be indicated; for example – if a subject of the Law refuses to engage in a business relationship with a client, the value Subject of the Law refrained (this is not to be confused with the initiation of the procedure of refraining) should be indicated.
2.7. In the field Type of transaction the type of transaction being reported or its code should be indicated. A single report can only contain information on a single transaction (with the exception of combined similar transactions being reported). The list of possible types of transactions and their codes can be received from the FIU.
2.8. In the field Amount of transaction the amount should be indicated in the form with 2 decimal symbols after a comma and the digits before the comma being grouped in three.
2.9. In the field Currency the 3-letter code of the currency used in the transaction according to the ISO standard should be indicated.
2.10. In the group of fields Special remarks the fields to which the report corresponds to and to which the FIU should pay special attention to should be underlined since special processing is required (for instance – refraining for the purpose of Article 32, part 1 of the Law or connection to terrorism).

3. Subject conducting the transaction or Sender

There are two types of transactions – those involving the movement of funds and those where no movement of funds takes place but the funds are in some way declared, demonstrated. Examples of transactions involving the movement of funds are: deposit, withdrawal, remittance, transfer, etc. Examples of transactions where funds are declared include: currency exchange, refraining, receiving funds from many subjects, winnings, insurance, etc. The purpose of this division is to avoid the situation when the subject of the Law at the same time is a party to the transaction. In this group of fields for the transactions involving the movement of funds the sender's information should be indicated, while for the transactions where funds are declared – the subject conducting the transaction.
3.1. The fields in the subgroup Bank should only be filled in if in cases of movement of funds money is sent from a bank account, while in cases of declaring the declared funds are in a bank account. In the field Bank SWIFT code (BIC code) the bank's 8- or 11-symbol SWIFT code should be indicated. It is significant to indicate the 11-symbol code in cases when several bank names correspond to the same 8-symbol code. For all the Latvian banks it is enough to indicate the 8-symbol code. Regarding international bank transactions it is significant to indicate the information on the initial sender's or the final recipient's bank, not on the corresponding bank.
3.2. Following the same conditions as in section 3.1. in the field Bank account number the account number in IBAN form should be indicated if it is available (21 symbol for accounts in Latvian banks; in different countries the number may vary).
3.3. The group of fields Legal person should only be filled in if the subject conducting the transaction or the sender is a legal person. In the field Name with the type of commercial activity code at the end the name of the legal person should be indicated without translating the part characterizing the type of commercial activity (SIA, AS, LTD, OOO, LLC, etc) which should be put at the end of the name.

3.4. In the field Registration number the registration number of the legal person in the registration country should be indicated.
3.5. In the field Two-letter code of the registration country the two-letter code of the registration country according to the ISO standard should be indicated. It is significant to fill in this field also for Latvian legal persons with the code value LV.
3.6. If an address of a legal person is available, especially for insufficiently identified foreign legal persons, then in the Address field first the two-letter code of the address country should be indicated followed by the address in an internationally accepted form without translating foreign addresses into Latvian.
3.7. The group of fields Natural person should only be filled in if the subject conducting the transaction or the sender is a natural person or if it is necessary to specify the subject conducting the transaction or the trustee of a sender – legal person. In the field Name (-s) all of the person's names (or the only name) should be indicated according to the person's passport. For foreign citizens the name and surname should be indicated according to their written form in Latin letters in an international travel document.
3.8. In the field Surname the person's surname should be indicated in a similar manner as the person's name. For persons whose names and surnames are composed of several words (for example, in the Spanish speaking countries) it is significant to accurately indicate all of them in the correct fields.
3.9. In the field Personal ID or date of birth the personal ID assigned to a person in Latvia should be indicated. If a person does not have a Latvian personal ID, the date of birth should be indicated instead in the form ddmmyy, where dd is the date of birth, mm – the month of birth, and yy – the last two digits of the year of birth. If a personal ID assigned by another country is available, it should be indicated in the field Explanatory text (see 6.2.).
3.10. In the field Two-letter code of the issuing country of identification document the two-letter code of the issuing country of identification document according to the ISO standard, the number of the document, and if available also the issuing institution and issue date should be indicated. We remind you that driving licence is not an identification document.
3.11. If an address of a natural person is available, especially for insufficiently identified foreign natural persons, then in the Address field first the two-letter code of the address country should be indicated followed by the address in an internationally accepted form without translating foreign addresses into Latvian.

4. Receiver of funds

This group of fields should only be filled in if a transaction involving movement of funds is being reported. The conditions of completing the fields are the same as for the corresponding fields in part 3. This refers also to indication of legal and natural persons – if both legal and natural persons are indicated in this group of fields, the natural person is considered to be the trustee of the legal person.

5. Other parties of the transaction

This group of fields should only be filled in if it is necessary to indicate an additional party of the transaction that could not be placed in any of the previous fields. Common examples of such parties are: trustee of receiver, sender, or subject conducting the transaction (in addition to those indicated in part 3), beneficiary (which does not correspond to any of the previously indicated parties), actual manager (the person giving instructions to the formal subject conducting the transaction), etc. The role of such additional party of the transaction should be

indicated in the field Role in transaction. The list of possible roles can be received from the FIU.

6. Explanatory remarks

6.1. In the field Short remarks information significant for the transaction in the length of up to 16 symbols (including spaces) should be indicated, for example, the number of transactions combined in the report, currency to which an exchange has been made, the type of the account (private or business) used if it belongs to a representative of a legal profession (lawyer, notary), etc.
6.2. In the field Explanatory text the essence of the transaction can be explained in more detail if any significant information is not reflected in other fields of the report. Information already included in other fields of the report should not be repeated in this field. For example, a personal ID issued by another country should be indicated here.

7. Attachments

In this section in the given table any documents attached to the report should be indicated. The most commonly attached documents contain information that should already be included in the fields of the report. Any attached document should be indicated its form – whether the document has been attached in paper (copies of passports, certificates of registration, contracts, etc), as an MS Excel file (account statements, descriptions of the transactions, etc), or as a scanned document file (passports, certificates of registration, etc). In the column of the table Number of pages the number of pages for documents attached in paper should be indicated.

FIU Latvia
January 19, 2009

ANNEX XXI

ANNEX XXI - UPDATE OF INFORMATION FROM LATVIAN PROSECUTOR'S OFFICE REGARDING OFAC LISTS AS WELL AS OTHER ISSUES

According to Article 4, part 4 of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing (henceforth – the Law) Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (henceforth – Control Service) informs the subjects of Latvian AML/TF Law and their supervisory and control institutions about the lists of persons who are suspected of involvement in terrorist activities.

Apart from the well-known lists of such persons compiled by UN Security Council, European Union, and certain countries still relevant is the application of USA OFAC (Office of Foreign Asset Control) lists and the legal consequences of checks within them. Information on OFAC can be found at **www.ofac.us/whatisOFAC.cfm**

According to provisions of the Law Control Service distributes OFAC lists as part of the Consolidated List through the application of special electronic mail addresses, as regarding certain persons included in the lists there are particular indications concerning their association with various forms of terrorism. However, it should be indicated that OFAC includes in their lists also the data of other persons who are possibly connected to other criminal activities.

In order to specify the possible actions of the subjects of the Law regarding processing of OFAC lists, on February 2006 and October 2007 the heads of Control Service met with the heads of OFAC, as well as on December 2008 consulted with one of the officials of EU responsible for prevention of terrorism financing. As a result the following model of action is still functioning.

1. **As soon as it is established that a transaction is performed by a person the identification data of which is included in an OFAC list with marks on terrorism** (e.g.)**:**

   - (SDGT) Specially Designated Global Terrorist
   - (FTO) Foreign Terrorist Organization
   - (SDT) Specially Designated Terrorist

according to the Cabinet of Ministers of the Republic of Latvia Regulation Nr. 1071 "Regulations on the list of features of unusual financial transactions and the order of submission of reports of unusual or suspicious financial transactions" point 8.1., the subjects of the Law are obliged to submit an unusual transaction report to Control Service as well as take the necessary actions to "freeze" the assets according to Article 32, part 1 of the Law thus refraining from the execution of the transaction.

2. **As soon as it is established that a transaction is performed by a person the identification data of which is included in an OFAC list with other marks (i.e. without marks on terrorism)** that have not been mentioned above, the subjects of the Law are obliged to submit a suspicious transaction report to Control Service in order for the information to possibly be forwarded to, e.g., USA FINCEN.

   It is significant to indicate that in this instance the subjects of the Law do not have any legal basis to refrain from the execution of the transaction in regard to prevention of terrorism financing, since Article 32, part 3, clause 1, subclause a) of

the Law does not entitle Control Service to issue an order to suspend the transaction.

3. However, if the subjects of the Law consider that a particular transaction (regardless of whether the personal data of a client is or is not included in the Consolidated List) is related to or there are reasonable suspicions that it is related to laundering of the proceeds derived from criminal activity, according to Article 32, part 1 and part 3, clause 1, subclause b) of the Law the subjects of the Law refrain from execution of the transaction and suspend the transaction in general procedure.

4. If the personal data of a client is not included in the Consolidated List, yet while conducting the evaluation (e.g. of a transaction) the subjects of the Law have suspicions of terrorism financing (see Article 1, part 17, Article 30, part 1, clause 2), and Article 32, part 1 of the Law), the subjects of the Law are obliged to submit a report to Control Service in the established order and to refrain from the execution of the transaction.

Apart from financial restrictions also other type of restrictions against terrorism financing have been introduced in the Republic of Latvia, and various competent authorities are responsible for their implementation (see the website of the Ministry of Foreign Affairs of the Republic of Latvia http://www.mfa.gov.lv/en/security/4539, the Law on Implementation of Sanctions Imposed by International Organizations in the Republic of Latvia in effect from 01.01.2007., and Articles 73, 84, 88, 88^1 of the Criminal Law of the Republic of Latvia). The authorities and their area of competence are as follows:

1. Financial and Capital Market Commission – restrictions against a country;
2. The Ministry of the Interior of the Republic of Latvia – restrictions on travel;
3. The Ministry of Foreign Affairs of the Republic of Latvia – restrictions on export of strategic goods;
4. Office for Prevention of Laundering of Proceeds Derived from Criminal Activity – financial restrictions against terrorism financing.

Should any questions arise, do not hesitate to contact us by phone +371 6704 4431

Sincerely,

Head of Latvian FIU: V.Burkāns