Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

22 March 2012 [shall come into force on 25 April 2012];

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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 *Saeima*1 has adopted and

the President has proclaimed the following law:

**Financial Conglomerates Law**

**Chapter I**

**General Provisions**

**Section 1.**The following terms are used in this Law:

1) **regulated commercial company**– a credit institution authorised in a Member State, an insurance undertaking, a reinsurance undertaking, an alternative investment fund manager, an investment management company, or an investment firm;

2) **sectoral rules**– legal provisions included in the laws and regulations governing the supervision of regulated commercial companies and in the directly applicable legal acts of the European Union;

3) **financial sector**– a sector made up of commercial companies and mixed financial holding companies within the credit institution sector, insurance sector, and investment services sector regardless of whether the respective commercial companies are located in one or more countries;

4) **credit institution sector**– a sector in which one or more of the following commercial companies operate:

a) a credit institution;

b) a commercial company, other than a credit institution or financial institution, the primary activity of which is property management, operation of data-processing systems, or similar ancillary activity which supplements, extends, or promotes operation of one or several credit institutions;

c) a financial institution within the meaning of the Credit Institution Law;

5) **insurance sector**– a sector in which one or more of the following commercial companies operate:

a) an insurance undertaking;

b) a reinsurance undertaking;

c) an insurance undertaking holding company;

6) **investment services sector**– a sector in which one or more investment firms and other financial institutions within the meaning of the Credit Institution Law operate;

7) **holding**– the fact that any commercial company directly or indirectly owns at least 20 per cent of the equity capital or the number of stocks (shares) with voting rights of a commercial company;

8) **group**– a group of commercial companies that consists of a parent company, its subsidiaries, commercial companies in which the parent company or subsidiary has holding, or commercial companies the link of which with the parent company, subsidiary, or company in which the parent company or subsidiary has holding, manifests itself in common management of such companies in accordance with the concluded contract or provisions of the documents of incorporation or articles of association of such commercial companies, or in the fact that during the financial year at least half of the members of any management body are the same persons. The group of commercial companies can contain any sub-group;

9) **mixed financial holding company**– a parent company, other than a regulated commercial company, which, together with its subsidiaries out of which at least one is a regulated commercial company that has its legal address in a Member State and other commercial companies, constitutes a financial conglomerate;

10) **Member State**– a country of the European Economic Area;

11) **supervisory authority**– an authority to which a Member State has delegated the supervisory function over credit institutions, insurance undertakings, reinsurance undertakings, alternative investment fund managers, investment management companies, or investment firms regardless of whether this authority has been established on the basis of law or performance of such function has been delegated thereto by a State administration institution;

12) **intra-group transactions**– all transactions in performing of which the regulated commercial companies within the group directly or indirectly rely on the fact that other commercial companies within the same group or any natural or legal person closely linked to the commercial companies of that group will fulfil its liabilities regardless of whether they have arisen on the basis of a contract or other grounds, and also regardless of whether payment is or is not intended for the fulfilment of such liabilities;

13) **risk concentration**– all exposures the potential losses of which may pose a threat to the solvency or financial position of regulated commercial companies within the financial conglomerate. Such exposures may be related to exposure credit risk (including counterparty risk), investment risk, insurance risk, market risk, other risks, combinations or interaction of such risks;

14) **entity at the head of the financial conglomerate**– a parent company of the financial conglomerate or, if the financial conglomerate does not have a parent company, a regulated commercial company within the financial conglomerate with the largest amount of assets in the largest financial sector;

15) **coordinator**– an authority that performs supplementary supervision of the regulated commercial companies within the financial conglomerate provided that the regulated commercial companies within a single financial conglomerate are located in several Member States;

16) **significant supervisory authority**– a supervisory authority that conforms to one of the following requirements:

a) it is responsible for the consolidated supervision of the regulated commercial company (in particular the ultimate parent companies of the sector) within the financial conglomerate;

b) it acts as a coordinator;

c) it is recognised as a significant supervisory authority by the authorities referred to in Sub-clauses “a” and “b” of this Clause by taking into account the market share of the regulated commercial companies within the financial conglomerate (in particular if it exceeds five per cent) and significance, within the financial conglomerate, of any regulated commercial companies within the financial conglomerate that carry out commercial activity in a relevant Member State.

[*16 May 2013; 28 April 2022 /  See Paragraph 2 of Transitional Provisions*]

**Section 2.**The purpose of the Law is to promote the protection of interests of clients of the regulated commercial companies within the financial conglomerate and stability of the financial and capital market.

**Section 3.**(1) The following commercial companies within the financial conglomerate shall be subject to the supplementary supervision within the financial conglomerate:

1) regulated commercial companies which are parent companies of the financial conglomerate and which have their legal address in a Member State;

2) regulated commercial companies the parent company of which is a mixed financial holding company that has its legal address in a Member State;

3) regulated commercial companies which are linked to another commercial company within the financial sector if the link manifests itself in common management of the companies in accordance with a contract entered into or the document of incorporation, or provisions of the articles of association of such commercial companies, or in the fact that during the financial year at least half of the members of any management body are the same persons;

4) investment management companies;

5) alternative investment fund managers.

(2) The regulated commercial companies within the financial conglomerate the parent company of which is a regulated commercial company or a mixed financial holding company that has its legal address outside the Member States shall be subject to the supplementary supervision within the scope and in accordance with the procedures laid down in Section 23 of this Law.

(3) If a person (a group of mutually associated persons) has holding in one or more regulated commercial companies or it has a possibility to influence (rather than control) financial and operating policies of one or more regulated commercial companies, the legal address of such regulated commercial companies is in Latvia, and they conform to Section 4, Paragraph one, Clauses 2 and 3 of this Law, the Financial and Capital Market Commission shall decide whether and to what extent such regulated commercial companies are to be subject to supplementary supervision as if the relevant commercial companies formed the financial conglomerate.

(4) If a person (a group of mutually associated persons) has holding in one or more regulated commercial companies or it has a possibility to influence (rather than control) financial and operating policies of one or more regulated commercial companies, the legal address of such regulated commercial companies is in several Member States one of which is Latvia, and these regulated commercial companies conform to Section 4, Paragraph one, Clauses 2 and 3 of this Law, the Financial and Capital Market Commission shall, by common agreement with significant supervisory authorities, decide whether and to what extent such regulated commercial companies are to be subject to supplementary supervision as if the relevant commercial companies formed the financial conglomerate.

[*16 May 2013*]

**Chapter II**

**Determination of the Financial Conglomerate**

**Section 4.**(1) The financial conglomerate shall be deemed a group or a sub-group which concurrently meets the following criteria:

1) the group or sub-group is managed by a regulated commercial company that is a parent company of a commercial company operating in the financial sector or of a commercial company which is closely linked to any commercial company within the financial sector;

2) at least one of the commercial companies within the group or sub-group operates in the insurance sector and at least one of them – in the credit institution sector or investment services sector;

3) the activity of commercial companies which operate in the insurance sector and of commercial companies which operate in the credit institution sector and investment services sector and which are within the group or sub-group is significant within the meaning of Section 5 or 6 of this Law.

(2) The financial conglomerate shall also be deemed a group or a sub-group which is not managed by a regulated commercial company if at least one of the subsidiaries within the group or sub-group is a regulated commercial company and the group or sub-group meets the criteria specified in Paragraph one, Clauses 2 and 3 of this Section and operate mainly in the financial sector within the meaning of Paragraph three of this Section.

(3) A group operates mainly in the financial sector if the proportion of assets of its regulated and non-regulated commercial companies in the financial sector exceeds 40 per cent in total assets of all commercial companies within the group.

(4) In order to avoid sudden changes in supervisory regime, it shall be deemed that a group operates mainly in the financial sector for three more years after the indicator referred to in Paragraph three of this Section has fallen below 40 per cent unless it falls below 35 per cent.

(5) If all regulated commercial companies within the financial conglomerate are located in Latvia, the Financial and Capital Market Commission may, within the period specified in Paragraph four of this Section, take the decision no longer to deem that the group operates mainly in the financial sector if it does not meet the criterion established in Paragraph three of this Section.

(6) If regulated commercial companies within the group have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it may, within the period specified in Paragraph four of this Section, upon agreement with other significant supervisory authorities, take the decision no longer to deem that the group operates mainly in the financial sector if it does not meet the criterion established in Paragraph two of this Section.

(7) If a financial conglomerate is a sub-group of another financial conglomerate which meets the criteria of Section 3, Paragraph one of this Law, the requirements of Chapter III and Sections 20, 21, and 22 of Chapter IV of this Law shall be applied only to the regulated commercial companies which are part of the abovementioned other financial conglomerate.

[*16 May 2013; 28 April 2022 /  Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 1 of Transitional Provisions*]

**Section 5.**(1) The activity of commercial companies within the group in the insurance sector shall be significant if the indicator which is calculated as the average value of the following two values exceeds 10 per cent:

1) the proportion of the total assets of commercial companies within the group in the insurance sector in the total assets of all commercial companies within the group in the financial sector;

2) the proportion of the solvency capital requirements of commercial companies within the group in the insurance sector in the total capital requirements of all commercial companies within the group in the financial sector.

(2) The activity of commercial companies within the group in the credit institution sector and investment services sector shall be significant if the indicator which is calculated as the average value of the following two values exceeds 10 per cent:

1) the proportion of the total assets of commercial companies within the group in the credit institution sector and the investment services sector in the total assets of all commercial companies within the group in the financial sector;

2) the proportion of the capital requirements of commercial companies within the group in the credit institution sector and the investment services sector in the total capital requirements of all commercial companies within the group in the financial sector.

(3) A financial sector of the financial conglomerate that has the lowest indicator specified in Paragraph one or two of this Section shall be deemed the smallest financial sector, while a financial sector of the financial conglomerate that has the highest indicator shall be deemed the largest financial sector. In determining the smallest and the largest financial sectors, the credit institution sector and the investment services sector shall be deemed a single financial sector. An investment management company manager or an alternative investment fund manager shall be part of the financial sector in which it operates within the group. If the investment management company manager or alternative investment fund manager operates in several financial sectors within the group, it shall be part of the smallest financial sector.

(4) In order to avoid sudden changes in supervisory regime, the activity of a group in the insurance sector or credit institution sector and investment services sector shall be deemed significant for three more years after the average indicators referred to in Paragraph one or two of this Section have fallen below 10 per cent but not below 8 per cent.

(5) If all regulated commercial companies within the financial conglomerate are located in Latvia, the Financial and Capital Market Commission may, within the period specified in Paragraph four of this Section, take the decision no longer to deem that the activity of the group in the insurance sector or credit institution sector and investment services sector is significant if the relevant group does not meet the criteria established in Paragraph one or two of this Section.

(6) If regulated commercial companies within the group have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it may, within the period specified in Paragraph four of this Section, upon agreement with other significant supervisory authorities, take the decision no longer to deem that the activity of the group in the insurance sector or credit institution sector and investment services sector is significant if the relevant group does not meet the criteria established in Paragraph one or two of this Section.

(7) The capital requirements referred to in this Section shall be calculated in accordance with the rules for the relevant sectors.

(8) In exceptional cases, the Financial and Capital Market Commission shall replace the indicator of total assets in the calculations referred to in Paragraphs one and two of this Section and Section 4, Paragraph three of this Law with the indicators of income of the regulated commercial companies within the group, their total assets under management or total off-balance sheet activities if such indicators are significant by taking into account the objectives of supplementary supervision specified in this Law.

(9) If regulated commercial companies within the group have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it may take the decision specified in Paragraph eight of this Section by common agreement with other significant supervisory authorities.

[*16 May 2013; 28 April 2022 /  Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 6.**(1) If the activity of a group in the insurance sector or credit institutions sector and investment services sector is not significant within the meaning of Section 5, Paragraph one or two of this Law, the activity of the group in the insurance sector or credit institution sector and investment services sector shall also be deemed significant if total assets of the smallest financial sector of the group exceed EUR 6 billion.

(2) If total assets of the smallest financial sector of the financial conglomerate fall below the value specified in Paragraph one of this Section, for the purpose of avoiding sudden changes in supervisory regime, the activity of the group in the insurance sector and credit institution sector, and investment services sector shall be deemed significant for the three following years if total assets of the smallest financial sector of the group exceed EUR 5 billion.

(3) If all regulated commercial companies within the financial conglomerate are located in Latvia, the Financial and Capital Market Commission may, within the period specified in Paragraph two of this Section, take the decision no longer to deem that the activity of the group in the insurance sector and credit institution sector, and investment services sector is significant if the relevant group does not meet the criterion established in Paragraph one of this Section.

(4) If regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it may, within the period specified in Paragraph two of this Section, upon agreement with other significant supervisory authorities, take the decision no longer to deem that the activity of the group in the insurance sector and credit institution sector, and investment services sector is significant if the relevant group does not meet the criterion established in Paragraph one of this Section.

(5) If the activity of a group in the insurance sector or credit institutions sector and investment services sector is not significant within the meaning of Section 5, Paragraph one or two of this Law but it is deemed to be significant within the meaning of Paragraph one of this Section and all regulated commercial companies within the financial conglomerate are located in Latvia, the Financial and Capital Market Commission may take the decision not to recognise the group as a financial conglomerate or allow the requirements of Sections 15, 16, and 17 of this Law not to be applied if it is not required to apply supplementary supervision to the group or application thereof would be misleading by taking into account the objectives of supplementary supervision specified in this Law.

(6) If regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it may take the decisions specified in Paragraph five of this Section by common agreement with other significant supervisory authorities.

(7) The procedures referred to in Paragraph five of this Section for recognising a group of commercial companies as a financial conglomerate shall also be applied if the activity of the group in the insurance sector or credit institution sector and investment services sector is significant within the meaning of Section 5, Paragraph one or two of this Law but total assets of the smallest financial sector of the group do not exceed EUR 6 billion.

(8) A decision which has been taken in accordance with Paragraph five or seven of this Section shall be notified to the supervisory authorities of such Member States where the regulated commercial companies within the group have obtained the licence. The Financial and Capital Market Commission shall immediately publish the decision on its website. If it is not possible in an emergency situation to immediately publish the decision on the website, the Financial and Capital Market Commission shall publish the decision as soon as possible.

[*22 March 2012; 16 May 2013*]

**Section 7.**The calculations referred to in Sections 4 and 5 of this Law shall be made on the basis of a balance sheet total of the commercial companies within the group which is drawn up by taking into account annual statements of the commercial companies. The balance sheet total shall include balance sheets of a parent company and subsidiaries in full amount and balance sheets of such commercial companies in which there is holding in proportion to the share of the group in the equity capital of a commercial company. Where possible, consolidated annual statements of the commercial companies within the group shall be used instead of the balance sheet total.

**Section 8.**(1) The Financial and Capital Market Commission shall identify all groups which include regulated commercial companies to which the Financial and Capital Market Commission has issued the licence and which meet the criteria of the financial conglomerate established in Section 4 of this Law.

(2) In identifying the groups referred to in Paragraph one of this Section, the Financial and Capital Market Commission shall cooperate with the supervisory authorities of such Member States that have issued the licence to the regulated commercial companies within the group.

(3) The Financial and Capital Market Commission shall inform the Joint Committee of the European Supervisory Authorities of regulated commercial companies to which the Financial and Capital Market Commission has issued the licence and which are within the group that could be recognised as a financial conglomerate but on the conformity of which with the criteria of the financial conglomerate there is a lack of information, and shall also inform supervisory authorities of the Member States that have issued the licence to other regulated commercial companies within this group.

(4) Upon recognition of the group as a financial conglomerate, if all regulated commercial companies within the financial conglomerate are located in Latvia or if the regulated commercial companies within the group have legal addresses in different Member States one of which is Latvia, the Financial and Capital Market Commission shall, if acting as a coordinator, inform the entity at the head of the financial conglomerate and supervisory authorities of such Member States that have issued the licence to the regulated commercial companies within the financial conglomerate or where a mixed financial holding company has its legal address, and also inform the Joint Committee of the European Supervisory Authorities of the fact that the specific group has been recognised as a financial conglomerate and that it acts as a coordinator.

[*22 March 2012; 16 May 2013*]

**Section 9.**(1) The Financial and Capital Market Commission:

1) in the cases specified in Section 14, Paragraph one of this Law, need not take into account any of the regulated commercial companies within the group when determining that the activity of the group in the insurance sector or credit institution sector and investment services sector is deemed to be significant. If such regulated commercial company within the group has changed its state of registration from a Member State to a foreign state in order to avoid being included in the calculation of capital adequacy, the Financial and Capital Market Commission shall not apply the provision referred to in the first sentence of this Clause;

2) for the purpose of avoiding sudden changes in supervisory regime, may subject the commercial companies within the group to the supplementary supervision specified in this Law for three more years after the group no longer meets the criteria of a financial conglomerate established in this Law as a result of substantial changes in the structure of the group;

3) need not take into account one or more holdings in the smallest financial sector if such holdings are significant to recognise the group as a financial conglomerate but at the same time insignificant to impose supplementary supervision to the regulated commercial companies within the financial conglomerate;

4) shall, on an annual basis, reassess waivers of the application of supplementary supervision and shall review the quantitative indicators determined in this Law and risk-based assessments applied to financial groups.

(2) If regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it shall propose taking the decision specified in Paragraph one of this Section upon agreement with all significant supervisory authorities.

[*16 May 2013*]

**Chapter III**

**Supplementary Supervision of Regulated Commercial Companies within the Financial Conglomerate**

**Section 10.**(1) Supplementary supervision of regulated commercial companies within the financial conglomerate shall include the following:

1) coordination of the collection and dissemination of information necessary for supplementary supervision;

2) assessment and control of financial situation of the financial conglomerate;

3) supervision of conformity with the requirements for capital adequacy, risk concentration, and intra-group transactions within the financial conglomerate;

4) assessment of the structure, organisation, and internal control system of the financial conglomerate;

5) planning and coordination of supervision in cooperation with other supervisory authorities of the Member States;

6) fulfilment of other duties and implementation of measures assigned to the coordinator in accordance with this Law, taking of decisions, or carrying out of other activities pertaining to the application of this Law.

(2) The Financial and Capital Market Commission shall perform supplementary supervision of the regulated commercial companies within the financial conglomerate if all regulated commercial companies within the financial conglomerate are located in Latvia or if the regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator according to the criteria established in Section 11 of this Law.

(3) If the regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, it shall, together with other significant supervisory authorities and, where applicable, other supervisory authorities of the Member States agree on coordination of activities, the process of taking the decisions specified in this Law, and the additional tasks assigned to the Financial and Capital Market Commission.

(4) If during fulfilment of the obligations specified in this Law the Financial and Capital Market Commission requires information which, according to the information at its disposal, has already been provided to any of the supervisory authorities of the Member States, the Financial and Capital Market Commission shall request the relevant information from this supervisory authority to avoid a situation where commercial companies within the financial conglomerate provide the same information to several authorities.

(5) The Financial and Capital Market Commission has the right to request any information from the commercial companies within the financial conglomerate that is necessary for the performance of the supplementary provision specified in this Law, and the commercial companies within the financial conglomerate shall be obliged to provide the request information within the time periods set by the Financial and Capital Market Commission.

(6) In order to ensure the fulfilment of the requirements of this Law regarding cooperation with supervisory authorities of other Member States and foreign supervisory authorities, and also the fulfilment of the requirements of this Section and Section 20 of this Law, the Financial and Capital Market Commission, if it is the coordinator, shall, in conformity with the procedures for the performance of exchange of restricted information between supervisory authorities and with the requirements of the directly applicable legal acts of the European Union, cooperate and agree on the coordination of activities through the establishment of colleges of supervisors, and also conclude cooperation agreements with foreign supervisory authorities on the coordination of the activities referred to in Paragraph three of this Section, the decision-making process, and the assigned additional responsibilities according to the supervision of the operation of credit institutions at the level of a consolidation group and the supervision of a group of insurance and reinsurance companies in accordance with the requirements of the laws and regulations governing the operation of the relevant sector.

[*16 May 2013; 28 April 2022 /  Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 11.**(1) The Financial and Capital Market Commission shall act as a coordinator in the following cases:

1) it has issued the licence to a regulated commercial company at the head of the financial conglomerate;

2) the parent company of the financial conglomerate is a mixed financial holding company and only one of its subsidiaries is a regulated commercial company, and this regulated financial company has been issued the licence by the Financial and Capital Market Commission;

3) the parent company of the financial conglomerate that has its legal address in Latvia is a mixed financial holding company and a parent company of several regulated commercial companies out of which at least one has been issued the licence by the Financial and Capital Market Commission;

4) the financial conglomerate has several parent companies – mixed financial holding companies out of which at least one has its legal address in Latvia, and the Financial and Capital Market Commission has issued the licence to the regulated commercial company of the financial conglomerate in the largest financial sector or to the regulated commercial company with largest total assets if several regulated commercial companies operate in the same financial sector;

5) the parent company of the financial conglomerate is a mixed financial holding company that has its legal address in one of the Member States and its subsidiaries are regulated commercial companies that have legal addresses in other Member States, and the Financial and Capital Market Commission has issued the licence to the regulated commercial company with the largest total assets in the largest financial sector;

6) the financial conglomerate is a group without the parent company and also in other cases not referred to in this Paragraph if the Financial and Capital Market Commission has issued the licence to the regulated commercial company with the largest total assets in the largest financial sector.

(2) The Financial and Capital Market Commission may, upon agreement with other significant supervision authorities and taking into account the structure of the financial conglomerate and significance of its activity in each Member State, designate a coordinator without respecting the criteria established in Paragraph one of this Section. In this case, the financial conglomerate has the right to express its opinion prior to designation of the coordinator.

[*16 May 2013*]

**Section 12.**(1) The procedures for supplementary supervision laid down in this Law shall not affect the supervision provided for in the rules for sectors which is performed by the Financial and Capital Market Commission.

(2) Application of the supplementary supervision to the regulated commercial companies within the financial conglomerate shall not mean that the Financial and Capital Market Commission is to individually supervise mixed financial holding companies, commercial companies within the financial conglomerate other than regulated commercial companies, or regulated commercial companies not registered in Latvia.

**Section 13.**(1) Own funds of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator shall not be smaller than the own funds requirement of the financial conglomerate which is calculated in accordance with the provisions for the calculation of capital adequacy issued by the Financial and Capital Market Commission. Non-regulated commercial companies in the financial sector shall calculate the contingent capital requirement in accordance with the rules for the relevant financial sector.

(2) All regulated commercial companies within the financial conglomerate shall be responsible for the provision of own funds of the financial conglomerate to the extent specified in Paragraph one of this Section.

(3) A regulated commercial company which is a parent company of the financial conglomerate, a mixed financial holding company, or another regulated commercial company within the financial conglomerate on which the Financial and Capital Market Commission has, after consulting the financial conglomerate, imposed the obligation to provide a calculation of own funds of the financial conglomerate and its adequacy and information used for the calculation, shall submit this calculation and information once a year to the Financial and Capital Market Commission in accordance with its provisions.

(4) If regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, when determining the regulated commercial company which submits the calculation of own funds of the financial conglomerate and its adequacy and the information used for the calculation, the Financial and Capital Market Commission shall consult significant supervisory authorities if the obligation to provide the calculation of own funds of the financial conglomerate and its adequacy and the information used for the calculation is imposed on such regulated commercial company within the financial conglomerate that has legal address outside Latvia.

**Section 14.**(1) The Financial and Capital Market Commission, if acting as a coordinator, shall allow that the calculation of capital adequacy does not include a commercial company within the financial conglomerate if:

1) the commercial company is located in a country other than a Member State and there are legal impediments in this country to the transfer of the necessary information;

2) the commercial company is insignificant by taking into account the objectives of supplementary supervision of the regulated commercial companies within the financial conglomerate which have been specified in this Law;

3) inclusion of the commercial company in the calculation of capital adequacy of the financial conglomerate would be inappropriate or misleading by taking into account the objectives of supplementary supervision of the regulated commercial companies within the financial conglomerate which have been specified in this Law.

(2) If several commercial companies within the financial conglomerate conform to Paragraph one, Clause 2 of this Section but they are significant when taken together, the Financial and Capital Market Commission may not exclude them from the calculation of capital adequacy by taking into account the objectives of supplementary supervision of the regulated commercial companies within the financial conglomerate which have been specified in this Law.

(3) Prior to deciding not to take into account any commercial company within the financial conglomerate in the calculation of capital adequacy of the financial conglomerate in accordance with Paragraph one, Clause 3 of this Section, the Financial and Capital Market Commission shall consult other significant supervisory authorities.

(4) If, in the cases referred to in Paragraph one, Clauses 2 and 3 of this Section, when laying down the procedures for the calculation of capital adequacy of the financial conglomerate, the Financial and Capital Market Commission allows not to take into account any regulated commercial company, the entity at the head of the financial conglomerate has an obligation, upon request of the supervisory authority of such Member State, to provide information which is necessary for it to perform the supervision of this regulated commercial company.

[*28 April 2022 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 15.**(1) The entity at the head of the financial conglomerate or another regulated commercial company within the financial conglomerate which has been designated by the Financial and Capital Market Commission upon consultation with the financial conglomerate shall, once a year, notify it of each case of significant risk concentration in the financial conglomerate and submit information necessary for evaluating exposure concentration.

(2) Risk concentration within the financial conglomerate shall be deemed significant if exposures of a regulated commercial company with one person (a group of mutually associated persons) exceed 10 per cent of the own funds of the regulated commercial company.

(3) If the entity at the head of the financial conglomerate is a mixed financial holding company, the rules for sectors regulating risk concentration in the largest financial sector shall be applicable to such company.

(4) In assessing the total concentration of exposures within the financial conglomerate, the Financial and Capital Market Commission may impose quantitative restrictions on risk concentration in respect of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator.

(5) If regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, the Financial and Capital Market Commission shall consult other significant supervisory authorities when designating the regulated commercial company which notifies it of each case of significant risk concentration within the financial conglomerate and submits information necessary for the assessment of the concentration of exposures.

**Section 16.**(1) The entity at the head of the financial conglomerate or another regulated commercial company within the financial conglomerate which has been designated by the Financial and Capital Market Commission upon consultation with the financial conglomerate, shall, once a year, inform it of all significant intra-group transactions made by the regulated commercial companies within the financial conglomerate.

(2) An intra-group transaction shall be deemed significant if the volume thereof exceeds five per cent of the own funds of the financial conglomerate.

(3) In assessing intra-group transactions of the financial conglomerate, the Financial and Capital Market Commission may impose quantitative restrictions on mutual transactions of the regulated commercial companies within the financial conglomerate for which it acts as coordinator.

(4) If the entity at the head of the financial conglomerate is a mixed financial holding company, the rules for sectors regulating intra-group transactions within commercial companies of the largest financial sector shall be applicable to such company.

(5) If the regulated commercial companies within the financial conglomerate have legal addresses in different Member States one of which is Latvia, and the Financial and Capital Market Commission acts as a coordinator, when determining the regulated commercial company which notifies the Financial and Capital Market Commission of all significant intra-group transactions of the financial conglomerate, the Financial and Capital Market Commission shall consult other significant supervisory authorities if the obligation to notify of all significant intra-group transactions of the financial conglomerate is imposed on such regulated commercial company within the financial conglomerate that has legal address outside Latvia.

**Section 17.**(1) The entity at the head of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator shall develop and introduce risk management processes and an internal control system at the level of the financial conglomerate.

(2) The risk management processes shall involve the following:

1) development, approval, and periodic review of the operational strategy and policy;

2) development of the capital adequacy policy in order to measure the impact of the business strategy on risks and ensure that the capital requirements laid down in the provisions of the Financial and Capital Market Commission are respected;

3) development of the relevant procedures for the risk monitoring within the financial conglomerate and implementation of measures to ensure uniform risk monitoring systems in all commercial companies subject to supplementary supervision and to assess, manage, and control risks at the level of the financial conglomerate;

4) establishment of a proper mechanism and keeping it up to date in order to, where applicable, develop and implement a plan for the recovery and termination of activity of the financial conglomerate.

(3) The internal control within the financial conglomerate shall be ensured by the following:

1) the procedures enabling to identify, assess, and manage all material risks and determine the amount of own funds appropriate to the risks;

2) the accounting procedures enabling to identify, assess, supervise, and control intra-group transactions and risk concentration within the financial conglomerate, and the reporting procedures.

(4) The Financial and Capital Market Commission shall, in conformity with the requirements for the supervision of the activity of credit institutions and insurance activity, control the adequacy of the risk management process and the introduction of such internal control system that allows to obtain data and information necessary for supplementary supervision in the commercial companies that are subject to supplementary supervision in accordance with Section 3 of this Law and are part of financial conglomerates for which the Financial and Capital Market Commission acts as a coordinator.

(5) The entity at the head of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator shall immediately inform the Financial and Capital Market Commission of any changes in the legal, management, and organisational structure of the financial conglomerate, including all regulated commercial companies, non-regulated subsidiaries, and significant branches.

(6) The entity at the head of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator shall, on a regular basis but at least once a year, publish information on the legal, management, and organisational structure of the financial conglomerate by selecting appropriate media and place or provide guidance on availability of such information. A website shall be considered an appropriate place for posting information.

[*22 March 2012; 16 May 2013*]

**Section 18.**(1) The following person may be a member of the executive board in a mixed financial holding company that is at the head of the financial conglomerate for which the Financial and Capital Market Commission acts as a coordinator:

1) who is competent in the financial management issues;

2) who has the necessary higher education and at least three years of professional work experience in a company, organisation, or institution of the relevant size;

3) who has an impeccable reputation;

4) [28 April 2022].

(2) The following person may not be a member of the executive board of a mixed financial holding company:

1) who has been convicted of committing an intentional criminal offence against the State, property, or governance procedures, or of committing an intentional criminal offence in national economy or while in service in State authorities, or of committing a terrorism related criminal offence;

2) who has been convicted of or on whom a prosecutor’s penal order has been imposed for committing the intentional criminal offence referred to in Clause 1 of this Paragraph, releasing from the punishment, or against whom criminal proceedings have been terminated for reasons other than exoneration – while a year has not passed after entering into effect of the relevant decision;

3) who has been deprived of the right to perform commercial activity.

(3) A mixed financial holding company that has its legal address in Latvia shall, within seven days after election of a new member of the executive board, inform the Financial and Capital Market Commission of this fact.

(4) The supervisory board or meeting of stockholders (if the supervisory board has not been established) of a mixed financial holding company shall be obliged itself or, upon request of the Financial and Capital Market Commission, to immediately remove from the office such members of the executive board who do not conform to the requirements of Paragraph one or two of this Section.

[*28 April 2022 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 19.**(1) Mixed financial holding companies that have their legal address in Latvia have an obligation, upon request of the Financial and Capital Market Commission and within the time periods set by it, to provide information which is necessary to ensure the supervision of the financial conglomerate or regulated commercial companies within the financial conglomerate or which has been requested by the coordinator or supervisory authority, if the information is necessary for the abovementioned authorities for the fulfilment of the duties entrusted thereto.

(2) Information received by the Financial and Capital Market Commission in accordance with Paragraph one of this Section shall be deemed restricted access information and such information shall be exchanged in accordance with the rules for sectors.

[*28 April 2022 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Chapter IV**

**Cooperation and Information Exchange between the Financial and Capital Market Commission and Supervisory Authorities**

[*16 May 2013*]

**Section 20.**(1) The Financial and Capital Market Commission shall cooperate with such supervisory authorities of the Member States that are responsible for the supervision of the regulated commercial companies within the financial conglomerate and, if the Financial and Capital Market Commission does not act as a coordinator, with the coordinator by providing, upon request or its own initiative, information which is relevant to the supplementary supervision of the regulated commercial companies within the financial conglomerate.

(2) Cooperation among supervisory authorities shall cover collection and exchange of information on the following issues:

1) the legal, management, and organisational structure of the group, including the regulated commercial companies within the financial conglomerate, non-regulated subsidiaries, and significant branches, persons who have qualifying holding at the ultimate level of the parent company, and also supervisory authorities supervising the regulated commercial companies within the financial conglomerate;

2) the operational strategy of the financial conglomerate;

3) the financial situation of the financial conglomerate, in particular in respect of capital adequacy, intra-group transactions, risk concentration, and profitability;

4) the major stockholders and management of the commercial companies within the financial conglomerate;

5) the organisation, risk management, and internal control system within the financial conglomerate;

6) the procedures pertaining to the collection of information from the commercial companies within the financial conglomerate and verification of such information;

7) the unfavourable development of events in the regulated commercial companies within the financial conglomerate or other commercial companies that could adversely affect the regulated commercial companies;

8) the decisions to restrict activities of the commercial companies within the financial conglomerate that are taken by the supervisory authorities in accordance with the rules for sectors or this Law.

(3) For the purpose of exchanging information which is necessary for the Financial and Capital Market Commission to fulfil its duties in respect of the regulated commercial companies within the financial conglomerate, the Financial and Capital Market Commission shall, in accordance with the rules for sectors, address the central banks of the members of the European Systemic Risk Board and the European Central Bank.

(4) Prior to taking decisions which are relevant for the performance of supervisory duties of the supervisory authorities of other Member States, the Financial and Capital Market Commission shall discuss the following issues with other supervisory authorities of the Member States:

1) changes in the structure of stockholders, organisational or management structure of the regulated commercial companies within the financial conglomerate for which the consent or authorisation of the Financial and Capital Market Commission is required;

2) decisions to restrict activities of the commercial companies within the financial conglomerate which are related to significant violations of the rules for sectors and which are taken by the Financial and Capital Market Commission in accordance with the rules for sectors.

(5) The Financial and Capital Market Commission may disregard the obligation specified in Paragraph four of this Section to have a discussion with the supervisory authorities of the Member States if the matter is urgent or if discussion could pose a threat to the efficiency of the decisions. In this case, after taking of the decision, the Financial and Capital Market Commission shall immediately inform other supervisory authorities of the Member States thereof.

(6) In performing supplementary supervision of the regulated commercial companies within the financial conglomerate, the Financial and Capital Market Commission shall ask the supervisory authority of the Member State where the parent company of the financial conglomerate is located to request information from the parent company of the financial conglomerate which is necessary to perform the duties of the coordinator.

[*22 March 2012; 16 May 2013; 28 April 2022 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 21.**(1) If during application of this Law the Financial and Capital Market Commission wishes to verify information on any regulated commercial company or another commercial company which is part of the financial conglomerate and is located in another Member State, it shall request the supervisory authority of this Member State to carry out such verification.

(2) The Financial and Capital Market Commission may participate in the verification which is carried out by the supervisory authority of another Member State upon request of the Financial and Capital Market Commission.

(3) The Financial and Capital Market Commission has the right to, upon its own initiative or request of the supervisory authority of a Member State, verify information on regulated commercial companies or other commercial companies that are part of the financial conglomerate and are located in Latvia by carrying out the verification in accordance with its competence or allowing it to be carried out by the supervisory authority of a Member State that has made the request, or involving an auditor or expert in carrying out of the verification.

(4) The supervisory authority of a Member State that has made the request referred to in Paragraph three of this Section may participate in the verification provided that it does not carry out the verification itself.

**Section 22.**(1) If the regulated commercial company within the financial conglomerate violates the requirements of this Law or the requirements of the provisions of the Financial and Capital Market Commission or if the requirements are complied with, yet solvency of the regulated commercial company may be jeopardised, or if the intra-group transactions or risk concentration poses a threat to the financial situation of the regulated commercial companies, the Financial and Capital Market Commission shall, upon request of the coordinator or its own initiative if acting as a coordinator, take the necessary measures in respect of the regulated commercial companies and in respect of mixed financial holding companies that have their legal address in Latvia.

(2) Where applicable, the Financial and Capital Market Commission shall coordinate taking of the necessary measures specified in Paragraph one of this Section with other supervisory authorities of the Member States.

(3) The Financial and Capital Market Commission shall request the coordinator or other supervisory authorities of the Member States to take the necessary measures in order to address a threat to the solvency of the regulated commercial company.

[*28 April 2022 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 23.**(1) If the legal address of the parent company of regulated commercial companies is outside the Member States, the Financial and Capital Market Commission or the supervisory authority of the Member State which, in accordance with Section 11 of this Law, would be the coordinator if the regulated commercial companies and their parent company formed a financial conglomerate shall verify whether the regulated commercial companies are subject to supervision equivalent to the supervision provided for in this Law.

(2) The Financial and Capital Market Commission shall carry out the verification referred to in Paragraph one of this Section upon request of the parent company of the group or a regulated commercial company, or its own initiative by having a discussion with the other significant supervisory authorities, and also by taking into account the guidelines developed by the Joint Committee of the European Supervisory Authorities.

(21) If the verification referred to in Paragraph one of this Section has been carried out by the supervisory authority of another Member State which has taken a decision that the supervision of the regulated commercial companies is equivalent to that specified in this Law but the Financial and Capital Market Commission does not agree with this decision, for the settlement of disagreements it may address the following respectively:

1) the European Banking Authority in accordance with Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC;

2) the European Insurance and Occupational Pensions Authority in accordance with Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC;

3) the European Securities and Markets Authority in accordance with Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC.

(3) If regulated commercial companies within the group are not subject to the supplementary supervision equivalent to that specified in this Law in a country where the parent company of the group has its legal address, the Financial and Capital Market Commission shall apply the provisions for supplementary supervision of the regulated commercial companies provided for in this Law to the regulated commercial companies within the group.

[*22 March 2012; 28 April 2022 /  Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraphs 1 and 2 of Transitional Provisions*]

**Section 24.**If the Financial and Capital Market Commission acts as a coordinator, it shall submit to the Joint Committee of the European Supervisory Authorities the information referred to in Section 17, Paragraphs four, five, and six, and also Section 20, Paragraph two, Clause 1 of this Law.

[*16 May 2013*]

**Transitional Provisions**

[*28 April 2022*]

1. Amendments to this Law regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” throughout the Law and the deletion of the words “and capital” in Section 2 shall come into force on 1 January 2023.

[*28 April 2022 / The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

2. The new wording of Section 1, Clause 2, the new wording of Section 5, Paragraph one, Clause 2, amendments to Section 5, Paragraph two, Clause 2 and Paragraph seven, Section 10, Paragraph three, Section 14, Paragraph four of this Law, amendments to Section 18 of this Law regarding the deletion of Paragraph one, Clause 4, the new wording of Section 18, Paragraph two, amendments to Section 19, Paragraph one, Section 20, Paragraph four of this Law, the new wording of Section 20, Paragraph five, amendments to Section 22, Paragraphs one and two of this Law, the new wording of Section 22, Paragraph three, and also amendment to Section 23, Paragraph two of this Law shall come into force concurrently with the Investment Brokerage Companies Law.

[*28 April 2022 / The abovementioned amendments shall be included in the wording of the Law as of 31 May 2022.*]

**Informative Reference to European Union Directives**

[*22 March 2012; 16 May 2013; 28 April 2022*]

The Law contains norms arising from:

1) 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;

2) Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010, amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

3) Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate;

4) Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

The Law has been adopted by the *Saeima* on 9 June 2005.

Acting for the President, the Chairperson of the *Saeima*, I. Ūdre

Rīga, 28 June 2005