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

7 March 1996 [shall come into force on 2 April 1996];

30 May 1996 [shall come into force on 26 June 1996];

17 October 1996 [shall come into force on 1 November 1996];

30 October 1997 [shall come into force on 27 November 1997];

21 May 1998 [shall come into force on 21 July 1998];

1 June 2000 [shall come into force on 1 July 2000];

11 April 2002 [shall come into force on 10 May 2002];

24 October 2002 [shall come into force on 20 November 2002];

8 May 2003 [shall come into force on 30 May 2003];

20 November 2003 [shall come into force on 1 January 2004];

20 November 2003 [shall come into force on 25 December 2003];

11 December 2003 [shall come into force on 7 January 2003];

27 May 2004 [shall come into force on 18 June 2004];

28 October 2004 [shall come into force on 26 November 2004];

26 May 2005 [shall come into force on 24 June 2005];

9 June 2005 [shall come into force on 12 July 2005];

22 June 2006 [shall come into force on 18 July 2007];

22 February 2007 [shall come into force on 22 March 2007];

17 May 2007 [shall come into force on 12 June 2007];

29 May 2008 [shall come into force on 1 July 2008];

23 October 2008 [shall come into force on 1 January 2009];

12 February 2009 [shall come into force on 19 February 2009];

26 February 2009 [shall come into force on 25 March 2009];

16 July 2009 [shall come into force on 13 August 2009];

22 October 2009 [shall come into force on 29 October 2009];

28 January 2010 [shall come into force on 11 February 2010];

11 March 2010 [shall come into force on 1 April 2010];

23 September 2010 [shall come into force on 22 October 2010];

23 December 2010 [shall come into force on 21 January 2010]

19 October 2011 [shall come into force on 19 October 2011];

15 March 2012 [shall come into force on 1 April 2012];

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

24 May 2012 [shall come into force on 1 December 2012];

14 March 2013 [shall come into force on 10 April 2013];

16 May 2013 [shall come into force on 18 June 2013];

19 September 2013 [shall come into force on 1 January 2014];

24 April 2014 [shall come into force on 28 May 2014];

29 January 2015 [shall come into force on 25 February 2015];

7 May 2015 [shall come into force on 3 June 2015];

11 June 2015 [shall come into force on 14 July 2015];

8 July 2015 [shall come into force on 4 August 2015];

30 November 2015 [shall come into force on 1 January 2016];

17 December 2015 [shall come into force on 31 December 2015];

2 June 2016 [shall come into force on 1 July 2016];

23 November 2016 [shall come into force on 1 January 2017];

21 July 2017 [shall come into force on 3 August 2017];

21 July 2017 [shall come into force on 3 August 2017];

26 October 2017 [shall come into force on 9 November 2017];

1 March 2018 [shall come into force on 16 March 2018];

25 October 2018 [shall come into force on 1 January 2019];

1 November 2018 [shall come into force on 15 November 2018];

28 February 2019 [shall come into force on 28 March 2019];

13 June 2019 [shall come into force on 29 June 2019];

19 December 2019 [shall come into force on 13 January 2020];

17 June 2020 [shall come into force on 1 July 2020];

17 June 2020 [shall come into force on 14 July 2020];

9 July 2020 [shall come into force on 4 August 2020];

21 January 2021 [shall come into force on 16 February 2021];

29 April 2021 [shall come into force on 19 May 2021];

27 May 2021 [shall come into force on 23 June 2021];

27 May 2021 [shall come into force on 23 June 2021];

10 June 2021 [shall come into force on 12 July 2021];

23 September 2021 [shall come into force on 20 October 2021];

30 September 2021 [shall come into force on 29 October 2021].

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:

**Credit Institution Law**

**Chapter I**

**General Provisions**

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

1) [24 April 2014];

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 non-cash means of payment not related to the provision of payment services;

e) trading in one’s own name or in the name of a 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 customers regarding issues of a financial nature;

l) [20 November 2003];

m) provision of such information which is related to the settlement of debt obligations of a customer;

n) other transactions which are similar in nature to the aforementioned financial services;

o) emission of electronic money;

5) **credit** – a compensatory transaction in which a credit institution transfers, on the basis of a written contract, money or other items to a client into ownership and which imposes a duty for the client to return the money or other items to the credit institution within a specified period of time;

6) **deposit**– keeping of monetary funds in an account of a credit institution for a specified or unspecified period of time, with or without interest;

7) [24 April 2014];

8) [22 February 2007];

9) **customer**– a person to whom a credit institution provides financial services;

10) [24 April 2014];

11) [24 April 2014];

111) **parent credit institution of a Member State**– a credit institution defined as parent institution in a Member State within the meaning of Article 4(1)(28) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter – EU Regulation No 575/2013);

112) [24 April 2014];

113) **parent credit institution of the European Union**– a credit institution defined as a European Union parent institution within the meaning of Article 4(1)(29) of EU Regulation No 575/2013;

114) [24 April 2014];

115) **parent credit institution of the Republic of Latvia**– a credit institution registered in the Republic of Latvia which has a subsidiary – credit institution or financial institution – or which is a participant in a credit institution or financial institution, but which itself is not a subsidiary of a credit institution registered in the Republic of Latvia or a subsidiary of a financial holding company registered in the Republic of Latvia or a mixed 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 of a credit institution registered in the Republic of Latvia or a subsidiary of a financial holding company registered in the Republic of Latvia or another mixed financial holding company registered in the Republic of Latvia;

117) [24 April 2014];

118) [24 April 2014];

12) [24 April 2014];

13) [22 February 2007];

14) **fiduciary operations (trust)** – transactions in which the relationship between a credit institution and a client is based on mutual trust and in accordance with the provisions 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) [24 April 2014];

151) **participation**– the right to the capital shares of a commercial company (regardless of whether such rights have or have not been documented) which, in establishing a long-term link with such commercial company, are utilised in order to participate in the management thereof, or a holding acquired by direct or indirect means which contains 20 or more per cent of the equity capital or the number of voting stock (shares) of the commercial company;

16) [24 April 2014];

17) [11 April 2002];

18) [24 April 2014];

19) [24 April 2014];

20) [24 April 2014];

21) [24 April 2014];

22) **transit credit**– a government credit which is granted through credit institutions to entrepreneurs for the implementation of specific objectives 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 of the credit institution, including its insolvency;

23) **tax administration** – authorities determined in the Law On Taxes and Fees;

24) **voluntary liquidation** – termination of the activities of a credit institution in accordance with a decision of the meeting of stockholders (shareholders) of the credit institution;

25) **liquidation**– termination of the activities of a credit institution in case of voluntary liquidation based on a court ruling or in case of an insolvency;

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** – the state of a credit institution when it is unable to fulfil its debt obligations until the initiation of an insolvency matter;

28) **insolvency proceedings** – proceedings which are carried out 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) [1 November 2018];

30) [1 November 2018];

31) [1 November 2018];

32) **creditor** – the State, a local government, a natural or a legal person, or a group of natural or legal persons, bound by a contract, which has the right of claim against a credit institution;

33) **secured creditor** – a creditor whose claim right (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 the meeting of stockholders (shareholders) of a credit institution (in case of voluntary liquidation), or a person appointed by a court according to a recommendation of the Financial and Capital Market Commission, who exercises the authorisation laid down in this Law and is liable in accordance with the procedures laid down in this Law;

35) **administrator of insolvency proceedings** (hereinafter also – the administrator) – a person appointed by a court who exercises the authorisation laid down in this Law and is liable in accordance with the procedures laid down in this Law;

36) **interested persons with respect to a credit institution** are:

a) the shareholders, members of the council and the board, the head of the internal audit service, the risk manager, the person responsible for compliance control of a credit institution and the company controller, as well as the spouses, parents and children of such persons;

b) persons who are in employment relationship with the credit institution;

c) persons who have been interested persons in accordance with the provisions of Sub-clauses “a” and “b” of this Clause 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 laid down in the UNIDROIT Convention on International Financial Leasing;

38) **payment instrument** – an instrument (separately or together with other means of payment) or payment instrument, which allows its user to receive cash or other objects, receive or make payments, give an order for the transfer of monetary funds or approve the transfer of monetary funds and which is also accepted as a payment instrument by such persons who have not placed such payment instrument in circulation. Cash, cheques, payment cards (credit cards, debit cards and other similar cards), automatic teller machine cards, payment documents, electronic money, software for remote electronic bank operations (in the World Wide Web or using a computer or telephone) and other similar means shall be considered payment instruments;

39) [23 December 2010];

40) [24 April 2014];

41) **meeting of creditors** – an organised form of joint activity of creditors in the insolvency and liquidation proceedings of a credit institution;

42) **committee of creditors** – a body elected by the meeting of creditors, which in the case of insolvency and liquidation of a credit institution represents the meeting of creditors in conformity with the specified amount of authorisation;

43) [24 April 2014];

44) **Member State** – a European Union or European Economic Area state;

45) **foreign country** – a country which is not a Member State;

46) [24 April 2014];

47) [24 April 2014];

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) [24 April 2014];

50) **competent authorities** – State administrative bodies, courts, liquidators, administrators and other institutions or persons who in conformity with the authorisations laid down in the relevant laws decide on reorganisation measures or liquidation, carry out reorganisation measures or liquidation, or supervise the course of reorganisation measures or liquidation;

51) **reorganisation measures**– activities of legal nature which might influence the rights of third parties and which are performed to preserve or restore the solvency of a credit institution, including its branch;

52) **free capital**– value of assets belonging to a person which is reduced by the value of liabilities of such person and by the value of those assets which are regarded as long-term investments;

53) [30 September 2021];

53) **netting of claims and liabilities** – legal relations between a debtor and a creditor, established on the basis of a written contract, prior to commencement of the liquidation of a debtor or setting in of insolvency recognised in accordance with the procedures laid down in the law for expression of claims and liabilities arising from mutual contracts in one claim or liability in such a way that only one claim is brought and only one liability needs to be fulfilled;

55) [16 May 2013];

56) **foreign currency**– any currency, except for euro;

57) [24 April 2014];

58) [21 July 2017];

59) **subordinate liabilities**– liabilities which arise for a credit institution from a loan (regardless of the type of the transaction entered into) and which, on the basis of the contract entered into with the credit institution, gives the right to the lender to reclaim the loan early only in case of insolvency or liquidation of the credit institution and only after satisfying the claims of all other creditors, however, prior to satisfying the claims of stockholders;

60) [24 April 2014];

61) **college of supervisors**– a consultative cooperation unit created by supervisory authorities which is operating on the basis of a cooperation contract between the supervisory authorities involved;

62) **internal approach**– the method, model or other internal approach provided for in EU Regulation No 575/2013 which is used by a credit institution for the calculation of risk-weighted exposures or own funds requirements:

a) the Internal Ratings Based Approach referred to in Article 143(1);

b) the internal models referred to in Articles 221, 283, and 363;

c) estimates of volatility to be performed by the institution itself referred to in Article 225, estimating the adjustments of volatility of risk exposure;

e) the Internal Assessment Method referred to in Article 259(3);

d) the Advanced Measurement Approach referred to in Article 312(2);

63) **systemic risk**– a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and national economy;

64) **systemically important institution**– such European Union parent financial holding company, European Union parent mixed financial holding company, parent credit institution of the European Union, or credit institution the discontinuation of or disruption in the operation of which may cause systemic risk;

65) **senior management**– those persons (employees) whose position provides them with an opportunity of significantly affecting the progress of the operation of the institution, however, who are not members of the council or board;

66) **less significant supervised credit institution**– a less significant supervised entity within the meaning of Article 2(7) of Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (hereinafter – Regulation No 468/2014);

67) **significant supervised creditor institution**– a significant supervised entity within the meaning of Article 2(16) of Regulation No 468/2014;

68) **outsourced service**– any contractual agreement between a credit institution and an outsourced service provider which provides for an obligation for such outsourced service provider to perform a specific process, service, or another activity that would otherwise be performed by the credit institution itself;

69) **third-country group**– a group whose parent company is registered in a foreign country;

70) **gender neutral remuneration policy**– a remuneration policy based on equal pay for male and female workers for equal work or work of equal value.

(2) Within the meaning of EU Regulation No 575/2013 the following terms are used in the Law:

1) **credit institution**– within the meaning of Article 4(1)(1) of EU Regulation No 575/2013;

2) **own funds**– within the meaning of Article 4(1)(118) of EU Regulation No 575/2013;

3) **parent financial holding company in a Member State**– within the meaning of Article 4(1)(30) of EU Regulation No 575/2013;

4) **European Union parent financial holding company**– within the meaning of Article 4(1)(31) of EU Regulation No 575/2013;

5) **parent mixed financial holding company in a Member State**– within the meaning of Article 4(1)(32) of EU Regulation No 575/2013;

6) **European Union parent mixed financial holding company**– within the meaning of Article 4(1)(33) of EU Regulation No 575/2013;

7) **control**– within the meaning of Article 4(1)(37) of EU Regulation No 575/2013;

8) **qualifying holding**– within the meaning of Article 4(1)(36) of EU Regulation No 575/2013;

9) **exposure**– within the meaning of Article 5(1) of EU Regulation No 575/2013;

10) **group of connected customers**– within the meaning of Article 4(1)(39) of EU Regulation No 575/2013;

11) **financial institution**– within the meaning of Article 4(1)(26) of EU Regulation No 575/2013;

12) **financial holding company**– within the meaning of Article 4(1)(20) of EU Regulation No 575/2013;

13) **close links**– within the meaning of Article 4(1)(38) of EU Regulation No 575/2013;

14) **dilution risk**– within the meaning of Article 4(1)(53) of EU Regulation No 575/2013;

15) **European Union parent institution**– within the meaning of Article 4(1)(29) of EU Regulation No 575/2013;

16) **group**– within the meaning of Article 4(1)(138) of EU Regulation No 575/2013;

17) **Tier 1 capital**– within the meaning of Article 25 of EU Regulation No 575/2013;

18) **global systemically important institution**– within the meaning of Article 4(1)(133) of EU Regulation No 575/2013;

19) **non-EU global systemically important institution**– within the meaning of Article 4(1)(134) of EU Regulation No 575/2013.

(3) In addition to the terms referred to in Paragraphs one and two of this Section the following terms are used in this Law which correspond to the terms defined in EU Regulation No 575/2013:

1) **parent company**– the term “parent undertaking” within the meaning of Article 4(1)(15) of EU Regulation No 575/2013;

2) **subsidiary**– the term “subsidiary” within the meaning of Article 4(1)(16) of EU Regulation No 575/2013;

3) **mixed holding company**– the term “mixed activity holding company” within the meaning of Article 4(1)(22) of EU Regulation No 575/2013;

4) **state of domicile**– the term “home Member State” within the meaning of Article 4(1)(43) of EU Regulation No 575/2013;

5) **participating state**– the term “host Member State” within the meaning of Article 4(1)(44) of EU Regulation No 575/2013;

6) **supervisory authority**– the term “competent authority” within the meaning of Article 4(1)(40) of EU Regulation No 575/2013;

7) **consolidating supervisor**– the term “consolidating supervisor” within the meaning of Article 4(1)(41) of EU Regulation No 575/2013.

(4) The term “mixed financial holding company” used in the Law shall correspond to the term used in the Financial Conglomerates Law, whereas the term “close-out netting” – to the term used in the Law on Close-out Netting Applicable to Qualified Financial Transactions.

[*30 May 1996; 30 October 1997; 21 May 1998; 1 June 2000; 11 April 2002; 24 October 2002; 20 November 2003; 11 December 2003; 28 October 2004; 9 June 2005; 22 February 2007; 26 February 2009; 22 October 2009; 11 March 2010; 23 December 2010; 16 May 2013; 19 September 2013; 24 April 2014; 21 July 2017; 1 November 2018; 29 April 2021; 30 September 2021 / 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 110 of Transitional Provisions*]

**Section 2.** (1) This Law prescribes the legal status of credit institutions, governs the activities, liability and supervision of such institutions, and also prescribes the rights, obligations and liability of such persons who are subject to requirements of this Law.

(2) The rights and obligations of credit institutions in relation to prevention of money laundering are laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

(3) If, in accordance with the law On the Finality of Settlement of Accounts in Payment Systems and Systems for Settlement of Financial Instruments, a credit institution is a participant of the system, during the insolvency proceedings of the credit institution, as well as if the Financial and Capital Market Commission has suspended the provision of financial services in part or in full, the law On the Finality of Settlement of Accounts in Payment Systems and Systems for Settlement of Financial Instruments shall be applied in relation to ensuring finality of settlement of accounts in the payment system and system for the settlement of financial instruments.

[*21 May 1998; 11 April 2002; 11 December 2003; 28 January 2010; 13 June 2019*]

**Section 3.** (1) A credit institution registered in a Member State, the branches thereof or branches of a foreign credit institution have the right to engage in activities of a credit institution in the Republic of Latvia.

(2) In the Republic of Latvia a credit institution may be founded only as a joint stock company.

(3) [23 December 2010]

(4) [23 December 2010]

[*28 October 2004; 22 February 2007; 23 December 2010 / Amendment regarding the replacement of the word “bank” with the words “credit institution” and amendments on deletion of Paragraphs three and four shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 4.** (1) The founding, activities, reorganisation and liquidation of a credit institution shall be governed by this Law, the Commercial Law, the Financial Instrument Market Law and other laws, complying with the provisions included in this Law.

(2) The provisions of this Law for the recovery of activities and resolution of a credit institution shall be applicable insofar as it is not otherwise provided for in the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms.

[*21 May 1998; 11 April 2002; 20 November 2003; 28 October 2004; 12 February 2009; 23 December 2010; 11 June 2015*]

**Section 4.1** The requirements provided for in this Law or EU Regulation No 575/2013 or the measures which are applied to a credit institution, a parent credit institution of a Member State, a parent credit institution of the European Union, and a European Union parent company in accordance with this Law or the abovementioned Regulation on a consolidated or sub-consolidated basis shall be applied to the following companies in the cases referred to in the subsequent Clauses:

1) a financial holding company and a mixed financial holding company to which a permit in accordance with Section 33.3, Paragraph two of this Law has been granted;

2) an institution within the meaning of Article 4(1)(3) of EU Regulation No 575/2013 which is responsible for ensuring the conformity of the group with the prudential requirements on a consolidated basis and which is controlled by a European Union parent financial holding company, a European Union parent mixed financial holding company, a parent financial holding company in a Member State, or a parent mixed financial holding company in a Member State, if the relevant parent company is not required, in accordance with Section 33.3, Paragraph three of this Law, to receive the permit specified in Section 33.3, Paragraph two of this Law;

3) a financial holding company, a mixed financial holding company, or an institution within the meaning of Article 4(1)(3) of EU Regulation No 575/2013 which has been appointed by the consolidating supervisor as the temporary responsible institution for the fulfilment of the consolidated requirements.

[*29 April 2021*]

**Section 5.** [11 April 2002]

**Section 6.** (1) The establishment, operation, reorganisation, and liquidation of a branch of a foreign credit institution shall be governed by this Law, except for Section 27, Paragraph 1.1, Clause 2, Section 34.3, Paragraphs four and five, Sections 35.2–35.32, 36.2, 43, 49, 49.1, 50.8, and 50.9, Section 57, Paragraph one, Sections 58, 59, 77, 78, 79, 80, 85, 86, 87, 90, 91, 101.3, and 109, Section 126, Paragraph one, Clauses 1 and 3, Sections 127 and 128, Section 129, Paragraph two, Sections 137, 138, 140, 141, 142, 143, 144, 145, 149, 152, 170, 172, 172.1, 173, 174, and 175 thereof, and also by other laws.

(2) [23 December 2010]

(3) The laws and regulations of the Republic of Latvia regarding the provision of statistical information and protection of the public interest, and also the regulation of Section 34.2, Paragraph one of this Law in the field of the credit risk management in relation to the application of the borrower-based measures in the creditworthiness assessment process of natural persons, the requirements of Sections 12.1, 37, Chapter V, Sections 95, 96, 108.1, and Chapter XVI of this Law shall be binding on a credit institution registered in another Member State which is entitled to provide financial services in the Republic of Latvia.

(4) The regulation of Sections 59.2 and 59.4 of this Law regarding transition of a body of property subject to separation, a body of assets or liabilities or a body of standard contracts entered into with a credit institution, of an undertaking or a part thereof, including a branch, into the ownership or use of another person, shall apply to a branch of a foreign credit institution or to a branch in the Republic of Latvia of a credit institution registered in another Member State.

(41) Section 34.5 of this Law regarding the requirements for employees of a credit institution shall apply to employees of a branch in the Republic of Latvia of a credit institution registered in another Member State.

(5) The Financial and Capital Market Commission is entitled to request a branch of a credit institution registered in another Member State which has launched provision of financial services in the territory of the Republic of Latvia in accordance with the procedures laid down in this Law to provide information thereto on its activities in the territory of the Republic of Latvia for the needs of statistical information and supervision, and the information which is necessary for the recognition of a branch of a credit institution registered in another Member State as significant branch of the credit institution in the territory of the Republic of Latvia.

[*22 February 2007; 29 May 2008; 12 February 2009; 16 July 2009; 23 December 2010; 24 April 2014; 21 July 2017; 1 November 2018; 28 February 2019; 29 April 2021*]

**Section 7.** (1) Credit institutions shall be bound by the regulatory provisions and orders regarding disclosure of information issued by the Financial and Capital Market Commission in accordance with this Law and other laws, the requirements governing the activities of credit institutions and the procedures for the calculation of indicators characterising the activities of credit institutions and for the submission of reports.

(2) Credit institutions shall be bound by the regulatory directives and regulations approved by Latvijas Banka in accordance with this Law and the law On Latvijas Banka which have been issued in order to ensure the fulfilment of the functions and tasks of Latvijas Banka laid down in this Law and the law On Latvijas Banka.

[*1 June 2000; 11 December 2003; 22 February 2007*]

**Section 8.** (1) Credit institutions and persons to whom the requirements of this Law apply have the obligation to submit to the Financial and Capital Market Commission and Latvijas Banka, within the time periods determined by them, all information requested by them, which is necessary for the Financial and Capital Market Commission and Latvijas Banka for the performance of their functions as laid down in the law.

(2) Credit institutions have the obligation to prepare public reports in order to inform the public of 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 board and the council of the credit institution has the obligation to inform the Financial and Capital Market Commission in writing of all conditions, including of suspicious and fraudulent transactions which may have a significant effect on stable future management and activities of the credit institution corresponding to the laws and regulations or which may seriously endanger the reputation of the credit institution. The credit institution shall also inform the Financial and Capital Market Commission of the existing or potential financial difficulties of the stockholders (shareholders) who have a significant interest in the credit institution, or impact of such persons on the activities of the credit institution.

[*11 April 2002; 11 December 2003; 28 October 2004; 11 March 2010*]

**Section 9.** (1) A person who provides financial services in the Republic of Latvia is prohibited to use the words “kredītiestāde” [credit institution], or the word “banka” [bank], in any case or word combinations, in their name (firm name) or for self-advertising in the manner which is misleading as regards the activities thereof in accordance with this Law.

(2) [23 December 2010];

(21) In order to ensure unmistakeable use of the firm name of a credit institution registered in another Member State, the Financial and Capital Market Commission may request that the firm name of the branch of such credit institution in the Republic of Latvia is supplemented with explanatory information.

(3) Only banks registered in the Republic of Latvia and branches of foreign banks, as well as credit institutions of other Member States and the branches thereof which according to the procedures laid down in this Law have commenced the provision of financial services in the territory of the Republic of Latvia are permitted to announce 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]

[*28 October 2004; 22 February 2007; 11 March 2010; 23 December 2010 / Amendments in respect of the replacement of the word “bank” with the words “credit institution” and amendments on deletion of Paragraphs two, four, six, and seven shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 10.** A credit institution is prohibited from distributing advertising that provides false information regarding the activities thereof.

**Section 10.1** (1) Only such outsourced service provider is entitled to provide outsourced services which has the necessary qualification and experience to fulfil the duties delegated to him or her.

(2) The obligations of the internal audit service of a credit institution as an outsourced service may be delegated only to a sworn auditor or a commercial company of sworn auditors (hereinafter also – the sworn auditor) which does not concurrently audit the annual report and the consolidated annual report of the credit institution, or to the parent company of a credit institution – for a credit institution registered in a Member State.

(3) If a credit institution delegates the provision of an investment service, auxiliary investment service or the provision of any essential element of such service to an outsourced service provider, in addition to the requirements laid down in this Law it shall conform to the requirements laid down for delegation of outsourcing services laid down in the Financial Instrument Market Law for an investment firm.

(4) A credit institution may not delegate the obligation of administrative bodies of a credit institution, which are laid down in accordance with laws and regulations 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 deeds on such other commitments under which it has undertaken the obligation to be liable to the creditor for the debt of a third person.

(5) A credit institution which is planning to receive an outsourced service shall develop an outsourced service policy and procedures which determine the procedures for the use of outsourced services and the obligations of the parties in relation to the use of outsourced services. The requirements to be included in the policy and procedures shall be determined in accordance with the regulatory provisions of the Financial and Capital Market Commission.

(6) The rights and obligations of the credit institution and the outsourced service provider shall be indicated in an outsourced service contract entered into in writing. The requirements to be included in the significant outsourced service contracts shall be determined in accordance with the regulatory provisions of the Financial and Capital Market Commission.

(7) Prior to receiving a significant outsourced service, the credit institution shall submit to the Financial and Capital Market Commission a substantiated written submission on the planned receipt of outsourced services. The submission shall be accompanied by the documents specified in the regulatory provisions of the Financial and Capital Market Commission and the information which is necessary to assess the conformity of the received outsourced service with the requirements of this Law.

(8) The Financial and Capital Market Commission has the right to inspect the activities of the outsourced service provider at the location thereof or at the place where the outsourced services are provided, including to request submission of any documents and to become acquainted with all documents, accounting and document registers, make copies or extracts of documents, as well as request from the outsourced service provider or representatives or employees thereof any explanations and information, which is related to the provision of outsourced services or necessary for the performance of the functions of the Financial and Capital Market Commission, as well as interview any third party, who has agreed thereto, in order to acquire information regarding the outsourced service provider.

(9) The outsourced service provider shall commence the provision of significant outsourced services to a credit institution if the credit institution has not received a prohibition from the Financial and Capital Market Commission to receive outsourced services within 30 working days after the submission referred to in Paragraph seven of this Section was submitted. The Financial and Capital Market Commission has the right, within the valuation period specified in this Paragraph, to request additional information on the documents indicated in Paragraph seven of this Section. Upon requesting additional information, the Financial and Capital Market Commission has the right, not later than until the fifteenth working day of the valuation period, to suspend the valuation period once until the day when such information is received, but for not more than 20 working days.

(10) The Financial and Capital Market Commission is entitled to prohibit a credit institution from receiving the planned outsourced service if:

1) the provisions of this Law have not been conformed to;

2) the receipt of the outsourced services may restrict the possibility of the credit institution of providing financial services, as well as may infringe upon the lawful interests of the customer and depositors of the credit institution;

3) the receipt of the outsourced services may restrict the possibility of the administrative bodies of the credit institution to fulfil the obligations laid down for them in laws and regulations, 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 carry out the functions laid down in the law;

5) the outsourced service contract does not conform to the law and does not provide fair and true idea 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 service.

(11) The receipt of outsourced services shall not release a credit institution from the liability that is laid down in the law or in a contract with customers thereof. The credit institution shall be liable for the performance of the outsourced service provider to the same extent as for its own services.

(12) The Financial and Capital Market Commission has the right to request that a credit institution rectifies deficiencies which have been caused by the receipt of outsourced services and to determine the time period for the rectification of such deficiencies. If the deficiencies are not rectified within the time period determined by the Financial and Capital Market Commission, the Financial and Capital Market Commission shall request that the credit institution terminates 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 terminates an outsourced service contract that is in effect if the Financial and Capital Market Commission detects that:

1) the credit institution fails to perform continuous supervision of the outsourced services or performs it irregularly and inadequately;

2) the credit institution fails to perform risk management related to the outsourced services or performs it irregularly and inadequately;

3) the activities of the outsourced service provider have significant deficiencies, which threaten or may threaten the fulfilment of obligations by the credit institution;

4) any circumstance referred to in Paragraph ten of this Section sets in.

(14) If a credit institution detects that the significant outsourced service provider does not conform to the requirements specified in the significant outsourced service contract in relation to the amount or quality of outsourced services, it shall, without delay, inform the Financial and Capital Market Commission thereof.

(15) The receipt of outsourced services shall not release a credit institution and the administrative bodies thereof from the obligation to manage the risks related to the activities of credit institutions laid down in laws and regulations.

(16) A credit institution shall submit to the Financial and Capital Market Commission amendments which are made to the outsourced service policy and procedure not later than within three working days after the relevant amendments have been approved.

(17) A credit institution shall inform the Financial and Capital Market Commission of significant amendments which are planned to be made to the concluded contract in relation to a significant outsourced service at least 30 working days before they have entered into effect.

(18) An outsourced service provider is entitled to delegate the provision of a significant outsourced service further to another person only after approval in writing has been received from a credit institution. The credit institution, prior to further delegation of a significant outsourced service, shall notify the Financial and Capital Market Commission thereof in writing and submit the documents referred to in this Section thereto. The provisions of this Law shall apply to further delegation of the outsourced service provision and the final provider of outsourced services.

(19) Appeal of the administrative act issued by the Financial and Capital Market Commission referred to in Paragraphs ten, twelve, and thirteen of this Section shall not suspend the operation thereof.

(20) The Financial and Capital Market Commission shall determine the requirements for the use of an outsourced service, including the requirements to be included in the outsourced service policy and procedures and in significant outsourced service contracts, the documents and information to be submitted to the Financial and Capital Market Commission for the receipt of significant outsourced services, the transactions which are not considered as outsourced services, the procedures by which a credit institution shall inform of further delegation of outsourced services, and also the procedures by which a credit institution shall identify significant outsourced services and report on amendments thereto.

[*29 April 2021 / The new wording of the Section shall come into force on 1 July 2021. See Paragraphs 98, 99, 100, and 101 of Transitional Provisions*]

**Section 10.2** The Financial Collateral Law shall govern the legal relations related to financial collateral.

[*28 October 2004; 30 September 2021*]

**Section 10.3** If a credit institution implements a covered bond programme, the restrictions and prohibitions on deletion (set-off) of claims and liabilities of a credit institution shall be governed by the Covered Bonds Law.

[*27 May 2021*]

**Section 10.4** Application of the close-out netting to qualified financial transactions shall be governed by the Law on Close-out Netting Applicable to Qualified Financial Transactions.

[*30 September 2021*]

**Chapter II**

**Licensing of Credit Institutions**

**Section 11.** (1) A credit institution may commence its activities in the Republic of Latvia only after obtaining and registration of a licence (permit) for performance of commercial activities in accordance with the procedures laid down in laws.

(11) When assessing the compliance of stockholders (shareholders) of the credit institution with the requirements of this Law and the information included in the documents referred to in Section 15, Clause 1 of this Law, the conditions for activities of the credit institution, including the provision of financial services, may be laid down in the licence (permit).

(2) [22 February 2007]

(3) [23 December 2010]

(4) [22 February 2007]

(5) The licence (permit) for the activities of a credit institution shall be issued for an indefinite period of time.

(6) [23 December 2010]

[*28 October 2004; 22 February 2007; 22 October 2009; 23 December 2010; 21 July 2017*]

**Section 11.1** [23 December 2010] Amendment regarding the deletion of Section shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions]

**Section 12.** (1) In order to open a branch in a foreign country, credit institutions of the Republic of Latvia shall receive a permit from the Financial and Capital Market Commission.

(2) [29 May 2008]

(3) Foreign credit institutions and credit institutions of Member States shall notify the Financial and Capital Market Commission of opening representation offices in the Republic of Latvia.

(4) Credit institutions of the Republic of Latvia have the obligation to notify the Financial and Capital Market Commission of the intent of opening a representation office in a foreign country or a Member State and of closing such representation office.

[*11 April 2002; 11 December 2003; 28 October 2004; 29 May 2008; 22 March 2012; 21 July 2017*]

**Section 12.1** (1) Credit institutions registered in another Member State may open branches in Latvia without obtaining the licence (permit) laid down in this Law only after:

1) the Financial and Capital Market Commission has received a notification from the supervisory authority of credit institutions of the relevant Member State, which includes:

a) a confirmation that the relevant credit institution has a licence (permit) for the activities of a credit institution that is in effect,

b) the operational programme of the branch,

c) the address of the branch,

d) the given name and surname of the head of the branch,

e) information on the amount of the credit institution’s own funds and indicators of sufficiency of capital,

f) information on indicators of sufficiency of capital of the parent company of the credit institution which is a credit institution or financial holding company,

g) information on the investment guarantee system of which the relevant credit institution is a participant.

2) the Financial and Capital Market Commission has received from the supervisory authority of credit institutions of the relevant Member State a written confirmation that it will inform the Financial and Capital Market Commission in a timely manner of inspections in branches of the credit institution in Latvia and will not hinder the participation of representatives of the Financial and Capital Market Commission in such inspections, as well as it will, without delay after completion of the inspection, submit to the Financial and Capital Market Commission a notice on the results of the completed inspection;

3) the Financial and Capital Market Commission has informed the supervisory authority of credit institutions of the relevant Member State that it is ready to commence supervision of the branch of the credit institution, as well as regarding the laws and regulations of the Republic of Latvia, which protect the public interest, or two months have passed since the day when the Financial and Capital Market Commission has received the notification from the supervisory authority of credit institutions of the relevant Member State.

(2) A credit institution registered in another Member State has the obligation to inform the Financial and Capital Market Commission one month in advance of any amendments to the information referred to in Paragraph one, Clause 1 of this Section, and also of the intention to suspend the operation of a branch.

(3) For the enforcement of Paragraph one, Clause 1, Sub-clause “b” of this Section documents which provide a clear idea of the operational strategy of the branch of the credit institution, financial forecasts for the next two years, market research plan, organisational structure with precisely specified and divided tasks of units and obligations of heads of units, as well as the policy and procedures for the management of substantial risks, the main principles of the accounting policy and organisation of records, the description of the management information system, the provisions for the protection of assets and information system, the policy and procedures for internal audits, as well as a description of the procedures for the identification of suspicious financial transactions shall be submitted.

(4) A credit institution registered in another Member State shall, within 30 days after it has submitted a relevant notification regarding the provision of financial services in the Republic of Latvia to the relevant supervisory authority of its country, commence the provision of financial services in Latvia without opening a branch.

(5) If within 30 days after receipt of the notification referred to in Paragraph four of this Section, a substantiated written refusal of the supervisory authority of credit institutions of the relevant Member State has not been submitted to the Financial and Capital Market Commission, 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; 24 October 2002; 11 December 2003; 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 in accordance with the procedures laid down 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 submission it shall indicate other Member State in which it is intended to open the branch, the address of the branch, and the given name, surname and personal identification number, if any, of the head of the branch.

(3) The credit institution shall append to the submission referred to in Paragraph two of this Section documents that provide a true and fair representation regarding planned activities of the branch, the financial services to be provided, and the structure and work organisation of the branch corresponding thereto.

(4) The Financial and Capital Market Commission shall examine the submission for opening a branch of a less significant supervised credit institution in another Member State within three months after receipt of all the necessary documents that have been prepared in accordance with the requirements of laws and regulations, and shall inform the supervisory authority of credit institutions of the relevant Member State and the relevant credit institution of its decision in writing.

(41) The submission for opening a branch of a significant supervised credit institution in another Member State in accordance with the provisions of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (hereinafter – EU Regulation No 1024/2013) by complying with the norms of this Law in relation to opening a branch in another Member State shall be examined by the European Central Bank.

(5) The Financial and Capital Market Commission shall inform the supervisory authority of credit institutions of the relevant Member State regarding the amount and structure of own funds of the credit institution and the amount of own funds requirements, as well as make known its point of view regarding the suitability 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 activities in another Member State if the credit institution has obtained a certification from the supervisory authority of credit institutions of the relevant Member State or two months have passed from the day when the supervisory authority of credit institutions of the relevant Member State has received the notification referred to in Paragraph four of this Section.

(8) The credit institution shall, not later than 30 days prior to the making of amendments to the information referred to in Paragraphs two and three of this Section, notify the Financial and Capital Market Commission and the supervisory authority of credit institutions of the relevant Member State thereof in writing. The Financial and Capital Market Commission shall decide on approval of the amendments and shall make known its decision to the supervisory authority of credit institutions of the relevant Member State and the credit institution in accordance with the procedures and within the time period referred to in Paragraph four of this Section.

(81) Regardless 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; 11 December 2003; 28 October 2004; 9 June 2005; 22 February 2007; 24 April 2014; 21 July 2017*]

**Section 12.3** (1) A credit institution registered in the Republic of Latvia shall commence the provision of financial services in another Member Stat, without opening a branch therein in accordance with the procedures laid down in this Section.

(2) The credit institution shall inform the Financial and Capital Market Commission in writing that it would like 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 the financial services will be provided, and the financial services it intends to provide.

(3) The Financial and Capital Market Commission shall examine the submission for the provision of financial services of a credit institution in another Member State without opening a branch therein, and shall inform the supervisory authority of credit institutions of the relevant Member State, the European Central Bank, and the credit institution of its decision in writing within 30 days after receipt thereof.

[*11 April 2002; 11 December 2003; 28 October 2004; 22 February 2007; 21 July 2017*]

**Section 12.4** (1) A financial institution of another Member State 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 operation in the Member State in accordance with the laws whereof the relevant financial institution operates;

2) the financial institution provides financial services in the territory of its Member State in accordance with the laws whereof 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 stock of the financial institution;

4) the credit institution or credit institutions which control the financial institution ensure prudent management of such financial institution in conformity with the requirements of the supervisory authority of the state of domicile of the relevant credit institution or the relevant credit institutions;

5) the credit institution or credit institutions which control the financial institution have publicly revealed information on the fact that they are solidarily liable for the financial obligations of such financial institution and the relevant credit institution or the supervisory authority of the state of domicile of the relevant credit institutions has not objected against it;

6) activities of the financial institution are subordinated to consolidated supervision of the controlling credit institution or the controlling credit institutions, especially in relation to capital sufficiency, large exposures and participation in other commercial companies.

(2) A financial institution registered in the Republic of Latvia is entitled to commence the provision of financial services in another Member State via opening a branch according to the procedures laid down in Section 12.2 of this Law or not opening a branch according to the procedures laid down in Section 12.3 of this Law.

(21) Upon sending information regarding a branch in a foreign country of a financial institution registered in the Republic of Latvia, the Financial and Capital Market Commission shall send, in addition to the information referred to in Section 12.2, Paragraph five of this Law, information regarding total exposure value of the credit institution which is the parent company of the financial institution registered in the Republic of Latvia.

(3) A financial institution registered in the Republic of Latvia is entitled to provide financial services in the territory of another Member State, if the supervisory authority of credit institutions of the relevant Member State 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 laid down in Section 12.1 of this Law after the Financial and Capital Market Commission has received a notification from the supervisory authority of credit institutions of the relevant Member State, which includes the following documents:

1) documents in which information laid down in Section 12.1, Paragraph one, Clause 1, Sub-clauses “a”, “b”, “c”, “d” and “e” of this Law has been included;

2) documents in which information regarding the amount of own funds of the financial institution and the indicator of sufficiency of capital of the consolidation group its controlling credit institution or controlling credit institutions thereof has been included;

3) a statement which certifies the conformity of the financial institution with the conditions referred to in Paragraph one of this Section.

(5) If the Financial and Capital Market Commission receives a notification from the supervisory authority of the state of domicile 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 in accordance with the procedures laid down 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) in accordance with 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 in accordance with the procedures laid down in this Section no longer meets the conditions referred to in Paragraph one of this Section, the Financial and Capital Market Commission shall, without delay, inform the supervisory authority of the involved state of the financial institution and the financial institution of its failure to fulfil the conditions referred to in Paragraph one of this Section.

[*28 October 2004; 22 February 2007; 24 April 2014*]

**Section 12.5** [23 December 2010] Amendment regarding the deletion of Section shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions]

**Section 13.** (1) A newly founded credit institution prior to recording thereof in the Commercial Register shall submit to the Financial and Capital Market Commission a submission for the receipt of a licence (permit). Registration of the credit institution in the Commercial Register shall be carried out only after the decision to issue a licence (permit) for the activities of a credit institution has been submitted to the Commercial Register.

(2) [21 May 1998]

(3) The founders of a credit institution shall organise paying-in of money into a temporary account at Latvijas Banka and shall fully prepay the founding equity capital of the credit institution until the submission referred to in Paragraph one of this Section at the Financial and Capital Market Commission is examined. 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 issuance of a licence (permit) for the activities of a credit institution and other permits provided for in this Law and for the submission of notifications, as well as restrictions related to the operation of credit institutions.

(5) Entries in the Commercial Register shall be made only after receipt of the relevant licences (permits) laid down in this Law.

[*21 May 2998; 1 June 2000; 11 April 2002; 11 December 2003; 28 October 2004; 21 July 2017*]

**Section 14.** (1) The submission for obtaining a licence (permit) shall be examined within three months after receipt of all the necessary documents, however, not later than within 12 months from the day when the submission for obtaining a licence (permit) was received. The Financial and Capital Market Commission has the right to take the decision to refuse to issue a licence (permit) for a credit institution to be newly founded if:

1) laws have not been complied with in the founding of the credit institution;

2) close relationship of the credit institution with third parties may endanger the financial stability thereof or restrict the right of the Financial and Capital Market Commission to carry out the supervisory functions specified n in the law;

3) the laws and other laws and regulations of other countries, which apply to persons who have close links with the credit institution to be newly founded, restrict the right of the Financial and Capital Market Commission to carry out the supervisory functions specified in the law;

4) the documents submitted by the credit institution contain false information;

5) one or more of the persons referred to in Sections 24 and 26 of this Law do not conform to the requirements laid down in the law;

6) the Financial and Capital Market Commission determines that the financial means 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;

7) the credit institution to be newly founded is a subsidiary of some foreign credit institution or financial institution, in the registration state of which supervision equivalent to the requirements accepted in Member States on the basis of a consolidated financial report is not carried out, 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 exchange of information;

8) the internal control system created by the credit institution does not ensure comprehensive and efficient risk management of the credit institution.

(2) The Financial and Capital Market Commission shall reject the issuance of a licence (permit), if the documents governing activities of a credit institution prescribe that this credit institution, including the management thereof, will not be established in Latvia and is not related to any financial group.

[*11 April 2002; 11 December 2003; 28 October 2004; 26 February 2009; 23 December 2010; 24 April 2014; 21 July 2017; 29 April 2021*]

**Section 15.** In order to receive a licence (permit) for the activities of a credit institution, its founders must ensure:

1) founding documents, articles of association and documents governing the activities of the credit institution, which give a clear overview of the planned activities and the organisation corresponding thereto;

2) payment of the minimum initial capital;

3) candidates for the position of members of the council and board, the head of the internal audit service, the risk manager, the person responsible for the conformity control of the activities, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing of the credit institution, and the head of a branch of a foreign credit institution conforming to the requirements of the law. If the obligations of the internal audit service have been delegated to the parent company of the credit institution – a credit institution registered in the Member State, the founders of the credit institution shall submit to the Financial and Capital Market Commission the original contract concluded with the parent company. If the duties of the internal audit service have been delegated to a sworn auditor or a commercial company of sworn auditors, 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; 11 December 2003; 28 October 2004; 22 February 2007; 2 June 2016; 21 July 2017; 13 June 2019*]

**Section 16.** (1) A credit institution may be founded by:

1) natural person who is of legal age and has the capacity to act;

2) legal person;

3) the State or a local government.

(2) It shall be necessary for the persons referred to in Paragraph one of this Section to be identifiable, have an impeccable reputation, financial stability, as well as for the legality of their financial resources to be provable by documentary evidence.

(3) In evaluating the reputation and financial stability of a person, the Financial and Capital Market Commission has the right to verify the identity, criminal record, and documents of the persons referred to in Section 19 of this Law which allow the Commission to ascertain that the credit institution has sufficient free capital for the amount of investments made into its capital and reserves, and also that the invested funds have not been acquired in unusual or suspicious transactions. In evaluating the financial stability of a person, the requirements regarding sufficiency of free capital shall not be applicable to credit institutions and insurance companies.

(4) Natural persons, and also legal (registered) persons the founders (stockholders (shareholders) and owners (beneficial owners) of which – natural persons referred to in Section 19 of this Law – are subject to Section 25, Paragraph one, Clause 1 or 2 of this Law, or who have fulfilled the duties of a member of the board or council of a credit institution or financial institution, which has been declared as insolvent during the period of fulfilling the relevant duties, or who have fulfilled the duties of a member of the board or council of another commercial company and have brought this commercial company to insolvency for which criminal liability is provided.

[*28 October 2004; 9 June 2005; 26 February 2009; 22 March 2012; 24 April 2014; 11 June 2015; 1 November 2018*]

**Section 17.** The Financial and Capital Market Commission has the right to request additional information regarding the persons referred to in Sections 16 and 29 of this Law, in order to evaluate their financial condition and reputation when investigating the aforementioned person for the following purposes:

1) the sufficiency of their financial resources;

2) the activities and management plans of the credit institution;

3) their previous activities, competence and experience.

[*1 June 2000; 11 December 2003*]

**Section 18.** [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 (beneficial owners), until information is acquired regarding owners (beneficial owners) – natural persons. The legal persons referred to in this Section have the obligation to provide such information to the Financial and Capital Market Commission if it is not accessible in public registers from which the Financial and Capital Market Commission is entitled to receive such information.

[*28 October 2004*]

**Section 19.1** (1) The Financial and Capital Market Commission shall consult with the supervisory authority of the relevant Member State prior to the issuance of a licence (permit) to such credit institution to be newly founded:

1) which is a subsidiary of a credit institution, insurance company or investment broker company registered in the relevant Member State;

2) which is a subsidiary of such a parent company, another subsidiary of which is a credit institution, insurance company or investment broker company registered in the relevant Member State;

3) which is controlled by any 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 issuance of a licence (permit), as well as during the course of supervision of a licensed credit institution, shall request and evaluate information from the supervisory authority of the relevant Member State on the suitability of the stockholders (shareholders) of the credit institution and the reputation and experience of those members of the council and the board of the credit institution who are involved in the management of other undertakings of the group thereof in which the credit institution to be newly founded will be included.

[*9 June 2005; 22 February 2007; 24 April 2014*]

**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 operation is not less than three financial years.

(2) The provisions of this Section on the period of activities of the credit institution shall not be applicable to a credit institution which has been registered in a foreign country that is a member of the World Trade Organisation.

(3) A branch of a foreign credit institution shall provide information to the Financial and Capital Market Commission on its activity to the extent and within the time period provided for in the regulatory provisions of the Financial and Capital Market Commission.

(4) If a foreign credit institution is operating in several Member States with the intermediation of branches, the Financial and Capital Market Commission shall cooperate with the supervisory authorities of the involved Member States in order to preclude non-conformity with the requirements laid down in this Law, the laws and regulations issued on the basis thereof, and EU Regulation No 575/2013 and negative impact on the financial stability of the European Union would not be caused.

[*11 April 2002; 11 December 2003; 28 October 2004; 9 June 2005; 29 April 2021*]

**Section 21.** (1) The initial capital of a credit institution shall be not less than EUR 5 million. The initial capital shall consist of one or several following items which correspond to the requirements of EU Regulation No 575/2013 regarding Common Equity Tier 1 items:

1) shares, as well as other capital instruments and respective premiums;

2) retained earnings or losses;

3) other accrued income indicated in the statement of comprehensive income;

4) other reserves;

5) profit of the current business year.

(2) [23 December 2010]

(3) [24 April 2014]

(4) If the equity capital is reduced, the credit institution has an obligation, in accordance with Section 264 of the Commercial Law, to publish a notification in the official gazette *Latvijas Vēstnesis* that the decision to reduce the equity capital has been taken, and to send the notice of reduction of the equity capital to all known creditors which had the right of action against the credit institution until the aforementioned decision was taken. The aforementioned notification need not be sent to creditors whose right of action results from the credit institution providing such creditors with financial services.

[*28 October 2004; 22 February 2007; 23 December 2010; 19 September 2013; 24 April 2014; 21 July 2017*]

**Section 22.** [11 April 2002]

**Section 23.** [9 June 2005]

**Section 24.** (1) The following person may be the chairperson of the board, a member of the board, the head of the internal audit service, the risk manager, the person responsible for conformity control of the operation, the person responsible for fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing, the company controller of the credit institution, the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State, and a procuration holder:

1) [22 February 2007];

2) who is competent in the financial management issues. Also a person who is competent in the management issues of an undertaking may be the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing;

3) who has the necessary education and three years professional work experience in a commercial company, organisation or institution of the relevant size;

4) who has an impeccable reputation;

5) who has not been deprived of the right to perform commercial activities.

(2) The chairperson of the board, members of the board, the head of the internal audit service, the risk manager, the person responsible for conformity control of the operation, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing of the credit institution, the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State, and the company controller must have higher education.

(21) None of the positions referred to in Paragraph one of this Section may be held by a person whose direct or indirect holding represents 10 or more per cent of the number of the voting stock of the credit institution.

(3) A credit institution has an obligation, upon its own initiative or upon proposal of the Financial and Capital Market Commission, to remove the persons referred to in Paragraph one of this Section from the office without delay, if they do not conform to the requirements of this Section.

(4) [24 April 2014]

[*28 October 2004; 22 February 2007; 24 April 2014; 11 June 2015; 2 June 2016; 1 November 2018; 13 June 2019; 29 April 2021*]

**Section 25.** (1) The following person may not be the chairperson of the board, a member of the board, the head of the internal audit service, the risk manager, the person responsible for conformity control of the operation, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing, the company controller of the credit institution, the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State, and a procuration holder:

1) who has been convicted of committing an intentional criminal offence, including of driving into insolvency (regardless of extinguishment or setting aside of criminal record);

2) against whom the criminal proceedings for committing an intentional criminal offence have been terminated, even if the criminal proceedings against the person have been terminated for non-exonerating reasons.

(2) The council of a credit institution or – in relation to the company controller – the meeting of shareholders has the obligation, upon its own initiative or upon proposal of the Financial and Capital Market Commission, to remove the persons referred to in Paragraph one of this Section from the office without delay, if Paragraph one, Clause 1 or 2 of this Section may be applied to them.

(3) [24 April 2014]

[*28 October 2004; 9 June 2005; 24 April 2014; 11 June 2015; 2 June 2016; 1 November 2018; 13 June 2019; 29 April 2021*]

**Section 26.** (1) The persons who meet the requirements of Section 24, Paragraph one, Clauses 2, 3, 4, and 5 of this Law may be the chairperson of the council and the members of the council of a credit institution. The persons to whom Section 25, Paragraph one, Clause 1 or 2 of this Law may be applied may not be the chairperson of the council and the members of the council of a credit institution.

(2) The meeting of stockholders (shareholders) has the obligation to immediately remove from the office the persons referred to in Paragraph one of this Section, if they do not meet the requirements laid down in this Section.

(3) [24 April 2014]

[*11 April 2002; 11 December 2003; 28 October 2004; 24 April 2014*]

**Section 26.1** (1) Upon determining the number of positions of a member of the council or the board that a member of the council or the board of a credit institution may simultaneously hold, individual circumstances, as well as the type, scope and complexity of the activities of the credit institution shall be considered.

(2) A member of the council or the board of a credit institution which is significant as regards to its size, type of internal organisation and operation, scope and complexity, shall not, except in cases where he or she represents the Republic of Latvia, simultaneously hold more than:

1) one position of a member of the board and two positions of a member of the council;

2) four positions of a member of the council.

(3) Within the meaning of this Section one position of a member of the board or council shall be considered positions of a member of the board or council:

1) within the framework of one consolidation group;

2) in the institutions which are members of the same institutional protection scheme corresponding to the conditions of Article 113(7) of EU Regulation No 575/2013;

3) at undertakings (including other than financial institutions) in which the credit institution has qualifying holding.

(4) Within the meaning of this Section positions of a member of the board or council in associations, foundations and other organisations whose activities are not aimed at generating profit shall not be considered a position of a member of the board or council.

(5) The Financial and Capital Market Commission may permit a member of the council or the board of a credit institution to hold one additional position of a member of the council.

(6) The Financial and Capital Market Commission shall regularly provide information to the European Banking Authority on permits granted in accordance with Paragraph five of this Section.

[*24 April 2014*]

**Section 27.** (1) The licence (permit) of a credit institution may be cancelled if:

1) the credit institution has not commenced the operation thereof 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 the operation thereof for a period of time that is longer than six months;

4) [29 April 2021];

5) [29 April 2021];

6) [29 April 2021];

7) [29 April 2021];

8) the credit institution fails to conform to the requirements of this Law and other laws and regulations governing the activities of a credit institution, except for the requirements of Articles 92.a and 92.b of EU Regulation No 575/2013;

9) the prohibition of utilisation of the voting right of stocks (shares) belonging to stockholders (shareholders) of the credit institution with a qualifying holding has set it and it lasts for more than six months;

10) the Financial and Capital Market Commission or the Single Resolution Board which has been created as an agency of the European Union in accordance with Article 42 of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (hereinafter – EU Regulation No 806/2014) has taken the decision not to take a resolution action for the credit institution.

(11) The licence (permit) of a credit institution shall cease to be in effect if:

1) the credit institution has received a permit to commence the self-liquidation proceedings;

2) the credit institution has received a permit for its reorganisation and therefore it does not require a licence (permit) for the activities of the credit institution;

3) a court has rendered a judgment by which the credit institution is declared insolvent.

(2) The cancelled or invalid licence (permit) of the credit institution is not renewed.

(3) Contesting the decision to cancel the licence (permit) of the credit institution in the Administrative Review Council and appeal to the Court of Justice of the European Union in accordance with EU Regulation No 1024/2013 shall not suspend the operation of the decision, except for the case laid down in Article 24 of EU Regulation No 1024/2013.

[*11 April 2002; 11 December 2003; 28 October 2004; 26 May 2005; 23 December 2010; 24 April 2014; 11 June 2015; 21 July 2017; 1 November 2018; 29 April 2021*]

**Section 27.1** (1) The Financial and Capital Market Commission shall, not later than within 30 days from the day when the decision to issue a licence (permit) to a credit institution or a branch of a foreign credit institution for the activities of a credit institution was taken, notify the European Banking Authority thereof.

(2) The Financial and Capital Market Commission shall, not later than within 30 days from the day when the decision to cancel a licence (permit) for the activities of a credit institution was taken or the licence (permit) has become invalid, notify the European Banking Authority thereof.

(3) The Financial and Capital Market Commission shall inform the European Commission and the European Banking Authority regarding refusal for a credit institution registered in the Republic of Latvia to open a branch in another Member State, refusal for 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 taken 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 the decision has been taken to:

1) issue a licence (permit) for the activities of a credit institution to a credit institution, control of which is directly or indirectly implemented by a foreign merchant, shall notify the European Commission and the supervisory authorities of credit institutions of other Member States thereof. The structure of the group of the credit institution shall be indicated in the notification to the European Commission;

2) acquire a qualifying holding in a credit institution, shall notify the European Commission and the supervisory authorities of credit institutions of other Member State, if the acquirer of such qualifying holding is a foreign merchant and upon acquiring the qualifying holding the credit institution becomes a subsidiary of the foreign merchant. The structure of the group of the credit institution shall be indicated in the notification to the European Commission;

3) [29 April 2021].

(41) The Financial and Capital Market Commission shall inform the European Banking Authority of:

1) changes in the licence (permit) issued to a branch of a foreign credit institution for the activities of a credit institution;

2) the total amount of assets and liabilities of a branch of a foreign credit institution;

3) the name of the group of the foreign credit institution to which the branch belongs.

(5) The Financial and Capital Market Commission shall inform the European Commission of problems with which a credit institution registered in the Republic of Latvia comes into contact in commencing or carrying out of activities of the credit institution in a foreign country.

(6) The Financial and Capital Market Commission shall inform the European Commission and the European Banking Authority of the laws and regulations governing the founding and operation of credit institutions in the Republic of Latvia.

(7) If the Financial and Capital Market Commission is the consolidated supervisor, it shall provide information to the European Banking Authority and the relevant supervisory authorities of the Member States regarding the consolidation group of the credit institution in respect of the compliance with the requirements of Section 14, Paragraph one, Clauses 2 and 3, Section 34.1 and Section 50.9 of this Law, as well as regarding the legal, managerial and organisational structure of the consolidation group.

[*28 October 2004; 9 June 2005; 22 February 2007; 22 March 2012; 16 May 2013; 24 April 2014; 21 July 2017; 29 April 2021*]

**Chapter III**

**Qualifying Holding**

**Section 28.** (1) A person who meets the requirements of Section 16 and ensures the fulfilment of the conditions of Section 19 and the criteria laid down in Section 29, Paragraph five of this Law, or several persons on the basis of an agreement who have operated in coordination (hereinafter in this Chapter – the person) may acquire direct or indirect qualifying holdings in a credit institution; moreover, such person needs to be financially stable in order for the person, if necessary, to be able to perform additional investments for renewal of the capital of the credit institution by ensuring the conformity of the capital of the credit institution with the requirements of the law and the fulfilment of the requirements governing the operation of credit institutions.

(2) The Financial and Capital Market Commission has the right to request information on persons who apply for a qualifying holding (the actual acquirer of the qualifying holding or a person suspected of holding such an acquired holding), including owners of legal (registered) persons (beneficial owners) – natural persons, in order to assess the conformity of such persons with the requirements laid down in Section 29, Paragraph five of this Law.

(3) The Financial and Capital Market Commission has the right to identify founders of legal (registered) persons (stockholders (shareholders)) and owners (beneficial owners) who apply for a qualifying holding (the actual acquirer of the qualifying holding or a person suspected of holding such an acquired holding), until information is acquired regarding the owners (beneficial owners) – natural persons. For the identification of such persons, the aforementioned legal persons have the obligation to submit to the Financial and Capital Market Commission the information requested thereby, unless such information is accessible in public registers from which the Financial and Capital Market Commission is entitled to receive such information.

(4) If the persons who are suspected of acquisition of qualifying holding 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 the number of the voting stock, such stockholders (shareholders) may not use all of the voting rights belonging to them. The Financial and Capital Market Commission shall inform the relevant stockholders (shareholders) and the credit institution of such fact without delay.

[*28 October 2004; 26 February 2009; 11 June 2015*]

**Section 29.** (1) Any person who wishes to acquire a qualifying holding in a credit institution shall notify the Financial and Capital Market Commission thereof in writing in advance. The amount of the qualifying holdings to be acquired as a percentage of the equity capital of the credit institution or the number of the voting stock shall be indicated in the notification. The information provided for in regulatory provisions of the Financial and Capital Market Commission, which is necessary in order to assess the compliance of the person with the criteria laid down in Paragraph five of this Section, shall be appended to the notification. The list of information to be appended to the notification shall be published on the website of the Financial and Capital Market Commission.

(2) If a person wishes to increase his or her qualifying holdings, thereby reaching or exceeding 20, 33, or 50 per cent of the equity capital of the credit institution or of the number of the voting stock, or if the credit institution becomes a subsidiary of such person, he or she shall notify the Financial and Capital Market Commission thereof in writing in advance. The amount of the qualifying holdings to be acquired as a percentage of the equity capital of the credit institution or the number of the voting stock shall be indicated in the notification. The information provided for in regulatory provisions of the Financial and Capital Market Commission, which is necessary in order to assess the compliance of the person with the criteria laid down in Paragraph five of this Section, shall be appended to the notification. The list of information to be appended to the notification shall be published on the website of the Financial and Capital Market Commission.

(3) The Financial and Capital Market Commission shall, within two working days from the day when the notification referred to Paragraph one or two of this Section was received, or within two working days after receipt, in writing, of the additional information requested by the Financial and Capital Market Commission, inform the person regarding receipt of the notification or additional information and the deadline for the assessment period.

(4) The Financial and Capital Market Commission, during the assessment period laid down in Paragraph five of this Section but not later than on the 50th working day of the assessment period, has the right to request additional information on the persons referred to in this Section, in order to assess the compliance of such persons with the criteria laid down in Paragraph five of this Section.

(5) The Financial and Capital Market Commission shall, not later than within 60 working days from the day when the information referred in Paragraph three of this Section on receipt of the notification or additional information was sent to the person, evaluate the sufficiency of free capital and the financial stability of the person and the financial validity of the planned acquiring of a holding, in order to ensure consistent and careful management of such credit institution in which acquisition of the holding is planned, as well as the potential influence of the person on the management and activities of the credit institution. During the evaluation process the Financial and Capital Market Commission shall also take into account the following criteria:

1) impeccable reputation of the person and compliance with the requirements laid down for the founders of the credit institution;

2) conformity of knowledge and professional experience with the requirements of this Law and impeccable reputation of the council and the board which will manage the activities of the credit institution as a result of the planned acquisition of the holding;

3) financial stability of the person, in particular in relation to the type of the performed or planned economic activity in the credit institution where the acquisition of the holding is planned;

4) whether the credit institution will be able to conform to the regulatory requirements laid down in this Law and other laws and regulations, and whether the structure of such group of undertakings where it is going to be incorporated, is not restricting the possibilities of the Financial and Capital Market Commission to perform the supervisory functions thereof laid down in the law, to ensure efficient exchange of information between the supervisory authorities of credit institutions and to determine the allocation of the supervisory powers between the supervisory authorities of credit institutions;

5) whether there are reasonable doubts that, in relation to the planned acquisition of the holding, money laundering and terrorism and proliferation financing has been carried out or an attempt to carry out such activities has been made, or that the planned acquisition of the holding could increase such a risk.

(51) If the Financial and Capital Market Commission in accordance with Paragraphs six and 6.1 of this Section has suspended the assessment period, such suspension period shall not be included in the assessment period.

(6) When requesting the additional information referred to in Paragraph four of this Section, the Financial and Capital Market Commission has the right to suspend the assessment period once until the day when such information is received but not more than for 20 working days. The Financial and Capital Market Commission has the right to extend the referred to suspension of the assessment period up to 30 working days, if the person who wishes to acquire, has acquired, wishes to increase or has increased the qualifying holding thereof in a credit institution is not subject to the supervision of activities of credit institutions, insurance companies, reinsurance companies, investment management companies or investment firms, or the place of residence (registration) of the person is located in a foreign country.

(61) If a person who wishes to acquire a qualifying holding is concurrently assessed in another Member State in accordance with provisions similar to Section 33.3 of this Law in relation to granting of a permit, the Financial and Capital Market Commission has the right to suspend the valuation period until the day when the relevant authority performing the consolidated supervision completes the assessment.

(7) In accordance with the procedures referred to in EU Regulation No 1024/2013, in conformity with the time period laid down in Paragraph five of this Section, the decision by which the person is prohibited to acquire or increase the qualifying holding in a credit institution shall be taken by the European Central Bank if:

1) the person does not conform to the criteria laid down in Paragraph five of this Section;

2) the person does not provide or refuses to provide to the Financial and Capital Market Commission or the European Central Bank the information laid down in this Law or the additional information requested by the Financial and Capital Market Commission or the European Central Bank;

3) due to circumstances beyond the control of the person, he or she is unable to submit to the Financial and Capital Market Commission or the European Central Bank the information requested thereby or laid down in this Law or the additional information requested by the Financial and Capital Market Commission or the European Central Bank.

(8) In accordance with the procedures laid down in EU Regulation No 1024/2013 the European Central Bank shall, within two working days without exceeding the assessment period laid down in Paragraph five of this Section, after taking the decision referred to in Paragraph seven of this Section, send it to the person who is prohibited to acquire or increase the qualifying holding thereof in a credit institution.

(9) If, in accordance with the procedures laid down in EU Regulation No 1024/2013, the European Central Bank, within the time period referred to in Paragraph five of this Section, does not send to the person the decision prohibiting the acquisition or increasing of the qualifying holding thereof in a credit institution, it shall be deemed that the Bank consents to the person acquiring or increasing its qualifying holding in the credit institution.

(10) The provisions of Paragraph seven, Clause 3 of this Section shall not be applicable to a legal (registered) person if the stock thereof is listed in any regulated market of a Member State or another regulated market, the organiser of which is a full member of the International Federation of Stock Exchanges, and such legal (registered) persons submits information to the Financial and Capital Market Commission regarding the stockholders thereof who own a qualifying holding therein.

(11) If the person has received a consent for acquisition or increasing the qualifying holding thereof in a credit institution, such person shall acquire or increase the qualifying holding thereof in the credit institution not later than within six months from the day when the information referred in Paragraph three of this Section on receipt of the notification or additional information was sent. If until the end of the abovementioned time period the person has not acquired or increased the qualifying holding in the credit institution, the consent for acquisition or increasing the qualifying holding thereof in the credit institution shall cease to be in effect. Upon a substantiated request of the person in writing, the Financial and Capital Market Commission may decide on extending the abovementioned time period.

(12) Contesting the decision referred to in Paragraph seven of this Section to the Administrative Review Council or appeal of the decision to the Court of Justice of the European Union in accordance with EU Regulation No 1024/2013 shall not suspend the operation of the decision, except for the case laid down in Article 24 of EU Regulation No 1024/2013.

[*26 February 2009; 24 April 2014; 11 June 2015; 13 June 2019; 29 April 2021*]

**Section 30.** [21 May 1998]

**Section 30.1** Upon assessing the notifications referred to in Section 29, 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 a qualifying holding is a credit institution, an insurance company, a reinsurer, an investment management company, a manager of alternative investment funds, an investment firm registered in the relevant Member State, or a parent company of the credit institution, insurance company, reinsurer, investment management company, manager of alternative investment funds, investment firm registered in the Member State, or a person who controls the credit institution, insurance company, reinsurer, investment management company, manager of alternative investment funds, investment firm registered in the Member State, and if, upon the relevant person acquiring or increasing the qualifying holding, the credit institution becomes a subsidiary of such person or comes under his or her control.

[*26 February 2009; 16 May 2013*]

**Section 31.** (1) If a person wishes to terminate his or her qualifying holdings in a credit institution, he or she shall notify the Financial and Capital Market Commission regarding such decision in writing. The person’s remaining share of the equity capital of the credit institution or the number of the voting stock in percentage shall be indicated in the notification. If the person wishes to reduce his or her qualifying holding under 20, 33, or 50 per cent of the equity capital of the credit institution or of the number of the voting stock, or if the credit institution stops being the subsidiary of such person, he or she shall notify the Financial and Capital Market Commission of such decision in writing in advance.

(2) The person who has received a permit for the acquisition of the qualifying holding in a credit institution has the obligation to, within 10 days after entering into the transaction, submit a written notification to the Financial and Capital Market Commission if the person uses the stocks of the credit institution belonging thereto as security for carrying out his or her commitments or commitments of another person. The type, amount, time period of the commitments of persons whose commitments are being secured shall be indicated in the notification and a short description of the transaction shall be provided, as well as information shall be provided as to how entering into such transaction will limit the freedom of the person in relation to the voting rights of stocks belonging thereto used in security.

[*24 October 2002; 11 December 2003; 28 October 2004; 21 July 2017*]

**Section 32.** (1) A credit institution shall, without delay, according to the specified procedures inform the Financial and Capital Market Commission in writing of the acquisition, increase or reduction in the qualifying holdings of each person. The amount of holding by the relevant person as percentage of the equity capital of the credit institution or the number of the voting stock, or information regarding the termination of the qualifying holding, shall be indicated in the notification.

(2) [26 February 2009]

[*24 October 2002; 11 December 2003; 28 October 2004; 26 February 2009*]

**Section 33.** (1) [24 April 2014]

(2) A stockholder (shareholder) does not have the right to use all stock-voting rights belonging to him or her in a credit institution, and a decision of the meeting of stockholders (shareholders), which has been taken using such stock-voting rights, shall be void from the moment of being taken, and a request to make an entry in the Commercial Register and other public registers may not be requested on their basis if:

1) the Financial and Capital Market Commission in the cases referred to in this Law has prohibited the person the utilisation of all 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;

3) the person has acquired or increased a qualifying holding in a credit institution during examination of the notification referred to in Section 29, Paragraph one or two of this Law.

(3) If a stockholder (shareholder) of a credit institution has been prohibited from the utilisation of all stock-voting rights belonging to him or her in the credit institution, the total number of stock with decision-making rights shall be calculated by deducting such stock from all voting stock, the utilisation of voting rights of which is prohibited. The provisions of this Law regarding qualifying holdings shall not be applicable to such stockholders (shareholders) of a credit institution whose qualifying holding in the credit institution has been created due to the prohibition of voting rights applied to another stockholder (shareholder).

(4) [24 April 2014]

[*28 October 2004; 24 April 2014*]

**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 – the specific person) in the credit institution shall be taken into account:

1) voting rights which may be exercised by a third party, with whom the specific person has entered into an agreement, imposing the obligation to co-ordinate the exercising of the voting rights and action policy in long-term in relation to the management of the specific issuer;

2) voting rights which may be exercised by a third party in accordance with an agreement that has been entered into with the specific person and provides for temporary transfer of the 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 may be exercised by the specific person for an unlimited period of time;

5) voting rights which may be utilised by a commercial company controlled by the specific person or which may be utilised by such commercial company in accordance with the provisions of Clauses 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 may utilise upon his or her own initiative if special instructions have not been received;

7) voting rights which arise from shares held in the name of third parties and for the benefit of the specific person;

8) voting rights which may be sold by the specific person as an authorised person, when he or she is entitled to utilise the voting rights upon his or her own initiative if special instructions have not been received;

9) voting rights which arise from stocks (shares) acquired by the specific person in any other indirect way.

(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 information thereto which allows it to ascertain the conformity of such person with the requirements of Chapters II and III of this Law.

(3) For determination of the amount of the qualifying holding the voting rights arising from stocks (shares) in holding of the credit institution which the credit institution has acquired by buying out such stocks (shares) during initial placement or guaranteeing buying out of the stocks (shares) not placed during the initial placement if the credit institution does not exercise the voting rights arising from such stocks (shares) and alienates or deletes such stocks (shares) within a year from the day of acquisition.

[*24 October 2002; 28 October 2004; 22 February 2007; 21 July 2017*]

**Section 33.2** [21 July 2017]

**Chapter III,1**

**Permit for a Holding Company and Licence (Permit) for a Credit Institution in a Third-country Group**

[*29 April 2021*]

**Section 33.3** (1) A parent financial holding company in a Member State and a parent mixed financial holding company in a Member State, a European Union parent financial holding company and a European Union parent mixed financial holding company, a financial holding company and a mixed financial holding company (hereinafter in this Section – the holding company) shall submit an application and the following information to the Financial and Capital Market Commission which performs consolidated supervision:

1) information on the organisational structure of such group to which the financial holding belongs, indicating the location and type of activity of the subsidiary, parent company of the group and each company belonging to the group;

2) information on at least two members of the board of the holding company and their conformity with the requirements of Sections 24 and 25 of this Law;

3) information on the conformity of stockholders or shareholders of a holding company who have a qualifying holding in the holding company with the requirements brought forward for the founder in Section 16 of this Law and also the requirements of Section 29;

4) information on the creation of an internal control system – at least the division of the responsibility, functions, and competence in relation to decision-making in the group, the prevention of conflicts of interest in the group, and the application of internal procedures and policies in the group management.

(2) The Financial and Capital Market Commission as the consolidated supervisor shall permit a holding company to be a parent company of a credit institution if:

1) the internal control system in the group conforms to the purpose of ensuring conformity with the requirements laid down in this Law and EU Regulation No 575/2013 on a consolidated or sub-consolidated basis;

2) the organisational structure of such group to which the holding company belongs does not obstruct the possibilities of the Financial and Capital Market Commission as the consolidated supervisor to efficiently supervise subsidiaries and parent companies in relation to individual, consolidated, or sub-consolidated liabilities;

3) conformity of at least two members of the board of the holding company and stockholders or shareholders of the holding company who have a qualifying holding in the holding company with the requirements of Sections 24 and 25 of this Law and the requirements brought forward for the founder in Section 16, and also the requirements of Section 29 has been ensured.

(3) The holding company shall not need the permit referred to in Paragraph two of this Section if all of the following conditions are met:

1) the principal activity of the holding company is to acquire holdings in subsidiaries;

2) the holding company is not a resolution entity within the meaning of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms;

3) a credit institution which is a subsidiary is entitled to ensure the conformity of the group with prudential requirements on a consolidated basis and it has all the necessary resources to ensure it;

4) the holding company does not engage in taking management, operational, or financial decisions affecting the group or its subsidiary which is a credit institution, an investment firm, or a financial institution;

5) there are no impediments to the effective supervision of the group on a consolidated basis.

(4) The Financial and Capital Market Commission as the consolidated supervisor may request additional information which is necessary for the performance of the assessment referred to in Paragraphs two and three of this Section.

(5) The Financial and Capital Market Commission as the consolidated supervisor shall take the decision on the permit referred to in Paragraph two of this Section or on the application of the exception referred to in Paragraph three within four months from the day when complete information for the taking of the decision has been received, but not later than within six months from the day when the application and complete information were submitted.

(6) If a holding company is registered in another Member State, the Financial and Capital Market Commission as the consolidated supervisor shall, prior to taking of the decision, cooperate with the supervisory authority of the Member State and provide its assessment thereto on the conformity of the holding company with the conditions of Paragraphs two and three of this Section. The Financial and Capital Market Commission as the consolidated supervisor, having joint discussions and coordinating opinions with the supervisory authority of the Member State and the coordinator within the meaning of the Financial Conglomerates Law, shall, within two months from the day of preparation of the assessment, take the decision on the provision of the permit to the holding company to be a parent company of a credit institution or on the application of an exception in accordance with Paragraph three of this Section. If the abovementioned decision is not taken, the Financial and Capital Market Commission as the consolidated supervisor has the right, in order to settle disputes, to turn to the relevant European Supervisory Authority for the settlement of disputes 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 (hereinafter – EU Regulation No 1093/2010).

[*29 April 2021 / See Paragraph 106 of Transitional Provisions*]

**Section 33.4** (1) A credit institution belonging to a third-country group the total value of assets of which in the European Union is at least EUR 40 billion may receive a licence (permit) for the performance of registration in the Commercial Register and for the operation in the Republic of Latvia only if at least one of the following conditions has been met:

1) the credit institution is the only credit institution or investment firm of the third-country group in the European Union;

2) the credit institution has a registered parent company in the European Union;

3) the credit institution is a parent company for a credit institution or investment firm registered in the European Union.

(2) The total value of assets of a third-country group in the European Union shall consist of the following sum:

1) the sum total of the value of assets of each credit institution and investment firm of the third-country group in the European Union on the basis of the data of consolidated financial statements or, if consolidated data is not available, – on the basis of the data of individual financial reports;

2) the sum total of the value of assets of each branch of such third-country group which has received a permit for the operation in the European Union as a credit institution or investment firm.

(3) If a credit institution belongs to a third-country group and also a credit institution or investment firm of the Member State belongs to such group, the third-country group has an obligation to create one parent company in the European Union. The Financial and Capital Market Commission may permit the creation of a second parent company in the European Union, if it performs consolidated supervision of the credit institution in accordance with Section 112.2 of this Law and one of the following conditions has been met:

1) the creation of one parent company in the European Union would not ensure the requirement to separate activities as provided in the provisions or by the supervisory authority of such foreign country in which the main management of the parent company of the third-country group is located;

2) the creation of one parent company in the European Union would reduce the efficiency of supervision in comparison to the case when two parent companies are in the European Union.

(4) In the case referred to in Paragraph three of this Section a parent company of a credit institution may be a credit institution established in a Member State or a holding company which has been granted with a permit in accordance with Section 33.3, Paragraph two of this Law.

(5) The Financial and Capital Market Commission shall provide the following information to the European Banking Authority in relation to a third-country group operating in the territory of the Republic of Latvia:

1) on the credit institution and investment firm which belong to any third-country group – the name and the total value of assets;

2) on the branch which is operating in the Republic of Latvia as a credit institution or investment firm – the name, the total value of assets, and the type of activity;

3) on the credit institution and the parent company of the investment firm which is registered in the Republic of Latvia – the name and the name of such third-country group to which it belongs.

[*29 April 2021 / See Paragraph 105 of Transitional Provisions*]

**Chapter IV**

**Requirements Governing the Operation of Credit Institutions and Capital Reserves**

[*24 April 2014*]

**Section 34.** [24 April 2014]

**Section 34.1** (1) A credit institution shall ensure the establishment and operation of a comprehensive and efficient internal control system which is applicable to the nature, volume, and complexity of the activities thereof. The internal control system shall include the following basic elements:

1) an organisational structure conforming to the size and operational risks of the credit institution, in which there is a clearly determined, unambiguous and systematic division of duties, powers and responsibilities in relation to making and controlling transactions between the structural units and responsible employees of the credit institution;

2) a system for the identification, management, supervision and reporting of inherent and potential risks for activities of the credit institution;

3) internal control procedures;

4) remuneration system, including gender neutral remuneration policy.

(2) The Financial and Capital Market Commission shall determine the requirements for the establishment of the internal control system of a credit institution.

[*22 February 2007; 23 December 2010; 24 April 2014; 29 April 2021*]

**Section 34.2** (1) A credit institution shall draw up and implement a cautious strategy, policies, and procedures which allow management, including timely identification, evaluation, analysis, and supervision of the credit risk and the counterparty credit risk, concentration risk, securitisation risk, market risk, operational risk, including model risk, risks arising due to receipt of an outsourced service and events with low frequency, but high severity, interest rate risk of the non-trading book, credit spread risk of the non-trading-book, residual risk, liquidity risk, risk of excessive leverage, and other risks important for a credit institution.

(2) The strategy, policies, procedures and systems of a credit institution shall correspond to the complexity and scope of its activities, as well as to the allowed risk level determined by the council of the credit institution, and shall be drawn up with consideration to the systemic significance of the credit institution in each Member State in which it operates.

(3) A credit institution shall draw up action plans for emergency situations, restoration of liquidity and ensuring of ongoing functioning, as well as determine the measures necessary for the implementation thereof.

(4) The Financial and Capital Market Commission shall determine the requirements in relation to the risk management and action plans for emergency situations, restoration of liquidity and ensuring ongoing functioning of a credit institution.

[*24 April 2014; 29 April 2021 / Amendment to Paragraph one regarding its new wording in relation to the credit spread risk of the non-trading book shall be applied starting from 28 June 2021. See Paragraph 104 of Transitional Provisions*]

**Section 34.3** (1) A credit institution shall ensure such remuneration policy and practice for its officials or employees whose professional activities have a material impact on the risk profile of the credit institution, which corresponds to cautious and effective risk management and facilitates it, but does not facilitate undertaking of risks which are above the allowed level of undertaking of risks determined by the credit institution.

(2) For the officials or employees of a credit institution whose professional activities have a material impact on the risk profile of the credit institution, the credit institution shall not determine the variable component of the remuneration to be such that exceeds the fixed component of the remuneration determined for the respective official or employee in the reporting year, except in the cases where the provisions of Paragraphs three, four, five and six of this Section are conformed to.

(3) For the officials or employees whose professional activities have a material impact on the risk profile of a credit institution, the meeting of stockholders of a credit institution may determine, by a separate decision, the variable component of the remuneration to be of such amount which exceeds, however not more than two times, the fixed component of the remuneration determined for the respective official or employee in the reporting year.

(4) The meeting of stockholders of a credit institution shall take the decision on the variable component of the remuneration which exceeds the fixed component of the remuneration determined for a particular official or employee in the reporting year with regard to the officials or employees whose professional activities have a material impact on the risk profile of the credit institution, on the basis of a draft decision prepared by the credit institution, in which the justification for determining the abovementioned variable component of remuneration is included, the number, positions and functions of the respective officials or employees are indicated, as well as the effect of the decision on the capacity of the credit institution to maintain own funds which are necessary for a stable operation thereof is assessed. The decision shall be taken by at least the majority of 66 per cent of the voting shares, provided that at least 50 per cent of the voting shares are represented at the meeting of stockholders of the credit institution, or by at least the majority of 75 per cent of the voting shares, provided that less than 50 per cent of the voting shares are represented at the meeting of stockholders of the credit institution, if such meeting of stockholders is competent in accordance with the requirements of laws and regulations or the provisions of the articles of association of the credit institution. The official or employee of the credit institution, who is simultaneously a holder of voting shares, shall not participate in taking such decision of the meeting of stockholders of the credit institution, which is related to determination of his or her remuneration.

(5) The credit institution shall without delay, but not later than within five working days after submission of the draft decision drawn up in accordance with the requirements of Paragraph four of this Section to shareholders, electronically submit to the Financial and Capital Market Commission such draft decision and evidence that determination of the variable component of the remuneration in the amount which exceeds the fixed component of the remuneration determined in the reporting year for the respective officials or employees whose professional activities have a material impact on the risk profile of the credit institution does not limit the capacity of the credit institution to further conform to the requirements of this Law and EU Regulation No 575/2013, especially the own funds requirements.

(6) The credit institution shall without delay, but not later than within five working days after taking of the decision of the meeting of stockholders referred to in Paragraph three of this Section, electronically submit it to the Financial and Capital Market Commission.

(7) The Financial and Capital Market Commission shall determine the requirements for the remuneration policy and practice, including for such officials or employees of a credit institution whose professional activities have a material impact on the risk profile of the credit institution.

[*24 April 2014; 29 April 2021*]

**Section 34.4** [11 June 2015]

**Section 34.5** (1) To safeguard the reputation of a credit institution, to prevent a credit institution from being involved in illegal activities, to identify and eliminate other risks of significance to a credit institution, and to protect the confidentiality of the persona, accounts, deposits and transactions of a customer, the credit institution shall lay down additional requirements for the candidates for a position in the credit institution and employees who are directly involved in the provision of financial services or management of credit risk, or affect the risk profile of the credit institution and have not been indicated in Section 24, Paragraph one of this Law.

(2) In order to ascertain the suitability (eligibility) of a candidate for work in a credit institution or suitability (eligibility) of an employee of a credit institution for the official duties to be fulfilled or the position, a person specifically authorised by the credit institution for this purpose shall perform an inspection by processing the information provided by the candidate or employee and the information regarding the candidate or employee acquired by the credit institution in accordance with this Law or other laws and regulations for the purpose of achieving the objectives referred to in Paragraph one of this Section.

(3) If the official duties in the credit institution are directly associated with the provision of financial services or credit risk management affects the risk profile of the credit institution, the credit institution may not employ a person who meets at least one of the following conditions to fulfil such official duties:

1) person 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 a governmental authority, or of committing a terrorism related criminal offence, and the criminal record thereon has not been extinguished or set aside;

2) the supervisory and control authority specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing or the competent authority specified in the Law on International Sanctions and National Sanctions of the Republic of Latvia has imposed a sanction on the person and has published information on the sanction (except for a warning) for international or national sanction or violation of the laws and regulations governing the prevention of money laundering and terrorism and proliferation financing on its website, and less than a year has passed since the day when the sanction was imposed;

3) insolvency proceedings of a natural person have been declared for the person, and less than a year has passed since the day of their termination.

(4) Credit institution shall determine the official duties or positions which shall be subject to Paragraphs one and three of this Section.

(5) Credit institution shall receive and process personal data from the Punishment Register in order to comply with the condition provided for in Paragraph three, Clause 1 of this Section.

[*1 November 2018; 13 June 2019; 29 April 2021*]

**Section 35.** [24 April 2014]

**Section 35.1** [24 April 2014]

**Section 35.2** [23 December 2010] Amendment regarding the deletion of Section shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions]

**Section 35.3** (1) A credit institution shall ensure that its Common Equity Tier 1 capital is sufficient in order to cover the capital conservation buffer in the amount of 2.5 per cent from the total risk exposure which has been calculated in accordance with Article 92(3) of EU Regulation No 575/2013. The credit institution shall conform to the requirement to ensure the capital conservation buffer on an individual, consolidated or sub-consolidated basis in accordance with Part One, Title II of EU Regulation No 575/2013.

(2) [29 April 2021]

(3) A credit institution which fails to ensure the capital conservation buffer in accordance with the requirements of Paragraphs one and two of this Section, shall conform to the distribution restrictions laid down in Section 35.27, Paragraphs one and three of this Law.

[*24 April 2014; 29 April 2021*]

**Section 35.4** (1) A credit institution shall ensure that its Common Equity Tier 1 capital is sufficient to cover the institution-specific countercyclical capital buffer which is determined as a multiplication of the total exposure value calculated in accordance with point (3) of Article 92 of EU Regulation No 575/2013 by the institution-specific countercyclical capital buffer rate.

(2) [29 April 2021]

(3) A credit institution which fails to ensure the countercyclical capital buffer in accordance with the requirements of Paragraphs one and two of this Section, shall conform to the distribution restrictions laid down in Paragraphs one and three of Section 35.27 of this Law.

[*24 April 2014; 29 April 2021*]

**Section 35.5** (1) The Financial and Capital Market Commission shall evaluate intensity of cyclical systemic risk and, if necessary, determine or adjust the specified countercyclical capital buffer rate which is applicable to exposures with residents of the Republic of Latvia, on a quarterly basis. The Financial and Capital Market Commission shall determine the countercyclical capital buffer rate with consideration to:

1) the countercyclical capital buffer guide calculated for the respective quarter;

2) variables which it considers important for the assessment of the cyclical systemic risk;

3) applicable recommendations of the European Systemic Risk Board regarding the determination of the countercyclical capital buffer rate.

(2) The Financial and Capital Market Commission shall determine the countercyclical capital buffer guide which is used as the basis for determination of the countercyclical capital buffer rate in accordance with Paragraph one of this Section, on a quarterly basis. The countercyclical capital buffer guide shall meaningfully reflect the present stage of a crediting cycle in the Republic of Latvia, risks which result from excessively fast crediting of the national economy of the Republic of Latvia, as well as specific characteristics of the national economy of the Republic of Latvia. The calculation of the countercyclical capital buffer guide shall be based on the deviation of the ratio of the loans issued to residents of the Republic of Latvia and gross domestic product from the long-term trend thereof calculated with consideration to:

1) the indicator of growth of the volume of issued loans and especially the indicator which reflects the change in the ratio of the volume of issued loans and gross domestic product;

2) the applicable guidelines and recommendations of the European Systemic Risk Board regarding the calculation of the countercyclical capital buffer guide and how the deviation of the ratio of the volume of issued loans and gross domestic product from the long-term trend thereof shall be measured and calculated.

(3) The countercyclical capital buffer rate which is expressed as percentage of the total value of exposures with residents of the Republic of Latvia, which is calculated in accordance with EU Regulation No 575/2013, shall be determined between 0 to 2.5 per cent, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.

(4) The Financial and Capital Market Commission may determine a countercyclical capital buffer rate in excess of 2.5 per cent, where it is justified, with consideration to the indicators and criteria laid down in Paragraph one of this Section. Such increased countercyclical capital buffer rate shall be included in the calculation of the institution-specific countercyclical capital buffer rate.

(5) The Financial and Capital Market Commission, upon determining for the first time such countercyclical capital buffer rate that is higher than zero or upon increasing of the applicable countercyclical capital buffer rate, shall set a date as of which a credit institution shall apply such countercyclical capital buffer rate for the purpose of calculation of the institution-specific countercyclical capital buffer rate. This date shall be the date of a day which follows 12 months after the day on which the notification regarding determination of a countercyclical capital buffer rate that is higher than zero or a notification regarding increase of the currently applicable countercyclical capital buffer rate is published in accordance with Paragraph seven of this Section. In extraordinary cases the Financial and Capital Market Commission may determine an earlier date than a day which follows 12 months after the day on which the notification regarding determination of a countercyclical capital buffer rate that is higher than zero or a notification regarding increase of the currently applicable countercyclical capital buffer rate is published.

(6) Upon decreasing the countercyclical capital buffer rate, regardless of the countercyclical capital buffer rate being decreased to zero, the Financial and Capital Market Commission shall determine an approximate period of time within which the increasing of the countercyclical capital buffer rate is not intended. The Financial and Capital Market Commission may change the duration of this previously determined period of time.

(7) The Financial and Capital Market Commission shall publish a report on a quarterly basis on its website, indicating at least the following information:

1) the determined countercyclical capital buffer rate;

2) the respective ratio of the volume of issued loans and gross domestic product and the deviation thereof from the long-term trend;

3) the countercyclical capital buffer guide calculated in accordance with Paragraph two of this Section;

4) the basis of the determined countercyclical capital buffer rate;

5) the date as of which a credit institution shall apply the countercyclical capital buffer rate upon calculation of the institution-specific countercyclical capital buffer rate, if such countercyclical capital buffer rate is determined which is higher than zero, or if the applicable countercyclical capital buffer rate is increased;

6) emergency circumstances due to which the date referred to in Clause 5 of this Paragraph is earlier than a day which follows 12 months after the day on which the notification regarding the increasing of a countercyclical capital buffer rate is published;

7) an approximate period of time within which the increase of countercyclical capital buffer rate is not intended, as well as the basis for determination of such period of time, if the countercyclical capital buffer rate is decreased.

(8) The Financial and Capital Market Commission shall take all reasonable measures to approve the time of publishing of the notification referred to in Paragraph seven of this Section with the responsible authorities of other Member States.

(9) The Financial and Capital Market Commission shall notify each change of the specified countercyclical capital buffer rate to the European Systemic Risk Board, providing the information referred to in Paragraph seven of this Section.

[*24 April 2014; 11 June 2015; 29 April 2021*]

**Section 35.6** (1) The Financial and Capital Market Commission may recognise a countercyclical capital buffer rate in excess of 2.5 per cent which has been determined by an authority of another Member State or a foreign country responsible for determination of the countercyclical capital buffer rate. If the Financial and Capital Market Commission has recognised a countercyclical capital buffer rate in excess of 2.5 per cent, a credit institution shall apply this countercyclical capital buffer rate upon calculating the institution-specific countercyclical capital buffer rate.

(2) The Financial and Capital Market Commission shall inform that it has recognised a countercyclical capital buffer rate in excess of 2.5 per cent determined in another Member State or a foreign country by publishing a relevant notification on its website. The notification shall contain at least the following information:

1) the recognised countercyclical capital buffer rate;

2) the Member State or the foreign country to the transactions with the residents of which the recognised countercyclical capital buffer rate shall apply;

3) if the countercyclical capital buffer rate has increased as a result of the recognition – the date as of which a credit institution shall apply the recognised countercyclical capital buffer rate upon calculation of the institution-specific countercyclical capital buffer rate;

4) if the date referred to in Clause 3 of this Paragraph is earlier than a day which follows 12 months after the day on which the notification referred to in this Paragraph is published – the extraordinary circumstances on which such earlier term of application is based.

[*24 April 2014; 11 June 2015; 29 April 2021*]

**Section 35.7** (1) If one or several credit institutions registered in the Republic of Latvia perform exposures subjected to credit risk with foreign residents, but the authority of that foreign country responsible for determination of the countercyclical capital buffer rate has not determined and published the countercyclical capital buffer rate which is applicable to transactions with its residents, the Financial and Capital Market Commission may determine a countercyclical capital buffer rate for the transactions subjected to credit risk with residents of that foreign country, which a credit institution shall apply upon calculating the institution-specific countercyclical capital buffer rate.

(2) If one or several credit institutions registered in the Republic of Latvia perform exposures subjected to credit risk with foreign residents, and the authority of that foreign country responsible for determination of the countercyclical capital buffer rate has determined and published the countercyclical capital buffer rate which is applicable to transactions with its residents, but in accordance with the assessment carried out by the Financial and Capital Market Commission it is not sufficiently high to secure a credit institution against the risks caused by too fast increase of the volume of loans issued in that foreign country, the Financial and Capital Market Commission may determine a different countercyclical capital buffer rate for exposures subjected to credit risk with residents of that foreign country, which a credit institution shall apply upon calculating the institution-specific countercyclical capital buffer rate.

(3) Upon determining the countercyclical capital buffer rate in accordance with Paragraph two of this Section, the Financial and Capital Market Commission shall not determine it lower than the countercyclical capital buffer rate determined by the authority of the respective foreign country responsible for determination of the countercyclical capital buffer rate if the countercyclical capital buffer rate determined by such foreign authority is not in excess of 2.5 per cent of the total exposure value of the credit institutions which perform exposures subjected to credit risk with residents of that foreign country which has been calculated in accordance with Article 92(3) of EU Regulation No 575/2013.

(4) The Financial and Capital Market Commission, upon determining such countercyclical capital buffer rate for transactions with foreign residents in accordance with Paragraphs one and two of this Section, which is higher than the applicable countercyclical capital buffer rate, shall determine a date as of which credit institutions shall apply such higher countercyclical capital buffer rate upon calculation of the institution-specific countercyclical capital buffer rate. This date shall be the date of a day which follows 12 months after the day on which the notification regarding determination of a countercyclical capital buffer rate is published in accordance with Paragraph five of this Section. In extraordinary cases the Financial and Capital Market Commission may determine an earlier date than a day which follows 12 months after the day on which the notification regarding determination of a countercyclical capital buffer rate is published.

(5) The Financial and Capital Market Commission shall notify determination of a countercyclical capital buffer rate applicable to the exposures subjected to capital risk with foreign residents in accordance with Paragraphs one and two of this Section by publishing a respective notification on its website. The notification shall contain at least the following information:

1) the determined countercyclical capital buffer rate and the foreign country to the exposures subjected to credit risk with whose residents it applies;

2) the basis of the determined countercyclical capital buffer rate;

3) if an increased countercyclical capital buffer rate has been determined for transactions with foreign residents – the date as of which a credit institution shall apply it upon calculation of the institution-specific countercyclical capital buffer rate;

4) the emergency circumstances due to which the date indicated in Clause 3 of this Paragraph is earlier than a day following 12 months after the day on which the which the notification regarding determination of a countercyclical capital buffer rate is published.

[*24 April 2014; 11 June 2015; 29 April 2021*]

**Section 35.8** The procedures for the calculation of the institution-specific countercyclical capital buffer rate shall be determined by the Financial and Capital Market Commission.

[*24 April 2014 /* The requirements of Section for countercyclical capital buffer shall come into force on 1 January 2016. *See Paragraph 56 of Transitional Provisions*]

**Section 35.9** The Financial and Capital Market Commission shall identify on a consolidated basis the global systemically important institutions registered in the Republic of Latvia, with consideration to the requirements of Section 35.10 and the methodology laid down in Section 35.11 of this Law, and other systemically important institutions on an individual, consolidated, or sub-consolidated basis in accordance with the requirements of Section 35.13 and the criteria laid down in Section 35.14 of this Law.

[*24 April 2014; 29 April 2021*]

**Section 35.10** A consolidation group of a parent credit institution of the European Union, a European Union parent financial holding company, or a European Union parent mixed financial holding company registered in the Republic of Latvia or a credit institution which is not a subsidiary of a parent credit institution of the European Union, a European Union parent financial holding company, or a European Union parent mixed financial holding company may be recognised as a global systemically important institution.

[*29 April 2021*]

**Section 35.11** (1) A consolidation group of a credit institution, a financial holding company, or a mixed financial holding company or a credit institution which has been recognised as a global systemically important institution is included in one of at least five sub-categories of global systemically important companies, on the basis of the assessment of the following criteria:

1) the size of the credit institution or the consolidation group;

2) the interconnectedness of the credit institution or the consolidation group with the financial system;

3) the substitutability of the services provided by the credit institution or the consolidation group or the financial infrastructure provided by the group;

4) the complexity of the credit institution or the consolidation group;

5) cross-border activities of the consolidation group both in other Member States and in foreign countries.

(2) For the assessment of each criterion quantifiable indicators shall be used and all criteria shall have equal weighting for determination of the overall assessment. The division into sub-categories and the boundaries between the sub-categories shall be clearly defined on the basis of the assessment performed in accordance with Paragraph one of this Section, and shall reflect the expected impact of problems of a global systemically important credit institution on the global financial market.

(21) In addition to the assessment specified in Paragraph one of this Section, additional evaluation shall be performed on the basis of the assessment of the following criteria:

1) the criteria specified in Paragraph one, Clauses 1, 2, 3, and 4 of this Section;

2) cross-border activities of the credit institution or consolidation group, except for the activities of the credit institution or the consolidation group in the participating Member States within the meaning of Article 4 of EU Regulation No 806/2014.

(22) For the assessment of each criterion quantifiable indicators shall be used and all criteria shall have equal weighting for determination of the overall assessment. For the assessment of the criteria specified in Paragraph 2.1, Clause 1 of this Section, the same criteria which are used for the assessment of the criteria specified in Paragraph one, Clauses 1, 2, 3, and 4 of this Section shall be used.

(23) On the basis of additional assessment which has been performed in accordance with Paragraphs 2.1 and 2.2 of this Section, additional joint score is specified for each consolidation group of a credit institution, a financial holding company, or a mixed financial holding company or each credit institution which is assessed for the recognition as a global systemically important institution.

(3) The Financial and Capital Market Commission is entitled, taking into account the sub-categories of global systemically important institutions specified in accordance with Paragraph one of this Section and the conditions for the division of sub-categories specified in Section 35.12, Paragraph one of this Law, and also on the basis of the supervisory assessment:

1) to allocate a global systemically important institution to a sub-category which corresponds to a higher systemic significance than determined in the calculation performed in accordance with the methodology referred to in Paragraphs one and two of this Section;

2) to recognise as a global systemically important institution such consolidation group of a credit institution, a financial holding company, or a mixed financial holding company or such credit institution the systemic significance assessment of which, performed in accordance with the requirements of Paragraphs one and two of this Section, is lower than the minimum according to which a credit institution, a financial holding company, or a mixed financial holding company is recognised as a global systemically important institution, and to allocate such global systemically important institution to a sub-category that is higher than a sub-category which corresponds to the minimum systemic significance;

3) taking into account the operation of the Single Resolution Mechanism, to include a global systemically important institution in a sub-category which conforms to a lower systemic significance than determined by the calculation performed in accordance with the methodology referred to in Paragraphs one and two of this Section, on the basis of the additional joint score specified in accordance with Paragraph 2.3 of this Section.

(4) The Financial and Capital Market Commission shall inform the European Commission, the European Systemic Risk Board, and the European Banking Authority of consolidation groups of a credit institution, a financial holding company, or a mixed financial holding company or of credit institutions which have been recognised as global systemically important institutions, and of the respective sub-categories to which they have been allocated, provide a complete justification for the use or non-use of the supervisory assessment provided for in Paragraph three of this Section, and also make public a list of global systemically important institutions with indication of the respective sub-categories to which they have been allocated.

(5) The Financial and Capital Market Commission shall, not less than once a year, review the systemic significance of consolidation groups of a credit institution, a financial holding company, or a mixed financial holding company or of credit institutions which have been recognised as global systemically important institutions and the respective sub-categories to which they have been allocated and inform the global systemically important institutions of the decision thereof, communicate this information to the European Systemic Risk Board, and also make public a list of global systemically important institutions with indication of the respective sub-categories to which they have been allocated.

(6) [29 April 2021]

(7) A consolidation group of a credit institution, a financial holding company, or a mixed financial holding company, or a credit institution is recognised as a global systemically important institution and allocated to a respective sub-category on the basis of the methodology laid down in a directly applicable legal act of the European Union.

[*24 April 2014; 29 April 2021*]

**Section 35.12** (1) For a global systemically important institution on a consolidation group level, such capital buffer rate of a global systemically important institution shall be determined which is not less than 1 per cent from the total exposure value which has been calculated in accordance with Article 92(3) of EU Regulation No 575/2013 with relevance to the sub-category which is determined in accordance with Section 35.11 of this Law. For the sub-categories referred to in Section 35.11, Paragraph one of this Law, the capital buffer rate of a global systemically important institution shall be calibrated in steps of not less than 0.5 per cent. For all sub-categories, except the fifth sub-category or higher sub-category (if such has been specified), the capital buffer rate of a global systemically important institution shall increase linearly to the expected impact of problems of a global systemically important credit institution on global financial markets.

(2) The capital buffer of a global systemically important institution shall be calculated as a multiplication of the total exposure value calculated in accordance with Regulation No 575/2013 by the applicable capital buffer rate of the global systemically important institution. A global systemically important institution shall ensure that its Common Equity Tier 1 capital is sufficient to cover the capital buffer of the global systemically important institution.

(3) [29 April 2021]

[*24 April 2014; 29 April 2021*]

**Section 35.13** The Financial and Capital Market Commission shall identify other systemically important institutions. A credit institution or a consolidation group of a parent credit institution registered in the Republic of Latvia, a parent financial holding company registered in the Republic of Latvia, a parent mixed financial holding company registered in the Republic of Latvia, a parent credit institution of the European Union, a European Union parent financial holding company, or a European Union parent mixed financial holding company may be recognised as other systemically important institution.

[*24 April 2014; 29 April 2021*]

**Section 35.14** (1) A credit institution, a financial holding company or a mixed financial holding company may be recognised as other systemically important company on the basis of the assessment of one or several of the following criteria:

1) the size of the credit institution or the group;

2) the significance for the national economy of the European Union or the Republic of Latvia;

3) the significance of cross-border activities;

4) the interconnectedness of the group with the financial system.

(2) The Financial and Capital Market Commission shall determine the methodology of the assessment of systemic significance of a credit institution, a financial holding company or a mixed financial holding company with consideration to the criteria referred to in Paragraph one of this Section.

[*24 April 2014 /* The requirements of Section for the capital buffer of other global systemically important institution shall come into force on 1 January 2016. *See Paragraph 58 of Transitional Provisions*]

**Section 35.15** (1) For a credit institution, a financial holding company or a mixed financial holding company which has been recognised as other systemically important institution as a result of the assessment referred to in Section 35.14 of this Law, the Financial and Capital Market Commission may determine the capital buffer rate of other systemically important institution of up to 3 percent. Upon determining the capital buffer rate of other systemically important institution the Financial and Capital Market Commission shall take into account that the application thereof shall not have disproportionate adverse effects on the whole or part of the financial system of other Member States or of the European Union as a whole, resulting in obstacles to the functioning of the internal market of the European Union.

(2) After submission of a notification in accordance with Paragraph six of this Section, the Financial and Capital Market Commission may, upon receipt of a permit of the European Commission, determine the capital buffer requirement of other systemically important institution which exceeds 3 per cent for a parent credit institution of the European Union registered in the Republic of Latvia, a European Union parent financial holding company, or a consolidation group of a European Union parent mixed financial holding company, or for a credit institution which has been recognised as other systemically important institution as a result of the assessment referred to in Section 35.14 of this Law.

(3) The capital buffer requirement of other systemically important institution shall be calculated as a multiplication of the total exposure value calculated in accordance with Article 92(3) of EU Regulation No 575/2013 by the applicable capital buffer rate of other systemically important institution.

(4) For a subsidiary of other systemically important institution which is a subsidiary of a global systemically important institution, or of other systemically important institution which is a parent company of the European Union for which the capital buffer requirement of other systemically important institution has been set on a consolidated basis, the capital buffer requirement of other systemically important institution set on individual or sub-consolidated basis shall not exceed the lowest of the following indicators:

1) 1 per cent of the total exposure value which has been calculated in accordance with Article 92(3) of EU Regulation No 575/2013 and the largest of the following capital buffers: the capital buffer of a global systemically important institution specified for the consolidation group which has been calculated in accordance with Section 35.12, Paragraph two of this Law and the capital buffer of other systemically important institution which has been calculated, taking into account the requirements of Paragraph two of this Section;

2) 3 per cent from the total exposure value which has been calculated in accordance with EU Regulation No 575/2013 or the capital buffer rate of other systemically important institution which the European Commission has permitted to be applied by the parent company at the level of a consolidation group in accordance with Paragraph two of this Section.

(5) The Financial and Capital Market Commission shall, not less than once a year, review the justification for determining of the capital buffer rate of other systemically important institution applicable to credit institutions, financial holding companies, or mixed financial holding companies which have been recognised as other systemically important institutions and notify other systemically important institutions of the decision thereof, communicate this information to the European Commission, the European Systemic Risk Board, the European Banking Authority, and also make public a list of other systemically important institutions.

(6) The Financial and Capital Market Commission shall communicate to the European Commission, the European Systemic Risk Board and the European Banking Authority and make public the name of the credit institution, financial holding company or mixed financial holding company which has been recognised as other systemically important institution.

(7) Not later than one month prior to the publication of the decision taken with regard to determination or reviewing of the capital buffer rate of other systemically important institution in the amount of up to 3 per cent, or not later than three months before it is planned to make public the decision on determination or reviewing of the capital buffer rate of other systemically important institution in an amount exceeding 3 per cent as specified in Paragraph two of this Section, the Financial and Capital Market Commission shall submit to the European Systemic Risk Board a notification which:

1) provides a detailed justification of why it is considered that determining of the capital buffer rate of other systemically important institution may be an effective and commensurate tool for risk mitigation;

2) assesses in detail, with utilisation of all available information, the potential positive or negative impact of determination of the capital buffer rate of other systemically important institution on the internal market of the European Union;

3) presents the capital buffer rate of other systemically important institution which is planned to be determined.

[*29 April 2021*]

**Section 35.16** (1) In order to prevent or mitigate macroprudential or systemic risks of disruption in the operation of the financial system which may have an essential negative impact on the financial system and national economy of the Republic of Latvia and which are not covered in accordance with the conditions of EU Regulation No 575/2013 or Sections 35.5, 35.12, and 35.15 of this Law, the Financial and Capital Market Commission may determine a requirement for credit institutions or one or several sub-groups of credit institutions to maintain a systemic risk capital buffer for all exposures or for one of the types of exposures specified in Section 35.17, Paragraph one of this Law.

(2) The requirement for the systemic risk capital buffer shall be the sum total of the following values:

1) the multiplication of the systemic risk buffer rate applicable to the total exposure value specified in the notification published in accordance with the requirements of Section 35.20, Paragraph one of this Law by the total exposure value calculated in accordance with EU Regulation No 575/2013;

2) the multiplication of the systemic risk buffer rate applicable to the type of exposure specified in the notification published in accordance with the requirements of Section 35.20, Paragraph one of this Law by the exposure value of such exposure type calculated in accordance with EU Regulation No 575/2013.

(3) The systemic risk buffer rate shall be determined on the grounds of exposures to which the systemic risk buffer shall be applied in accordance with Paragraph one of this Section on an individual, consolidated or sub-consolidated basis in accordance with EU Regulation No 575/2013.

(4) A credit institution which fails to ensure the systemic risk buffer in accordance with the requirements of Paragraph one of this Section, shall conform to the distribution restrictions laid down in Paragraphs one and three of Section 35.27 of this Law.

(5) If the Common Equity Tier 1 capital of a credit institution is not sufficiently increased as a result of conformity with the distribution restrictions, taking into account the relevant systemic risk, the Financial and Capital Market Commission may implement one or several actions laid down in Section 113 of this Law.

[*29 April 2021*]

**Section 35.17** (1) The Financial and Capital Market Commission may, on an individual, consolidated, or sub-consolidated basis, determine a requirement for a credit institution to maintain a systemic risk buffer with regard to:

1) all exposures in the Republic of Latvia;

2) the following types of exposures or their sub-types in the Republic of Latvia:

a) all exposures with private individuals (natural persons) that are secured with a mortgage on a dwelling;

b) all exposures with natural persons that are not secured with a mortgage on a dwelling;

c) all exposures with legal persons that are secured with a mortgage on a dwelling or a mortgage on such property which is used for the performance of commercial activity;

d) all exposures with legal persons that are not secured with a mortgage on a dwelling or a mortgage on such property which is used for the performance of commercial activity;

3) all exposures in other Member States in conformity with the requirements of Section 35.18, Paragraph five and Section 35.20 of this Law;

4) the types of exposures referred to in Clause 2, Sub-clauses “a”, “b”, “c”, and “d” of this Paragraph or their sub-types in other Member States, if the Financial and Capital Market Commission takes the decision to recognise a systemic risk buffer rate determined in another Member State in accordance with Section 35.21 of this Law;

5) exposures in foreign countries.

(2) The Financial and Capital Market Commission shall determine the systemic risk buffer rate at such amount, which may be calibrated in steps of 0.5 percentage point.

(3) The Financial and Capital Market Commission may determine different systemic risk buffer rates for different sub-categories of credit institutions and types and sub-types of exposures.

(4) The Financial and Capital Market Commission shall ensure that determination of the systemic risk buffer requirement shall not have disproportionate adverse effect on the financial system of other Member States or of the European Union and shall not result in obstacles to the functioning of the internal market of the European Union.

(5) The Financial and Capital Market Commission shall, at least once in two years, review the determined systemic risk buffer rate.

[*29 April 2021*]

**Section 35.18** (1) Prior to publishing the decision on determination of the systemic risk buffer rate in accordance with Section 35.20 of this Law, the Financial and Capital Market Commission shall notify thereof:

1) the European Systemic Risk Board;

2) if the determined systemic risk buffer rate is applicable to one or several credit institutions which are subsidiaries registered in the Republic of Latvia by another parent company in a Member State – the supervisory authorities and the responsible institutions of such Member State.

(2) The notification provided in accordance with Paragraph one of this Section shall include:

1) detailed information on macroprudential or systemic risks in the Republic of Latvia due to which the systemic risk buffer rate is determined;

2) detailed information on reasons due to which the scope of the risks referred to in Clause 1 of this Paragraph threatens the stability of the financial system of the Republic of Latvia and which justify the systemic risk buffer rate to be determined;

3) a justification of why it is considered that determination of the systemic risk buffer requirement may be an effective and commensurate tool for prevention or mitigation of the risks referred to in Clause 1 of this Paragraph;

4) an assessment performed on the basis of available information on the potential positive or negative impact of determination of the systemic risk buffer requirement on the internal market of the European Union;

5) the systemic risk buffer rate (rates) to be determined and the exposures and institutions to which such rate (rates) is (are) attributable;

6) if the systemic risk buffer rate is attributable to all exposures – a justification why the systemic buffer does not overlap with the buffer of other systemically important institution determined in accordance with Section 35.15 of this Law.

(3) [29 April 2021]

(31) If, upon determining or repeatedly determining the systemic risk buffer rate which is attributable to one or several types or sub-types of exposures referred to in Section 35.17, Paragraph one of this Law, the total systemic risk buffer rate does not exceed 3 per cent for none of exposures included therein, the Financial and Capital Market Commission shall, one month prior to publishing the decision on determination of the systemic risk buffer rate in accordance with Section 35.20 of this Law, provide the notification referred to in Paragraph two of this Section to the European Systemic Risk Board. The total systemic risk buffer rate to be calculated in this Paragraph shall not include the systemic risk buffer rates determined in another Member State and recognised in accordance with Section 35.21 of this Law.

(32) If, upon determining or repeatedly determining the systemic risk buffer rate which is attributable to one or several types or sub-types of exposures referred to in Section 35.17, Paragraph one of this Law, the total systemic risk buffer rate exceeds 3 per cent but does not exceed 5 per cent for any exposure to which the systemic risk buffer rate is attributable, the following procedures are conformed to:

1) the Financial and Capital Market Commission shall, one month prior to publishing the decision on determination of the systemic risk buffer rate in accordance with Section 35.20 of this Law, provide the notification referred to in Paragraph two of this Section to the European Systemic Risk Board and include therein a request for the European Commission to provide an opinion. If the European Commission does not support determination of the systemic risk buffer rate indicated in the notification of the Financial and Capital Market Commission, the Financial and Capital Market Commission shall not publish the notification of determination of the systemic risk buffer rate or also shall publish a notification of determination of the systemic risk buffer rate and provide a justification of why it has not taken into account the opinion of the European Commission;

2) if the total systemic risk buffer rate exceeds 3 per cent but does not exceed 5 per cent for any individual exposure to which the systemic risk buffer rate is attributable to any of credit institutions which is a subsidiary registered in the Republic of Latvia by another parent company in a Member State, the Financial and Capital Market Commission shall include a request for the European Commission and the European Systemic Risk Board to provide a recommendation in the notification to be provided in accordance with Paragraph two of this Section. If an agreement regarding the systemic risk buffer rate (rates) to be determined has not been reached between the Financial and Capital Market Commission and the institution of another Member State which is responsible for determination of the systemic risk rate and a recommendation from both the European Commission and the European Systemic Risk Board has been received not to attribute the systemic risk buffer rate (rates) to a credit institution which is a subsidiary registered in the Republic of Latvia by another parent company in a Member State, the Financial and Capital Market Commission shall take the decision not to attribute the systemic risk buffer rate (rates) to a credit institution which is a subsidiary registered in the Republic of Latvia by another parent company in a Member State, or shall request the European Banking Authority to get involved in the examination of the issue in accordance with EU Regulation No 1093/2010.

(33) If, upon determining or repeatedly determining the systemic risk buffer rate which is attributable to one or several types or sub-types of exposures referred to in Section 35.17, Paragraph one of this Law, the total systemic risk buffer rate exceeds 5 per cent for any of exposures included therein to which the systemic risk buffer rate is attributable, the Financial and Capital Market Commission shall, prior to publishing the decision on determination of the systemic risk buffer rate in accordance with Section 35.20 of this Law, provide the notification referred to in Paragraph two of this Section to the European Systemic Risk Board and include a request therein for the European Commission to provide a permit.

(4) [29 April 2021]

(5) If the systemic risk buffer rate is attributable to exposures which have been concluded with residents of another Member State, the Financial and Capital Market Commission shall determine an equal systemic risk buffer rate for all exposures in the European Union, except for the case when the systemic risk buffer rate is determined in order to recognise the systemic risk buffer rate determined in another Member State in accordance with Section 35.21 of this Law.

(6) If the systemic risk buffer rate to be determined is less than or equal to a pre-determined systemic risk buffer rate, the requirements of Paragraphs 3.1, 3.2, 3.3, and four of this Section are not attributable.

[*24 April 2014; 29 April 2021*]

**Section 35.19**

[29 April 2021]

**Section 35.20** (1) The Financial and Capital Market Commission shall inform of the determined or repeatedly determined systemic risk buffer rate (rates) by publishing the relevant notification on its website. The notification shall contain at least the following information:

1) the determined systemic risk buffer rate;

2) the names of the credit institutions which are obliged to conform to the systemic risk buffer requirement;

3) the exposures to which the systemic risk buffer rate (rates) is (are) attributable;

4) the justification for the determination or repeated determination of the systemic risk buffer rate (rates);

5) the date as of which credit institutions shall conform to the newly determined or changed systemic risk buffer rate;

6) countries to the transactions with the residents of which the determined systemic risk buffer rate applies.

(2) If publishing of the information referred to in Paragraph one, Clause 4 of this Section threatens financial stability, the Financial and Capital Market Commission shall not include such information in the notification.

[*24 April 2014; 11 June 2015; 29 April 2021*]

**Section 35.21** (1) The Financial and Capital Market Commission may recognise a systemic risk buffer rate determined in another Member State and determine a requirement for a credit institution to conform to such systemic risk buffer rate determined in another Member State with regard to transactions with residents of that Member State.

(2) If the Financial and Capital Market Commission recognises a systemic risk buffer rate determined in another Member State, it shall inform the European Systemic Risk Board thereof.

(3) Upon taking the decision to recognise a systemic risk buffer rate which is determined in another Member State, the Financial and Capital Market Commission shall take into account the information provided by the responsible authority of the respective Member State.

(31) If the Financial and Capital Market Commission determines that the recognised systemic risk buffer rate determined in another Member State is attributable to the same risks for the mitigation of which another systemic risk buffer rate has already been determined, a credit institution shall include the highest of these rates in the calculation of the combined buffer requirement.

(32) If the Financial and Capital Market Commission determines that the recognised systemic risk buffer rate determined in another Member State is not attributable to the same risks for the mitigation of which another systemic risk buffer rate has already been determined, a credit institution shall include both these rates in the calculation of the combined buffer requirement.

(4) Upon determining the systemic risk buffer rate in accordance with Section 35.17 of this Law, the Financial and Capital Market Commission may request the European Systemic Risk Board to issue a recommendation in accordance with Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board for one of several Member States to recognise the determined systemic risk buffer rate.

[*24 April 2014; 29 April 2021*]

**Section 35.22** (1) The combined buffer requirement of a global systemically important institution shall be determined as a sum of the following capital buffers:

1) a capital conservation buffer which is calculated in accordance with Section 35.3, Paragraph one of this Law;

2) a countercyclical capital buffer which is calculated in accordance with Section 35.4, Paragraph one of this Law;

3) systemic risk buffer rate which is calculated in accordance with Section 35.17 of this Law.

4) the largest of the following capital buffers: a capital buffer of a global systemically important institution which is calculated in accordance with Section 35.12, Paragraph two of this Law, and a capital buffer of other systemically important institution which is calculated, taking into account the requirements of Section 35.15, Paragraph three or four of this Law.

(2) [29 April 2021]

[*24 April 2014; 29 April 2021*]

**Section 35.23** (1) The combined buffer requirement of other systemically important institution on the consolidated basis shall be determined as a sum of the following capital buffers:

1) a capital conservation buffer which is calculated in accordance with Section 35.3, Paragraph one of this Law;

2) a countercyclical capital buffer which is calculated in accordance with Section 35.4, Paragraph one of this Law;

3) systemic risk buffer rate which is calculated in accordance with Section 35.17 of this Law.

4) a capital buffer of other systemically important institution which is calculated, taking into account the requirements of Section 35.15, Paragraph three or four of this Law.

(2) [29 April 2021]

[*24 April 2014; 29 April 2021*]

**Section 35.24** (1) [29 April 2021]

(2) [29 April 2021]

(3) The calculation of the combined buffer requirement for other systemically important institution – a subsidiary of a global systemically important institution – shall include the highest of the capital reserves: the capital reserve of a global systemically important institution or the capital reserve of other systemically important institution.

[*24 April 2014; 29 April 2021*]

**Section 35.25** If a credit institution is not a global systemically important institution, other systemically important institution, or a subsidiary of a global systemically important institution or other systemically important institution, its combined buffer requirement on an individual, consolidated, and sub-consolidated basis shall be determined as the sum of the following capital buffers:

1) a capital conservation buffer which is calculated in accordance with Section 35.3, Paragraph one of this Law;

2) a countercyclical capital buffer which is calculated in accordance with Section 35.4, Paragraph one of this Law;

3) systemic risk buffer rate which is calculated in accordance with Section 35.17 of this Law.

[*24 April 2014; 29 April 2021*]

**Section 35.26** A credit institution which meets the combined buffer requirement which has been determined in accordance with the requirements of Sections 35.22, 35.23, 35.24, and 35.25 of this Law is prohibited to make distribution of the items of Common Equity Tier 1 if as a result the Common Equity Tier 1 capital is reduced to such extent where the credit institution no longer meets the combined buffer requirement.

[*24 April 2014*]

**Section 35.27** (1) A credit institution which fails to meet the combined buffer requirement which has been determined in accordance with Sections 35.22, 35.23, 35.24 and 35.25 of this Law shall calculate the maximum distributable amount and notify the Financial and Capital Market Commission thereof. Prior to the calculation of the maximum distributable amount a credit institution is prohibited to:

1) distribute the items of Common Equity Tier 1, which for the purposes of this Law shall include:

a) payment of dividends in monetary form;

b) distribution of partly or fully paid-up premium shares (stocks which are allocated to stockholders free of charge) or of other capital instruments indicated in point (a) of Article 26(1) of EU Regulation No 575/2013;

c) disposal or acquisition of own shares or other capital instruments set out in point (a) of Article 26(1) of EU Regulation No 575/2013;

d) repayment of amount paid in relation to capital instruments set out in point (a) of Article 26(1) of EU Regulation No 575/2013;

e) distribution of the items set out in points (b), (c), (d), and (e) of Article 26(1) of EU Regulation No 575/2013;

2) undertake obligations to pay the variable component of remuneration or discretionary pension benefits (for the purposes of EU Regulation No 575/2013) or pay the variable component of remuneration if the credit institution undertook the payment obligations at the time when it failed to meet the combined buffer requirement laid down in Sections 35.22, 35.23, 35.24, and 35.25 of this Law;

3) pay interest or dividends on Additional Tier 1 instruments.

(2) The procedures for the calculation of the maximum distributable amount shall be determined by the Financial and Capital Market Commission.

(3) A credit institution which fails to meet the combined buffer requirement referred to in Sections 35.22, 35.23, 35.24, and 35.25 of this Law is prohibited to perform any activity referred to in Paragraph one, Clauses 1, 2, and 3 of this Section with regard to an amount which exceeds the maximum distributable amount calculated in accordance with Paragraph two of this Section.

(4) The restrictions laid down in this Section, as well as in Section 35.26 of this Law shall only apply to the payments as a result of which Common Equity Tier 1 capital or profit is reduced and the postponement or non-payment of which do not result in failure of obligations or a basis for the initiation of insolvency proceedings of a credit institution.

(5) If a credit institution which fails to meet the combined buffer requirement referred to in Sections 35.22, 35.23, 35.24, and 35.25 of this Law is planning to distribute profits or perform any of the actions referred to in Paragraph one, Clauses 1, 2, and 3 of this Section, it shall notify the Financial and Capital Market Commission thereof and provide information on:

1) the amount of own funds of the credit institution, separately indicating the amounts of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital;

2) the amount of the interim profits and year-end profits of the credit institution;

3) the maximum distributable amount which has been calculated in accordance with the procedures stipulated by the Financial and Capital Market Commission;

4) the amount of profits which a credit institution plans to distribute among such payments as dividends, buyback of shares, interest or dividends on Additional Tier 1 instruments, as well as the variable component of remuneration or discretionary pension benefits (for the purposes of EU Regulation No 575/2013) either by undertaking new payment obligations or by making of payments in accordance with payment obligations which the credit institution undertook at the time when it failed to meet the combined buffer requirement laid down in Sections 35.22, 35.23, 35.24, and 35.25 of this Law.

(6) A credit institution fails to meet the combined buffer requirement determined in Sections 35.22, 35.23, 35.24, and 35.25 of this Law, if its own funds are insufficient in terms of the amount and structure in order to concurrently meet the combined buffer requirement determined in Sections 35.22, 35.23, 35.24, and 35.25 of this Law and each of the following requirements:

1) the own funds requirement in accordance with point (a) of Article 92(1) of EU Regulation No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law;

2) the own funds requirement in accordance with point (b) of Article 92(1) of EU Regulation No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law;

3) the own funds requirement in accordance with point (c) of Article 92(1) of EU Regulation No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law.

[*24 April 2014; 29 April 2021*]

**Section 35.28** A credit institution shall ensure that the amount of profits and the maximum distributable amount are accurately calculated and confirm the accuracy of the calculations of the amount of profit and the maximum distributable amount for the Financial and Capital Market Commission upon its request.

[*24 April 2014*]

**Section 35.29** A credit institution which fails to conform to the combined buffer requirement laid down in Sections 35.22, 35.23, 35.24 and 35.25 of this Law shall work out a capital conservation plan in accordance with the requirements of Section 35.30 of this Law and submit it to the Financial and Capital Market Commission not later than within five working days after the moment of identification of the failure to meet the abovementioned requirement, except for the case where the Financial and Capital Market Commission extends the term of drawing up and submission of the abovementioned plan. The Financial and Capital Market Commission may extend the term of drawing up and submission of the abovementioned plan for up to ten days by taking into account the individual circumstances of the credit institution, the volume of the business activities, and the complexity thereof.

[*24 April 2014*]

**Section 35.30** A capital conservation plan shall include:

1) income and expenditure estimates of the credit institution, as well as balance sheet forecast of the credit institution;

2) measures for increase of the capital ratios of the credit institution;

3) the credit institution’s own funds increase plan and timeframe in order to completely ensure conformity with the combined buffer requirement laid down in Sections 35.22, 35.23, 35.24 and 35.25 of this Law;

4) any other information upon request of the Financial and Capital Market Commission which is necessary for it to conform to the requirements of Section 35.31 of this Law.

[*24 April 2014*]

**Section 35.31** The Financial and Capital Market Commission shall assess the capital conservation plan drawn up by the credit institution. The Financial and Capital Market Commission shall approve the abovementioned plan only in the event if it considers that implementation of such plan is most likely to maintain or ensure sufficient capital for the credit institution to be able to meet the combined buffer requirement set out in Sections 35.22, 35.23, 35.24, and 35.25 of this Law within such period of time which the Financial and Capital Market Commission considers suitable.

[*24 April 2014*]

**Section 35.32** If the Financial and Capital Market Commission does not confirm the capital conservation plan drawn up and submitted by the credit institution in accordance with the requirements of Section 35.31 of this Law, it shall:

1) require the credit institution to increase own funds to a certain level within certain periods of time;

2) determine stricter distribution restrictions than laid down in Sections 35.26 and 35.27 of this Law.

[*24 April 2014*]

**Section 35.33** (1) The Common Equity Tier 1 capital that is maintained by a credit institution to meet the combined buffer requirement laid down in accordance with the requirements of Sections 35.22, 35.23, 35.24, and 35.25 of this Law shall not be used to meet:

1) any of the own funds requirements laid down in points (a), (b), and (c) of Article 92(1) of Regulation (EU) No 575/2013;

2) the additional own funds requirement laid down in accordance with Section 101.16 of this Law to address risks other than the risk of excessive leverage;

3) the guidance on additional own funds communicated in accordance with Section 101.17, Paragraph three of this Law to address risks other than the risk of excessive leverage.

(2) The Common Equity Tier 1 capital that is maintained by a credit institution to meet one of its buffers which forms the combined buffer requirement for it in accordance with Sections 35.22, 35.23, 35.24, and 35.25 of this Law may not be used to meet other buffers forming the abovementioned combined buffer requirement.

(3) The Common Equity Tier 1 capital that is maintained by a credit institution to meet the combined buffer requirement laid down in accordance with the requirements of Sections 35.22, 35.23, 35.24, and 35.25 of this Law may not be used to meet the risk-based requirements laid down in Articles 92a and 92b of Regulation (EU) No 575/2013 and in Sections 60 and 60.1 of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms.

[*29 April 2021*]

**Section 35.34** [*Section shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023. See Paragraph 103 of Transitional Provisions*]

**Section 35.35** [*Section shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023. See Paragraph 103 of Transitional Provisions*]

**Section 35.36** [*Section shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023. See Paragraph 103 of Transitional Provisions*]

**Section 36.** [22 February 2007]

**Section 36.1** [22 February 2007]

**Section 36.2** (1) In addition to the own funds requirements laid down in EU Regulation No 575/2013, a credit institution shall assess the capital necessary for covering the inherent and potential risks for activities and ensure that the capital necessary for covering the inherent and potential risks for activities is sufficient, as well as determine the elements and structure of such capital.

(2) A credit institution shall develop strategy and procedures being appropriate, comprehensive, substantiated and efficient for the nature, volume and complexity of its activities and shall implement necessary measures for continuous capital assessment and the maintenance of adequate capital.

(21) In accordance with the strategy, procedures, and measures referred to in Paragraph two of this Section, a credit institution shall determine its capital at the adequate level of own funds which is sufficient for covering any such risks to which the credit institution is exposed and is able to cover the potential losses pointed to by the results of the stress testing performed by the credit institution and the Financial and Capital Market Commission in accordance with Section 101.3, Paragraph 4.2 of this Law.

(3) A credit institution shall regularly review the strategy and procedures referred to in Paragraph two of this Section in order to ensure that they remain comprehensive and commensurate to the type, scope and complexity of the activities of the credit institution.

[*22 February 2007; 23 December 2010; 22 March 2012; 24 April 2014; 29 April 2021*]

**Section 36.3** (1) [24 April 2014]

(2) [24 April 2014]

(3) A credit institution shall make public information on its website in accordance with Part Eight of EU Regulation No 575/2013 or choose another suitable information carrier or place for the publication thereof.

(4) The Financial and Capital Market Commission is entitled to determine a requirement whereby the information referred to in Paragraph three of this Section is made public more frequently than on an annual basis, and set forth the publication timeframes.

(5) A credit institution which is a parent company shall make public on an annual basis the information regarding legal structure of the group, as well as organisational structure of governance and operation thereof, which ensures conformity with the requirements of Section 14, Paragraph one, Clause 2, Section 34.1 and Section 50.9, Paragraph two of this Law.

[*22 February 2007; 23 December 2010; 24 April 2014; 11 June 2015; 29 April 2021*]

**Section 36.4** [24 April 2014]

**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 may be satisfied at any time.

(2) The regulatory provisions for ensuring such claims in relation to banks registered in the Republic of Latvia (liquidity requirements) shall be determined by the Financial and Capital Market Commission.

(21) If liquidity problems have been detected for a credit institution or there are grounds for assuming that such might arise, the Financial and Capital Market Commission as the supervisory authority of the state of domicile shall notify the supervisory authorities of all states involved about it by appending the information on the non-compliance remedy plan and the implementation measures thereof, as well as all supervision measures performed in relation thereto.

(3) [23 December 2010]

(4) [23 December 2010]

(5) [23 December 2010]

[*28 October 2004; 22 February 2007; 23 December 2010; 24 April 2014; 21 July 2017*]

**Section 38.** [1 June 2000]

**Section 39.** [24 April 2014]

**Section 40.** [23 December 2010]

**Section 41.** [21 May 1998]

**Section 42.** [24 April 2014]

**Section 43.** (1) Exposures with stockholders (shareholders) of a credit institution who have a qualifying holding in the credit institution and the spouses, parents, and children of these stockholders (shareholders) – natural persons, members of the council and board of the credit institution, the head of the internal audit service, the risk manager, the person responsible for the conformity control, and the company controller, the spouses, parents, and children of these persons, as well as commercial companies in which the abovementioned persons have a qualifying holding shall not exceed in total 20 per cent of the own funds of the credit institution which are applied for the purpose of determination of restrictions on large exposures in accordance with EU Regulation No 575/2013.

(2) Credits to the persons referred to in Paragraph one of this Section, which each individually or all in total exceed 0.1 per cent of the own funds of the credit institution which are applied for the purpose of determination of restrictions on large exposures in accordance with EU Regulation No 575/2013 or EUR 50 000, depending on which of these amounts is smaller, shall be granted with a decision unanimously taken by the board of the credit institution.

(3) The procedures for the determination of the amount of exposures with the persons referred to in Paragraph one of this Section shall be determined by the Financial and Capital Market Commission.

[*24 April 2014; 29 April 2021*]

**Section 44.** [24 April 2014]

**Section 45.** [24 April 2014]

**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 country, as a result of which the commercial company in accordance with this Law is subject to consolidated supervision, shall ascertain that the bank will be able to obtain the necessary information for consolidated supervision from the relevant commercial company.

[*22 February 2007; 23 December 2010 / Amendments in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 46.** [24 October 2002]

**Section 47.** [22 February 2007]

**Section 48.** A credit institution may not grant, directly or indirectly, credit for the acquisition of the stocks and other instruments of own funds issued by itself or by its parent or subsidiary, as well as accept the own stocks (shares) as credit security.

[*24 October 2002; 23 December 2010; 24 April 2014*]

**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 which are applicable for determination of restrictions on large exposures in accordance with EU Regulation No 575/2013;

2) in total in all foreign currencies – 20 per cent of own funds which are applicable for determination of restrictions on large exposures in accordance with EU Regulation No 575/2013.

[*24 April 2014*]

**Section 49.1** (1) A credit institution which has received a permission to use internal approaches for calculation of risk-weighted values on exposures or own funds requirements, except the permission of calculation of own funds requirement for operational risk, shall calculate, in addition to what is laid down in EU Regulation No 575/2013, the risk-weighted values or own funds requirements on the exposures and financial instrument items included in the benchmark portfolio or portfolios of the European Banking Authority.

(2) The Financial and Capital Market Commission is entitled, after consultations with the European Banking Authority, to determine a benchmark portfolio or portfolios which are different from those determined by the European Banking Authority.

(3) A credit institution shall prepare and at least once a year submit to the Financial and Capital Market Commission a report on calculation of the risk-weighted value or own funds requirement for exposures and financial instrument items included in a benchmark portfolio determined by the European Banking Authority and an explanation of the methodology used for the calculation referred to in Paragraph one of this Section.

(4) If the Financial and Capital Market Commission has determined a benchmark portfolio or portfolios which are different from those determined by the European Banking Authority, a credit institution shall prepare and at least once a year submit to the Financial and Capital Market Commission a separate report on calculation of the risk-weighted value or own funds requirement for exposures and financial instrument items included in the benchmark portfolio or portfolios determined by the Financial and Capital Market Commission.

[*24 April 2014*]

**Section 49.2** The Financial and Capital Market Commission is entitled to request that a credit institution uses the standardised methodology specified in the directly applicable legal acts of the European Union for the evaluation of the interest rate risk of the non-trading book where it considers that the internal systems implemented by the credit institution for the evaluation of the interest rate risk of the non-trading book are not satisfactory.

[*29 April 2021 / Section shall come into force on 28 June 2021. See Paragraph 102 of Transitional Provisions*]

**Section 49.3** The Financial and Capital Market Commission is entitled to request that a small and non-complex credit institution uses the standardised methodology specified in the directly applicable legal acts of the European Union for the evaluation of the interest rate risk of the non-trading book where the Financial and Capital Market Commission establishes that the simplified standardised methodology used which has been specified in the directly applicable legal acts of the European Union is not adequate to capture the interest rate risk of the non-trading book.

[*29 April 2021 / Section shall come into force on 28 June 2021. See Paragraph 102 of Transitional Provisions*]

**Section 50.** (1) The Financial and Capital Market Commission shall determine the option of choice laid down in EU Regulation No 575/2013 with regard to determination of prudential requirements and transition periods concerning the application of the provisions of this Regulation.

(2) For the purpose of ensuring the activities of credit institutions in accordance with the requirements of this Law and directly applicable legal acts of the European Union, the Financial and Capital Market Commission has the right to set additional requirements governing the activities of credit institutions in the areas not governed in accordance with EU Regulation No 575/2013 in relation to the specific risks inherent to the financial and capital market of Latvia and activities of credit institutions, in order to reduce exposure in the activities of credit institutions and to protect the interests of creditors, as well as to determine the requirements arising from the decisions, guidelines, and recommendations adopted by the European Central Bank or the European Banking Authority in order to ensure a uniform, efficient, and constructive supervision practice in Member States by taking into account the nature of cross-border activities of the European financial supervision system.

(3) The Financial and Capital Market Commission is entitled to determine provisions of reporting related to certain events, preparation and submission of statements, as well as the procedures for the preparation and provision of information necessary for the supervision of credit institutions and for the receipt of the necessary permissions, if the European Commission has not determined them.

(4) The Financial and Capital Market Commission shall be the institution responsible for the application of Article 458 of EU Regulation No 575/2013.

(5) The Financial and Capital Market Commission shall be the institution responsible for the application of Articles 124 and 164 of EU Regulation No 575/2013.

[*24 April 2014; 26 October 2017; 29 April 2021*]

**Section 50.1** [28 October 2004]

**Section 50.2** [22 February 2007]

**Section 50.3** [22 February 2007]

**Section 50.4** [22 February 2007]

**Section 50.5** [22 February 2007]

**Section 50.6** [22 February 2007]

**Section 50.7** [22 February 2007]

**Section 50.8** (1) A credit institution which is neither a parent company registered in the Republic of Latvia and subject to consolidated supervision, nor subsidiary thereof, as well as any credit institution which is not subject to the consolidated supervision in accordance with the requirements of Article 19 of EU Regulation No 575/2013, shall conform to the requirements of Section 36.2 of this Law on an individual basis.

(2) A parent credit institution of the Republic of Latvia shall conform to the requirements of Section 36.2 of this Law on a consolidated basis.

(3) [29 April 2021]

(4) If a credit institution which is a subsidiary of a parent credit institution of the Republic of Latvia, a parent financial holding company of the Republic of Latvia or a parent mixed financial holding company of the Republic of Latvia, or its parent financial holding company or its parent mixed financial holding company has a subsidiary registered in a foreign country, which is an institution, a financial institution or an asset management company (as defined in Article 4(1)(19) of EU Regulation No 575/2013) or which has holding of the abovementioned institutions or companies, such credit institution shall conform to the requirements of Section 36.2 of this Law on a sub-consolidated basis.

[*24 April 2014; 29 April 2021*]

**Section 50.9** (1) A credit institution which is not released from conformity with regulatory requirements on an individual basis in accordance with Article 7 of EU Regulation No 575/2013, shall conform to the requirements of Section 34.1, 34.2, 34.3, and 49.1 of this Law on an individual basis.

(2) A credit institution which is subjected to consolidated supervision in accordance with Part One, Title II of EU Regulation No 575/2013 shall conform to the requirements of Sections 34.1, 34.2, 34.3, and 49.1 of this Law on a consolidation group or sub-consolidated basis and ensure that its internal control system is consequent, well-integrated, and implemented in all subsidiaries, inter alia, in those which are not part of the consolidation group in accordance with Part One, Title II of EU Regulation No 575/2013, and also ensure preparation of all data and information necessary for supervision. The requirements of Sections 34.1, 34.2, 34.3, and 49.1 of this Law shall not be binding on subsidiaries for which the respective specific requirements for their sector of activity have been laid down on an individual level. With a permission of the Financial and Capital Market Commission, a credit institution need not conform to the requirements laid down in Sections 34.1, 34.2, 34.3, and 49.1 of this Law in its foreign subsidiaries which are not included in the consolidation group in accordance with Part One, Title II of EU Regulation No 575/2013 if the credit institution may prove that these requirements do not conform to the legal acts of the country where the subsidiary is registered.

(3) A credit institution need not conform to the remuneration requirements laid down in Section 34.3, Paragraphs two and seven of this Law in subsidiaries in a Member State to which remuneration requirements specific for the sector are binding in accordance with other directly applicable legal acts of the European Union and the legal acts of a Member State which have been adopted upon introduction of the legal acts of the European Union, and in foreign subsidiaries to which remuneration requirements specific for the sector would be binding in accordance with other directly applicable legal acts of the European Union and the legal acts of a Member State which have been adopted upon introduction of the legal acts of the European Union in case if they were registered in the European Union.

(4) The provisions of Paragraph three of this Section shall not apply to officials or employees in a subsidiary which is an asset management company or a company which has the right to perform such investment services and activities as the enforcement of orders on behalf of clients, the performance of transactions on its own behalf, the portfolio management, the initial placement of financial instruments or placement of financial instruments with undertaking of liabilities of buying out of financial instruments and placement of financial instruments without undertaking of liabilities of buying out of financial instruments, if the professional activity of such officials or employees has a significant influence on the joint risk profile or commercial activity of the consolidation group.

[*29 April 2021*]

**Section 51.** [24 April 2014]

**Section 52.** [24 April 2014]

**Section 53.** [21 May 1998]

**Section 54.** [24 April 2014]

**Section 55.** A credit institution shall assess the quality of the assets thereof in accordance with this Law and the regulatory provisions of the Financial and Capital Market Commission. The Financial and Capital Market Commission shall determine the requirements for the assessment of the quality of assets and creation of accruals.

[*16 July 2009; 24 April 2014*]

**Section 56.** [22 February 2007]

**Section 56.1** [27 May 2021]

**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 assess the conformity of the members of the council and the board, the head of the internal audit service, the risk manager, the person responsible for the conformity control of the operation, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing of the credit institution, and the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State with the requirements of this Law. The Financial and Capital Market Commission shall determine the procedures by which credit institutions shall assess the persons who perform the principal functions.

(12) In order to ascertain the conformity of the members of the council and the board, the head of the internal audit service, the risk manager, the person responsible for the conformity control of the operation, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing, and the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State with 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 30 working days from the day when it has received all the necessary documents, has the right to prohibit members of the council and the board, the head of the internal audit service, the risk manager, the person responsible for the conformity control of the operation, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing of a credit institution, and the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State from commencing the fulfilment of their duties if the aforementioned persons do not meet the requirements of this Law or the Financial and Capital Market Commission cannot verify their conformity to the requirements laid down in this Law.

(14) If such information comes at the disposal of the Financial and Capital Market Commission which was not known to it, upon performing the assessment in accordance with Paragraph 1.3 of this Section, and which may affect the conformity of the person in office referred to in Paragraph 1.1 of this Section with the requirements of this Law, or in cases when the Financial and Capital Market Commission has established that a credit institution has violated the requirements of the laws and regulations governing its operation, the Financial and Capital Market Commission is entitled to re-evaluate the conformity of the persons referred to in Paragraph 1.1 of this Section on the basis of new facts or circumstances.

(2) The credit institution shall, not later than 15 days before taking the relevant decision, notify the Financial and Capital Market Commission in writing of the intention to change the name of the credit institution. If, within seven days after receipt of notification of the credit institution, 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 to the change of the name of the credit institution.

(3) [24 April 2014]

[*11 April 2002; 11 December 2003; 28 October 2004; 9 June 2005; 29 May 2008; 24 April 2014; 11 June 2015; 2 June 2016; 21 July 2017; 13 June 2019; 29 April 2021*]

**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 laid down in the 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 laid down in the law.

[*28 October 2004*]

**Section 59.1** (1) In case of reorganisation, Section 345 of the Commercial Law imposes an obligation on each credit institution involved in reorganisation to publish in the official gazette *Latvijas Vēstnesis* a notice that the decision to reorganise has been taken, and to send the notice to all known creditors which had the right of action against the credit institution up to moment when the decision referred to in Section 343 of the Commercial Law on reorganisation was taken. The aforementioned notice need not be sent to creditors whose right of action results from 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 carried out in accordance with Chapter XVI of this Law.

[*9 June 2005; 16 May 2013*]

**Section 59.2** (1) For the transition of the body of property subject to separation, the body of assets or liabilities or the body of standard contracts entered into with the credit institution customers of a credit institution undertaking or a part thereof, including a branch, (hereinafter – the credit institution undertaking) into the ownership or use of another person (hereinafter – the transition of a credit institution undertaking), the credit institution shall require an authorisation of the Financial and Capital Market Commission, except for the cases provided for in the Covered Bonds Law. If the transition of a credit institution undertaking takes place on the basis of the decision of the authorised person referred to in Section 59.3, Paragraph one of this Law on submission of a proposal to the Financial and Capital Market Commission, then, in order to acquire permission, the credit institution shall submit a proposal for the transition of the credit institution undertaking to the Financial and Capital Market Commission to which the assessment of the assets and liabilities included in the credit institution undertaking has been appended in accordance with the provisions of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms. The transition of a credit institution undertaking, for which an authorisation of the Financial and Capital Market Commission has not received, shall be considered null and void.

(11) The provision of Section 20, Paragraph one of the Commercial Law regarding the transferor of the undertaking and the acquirer of the undertaking being solidarily liable shall not apply to the transition of a credit institution undertaking – agreements regarding financial services.

(2) The transition of a credit institution undertaking after receipt of an authorisation of the Financial and Capital Market Commission shall not require receiving of a consent from creditors of the credit institution involved in the transition of a credit institution undertaking or other persons, including a consent for the validity of the liabilities included in the composition of the credit institution undertaking or a part thereof among such persons and the acquirer of the undertaking, as well as for the validity of any auxiliary liabilities existing at the time of transfer of the undertaking, unless it has been otherwise laid down in the proposal for the transition of a credit institution undertaking.

(21) In case of transition of a credit institution undertaking the provision of information to the acquirer of the credit institution undertaking regarding creditors or debtors of the credit institution or other persons, the agreements entered into with which constitute the credit institution undertaking or the part thereof to be transferred, shall not be considered a failure to conform to the requirements laid down in the law.

(3) The transition of a credit institution undertaking in relation to the property of the credit institution located outside the Republic of Latvia shall be valid irrespective of the law of another state applicable to such property or individual objects, rights or liabilities contained therein.

(4) Appealing of an administrative act issued by the Financial and Capital Market Commission regarding an authorisation for transition of a credit institution undertaking shall not suspend the execution thereof.

[*12 February 2009; 22 October 2009; 11 March 2010; 11 June 2015; 27 May 2021*]

**Section 59.3** (1) If the Financial and Capital Market Commission in accordance with Section 113, Paragraph one, Clause 6 of this Law has appointed an authorised person who has received the authorisation referred to in Section 117, Paragraph one, Clause 3 of this Law, the appointed authorised person shall decide on submission of a proposal to the Financial and Capital Market Commission regarding transition of a credit institution undertaking. The provision of Section 20, Paragraph one of the Commercial Law regarding the transferor of the undertaking and the acquirer of the undertaking being solidarily liable shall not be applicable to the acquirer of the credit institution undertaking. In case of such transition the Financial and Capital Market Commission shall permit the transition of a credit institution undertaking to be carried out, if the transaction is carried out in the interests of security and stability of the national economy or the sector of credit institutions, or of the depositors of the credit institution, and the provisions of Section 170 of the Commercial Law regarding bringing of an action for the benefit of the company are not applicable to such transition.

(2) The transition of a credit institution undertaking which has been carried out by a decision of the authorised person appointed by the Financial and Capital Market Commission shall not be considered null and void.

[*12 February 2009*]

**Section 59.4** (1) The decision on transition of a credit institution undertaking during liquidation proceedings of a credit institution shall be taken by the liquidator.

(2) The decision on transition of a credit institution undertaking during insolvency proceedings of a credit institution shall be taken by the administrator, and the provision of Section 20, Paragraph one of the Commercial Law on the transferor of the undertaking and the acquirer of the undertaking being solidarily liable shall not apply to the acquirer of the credit institution undertaking.

[*12 February 2009*]

**Section 59.5** [Invalidated by the judgment of the Constitutional Court of 19 October 2011 which shall enter into effect on 19 October 2011. Excluded by the law of 22 March 2012 which shall come into force on 25 April 2012]

**Section 59.6** (1) If a credit institution in accordance with the laws and regulations regarding aid for commercial activity receives such aid, the credit institution is prohibited to carry out the subordinate liabilities, including prohibited to repay a loan, to calculate, to accumulate or to pay out interest for such loan and other charges, from granting aid for commercial activity until the end of provision of aid for commercial activity.

(2) If the Financial and Capital Market Commission has determined deposit restrictions for a credit institution, the credit institution is prohibited to carry out the subordinate liabilities, including prohibited to repay a loan, to calculate, to accumulate or to pay out interest for such loan and other charges, from the day of determination of such restrictions until the day of revocation of such restrictions.

(3) If the subordinate liabilities arise for a credit institution after the day when aid for commercial activity was granted or deposit restrictions were determined, then the prohibition laid down in Paragraphs one and two of this Section for carrying out the liabilities shall not apply.

[*22 October 2009; 23 December 2010 / Amendments in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 59.7** [24 April 2014]

**Section 59.8** (1) The Financial and Capital Market Commission shall request that the credit institution, which receives aid for commercial activity, reviews its remuneration system, where applicable, also imposing restrictions on remuneration of the credit institution, members of the council and the board, in a manner which ensures efficient risk management and long-term development.

(2) A credit institution which receives aid for commercial activity shall determine percentage restrictions for the amount of the net revenue thereof which may be used for work remuneration subject to the performance results in order to ensure the maintenance of own funds corresponding for stable operation of the credit institution and timely termination of the aid for commercial activity.

(3) A credit institution which receives aid for commercial activity shall not provide for work remuneration subject to the performance results for members of its council and the board. The council of such credit institution, after assessment on a case-by-case basis, by way of exception, may take the decision to determine such remuneration for the members of the board and the meeting of stockholders – for the members of the council.

[*23 December 2010; 22 March 2012; 24 April 2014*]

**Chapter V**

**Relationships between Credit Institutions and Customers**

**Section 60.** Relationships between credit institutions and customers shall be governed by laws and regulations, and also by contracts concluded between the credit institution and the customer, including by using means of distance communication.

[*28 February 2019*]

**Section 61.** (1) It is the obligation of a credit institution to guarantee the confidentiality of the identity, accounts, deposits and transactions of customers.

(2) In accordance with the regulatory directives and regulations of Latvijas Banka, a credit institution shall submit to Latvijas Banka, for the carrying out of macroeconomic analysis, the necessary statistical information regarding payments that have been made between residents and non-residents.

(3) Latvijas Banka has the right to submit the compiled information referred to in Paragraph two of this Section to the Central Statistical Bureau.

(4) [28 October 2004]

[*21 May 1998; 1 June 2000; 24 October 2002; 11 December 2003; 28 October 2004*]

**Section 62.** (1) Information on the accounts of and the transactions carried out by natural persons shall be provided to such persons themselves and to their lawful representatives.

(2) Information on the accounts and activities made by legal persons shall be provided to authorised representatives of such legal persons and to their highest institutions upon request of the heads of such institutions.

(3) [26 May 2005]

(4) Information on a customer, his or her accounts and transactions carried out shall be provided to a third party in accordance with a written contract, if the customer has unequivocally consented to the provision of such information to the third party.

(41) Information on a customer’s credit payment schedule, fulfilment of credit obligations, including payments made and the amount of outstanding principal debt, shall be provided to the customer’s guarantor or pledger upon a written request.

(42) Information on a customer, his or her accounts and transactions carried out shall be provided by the credit institution also to the heir, trustee of the entirety of property, or executor of the will of a customer – a natural person –, on the basis of a substantiated submission thereof for ensuring the rights and lawful interests, and it shall apply to information for a time period not exceeding five years prior to the death of the customer.

(5) Information on a customer and his or her transactions, which the credit institution acquires in providing financial services in accordance with an entered into contract, is non-disclosable information, which does not contain official secrets.

(6) Information on a customer, his or her financial instrument accounts and money accounts, which are related to financial instrument accounting, as well as on transactions carried out 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 carrying out of the supervisory functions granted for the prevention of the utilisation of insider information and market manipulation.

(7) Information on the accounts of a natural and legal person and the operations (transactions) of credit institutions carried out shall be provided to the administrator of insolvency proceedings of such persons for the fulfilment of his or her duties, on the basis of a substantiated request.

(8) Information on the customer, his or her accounts and transactions carried out shall be provided to a credit institution, financial institution, financial holding company and mixed financial holding company registered in the Member State, which is in the same consolidation group as the credit institution providing the information, consolidated supervision of which is carried out by the consolidated supervisor of the Member State, if the information is necessary:

1) for identification, assessment, monitoring, and supervision of the inherent and potential risks for activities of commercial companies belonging to the relevant consolidation group;

2) for the calculation of and compliance with the requirements governing activities of commercial companies belonging to the relevant consolidation group.

(9) Information on the customer, his or her accounts and transactions carried out in accordance with a written agreement shall be provided:

1) to the outsourced services provider if such information is necessary for the receipt of an outsourcing service;

2) to the person who provides such service to a credit institution, which is related to:

a) identification, assessment, management, and supervision of the inherent and potential risks for activities of the credit institution;

b) calculation of and compliance with the requirements governing activities of the credit institution.

(91) The credit institution shall provide information to other persons on the customer, his or her accounts, and transactions carried out if it is provided for in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

(92) The credit institution shall provide information to other persons on the customer, his or her accounts, and transactions carried out if it is provided for in the Law on Payment Services and Electronic Money.

(10) Prior to provision of information in the cases laid down in Paragraph eight of this Section, the credit institution shall ascertain that the relevant information is protected against disclosure.

(11) In cases when a customer of a credit institution has publicly distributed details on his or her cooperation with the credit institution which does not conform to the information at the disposal of the credit institution or, within the scope of journalistic activity, has publicly distributed information on the cooperation of the credit institution with the customer in mass media registered in Latvia or another state, the credit institution is entitled to publicly disclose the non-disclosable details at the disposal thereof on the relevant person, providing an explanatory reply in relation to the details or information distributed (hereinafter – the explanatory reply) in a form chosen by it, if all of the following conditions are conformed to:

1) without the provision of the explanatory reply by the credit institution, the relevant details or information may endanger stable operation of the credit institution or harm the reputation of the credit institution;

2) before the credit institution provides the explanatory reply, it shall inform the Financial and Capital Market Commission of the content of the explanatory reply;

3) the decision to provide the explanatory reply is taken by the board of the credit institution or its authorised member of the board;

4) the explanatory reply shall disclose personal data or information on transactions without exceeding the extent to which they have already been publicly distributed;

5) the explanatory reply is provided insofar as it applies to the issues in relation to which the relevant details or information have been publicly distributed in the relevant mass medium and to the extent which is necessary to ensure objective information on the particular situation to the society;

6) the restriction specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing to disclose information on provision of a report on a suspicious transaction is not violated.

(12) In addition to that specified in Paragraph eleven, Clauses 4 and 5 of this Section on the provision of objective information on the particular situation to the society, the explanatory reply may include information on the cooperation fact, its commencement and termination date, and the financial services used by the customer, and also on the risk mitigating measures taken by the credit institution, if such were applied.

(13) The non-disclosable information at the disposal of a credit institution may be disclosed to other persons in accordance with the Covered Bonds Law.

[*30 May 1996; 21 May 1998; 11 April 2002; 26 May 2005; 9 June 2005; 16 July 2009; 23 December 2010; 22 March 2012; 24 April 2014; 25 October 2018; 28 February 2019; 13 June 2019; 29 April 2021; 27 May 2021*]

**Section 63.** (1) Non-disclosable information at the disposal of a credit institution shall be provided to a State institution, State official or other institution and official in accordance with the procedures laid down in this Law and to the following extent:

1) the Financial and Capital Market Commission – implementation of the supervisory functions laid down in the law;

2) the Financial Intelligence Unit of Latvia – in accordance with the procedures and to the extent laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

21) the cooperation coordination group of the Financial Intelligence Unit of Latvia – in accordance with the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

22) the State Revenue Service – bank account statement of a subject of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing who is being supervised and controlled by the State Revenue Service or its customer for a specific period based on a request approved by the head of the structural unit of the State Revenue Service responsible for the supervision and control of the subjects of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing or his or her deputy, if it is required for the fulfilment of the supervision functions laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

3) courts – within the scope of the matters in the record-keeping thereof on the basis of a court (judge) decision;

4) the person directing the proceedings – in accordance with that laid down in the Criminal Procedure Law;

5) [1 November 2018];

6) the bodies performing operational activities – in accordance with that laid down in the Operational Activities Law;

7) the Corruption Prevention and Combating Bureau – in the cases referred to in Paragraph one, Clauses 4 and 6 of this Section, as well as on the basis of a request from the director or a person specially authorised by him or her, which has been accepted by the Chief Justice of the Supreme Court or his or her authorised Justice of the Supreme Court if the information is necessary in order to ensure the control of the restrictions laid down for State officials in the law On Prevention of Conflict of Interest in Activities of Public Officials and to ascertain the cash savings of State officials, income received, transactions performed or debt obligations, or if the information is necessary, in order to ensure the control of the norms laid down in the Political Organisation (Parties) Financing Law, ascertain the annual financial activities of political organisation (parties) and the associations thereof, expenditures in the pre-election period and the veracity and lawfulness of the financial resources and donations (gifts) received indicated in the election income and expenditure declaration;

8) bailiffs – on the basis of request to which is appended a copy of the ruling of such court or other institution or official, in the implementation of which are performed official activities, or only on the basis of a request – in cases when information is necessary for the compilation of an inventory list, as well as in the making of the inventory of property for the purpose of dividing common property or in an inheritance matter;

9) the State Treasury – on the basis of a request by the head or an employee authorised by him or her regarding the accounts and transactions of budget financed institutions;

10) the State Audit Office – on the basis of a request which has been accepted by the Auditor General, regarding legal persons which have the capacity to act with State or local government property, or which are financed from the State or local government resources, or which implement State or local government procurement and supply;

101) the Data State Inspectorate – for the fulfilment of the tasks laid down in the laws and regulations based on a request approved by the Director of the Data State Inspectorate or his or her deputy;

11) the State Revenue Service – on the basis of a request which has been accepted by the Director General of the State Revenue Service, his or her deputy or the head of the tax administration unit or his or her deputy in accordance with the laws and regulations of the Republic of Latvia or the international agreements ratified by the *Saeima* of the Republic of Latvia, except the case when the relevant international agreements provide for the provision of predictably important information or important information, information necessary for the tax administration needs in relation to a specific taxpayer of the country requesting information – the existence of a bank account, the holder of the bank account, the person authorised to deal with the bank account, the opening balance and closing balance of the bank account in the reporting period, a bank account statement for a specific period of time, information on other accounts of the account holder in the bank during a specific time period, as well as information on the payment card attached to the relevant accounts (the type, number and user thereof), information on attachment of the relevant payment card to the bank account, if:

a) the relevant taxpayer does not submit the declarations or tax calculations provided for in the laws on the specific taxes to the tax administration;

b) during a tax audit of the relevant taxpayer, violations of the laws and regulations regarding accounting records or taxes have been detected;

c) the relevant taxpayer does not make tax payments in accordance with the requirements of laws on taxes;

111) the State Revenue Service – on the basis of a request accepted by Director General of the State Revenue Service, his or her deputy, or the head of the tax administration unit or his or her deputy, in accordance with the laws and regulations of the European Union or international agreements ratified by the *Saeima* of the Republic of Latvia, if they provide for the provision of predictably important information or important information, predictably important information or important information for the needs of tax administration of a specific taxpayer of another European Union Member State or foreign country (a party to the international agreement) (including on transactions with third parties). For application of this Clause predictably important information or important information shall be:

a) the numbers of the bank accounts, including closed bank accounts, of the relevant person;

b) the numbers of such bank accounts with which the authorised person has been authorised to act by a particular taxpayer or with which the authorised person has been authorised to act in relation to a particular taxpayer or group of taxpayers, their transactions, transaction partners, or related persons;

c) the holder of the relevant bank account;

d) the persons who are authorised to act with the bank account, including using the means of remote management of the accounts;

e) the person who opened the bank account;

f) the opening balance and closing balance of the bank account during the reporting period;

f) the amount of interest paid for the money present in the relevant bank account for a specific period of time;

h) the paid amount of taxes on interest over a specific period of time;

i) bank account statement for a specific period of time;

j) information or documents in relation to a particular transaction in the account, including a payment order, copies of cash deposit receipts, cheques, including withdrawn cheques, loan contracts, and documents certifying other transactions;

k) documents certifying opening of accounts, including a contract regarding opening of a bank account, copies of signature sample cards and other similar documents which have been acquired by a credit institution for the purpose of identification of the customer;

l) information on other accounts of the account holder in the bank during a specific period of time, as well as information on the payment cards attached to the relevant accounts (their type, number, user);

m) information on attachment of the payment card to the bank account;

n) information on the user of the relevant payment card;

o) the information and documents indicated in Sub-clauses “a”, “b”, “c”, “d”, “e”, “f”, “g”, “h”, “i”, “j”, “k”, “l”, “m”, and “n” of this Clause on accounts opened or held by third parties if such information is predictably important or important for the tax administration needs of a particular taxpayer or group of taxpayers;

112) the State Revenue Service – for the provision of information to the United States of America on the basis of the Agreement between the Government of the United States of America and the Government of the Republic of Latvia to Improve International Tax Compliance and to Implement (*FATCA*), within the scope laid down in the Agreement. The Cabinet shall determine the time periods and procedures for providing the information;

113) the State Revenue Service – for the provision of information on financial accounts to another European Union Member State or any other involved country (within the meaning of the law On Taxes and Fees) with which the Republic of Latvia or the European Union has entered into an agreement for automatic exchange of information on financial accounts to the extent and in accordance with the procedures specified in the law On Taxes and Fees and the laws and regulations issued on the basis thereof;

114) the State Revenue Service – on the cross-border scheme to be reported – for the performance of tax control measures and the provision of information to another European Union Member State and any other country with which the Republic of Latvia or the European Union has entered into an agreement for automatic exchange of information on the cross-border schemes to be reported to the extent and in accordance with the procedures specified in the law On Taxes and Fees and the laws and regulations issued on the basis thereof;

12) [23 November 2016];

13) notaries who examine an inheritance matter, information that is necessary for ascertaining the entirety of the property of an estate of a natural person – estate-leaver;

14) the Orphan’s and Custody Court on the basis of a request from the chairperson of the Orphan’s and Custody Court, regarding:

a) the entirety of property of an estate, transactions performed by and balance on accounts for a child or other person without the capacity to act, if the parents, guardian or trustee does not provide the Orphan’s and Custody Court with requested information on the management of the property of the child or other person without the capacity to act or there are justified suspicions that information provided by the parents, guardian or trustee is false;

b) natural persons – estate-leavers – balance on accounts for the drawing up of a property list (estate inventory list);

15) the State Revenue Service – information on income of a person from deposits and dividends in accordance with the law On Personal Income Tax, and also information which is provided by a credit institution as an account holder to the State Revenue Service in accordance with the Enterprise Income Tax Law;

16) Latvijas Banka – for the performance of the tasks laid down in the law;

17) the State Revenue Service – on the basis of a request accepted by Director General of the State Revenue Service, his or her deputy or the head of the tax administration unit or his or her deputy, information on the existence of a personal account and account balances, if the information is necessary:

a) in order to comply with the request of the authority of another European Union Member State to provide the information required for execution of a tax claim (within the meaning of the law On Taxes and Fees) within the framework of mutual assistance;

b) in order to comply with a tax claim of another European Union Member State (within the meaning of the law On Taxes and Fees) or to ensure compliance therewith. In such case the State Revenue Service shall append to the request a copy of the single instrument issued by another European Union Member State, which allows the execution of the claim in the Member State of the recipient;

171) the Parliamentary Investigation Commission – the information necessary for the performance of the tasks thereof;

18) the State Revenue Service – on suspicious transactions of a person whose state of residence (registration) is the Republic of Latvia within the meaning of the law On Taxes and Fees and in accordance with the procedures and within the amount laid down in the abovementioned Law;

19) the State Revenue Service – in the cases referred to and in accordance with the procedures laid down in the law On Taxes and Fees, the information on the payments made to a payment beneficiary from accounts opened with the credit institution, excluding identification data of payers;

20) the Insolvency Control Service – an account statement of a customer who is or has been an insolvent legal person or an account statement of the administrator which is opened by the administrator in his or her own name in insolvency proceedings of the relevant natural person in accordance with the Insolvency Law on the basis of a request of the Insolvency Control Service necessary in order to assess the actions of the administrator of insolvency proceedings;

21) the information technologies security incidents response institution – in accordance with the Law on the Security of Information Technologies upon the initiative of the credit institution in case of information technologies security incidents or in case of suspicions of incident, or on the basis of the request of the information technologies security incidents response institution;

22) the Competition Council – within the scope of the case initiated by the Competition Council and on the basis of a decision of a judge;

23) the Ministry of Finance – within the scope of an administrative investigation case initiated by the European Anti-Fraud Office in accordance with the Law on the Aid to be Provided to the European Anti-Fraud Office;

24) the State Revenue Service – on the basis of a request of the State Revenue Service or upon initiative of a credit institution, on residual funds of such legal persons existing in credit institutions the operation of which has been terminated and which have been excluded from the corresponding register kept by the Enterprise Register by presenting the registration number of the relevant legal person and the amount and currency of residual funds;

25) the State Revenue Service – on natural persons who are residents of the Republic of Latvia whose total sum of debit or credit turnover of the previous year of sight-deposit accounts and payments accounts (including closed sight-deposit accounts and payments accounts) within the scope of one credit institution is EUR 15 000 or more. The credit institution shall provide the abovementioned information to the extent and in accordance with the procedures specified in the law On Taxes and Fees and the laws and regulations issued on the basis thereof;

26) the Consumer Rights Protection Centre – an account statement of a natural or legal person for a particular period of time for the performance of the supervisory functions specified in the Consumer Rights Protection Law, implementing the powers specified in point (b) of Article 9(3) of Regulation (EU) 2017/2394 of the European Parliament and of the Council of 12 December 2017 on cooperation between national authorities responsible for the enforcement of consumer protection laws and repealing Regulation (EC) No 2006/2004. The account statement shall contain at least the following information:

a) the payment beneficiary and the performer of the payment;

b) the account number of the payment beneficiary and the performer of the payment;

c) the date, sum, currency of the payment, the justification indicated in the payment object, and the status of the payment.

(2) Except for the cases referred to in Paragraph one, Clauses 1, 21, 112, 113, and 15 of this Section, the State authority, public official, or another institution shall request the necessary information in writing by precisely indicating in the request the name and amount of information, as well as the justification for the request for information – the relevant law or regulation, international agreement, or legal act of the European Union. In the cases referred to in Paragraph one, Clauses 4 and 6 of this Section, the person directing the proceedings or the subject of operational activities shall request information in accordance with that laid down in Paragraph 3.2 of this Section.

(3) A credit institutions shall, without delay, but not later than within 14 days, provide the requested information if the procedures laid down in Paragraphs one and two of this Section have been complied with. In the cases referred to in Paragraph one, Clauses 4 and 6 of this Section, the credit institution shall provide information in accordance with that laid down in Paragraph 3.2 of this Section. In the cases referred to in Paragraph one, Clause 15 of this Section, the credit institution shall provide information in accordance with such procedures and within such time periods as laid down in the law On Personal Income Tax and also in accordance with the procedures laid down in the laws and regulations which have been issued on the basis of the Enterprise Income Tax Law regarding the application of the norms of the abovementioned Law. In the cases referred to Paragraph one, Clause 11 of this Section the State Revenue Service shall request information if at least one of the following conditions exists:

1) it is not possible to obtain the information from the taxpayer himself or herself, or the information submitted by the taxpayer is not true;

2) the taxpayer – natural person – has overdue tax payments and the information is necessary for recovery of the delayed payments;

3) the State Revenue Service has verified that the request for information from the competent authority of a foreign country (a party to an international agreement) to the State Revenue Service conforms to the laws and regulations issued in accordance with the law On Taxes and Fees.

(31) A credit institution, on the basis of a request from the authorities referred to in Paragraph one, Clause 2, 3, 4, or 6 of this Section, shall provide them also with information on the transaction monitoring in the account of the customer for the purpose of avoiding, cessation or detection of committing a criminal offence. The transaction monitoring in the account of the customer shall mean the process which is carried out by the credit institution within the time period laid down in the law, in order to detect and provide data (information) on a transaction notified or carried out during the relevant time period and the persons involved in the transaction. The procedures by which a credit institution shall provide information on the authorities referred to in Paragraph one, Clauses 2 and 3 of this Section in case of transaction monitoring and also the time period for the provision of such information shall be determined by the Cabinet. If, in case of transaction monitoring, information is requested by the authorities referred to in Paragraph one, Clauses 4 and 6 of this Section, a law or regulation which has been issued on the basis of Paragraph 3.2 of this Section shall be applied.

(32) The procedures by which the authorities referred to in Paragraph one, Clauses 4 and 6 of this Section shall request and the credit institution shall provide the non-disclosable information at the disposal thereof, also information in case of transaction monitoring, the time period for the provision of such information, the sample form of the request, and the structure of the machine-readable data shall be determined by the Cabinet.

(4) Non-disclosable information shall be provided by credit institutions to another Member State and foreign country court and investigatory institutions according to the procedures laid down in international agreements.

(5) The institution of Latvia corresponding to the control service for the prevention of money laundering and terrorism and proliferation financing or to the supervisory authority of credit institutions of another Member State and foreign country shall provide non-disclosable information on the basis of a mutual co-operation agreement or another agreement. The relevant institution of the Republic of Latvia shall acquire the non-disclosable information according to the procedures laid down in Paragraphs one and two of this Section. Such institution prior to providing information to a Member State or foreign institution shall ascertain the protection against disclosure of the relevant information.

(6) Non-disclosable information at the disposal of a credit institution shall be provided by the credit institution to another credit institution registered in a Member State or a foreign country, with which correspondent relationship has been established, according to the procedures laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

(7) A credit institution is entitled to appeal a request for information by the State Revenue Service for non-disclosable information at the disposal of the credit institution to the Administrative Regional Court in accordance with the procedures laid down in the Administrative Procedure Law, by submitting an application within 10 days after receipt of the request for information. The court shall examine the case as the court of first instance in the composition of three judges within 20 days after initiation of the case. If the law determines the term for execution of any procedural action, but with execution of the relevant procedural action within this time period, the time period laid down in the second sentence of this Paragraph would not be complied with, the court itself shall determine an appropriate time period for implementation of the relevant procedural action. The judgment of the Administrative Regional Court shall not be subject to appeal.

(8) If a credit institution, in accordance with the procedures laid down in the law, delegates any of the responsibilities thereof or the provision of a financial service (an essential part thereof) to the provider of outsourcing services or receives the service referred to in Section 62, Paragraph nine, Clause 2 of this Law, the requests for information referred to in this Section shall be submitted to the same credit institution, which provides non-disclosable information in accordance with the procedures laid down in the law. The provider of outsourcing services and the person referred to in Section 62, Paragraph nine, Clause 2 of this Law does not have the right to disclose non-disclosable information.

(9) A credit institution is entitled to provide non-disclosable information to the State Revenue Service in order to explain its report which has been submitted to the State Revenue Service on a suspicious transaction in the field of taxes in accordance with the law On Taxes and Fees. A credit institution is entitled to provide such information to the State Revenue Service which contains non-disclosable information in order to identify transactions conforming to signs of a suspicious transaction laid down in the law On Taxes and Fees in cooperation with the State Revenue Service. The information provided for in this Paragraph shall be provided to such extent as it is specified in the law On Taxes and Fees for the provision of information regarding suspicious transactions. The legal protection mechanisms related to the reporting on suspicious transactions in the field of taxes provided for the subjects of the law in the law On Taxes and Fees and Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing shall apply to the provision of the information referred to in this Paragraph.

[*26 May 2005; 22 June 2006; 22 February 2007; 17 May 2007; 29 May 2008; 28 January 2010; 11 March 2010; 15 March 2012; 22 March 2012; 14 March 2013; 16 May 2013; 29 January 2015; 8 July 2015; 17 December 2015; 30 November 2015; 23 November 2016; 1 November 2018; 28 February 2019; 13 June 2019; 19 December 2019; 17 June 2020; 17 June 2020; 21 January 2021; 27 May 2021; 10 June 2021*]

**Section 63.1** (1) A credit institution in the cases provided for by the law and in international agreements ratified by the *Saeima* has no right to inform a customer or a third person regarding the fact that information in respect of the customer’s account or the transaction (transactions) therein have been provided to a court or the Office of the Prosecutor.

(2) If the law or international agreement provides for a prohibition to inform a customer or a third party of receipt of the request for information, a court, the Office of the Prosecutor, an investigating institution or a person performing investigative field work, in requesting information on the accounts of and transactions carried out by natural persons and legal persons, in addition to the information referred to in Section 63, Paragraph two of this Law shall indicate in the request this prohibition, as well as the law and international agreement on the basis of which such prohibition has been laid down.

[*27 May 2004; 26 May 2005; 22 February 2007; 28 January 2010*]

**Section 63.2** In addition to that laid down in Section 63, Paragraph one of this Law the information on a customer, its account, and the individual strong-boxes in use thereof shall be provided to the State Revenue Service as the administrator of the Account Register to the extent and in accordance with procedures laid down in the Account Register Law. A credit institution has an obligation to provide such information on the following persons, their sight-deposit, payment accounts, and the individual strong-boxes in their use:

1) on a natural person – a resident of the Republic of Latvia;

2) on a natural person – a non-resident;

3) on a legal person – a resident of the Republic of Latvia and the permanent representation of a non-resident in Latvia;

4) on a legal person – a non-resident of the Republic of Latvia.

[*23 November 2016; 17 June 2020*]

**Section 63.3** In addition to that provided for in Section 63, Paragraph one, and Section 63.2 of this Law, a credit institution has an obligation to provide the State Revenue Service with information on the customers – natural persons who are residents of the Republic of Latvia – the total last year’s debit or credit turnover of whose sight-deposit accounts and payment accounts (including closed sight-deposit accounts and payment accounts) within the scope of this credit institution amounts to or exceeds the amount specified in the law On Taxes and Fees. The abovementioned information shall be provided in the amount and within the time period laid down in the law On Taxes and Fees, and in accordance with the procedures laid down in the laws and regulations issued on the basis of the law On Taxes and Fees.

[*1 November 2018*]

**Section 63.4** A photo and video material (which may reflect individual transaction data in case if a request for an individual transaction has been submitted) which has been obtained from an automatic banknote dispenser, using technical means, is not requested as non-disclosable information, however, it shall be issued to the body performing operational activities in an investigatory records case or the person directing the proceedings in criminal proceedings on the basis of a request of such officials.

[*21 January 2021*]

**Section 63.5** If exchange of information between a State authority and a credit institution takes place electronically, using the State information systems’ integrator controlled by the State Regional Development Agency and in conformity with the requirements of the laws and regulations governing the operation of State information systems, the document which is sent by the State authority to the credit institution or which is sent by the credit institution to the State authority, using the abovementioned integrator, shall be in legal effect also if the relevant document does not have the detail “signature".

[*27 May 2021*]

**Section 64.** (1) Everyone who has, intentionally or unintentionally, made public or disclosed 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 or become known to him or her as the 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 internal audit service, as the controller or trusted representative of the company, as an employee of the credit institution, as an employee of Latvijas Banka, the Financial and Capital Market Commission or a State institution, as the representative of sworn auditors, as the representative of the potential acquirer of the credit institution undertaking, or as the person referred to in Section 62, Paragraphs four and nine, or Section 110.1, Paragraph five of this Law, or as the representative of the State institution, advisory council, working group, association of persons or as a sworn auditor, shall be held criminally liable in accordance with the procedures laid down in the law.

(11) A credit institution, upon receipt of the request referred to in Section 63, Paragraph 3.2 of this Law, does not have the right to inform thereof the client, a third party, or employees of the credit institution who are not related to execution of the relevant request, except for employees who, in accordance with laws and regulations, are carrying out activities in relation to such request in the field of the prevention of money laundering and terrorism and proliferation financing or for the needs of an internal audit. The abovementioned information shall be non-disclosable information which is not an official secret. Any person who has intentionally or unintentionally made public the information on the request referred to in Section 63, Paragraph 3.2 of this Law or has disclosed it to persons who do not have the right to receive the relevant information shall be held criminally liable in accordance with the procedures laid down in the law.

(2) Persons who have committed the violations referred to in this Section shall be punishable also if such violations have been 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, Latvijas Banka, the Financial and Capital Market Commission, other State institution, advisory council, working group, association of persons or as a sworn auditor, or as the representative of the potential acquirer of the credit institution undertaking.

[*26 February 2009; 22 March 2012; 16 May 2013; 17 June 2020 / Paragraph 1.1 shall come into force on 1 July 2021. See Paragraph 86 of Transitional Provisions*]

**Section 65.** (1) Attachment of the monetary funds and other valuables (property) of legal persons which are placed at a credit institution may occur on the basis of a decision or order of the State Revenue Service or a bailiff’s order.

(11) Property of a legal person, including monetary funds and other valuables which are placed at a credit institution, shall be placed under arrest in criminal proceedings on the basis of a decision taken in accordance with the procedures laid down in the Criminal Procedure Law.

(12) Suspension of payment transactions (within the meaning of this Chapter the payment operation shall be a debit operation as a result of which the balance of the monetary funds present in the account might reduce) of legal persons shall be performed on the basis of an order of the State Revenue Service regarding suspension of payment transactions of a taxpayer in accordance with the procedures laid down in Section 66.2 of this Law.

(2) Collection of the monetary funds of legal persons which are placed in a credit institution may be exercised on the basis of an order of the State Revenue Service or a bailiff’s order in accordance with the procedures laid down in Section 66.2 of this Law, as well as upon an order of an official appointed or an institution established by the local government council regarding transfer of the monetary funds. Collection of other valuables (property) of legal persons which are placed in credit institutions may be exercised on the basis of a bailiff’s order or the decision of the tax administration to collect late tax payments, but upon request of the State Revenue Service – in other cases provided for in laws.

(3) Collection of the budgetary funds of local governments, which are located at a credit institution, may be exercised by uncontested procedures upon the request of the State Treasury in cases provided for by other laws.

(4) A credit institution shall not undertake business relations with an organiser of gambling or an intermediary thereof, which is listed in the decision of the Lotteries and Gambling Supervision Inspection to prohibit to launch or continue business relations with an organiser of gambling who operates without a licence laid down in the laws and regulations of the Republic of Latvia, or an intermediary thereof (hereinafter – the unlicensed gambling organiser). If a credit institution has undertaken business relations with an unlicensed gambling organiser, it shall cease such business relations after receipt of the abovementioned decision. A credit institution shall not be liable for the loss that arises from conformity with the decision of the Lotteries and Gambling Supervision Inspection.

[*7 March 1996; 30 October 1997; 24 October 2002; 24 April 2014; 23 November 2016; 28 February 2019 / Amendments to Paragraph 1.2 regarding the replacement of the words “Suspension of payment transactions in whole or in part” with the words “Suspension of payment transactions (within the meaning of this Chapter the payment operation shall be a debit operation as a result of which the balance of the monetary funds present in the account might reduce)” and the words “ in whole or in part of a taxpayer” with the words “of a taxpayer” shall come into force on 13 June 2019. See Paragraph 80 of Transitional Provisions*]

**Section 66.** (1) Attachment of the monetary funds and other valuables (property) of natural persons which are placed at a credit institution may occur on the basis of a decision or order of the State Revenue Service or a bailiff’s order.

(2) Property of a natural person, including monetary funds and other valuables which are placed at a credit institution, shall be placed under arrest in criminal proceedings on the basis of a decision taken in accordance with the procedures laid down in the Criminal Procedure Law.

(3) Collection of the monetary funds of natural persons which are placed in a credit institution may be exercised on the basis of an order of the State Revenue Service or a bailiff’s order in accordance with the procedures laid down in Section 66.2 of this Law, as well as upon an order of an official appointed or an institution established by the local government council regarding transfer of the monetary funds. Collection of other valuables (property) of natural persons which are placed at credit institutions may be exercised on the basis of a bailiff’s order or the decision of the tax administration to collect late tax payments.

(4) Suspension of payment transactions of natural persons shall be performed on the basis of an order of the State Revenue Service regarding suspension of payment transactions of a taxpayer in accordance with the procedures laid down in Section 66.2 of this Law.

[*23 November 2016; 28 February 2019 / Amendments to Paragraph four regarding the deletion of the words “in whole or in part” shall come into force on 13 June 2019. See Paragraph 80 of Transitional Provisions*]

**Section 66.1** (1) The State Revenue Service shall notify the following orders to be enforced mandatorily in accordance with the procedures laid down in Section 66.2 of this Law to a credit institution:

1) an order regarding suspension of payment transactions of a taxpayer;

2) an order regarding seizure of monetary funds;

3) an order regarding transfer of monetary funds;

4) an order regarding the enforceable activity or adjustment of the amount of funds determined with the order referred to in Clauses 1, 2, and 3 of this Paragraph, or regarding cancellation of a previously notified order.

(2) Bailiffs shall notify the following orders to be enforced mandatorily in accordance with the procedures laid down in Section 66.2 of this Law to a credit institution:

1) an order regarding seizure of monetary funds;

2) an order regarding transfer of monetary funds;

3) an order regarding the enforceable activity or adjustment of the amount of monetary funds laid down by the order provided for in Clauses 1 and 2 of this Paragraph, or regarding cancellation of a previously notified order.

[*23 November 2016; 28 February 2019 / Amendments to Paragraph one, Clause 1 regarding the deletion of the words “in whole or in part” shall come into force on 13 June 2019. See Paragraph 80 of Transitional Provisions*]

**Section 66.2** (1) A credit institution has the obligation to accept the order laid down in Section 66.1 of this Law for enforcement, to enforce it in accordance with the procedures and within the time period laid down in this Section and to provide a notification of enforcement to the giver of the order by complying with that laid down in Paragraphs two and four of this Section.

(2) A credit institution shall accept the orders laid down in Section 66.1 of this Law for enforcement and provide the notifications of enforcement of orders (hereinafter – the data exchange) in one of the following ways of the data exchange:

1) electronically using the State information system integrator managed by the State Regional Development Agency;

2) [1 July 2019; see Paragraph 69 of Transitional Provisions];

3) [1 July 2019; see Paragraph 69 of Transitional Provisions].

(3) A credit institution has the obligation to accept for enforcement the order laid down in Section 66.1 of this Law which has been notified during the previous working day not later than until the end of the current working day (23.59 o’clock). The credit institution shall, without delay, suspend the payment transactions and the enforcement of the orders laid down in Section 66.1, Paragraph one, Clauses 2, 3, and 4, and Paragraph two of this Law after acceptance of the order laid down in Section 66.1, Paragraph one, Clause 1 of this Law for enforcement within the amount indicated in the order. The credit institution shall, without delay, place an attachment on the monetary funds present in the accounts of the person after acceptance of the order laid down in Section 66.1, Paragraph one, Clause 2 and Paragraph two, Clause 1 of this Law for enforcement within the amount indicated in the order or, if the monetary funds are insufficient – as soon as they are received in accounts of the person until reaching the sum indicated in the order.

(4) A credit institution which, using the type of the data exchange laid down in Paragraph two, Clauses 1 and 2 of this Section, has accepted the order laid down in Section 66.1, Paragraph one, Clause 2 and Paragraph two, Clause 1 of this Law for enforcement shall, within three working days after acceptance of the relevant order for enforcement notify the giver of the order of enforcement of the order, sending a notification of enforcement. The personal identification data (on a natural person – the given name, surname, and personal identity number or date of birth; on a legal person – the name and registration number), the number of the order enforced, and the amount of the sum attached shall be indicated in the notification of enforcement.

(41) The order laid down in Section 66.1, Paragraph one, Clause 2 or Paragraph two, Clause 1 of this Law and accepted for enforcement shall be continued to be enforced until the moment when the enforcement of the order laid down in Paragraph one, Clause 3 or Paragraph two, Clause 2 of the abovementioned Section has been commenced. If the giver of the order has failed to notify a credit institution of the order laid down in Section 66.1, Paragraph one, Clause 3 or Paragraph two, Clause 2 of this Law within five working days following the day when the credit institution has notified of the enforcement of the order in accordance with Paragraph four of this Section, the credit institution shall terminate the enforcement of the order laid down in Section 66.1, Paragraph one, Clause 2 or Paragraph two, Clause 1 of this Law, discharging the monetary funds.

(5) A credit institution has the obligation, without delay after acceptance of the order laid down in Section 66.1, Paragraph one, Clause 3 and Paragraph two, Clause 2 of this Law for enforcement, to transfer the monetary funds to the giver of the order to the account indicated in the order. The monetary funds shall be transferred in such amount as is not less than that indicated in the notification of enforcement of the order, except for the case when a reduced amount of the monetary funds to be transferred has been indicated in the order regarding transfer of monetary funds. If after the monetary funds have been transferred in the amount laid down in this Paragraph the order laid down in Section 66.1, Paragraph one, Clause 3 and Paragraph two, Clause 2 of this Law has not been enforced in full, the credit institution shall place an attachment on the monetary funds as soon as they are received in the accounts of the person and shall transfer them to the account indicated in the order without delay.

(6) A credit institution shall, until enforcement of the orders laid down in Section 66.1, Paragraphs one and two of this Law in full or their revocation, not provide payment services to the customer (its authorised person) and shall not carry out other tasks which are related to transferring the monetary funds present in the account of the person or dispensing them from the account of the person, except for the transfer of the monetary funds laid down in this Section.

(7) Upon receipt of several orders, a credit institution shall accept them for enforcement and enforce them in order of their notification, except for the order laid down in Section 66.1, Paragraph one, Clause 1 of this Law which in accordance with the second sentence of Paragraph three of this Section shall be enforced without delay following the acceptance for enforcement and irrespective of receipt or adjustments of other orders. An order which has been sent by using the type of the data exchange laid down in Paragraph two, Clause 1 of this Section shall be deemed notified at the time when it has been inserted in the State information system integrator managed by the State Regional Development Agency and may be accepted for enforcement according to the sequence of unique numbers assigned. The order laid down in Section 66.1, Paragraph one, Clause 4 and Paragraph two, Clause 3 of this Law (hereinafter – the order regarding adjustment of the amount of funds) shall be accepted for enforcement in the sequence of the unique numbers assigned and enforced in order which was laid down for enforcement of the initial order (order to be replaced). If the order regarding adjustment of the amount of funds increases the amount of the sum of money indicated in the initial order (order to be replaced), the increase shall be drawn up and accepted for enforcement as a new order regarding transfer of monetary funds, except for the cases when the order has been issued in enforcement cases regarding the recovery of maintenance for a child or parent, or to the Maintenance Guarantee Fund.

(8) The Cabinet shall determine the procedures by which credit institutions, when enforcing the order laid down in Section 66.1, Paragraphs one and two of this Law, commence and perform the data exchange by using the type of the data exchange laid down in Paragraph two, Clause 1 of this Section.

[*23 November 2016; 28 February 2019 / The second sentence of Paragraph eight (in relation to delegation to the Cabinet to determine the procedures by which a credit institution, when enforcing the order laid down in Section 66.1, Paragraph one of this Law, commences and performs the data exchange by using the type of the data exchange laid down in Paragraph two, Clause 2 of this Section) is repealed from 1 July 2019. See Paragraph 69 of Transitional Provisions*]

**Section 67.** (1) The types of deposits are as follows:

1) demand deposits – for an indefinite period with an obligation to pay at demand;

2) time deposits:

a) for a definite period;

b) for an indefinite period, to be paid upon a customer’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 for 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, the time period for the calculation of interest, and the procedures for the payment of interest shall be determined in the contract upon mutual agreement of the credit institution and the customer.

[*7 May 2015*]

**Section 70.** [7 May 2015]

**Section 71.** (1) Customer shall lose the right of action against a credit institution, if no transactions have been made with this 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;

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 customer.

[*21 May 1998; 28 October 2004; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**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; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 72.1** [23 December 2010] Amendment regarding the deletion of Section shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions]

**Section 72.2** When establishing or selling packaged private investment products to customers which are private investors, a credit institution shall conform to the requirements of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (hereinafter – EU Regulation No 1286/2014).

[*21 July 2017; 19 December 2019*]

**Section 73.** When requesting a credit or entering into other contractual relationship with a credit institution, or submitting a report on fulfilment of obligations, the customer has the obligation to provide, upon a request of the credit institution, complete and accurate information on his or her financial situation and property, including all encumbrances on the property, as well as other information which is necessary for the credit institution to ascertain whether the customer is related to the credit institution or constitutes a group of mutually connected customer for the credit institution.

[*11 December 2003*]

**Section 74.** [21 May 1998 / See the norm governing the time of coming into force of the Law of 21 May 1998]

**Section 74.1** (1) A credit institution shall ensure that the procedure of examination of customer submissions and complaints (disputes) regarding provision of the financial services thereof is efficient. Written information on the procedure for the examination of the abovementioned submissions and complaints (disputes) shall be freely available at the credit institution and in electronic form on the website of the credit institution.

(2) A credit institution shall provide a written answer to written submissions and complaints (disputes) regarding provision of financial services within 30 days from the day of receipt of the submission or complaint (dispute). If due to objective reasons it is not possible to conform to this time period, the credit institution is entitled to extend it, notifying the submitter thereof in writing.

[*23 December 2010; 24 April 2014; 29 April 2021*]

**Section 74.2** A credit institution shall, not later than within five days after receipt of a submission from a customer, inform the Financial and Capital Market Commission of a dispute between the customer and the credit institution with regard to the transfer of non-cash means of payment which exceeds EUR 285 000.

[*22 February 2007; 19 September 2013*]

**Section 74.3** [23 November 2016]

**Chapter VI**

**Accounting and Annual Financial Statement**

**Section 75.** A credit institution shall keep accounts in accordance with the law On Accounting and the regulatory provisions of the Financial and Capital Market Commission, which must be in conformity with the laws of the Republic of Latvia and internationally accepted accounting standards.

[*1 June 2000; 11 December 2003; 16 July 2009*]

**Section 76.** The Financial and Capital Market Commission is entitled to request consolidated accounts from a credit institution and commercial companies related thereto the procedures for the preparation and submission of which shall be determined by the Financial and Capital Market Commission.

[*1 June 2000; 11 December 2003; 28 October 2004; 30 November 2015*]

**Section 77.** A credit institution shall prepare an annual account for each year of activities in which the financial reports, as well as the management report and a notification of the liability of the management is included.

[*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.

[*21 May 1998*]

**Section 79.** The annual financial statement shall be prepared in accordance with this Law and the regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law. The annual financial statement must present a true and clear view of the assets and liabilities of the credit institution, its financial situation and profit or losses.

[*1 June 2000; 11 December 2003; 16 July 2009*]

**Section 80.** If a true and clear view of the credit institution cannot be gained in accordance with the requirements of Section 79 of this Law, the annual financial statement shall include the relevant additional information.

**Section 81.** [29 May 2008]

**Section 82.** [29 May 2008]

**Section 83.** [21 July 2017]

**Section 84.** [21 July 2017]

**Section 85.** (1) A sworn auditor shall verify the annual financial statement of a credit institution. If such verification has not been carried out, the meeting of the stockholders (shareholders) of the credit institution is not allowed to approve the annual financial statement.

(2) If the report 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 planned disbursement of dividends, notify the Financial and Capital Market Commission thereof. The Financial and Capital Market Commission has the right to prohibit the credit institution to pay dividends if as a result of the payment of dividends the credit institution fails to conform to such indicators and restrictions laid down in this Law, the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms, and the directly applicable EU legal acts the scope (degree) of which is affected by the payment of dividends.

[*1 June 2000; 11 April 2002; 11 December 2003; 28 October 2004; 24 April 2014; 29 April 2021*]

**Section 86.** (1) The annual statement prepared by the credit institution shall be audited and the auditor’s report on the results of the audit carried out shall be provided by a sworn auditor in accordance with the Law on Audit Services.

(2) In addition to that laid down in Section 88, Paragraph five of this Law, the Financial and Capital Market Commission has the right to request that a credit institution removes the sworn auditor selected for the annual report examination if, in performing supervision of credit institutions, the Financial and Capital Market Commission establishes that the qualifications or professional experience of the sworn auditor is inadequate for the performance of a qualitative examination, or it is established that the auditor does not conform to the international auditing standards recognised in Latvia or ethical norms. The Financial and Capital Market Commission shall inform the Ministry of Finance of the decision taken.

[*22 February 2007; 23 December 2010; 21 July 2017; 29 April 2021*]

**Section 87.** In verifying the annual financial statement, sworn auditors have the right to become acquainted with the assets, accounting entries, documents certifying such entries, and other information of the credit institution. The board, the managing director, and employees of the credit institution have the obligation to provide all the necessary information to sworn auditors.

[*11 April 2002*]

**Section 88.** (1) A credit institution has the obligation to inform the Financial and Capital Market Commission of all circumstances which may substantially affect further activities of the credit institution.

(2) A sworn auditor shall verify whether the credit institution conforms to the requirement referred to in Paragraph one of this Section. The sworn auditor shall, without delay, submit a written report to the Financial and Capital Market Commission on the violations of regulatory and administrative acts governing the conditions for the granting of a licence or the activities of a credit institution and other facts established during the provision of the audit services or the performance of another assurance engagement specified in laws and regulations, due to which the fulfilment of the liabilities or ongoing functioning of this credit institution are threatened or due to which the sworn auditor refuses to provide an opinion or provides an opinion with reservations or a negative opinion. Such report shall be concurrently also submitted to the board of the credit institution, unless there are compelling reasons to do so.

(3) A sworn auditor has the obligation to submit, without delay, a written report 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 a customer with whom the credit institution is associated in relations of holdings or close links in a control way, or in fulfilling another assurance engagement specified in laws and regulations.

(31) The Financial and Capital Market Commission is entitled to request from a sworn auditor the information and work documents necessary for the performance of the tasks thereof.

(4) Provision of the information referred to in Paragraphs two, three, and 3.1 of this Section to the Financial and Capital Market Commission shall not be considered disclosure of non-disclosable information, and civil liability shall not be established for the conduct of the sworn auditor.

(5) The Financial and Capital Market Commission is entitled to request that a credit institution removes the sworn auditor selected for the examination of an annual statement if the sworn auditor does not conform to the requirements referred to in Paragraphs two and three of this Section. The Financial and Capital Market Commission shall inform the Ministry of Finance of the decision taken.

[*11 April 2002; 11 December 2003; 22 February 2007; 24 April 2014; 29 April 2021*]

**Section 89.** [16 July 2009]

**Section 89.1** (1) A credit institution shall, not later than within 10 days after approval of the annual account and not later than four months after the end of the accounting year, submit to the State Revenue Service a copy of the annual account and of a report of the sworn auditor together with an extract from the minutes of the meeting of stockholders on approval of the annual account. The credit institution which prepares the consolidated annual account, in addition to the provisions laid down in the first sentence of this Paragraph shall, not later than within 10 days after approval of the consolidated annual account and not later than four months after the end of the accounting year, also submit to the State Revenue Service a copy of the consolidated annual account and of a report of the sworn auditor together with an extract from the minutes of the meeting of stockholders on approval of the consolidated annual account. The credit institution shall submit the documents referred to in this Paragraph in printed form or in electronic form.

(2) The State Revenue Service shall, not later than within five working days, hand over the documents referred to in Paragraph one of this Section, if they have been submitted in electronic form, or electronic copies of such documents, if they have been submitted in printed form, to the Enterprise Register by electronic means. The Enterprise Register shall ensure public access to the received documents. The procedures for handing over and certification of electronic documents shall be determined by an interdepartmental agreement entered into by the State Revenue Service and the Enterprise Register.

(3) After receipt of the documents referred to in Paragraph two of this Section, the Enterprise Register shall publish them on the website of the Enterprise Register.

[*29 May 2008; 28 January 2010; 16 May 2013; 30 November 2015; 23 September 2021*]

**Section 89.2** A credit institution shall submit the annual account and the consolidated annual account, if it prepares the consolidated annual account, together with a report of the sworn auditor to the Financial and Capital Market Commission not later than on 1 April of the year following the reporting year. The credit institution shall submit the documents referred to in this Paragraph in paper form or in electronically.

[*30 November 2015 / See Paragraph 64 of Transitional Provisions*]

**Section 90.** (1) A credit institution shall submit a report of a sworn auditor addressed to the management of the credit institution to the Financial and Capital Market Commission within 10 days after receipt of such report, but not later than on 1 April of the year following the reporting year.

(2) The Financial and Capital Market Commission is entitled to request that the credit institution additionally submits the expanded report prepared by the sworn auditor with comments on the applicability of the internal control system, analysis of the operational risks of the credit institution and assessment of conformity with the requirements of laws and regulations and regulatory provisions and decisions of the Financial and Capital Market Commission.

[*11 April 2002; 11 December 2003; 28 October 2004; 17 May 2007; 30 November 2015; 23 September 2021 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka”, and also amendment regarding the replacement of the words “regulatory provisions” with the word “provisions” 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 110 of Transitional Provisions*]

**Section 91.** (1) A credit institution itself shall ensure that the annual account and the consolidated annual account, if its prepared the consolidated annual account, together with a report of the sworn auditor is made public not later than on 1 April of the year following the accounting year.

(2) If until the time period referred to in Paragraph one of this Section the annual account or the consolidated annual account is not approved in a meeting of stockholders (shareholders), it shall be indicated upon publishing the revised annual account or the consolidated annual account, if the credit institution prepares the consolidated annual account.

[*30 November 2015 / See Paragraph 64 of Transitional Provisions*]

**Section 91.1** The accounts referred to in Section 89.2 and Section 91, Paragraph one of this Law shall be such the reports of the sworn auditor appended to which contain opinions of the auditor.

[*30 November 2015 / See Paragraph 64 of Transitional Provisions*]

**Section 92.** [29 May 2008]

**Section 93.** [11 April 2002]

**Section 94.** [29 May 2008]

**Section 95.** (1) [29 May 2008]

(2) The annual account of a foreign credit institution or a credit institution of another Member State shall be examined in accordance with the international auditing standards.

[*21 May 1998; 1 June 2000; 11 April 2002; 11 December 2003; 28 October 2004; 29 May 2008*]

**Section 96.** A branch of a foreign credit institution or of a credit institution of another Member State shall ensure that the annual account of the foreign credit institution or credit institution of another Member State is made public not later than seven months after the end of the accounting year. At least the account representing the financial situation at the end of the accounting period, the account on the results of financial activities during the accounting period and the opinion of the sworn auditor shall be translated in Latvian. The branch of a foreign credit institution or a credit institution of another Member State may either publish the relevant information on its website or choose another appropriate information medium or place for making the information public.

[*29 May 2008; 16 July 2009; 24 April 2014; 11 June 2015; 29 April 2021*]

**Section 97.** [29 May 2008]

**Section 98.** A credit institution shall prepare record-keeping documents and other documents, register, and store them in accordance with the documentation standard laid down in the State, and the Law on Archives.

[*16 July 2009; 22 March 2012*]

**Chapter VII**

**Supervision of the Activities of Credit Institutions**

**Section 99.** [1 June 2000]

**Section 99.1** (1) In order achieve the security, stability and development of the sector of credit institutions of Latvia, the Financial and Capital Market Commission shall carry out supervision of credit institutions. During the supervision process before decision-making the Financial and Capital Market Commission, taking into account the information at the disposal thereof, shall assess the potential impact of the relevant decisions on stability of the financial system of another Member State.

(2) The Financial and Capital Market Commission has the obligation to take measures without delay in accordance with the specifications of this Law in order to prevent deficiencies in the activities of credit institutions and the sector of credit institution, which threaten or may threaten stable operation of a credit institution or the whole sector of credit institutions, interfere with appropriate carrying out of transactions, the provision of financial services or may cause significant losses to the whole national economy.

(3) An administrative act of the Financial and Capital Market Commission, which has been issued in accordance with this Law, may be appealed to the Administrative District Court. The court shall examine the case as the court of first instance. The case shall be reviewed in the composition of three judges. A judgement of the Administrative Regional Court may be appealed by submitting a cassation complaint.

[*11 April 2002; 11 December 2003; 22 February 2007; 23 October 2008; 16 July 2009*]

**Section 100.** (1) The Financial and Capital Market Commission shall supervise credit institutions unless the laws provide otherwise. The rights and obligations of the Financial and Capital Market Commission in supervision of credit institutions within the scope of the uniform supervision mechanism shall be determined by EU Regulation No 1024/2013.

(2) The Financial and Capital Market Commission, in accordance with this Law and other laws, shall carry out the supervision of branches of credit institutions in foreign countries if it is not laid down otherwise in the laws and regulations of the relevant foreign country.

[*28 October 2004; 24 April 2014; 11 June 2015*]

**Section 100.1** (1) A credit institution shall pay to the Financial and Capital Market Commission for funding of the functions up to 0.033 per cent including from the average amount of assets of the credit institution per quarter.

(2) The Financial and Capital Market Commission shall issue regulatory provisions regarding the procedures for the calculation of the payments referred to in Paragraph one of this Section and submission of reports.

(3) The payments referred to in Paragraph one of this Section shall be made until the thirtieth date of the month following the quarter.

(4) For delayed transfer or transfer at less than full amount of the payments referred to in this Section the late charge shall be calculated for each delayed day of payment as 0.05 per cent from the outstanding amount.

(5) The payments referred to in this Section shall be transferred into the account of the Financial and Capital Market Commission at Latvijas Banka.

[*16 May 2013 / See Paragraph 52 of Transitional Provisions*]

**Section 101.** (1) The Financial and Capital Market Commission shall determine the procedures for the supervision process in accordance with this Law and other laws and regulations. The Financial and Capital Market Commission shall prepare, on an annual basis, a supervisory inspection programme indicating:

1) the measures planned for the performance of functions and obligations of the Financial and Capital Market Commission laid down in the Financial and Capital Market Commission Law, this Law and other laws and regulations and the necessary resources thereof;

2) the planned supervisory arrangements applicable to the following:

a) credit institutions at which the stress test results referred to in Section 101.3, Paragraph 4.1, Clauses 5 and 6 of this Law or the assessment of which performed by the Financial and Capital Market Commission in accordance with Section 101.3 of this Law denotes risks which pose a significant threat for the financial stability of the respective credit institution, or violations of the requirements of this Law, directly applicable laws and regulations of the European Union or regulatory provisions of the Financial and Capital Market Commission;

b) [29 April 2021];

c) other credit institutions at the discretion of the Financial and Capital Market Commission;

3) credit institutions for which it is planned to determine enhanced supervision and the applicable measures thereof;

4) an on-site credit institution inspection plan, indicating separately the planned on-site inspections at branches of credit institutions in other Member States, subsidiary of credit institutions and the parent company of the credit institution, which is a financial holding company or a mixed financial holding company, or at another subsidiary of such financial holding company or mixed financial holding company.

(2) If such necessity is established in the assessment performed in accordance with Section 101.3 of this Law, the Financial and Capital Market Commission is entitled to take the following measures:

1) increase the number or frequency of on-site inspections at the credit institution;

2) designate an authorised representative to be constantly present at the credit institution;

3) require that the credit institution submits additional statements or submits such statements more frequently;

4) perform additional or more frequent examinations of operative, strategic or business plans of the credit institution;

5) to carry out purpose reviews in order to control specific risks which are expected to occur.

[*24 April 2014; 29 April 2021*]

**Section 101.1** The Financial and Capital Market Commission has the right not to allow a credit institution to establish close links or to request the termination of the close links with third parties, 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 laid down in the law.

[*11 April 2002; 11 December 2003*]

**Section 101.2** (1) If a credit institution has planned to commence the provision of new financial services not provided until now or to significantly modify the procedures for the provision of one of the financial services, it shall, not later than 30 days in advance, submit a substantiated submission to the Financial and Capital Market Commission. The relevant risk management policy and a description of procedures shall be appended to the submission.

(2) Upon receipt of the submission referred to in Paragraph one of this Section, the Financial and Capital Market Commission shall, not later than within 30 days, examine the submitted documents and evaluate the risk administration of the provision of the planned financial service and the impact thereof on activities of the credit institution and the whole sector of credit institutions.

(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 assess the impact of the provision of the relevant financial service on the credit institution and the whole sector of credit institutions and the quality of risk administration.

(4) The Financial and Capital Market Commission shall take the decision to prohibit the provision of a new financial service not provided until now or significant modification of the procedures for the provision of one of the financial services of a credit institution, and shall notify the relevant credit institution thereof without delay if the planned activities thereof endanger or may endanger stable activities of such credit institution or the whole sector of credit institutions, interferes with appropriate carrying out of transactions or the provision of financial services.

(5) An appeal of an administrative act issued by the Financial and Capital Market Commission in relation to the issues referred to in this Section shall not suspend its execution.

[*28 October 2004*]

**Section 101.3** (1) The Financial and Capital Market Commission shall verify the strategy, procedures and measures of credit institutions, which have been implemented thereby in order to conform to the requirements of this Law, other laws and regulations, directly applicable laws and regulations of the European Union and regulatory provisions and decisions of the Financial and Capital Market Commission, and shall assess:

1) the inherent and potential risks for activities of the credit institution;

2) [29 April 2021];

3) the risks established during the stress testing taking into consideration the scope, diversity and complexity of the operations (transactions) performed.

(2) The Financial and Capital Market Commission shall determine the amount and regularity of the inspection and assessment referred to in Paragraph one of this Section depending on the size, systemic importance of the credit institution, and the volume, diversity and complexity of the operations (transactions) carried out, and also taking into account the principle of proportionality according to the criteria indicated on the website of the Financial and Capital Market Commission. The Financial and Capital Market Commission shall, not less often than once per year, review and update the information included in the assessment referred to in Paragraph one of this Section in relation to the credit institutions included in the supervisory inspection programme.

(21) Upon carrying out the inspection and assessment referred to in Paragraph one of this Section, the Financial and Capital Market Commission may apply a uniform methodology to credit institutions with a similar risk profile (similar business model or geographical location of exposures) which may include risk-oriented benchmarks and quantitative criteria, permits adequate taking into account the exposure of each credit institution to specific risks inherent to its operation, and does not affect the credit institution-specific nature of measures specified in accordance with Section 36.3, Paragraph four of this Law and Paragraph 4.4 and Paragraph 4.7, Clause 2 of this Section. The Financial and Capital Market Commission shall inform the European Banking Authority of the use of a uniform methodology.

(3) On the basis of the inspection and assessment carried out, the Financial and Capital Market Commission shall decide whether the strategy, procedures and implemented measures of the credit institution ensure sufficient risk management and whether the liquidity and own funds of the credit institution are sufficient to cover the inherent and potential risks for activities thereof.

(31) The Financial and Capital Market Commission shall inform the European Banking Authority on the organisation of inspections and the process of assessment referred to in this Section.

(32) If, upon carrying out an inspection, particularly upon assessing the activities, governance arrangements, or business model of a credit institution, the Financial and Capital Market Commission has justified suspicions that the funds involved in transactions or actions have been directly or indirectly obtained as a result of a criminal offence or are related to terrorism and proliferation financing or an attempt to carry out such actions or that such increased risk exists, the Financial and Capital Market Commission shall immediately notify the European Banking Authority thereof. If a probability of an increased risk of money laundering and terrorism and proliferation financing exists, the Financial and Capital Market Commission shall immediately notify the European Banking Authority of its assessment and also apply the measures and actions provided for in this Law.

(4) The Financial and Capital Market Commission shall immediately inform the European Banking Authority if it is established as a result of the inspection and assessment referred to in this Section that a credit institution may cause systemic risk.

(41) The Financial and Capital Market Commission shall, within the scope of the assessment referred to in Paragraph one of this Section, in addition to credit risk, operational risk and market risk assessment, assess at least:

1) the governance, corporate culture and values of the credit institution, and the capacity of members of the board or directors and the council to perform their assignments;

2) the commercial activity model of the credit institution;

3) vulnerability of the credit institution to the liquidity risk, management of the liquidity risk, including analysis of alternative scenarios, management of liquidity risk mitigation measures, especially the scope and composition of liquidity buffers and the quality of assets included therein, and the action plans in place for emergency situations;

4) [29 April 2021];

5) if the credit institution has received a permission to use the internal model for the calculation of credit risk capital requirement – the results of stress test performed in accordance with EU Regulation No 575/2013;

6) if the credit institution has received a permission to use the internal model for the calculation of market risk capital requirement – the results of stress test performed in accordance with EU Regulation No 575/2013;

7) vulnerability of a credit institution to the concentration risk and the management thereof, including conformity with the requirements of EU Regulation No 575/2013 regarding large exposures restrictions;

8) geographical location of a credit institution’s exposures;

9) impact of diversification effects and inclusion thereof in the risk assessment system;

10) a possibility that a credit institution may incur considerable loss due to the risk of interests rates related to non-trading book exposures, and considerations regarding the possible reasons of occurrence of such loss;

11) vulnerability of a credit institution to the risk of excessive leverage;

12) other significant risks for the credit institution;

13) the robustness, suitability, and application of the policies and procedures implemented by a credit institution for the management of the residual risk within the meaning of EU Regulation No 575/2013 which is associated with the use of recognised credit risk mitigation methods;

14) the extent to which own funds of a credit institution in respect of assets which it has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

(42) The Financial and Capital Market Commission shall, not less frequently than once per year, perform stress testing of credit institutions, the results of which are taken into account in the assessment which is performed in accordance with the requirements of Paragraph one of this Section. Methodology of stress testing shall conform to the guidelines of the European Banking Authority.

(43) [29 April 2021]

(44) Upon applying the provisions of Paragraphs one and three of this Section and the relevant requirements of EU Regulation No 575/2013, the Financial and Capital Market Commission has the right to require that a credit institution:

1) ensures additional own funds which exceed the requirements laid down in EU Regulation No 575/2013 in accordance with the provisions of Section 101.16 of this Law;

2) improves its strategy, procedures and measures which shall be provided in order to conform to the requirements laid down in Section 34.1, 34.2, or 36.2 of this Law;

3) draws up and submits to the Financial and Capital Market Commission a plan for resuming conformity with the requirements of this Law, other laws and regulations, the directly applicable legal acts of the European Union, and the regulatory provisions issued by the Financial and Capital Market Commission, determining the time period for the implementation of the measures included in the plan, and also improves the plan submitted thereby in relation to the areas of activities and the time periods for the implementation of measures specified therein;

4) applies a policy of recognition and assessment of special provisioning or assets for the purpose of calculation of own funds;

5) narrows down or restricts the commercial activity or the extent of operations (transactions), abandons the areas of activities which pose excessive threat to its stability;

6) reduces the risks inherent to its activity (including activities which have been outsourced), products, or systems;

7) determines such restriction on the variable component of remuneration of officials and employees, which is expressed as percentage of net income and allows the credit institution to maintain a stable capital base;

8) channels the profit after tax into strengthening of its own funds;

9) reduces or does not perform distribution of profits or interest payments to shareholders, holders of the instruments included in the Additional Tier 1 capital, if it does not result in failure of obligations;

10) provides additional reports or provides reports more frequently, including reports regarding the owns funds, liquidity, and leverage ratio of the credit institution if the relevant requirement is appropriate and proportionate to the objective for requesting the information to be included in reports and also if the requested information is not duplicative. Any additional information which may be requested from a credit institution on the process of supervisory inspection and assessment, the procedures for the supervision process, the stress testing performed by the Financial and Capital Market Commission, the regular inspections in relation to permissions to use internal approaches and on the restrictions applicable to a credit institution in accordance with Section 113, Paragraph one of this Law shall be considered duplicative if the same information or substantially the same information has already been provided to the Financial and Capital Market Commission in another form or if it itself can prepare such information. The Financial and Capital Market Commission is not entitled to request additional information from a credit institution if it has previously received the relevant information in different format or level of detail and if the abovementioned different format or level of detail does not prevent the Financial and Capital Market Commission from preparation of the information of the same quality and reliability as it would have been prepared, based on the requested additional information which would have been provided in another form;

11) improves the modelling and parametric assumptions included in the calculation of the economic value of the equity which are different from the modelling and parametric assumptions specified in the directly applicable legal acts of the European Union for the management of the interest rate risks of the non-trading book.

(45) [29 April 2021]

(46) [29 April 2021]

(47) On the basis of the assessment of inherent and potential risks of the activities of a credit institution performed in accordance with the requirements of this Section and with consideration of the model of commercial activity of the credit institution and the risk management organisation referred to in Sections 34.1 and 34.2 of this Law, the Financial and Capital Market Commission shall assess the necessity to determine the following special liquidity requirements for credit institutions:

1) to request from credit institutions additional reports on liquidity items or to determine that the reports shall be submitted more frequently than determined in Part two of EU Regulation No 575/2013 or other laws and regulations;

2) to determine other special liquidity requirements for credit institutions, among others, restrictions on the imbalance of the term structure of assets and liabilities.

(48) Upon deciding on determination of special liquidity requirements and imposing of sanctions, the Financial and Capital Market Commission shall, subject to the assessment of inherent and potential risks of the credit institution activities and with consideration to the business model of the credit institution, the risk management organisation and potential systemic liquidity risk referred to in Sections 34.1 and 34.2 of this Law which may threaten the integrity of the financial market of the Republic of Latvia, assess the impact of such decision on the stability of the financial situation of other Member States and consider the difference of liquidity indicators of the credit institution from the liquidity or stable financing requirements laid down in Part Six of EU Regulation No 575/2013.

(5) The Financial and Capital Market Commission shall determine the procedures, conforming to the guidelines of the European Banking Authority, by which:

1) a credit institution shall manage, including identify, evaluate, analyse, and control the interest rate risk of the non-trading book;

2) a credit institution shall assess and monitor the credit spread risk of the non-trading book;

3) the reduction in the economic value of equity of a credit institution shall be calculated due to sudden and unexpected changes in interest rates as set out in any of the six supervisory stress scenarios applied to interest rates in accordance with the directly applicable legal acts of the European Union;

4) it shall be determined that the internal systems implemented by a credit institution for the evaluation of the interest rate risk of the non-trading book are not satisfactory in accordance with the requirements of Section 49.2 of this Law;

5) the reduction in the net interest income of a credit institution shall be calculated due to sudden and unexpected changes in interest rates as set out in any of the two supervisory stress scenarios applied to interest rates in accordance with the directly applicable legal acts of the European Union.

(6) If the calculation referred to in Paragraph five, Clause 3 of this Section shows that the economic value of equity of a credit institution will decline by 15 per cent or more from the Tier 1 capital due to sudden and unexpected changes in interest rates as set out in any of the six supervisory stress scenarios applied to interest rates in accordance with Paragraph five, Clause 3 of this Section, or if large decline in net interest income has been established due to sudden and unexpected changes in interest rates as set out in any of the two supervisory stress scenarios applied to interest rates in accordance with Paragraph five, Clause 5 of this Section, the Financial and Capital Market Commission shall implement one or several measures in accordance with Paragraph 4.4 of this Section, except for the case when it, upon applying the provisions of Paragraphs one and three of this Section, considers that the credit institution is adequately managing the interest rate risk of the non-trading book and is not excessively exposed to the interest rate risk of the non-trading book.

(61) The Financial and Capital Market Commission shall apply the requirements of this Section on an individual and consolidated or sub-consolidated basis in accordance with the level of application of the requirements of Part One, Title II of EU Regulation No 575/2013.

(7) [24 April 2014]

(8) An appeal of an administrative act issued by the Financial and Capital Market Commission in relation to the issues referred to in this Section shall not suspend the execution thereof.

(9) The Financial and Capital Market Commission shall inform the European Banking Authority of the principles of taking of the decisions referred to in this Section.

[*22 February 2007; 22 March 2012; 24 April 2014; 11 June 2015; 29 April 2021; 27 May 2021 / Paragraph 4.4, Clause 11, and also the new wording of Paragraphs five and six shall come into force on 28 June 2021. See Paragraph 102 of Transitional Provisions*]

**Section 101.4** [23 December 2010]

**Section 101.5** [23 December 2010]

**Section 101.6** [23 December 2010]

**Section 101.7** [23 December 2010]

**Section 101.8** [23 December 2010]

**Section 101.9** [23 December 2010]

**Section 101.10** [23 December 2010]

**Section 101.11** [23 December 2010]

**Section 101.12** [23 December 2010]

**Section 101.13** [23 December 2010]

**Section 101.14** [23 December 2010]

**Section 101.15** [23 December 2010]

**Section 101.16** (1) The Financial and Capital Market Commission, on the basis of the results of the inspection referred to in Section 101.3, Paragraphs one and three of this Law, shall request that a credit institution meets the requirement of Section 101.3, Paragraph 4.4, Clause 1 of this Law (for the purpose of covering risks arising to the credit institution due to its activities, including those risks which reflect the impact of certain economic and market developments on the risk profile of the credit institution) in at least the following cases:

1) the credit institution is exposed to risks or elements of risks which, in conformity with the provisions of Paragraphs two, three, and four of this Section, are not covered or are not sufficiently covered in accordance with the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (hereinafter – EU Regulation 2017/2402);

2) the credit institution has not met the requirements of Section 34.1, 34.2, or 36.2 of this Law or the requirements of Article 393 of EU Regulation No 575/2013 and there is reason to believe that the application of other supervisory measures will not be sufficient to ensure that the abovementioned requirements can be met within a time period which is recognised as suitable by the Financial and Capital Market Commission;

3) the value adjustments carried out by the credit institution to the items of the non-trading book should not be considered sufficient to enable the credit institution to sell these items within a short period of time or to limit the risks related to such items without material losses under circumstances of a functioning market;

4) the own funds requirements are not sufficient because the credit institution which has received the permission to use internal approaches for the calculation of risk-weighted amount or own capital requirements does not conform to the conditions for the receipt of such permission anymore;

5) the credit institution is repeatedly unable to create or ensure sufficient Common Equity Tier 1 capital in order to cover the guidance on additional own funds notified to the credit institution in accordance with the provisions of Section 101.17, Paragraph three of this Law;

6) in other situations specified to the activities of the credit institution which, in the opinion of the Financial and Capital Market Commission, cause material supervisory concerns.

(2) Risks or elements of risks shall not be covered or shall not be sufficiently covered in accordance with the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402 if the capital necessary for covering the inherent or potential risks of the activities of a credit institution and also the types and distribution of such capital which are considered adequate by the Financial and Capital Market Commission, taking into account the inspection performed thereby regarding the assessment carried out by the credit institution in accordance with the requirements of Section 36.2, Paragraph one of this Law, exceed the requirements of the abovementioned EU Regulations.

(3) Within the meaning of Paragraph two of this Section, a capital shall be considered adequate if it covers all such risks or elements of risks which are identified as material as a result of the assessment performed in accordance with Paragraph four of this Section and which are not covered or not sufficiently covered by the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402. The interest rate risk arising from the non-trading book may be considered material in at least the cases referred to in Section 101.3, Paragraph six of this Law, except for the case when the Financial and Capital Market Commission, upon carrying out the inspection and assessment referred to in Section 101.3, Paragraphs one and three of this Law, concludes that the credit institution adequately manages the interest rate risk arising from the non-trading book activities and is not excessively exposed to the interest rate risk arising from the non-trading book activities.

(4) The Financial and Capital Market Commission, taking into account the risk profile of a credit institution, shall assess its exposure to risks, including assess:

1) the risks specific to the activities of the credit institution or elements of such risks which are excluded from or not addressed by the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402;

2) the risks specific to the activities of the credit institution or elements of such risks which might have been underestimated despite compliance with the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402. Such risks or elements of risks to which the conditions of the transitional period specified in the regulatory provisions of the Financial and Capital Market Commission or EU Regulation No 575/2013 or the rights to apply the conditions previously in force apply are not considered risks or elements of such risks which might have been underestimated despite compliance with the requirements laid down in Parts Three, Four, and Seven of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402.

(5) If the Financial and Capital Market Commission requests for the credit institution to ensure additional own funds to address risks other than the risk of excessive leverage that is not sufficiently covered in accordance with the requirement laid down in point (d) of Article 92(1) of EU Regulation No 575/2013, it shall determine the level of additional own funds which has been requested in the case referred to in Paragraph one, Clause 1 of this Section as the difference between the capital considered thereby as adequate in accordance with the requirements of Paragraph two of this Section and the requirements laid down in Parts Three and Four of EU Regulation No 575/2013 and Chapter Two of EU Regulation 2017/2402.

(6) If the Financial and Capital Market Commission requests for the credit institution to ensure additional own funds to address the risk of excessive leverage that is not sufficiently covered in accordance with the requirement laid down in point (d) of Article 92(1) of EU Regulation No 575/2013, it shall determine the level of additional own funds which has been requested in the case referred to in Paragraph one, Clause 1 of this Section as the difference between the capital considered thereby as adequate in accordance with the requirements of Paragraph two of this Section and the requirements laid down in Parts Three and Seven of EU Regulation No 575/2013.

(7) A credit institution shall ensure the additional own funds requirement imposed by the Financial and Capital Market Commission in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law and which addresses risks other than the risk of excessive leverage with the own funds which conform to such requirements (unless the Financial and Capital Market Commission has specified otherwise in accordance with Paragraph nine of this Section):

1) at least three quarters of the additional own funds requirement shall be met with Tier 1 capital;

2) at least three quarters of the Tier 1 capital referred to in Clause 1 of this Paragraph of the Section consist of Common Tier 1 capital.

(8) A credit institution shall ensure the additional own funds requirement imposed by the Financial and Capital Market Commission in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law and which addresses the risk of excessive leverage with Tier 1 capital (unless the Financial and Capital Market Commission has specified otherwise in accordance with Paragraph nine of this Section).

(9) The Financial and Capital Market Commission, if necessary, and also taking into account the specific circumstances of the credit institution, may require the credit institution to ensure the additional own funds requirement with a higher portion of Common Tier 1 capital or Tier 1 capital than specified in Paragraph seven or eight of this Section respectively.

(10) Own funds which are maintained by a credit institution in order to ensure the additional own funds requirement requested by the Financial and Capital Market Commission in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law to address risks other than the risk of excessive leverage may not be used to meet:

1) the own funds requirements laid down in points (a), (b), and (c) of Article 92(1) of Regulation (EU) No 575/2013;

2) the combined buffer requirement laid down in Sections 35.22, 35.23, 35.24, and 35.25 of this Law;

3) the guidance on additional own funds referred to in Section 101.17, Paragraph three of this Law if it addresses the risks other than the risk of excessive leverage.

(11) Own funds which are maintained by a credit institution in order to ensure the additional own funds requirement requested by the Financial and Capital Market Commission in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law to address the risk of excessive leverage that is not sufficiently covered in accordance with the requirement laid down in point (d) of Article 92(1) of EU Regulation No 575/2013 may not be used to meet:

1) the own funds requirement laid down in point (d) of Article 92(1) of EU Regulation No 575/2013;

2) the leverage ratio buffer requirement laid down in Article 92(1a) of EU Regulation No 575/2013;

3) the guidance on additional own funds referred to in Section 101.17, Paragraph three of this Law if it addresses the risk of excessive leverage.

(12) The Financial and Capital Market Commission shall notify a credit institution in writing of its decision to require to ensure the additional own funds requirement in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law, providing an appropriate justification for it. The Financial and Capital Market Commission shall prepare a justification which provides a clear statement of the assessment performed thereby in accordance with this Section. In the case referred to in Paragraph one, Clause 5 of this Section the Financial and Capital Market Commission shall include a specific statement in its justification regarding the reasons due to which determination of the guidance on additional own funds is no longer considered sufficient.

[*29 April 2021*]

**Section 101.17** (1) The Financial and Capital Market Commission shall, within the scope of the inspection and assessment referred to in Section 101.3, Paragraphs one and three of this Law, inter alia, taking into account the results of the stress testing performed in accordance with Section 101.3, Paragraph 4.2 of this Law, regularly inspect the own funds level determined by a credit institution in accordance with Section 36.2, Paragraph 2.1 of this Law. On the basis of the abovementioned inspection, the Financial and Capital Market Commission shall determine such overall level of own funds for the credit institution which is considered thereby as appropriate for the credit institution.

(2) The Financial and Capital Market Commission shall determine a specific guidance on additional own funds for a credit institution, taking into account that:

1) the guidance on additional own funds is own funds which exceed the relevant amount of the own funds required in accordance with Parts Three, Four, and Seven of EU Regulation No 575/2013, Chapter Two of EU Regulation 2017/2402, Section 101.3, Paragraph 4.4, Clause 1 of this Law and in the relevant case Sections 35.22, 35.23, 35.24, and 35.25 of this Law or Article 92(1a) of EU Regulation No 575/2013 and is necessary to achieve the overall level of own funds which is considered by the Financial and Capital Market Commission as appropriate for the credit institution in accordance with Paragraph one of this Section;

2) the guidance on additional own funds may cover risks addressed by the additional own funds requirement requested in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law only to the extent in which it covers aspects of the abovementioned risks which have not been covered yet in accordance with the abovementioned additional own funds requirement.

(3) The Financial and Capital Market Commission shall notify a credit institution of the specific guidance on additional own funds set out for it in accordance with Paragraph two of this Section and the credit institution shall ensure it with Common Tier 1 capital.

(4) Common Tier 1 capital which is maintained by a credit institution to ensure the guidance on additional own funds notified thereto in accordance with Paragraph three of this Section to address the risks other than the risk of excessive leverage may not be used to meet:

1) the own funds requirements set out in points (a), (b), and (c) of Article 92(1) of Regulation (EU) No 575/2013;

2) the additional own funds requirement set out in accordance with Section 101.16 of this Law to address risks other than the risk of excessive leverage;

3) the combined buffer requirement set out in Sections 35.22, 35.23, 35.24, and 35.25 of this Law.

(5) Common Tier 1 capital which is maintained by a credit institution to ensure the guidance on additional own funds notified thereto in accordance with Paragraph three of this Section to address the risk of excessive leverage may not be used to meet:

1) the own funds requirement set out in point (d) of Article 92(1) of EU Regulation No 575/2013;

2) the additional own funds requirement set out in accordance with Section 101.16 of this Law to address the risk of excessive leverage;

3) the leverage ratio buffer requirement set out in Article 92(1a) of EU Regulation No 575/2013.

(6) A credit institution which does not meet the guidance on additional own funds notified thereto in accordance with Paragraph three of this Section, however, meets the requirements set out in Parts Three, Four, and Seven of EU Regulation No 575/2013 and in Chapter Two of EU Regulation 2017/2402, the relevant additional own funds requirement set out in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law and in the relevant case the capital buffer requirement set out in Sections 35.22, 35.23, 35.24, and 35.25 of this Law or the leverage ratio buffer requirement set out in Article 92(1a) of EU Regulation No 575/2013 shall not apply the restrictions on distribution specified in Section 35.27, Paragraphs one and three or Section 35.35, Paragraphs one and three of this Law.

[*29 April 2021*]

**Section 102.** [22 February 2007]

**Section 103.** [22 February 2007]

**Section 104.** [22 February 2007]

**Section 105.** [22 February 2007]

**Section 105.1** The Financial and Capital Market Commission shall summarise the information related to the remuneration policy and practice which credit institutions have made public in accordance with the requirements of EU Regulation No 575/2013 and have provided in accordance with Section 34.3, Paragraph six of this Law, and the information on differences in pay for male and female workers, and also assess the remuneration trends and practice. The Financial and Capital Market Commission shall provide the aforementioned information to the European Banking Authority. The Financial and Capital Market Commission shall determine the procedures for preparing and submitting the information referred to in this Section.

[*29 April 2021*]

**Section 105.2** Using the band amounting to EUR 1 million, the Financial and Capital Market Commission shall collect the information made public by credit institutions in accordance with the requirements of EU Regulation No 575/2013 with regard to the number of its officials and employees whose remuneration during the reporting year is equal to or larger than EUR 1 million, including the information on the obligations, scope of activities and major remuneration components of such officials and employees. The Financial and Capital Market Commission shall provide the aforementioned information to the European Banking Authority.

[*24 April 2014*]

**Section 105.3** (1) The Financial and Capital Market Commission shall regularly, but not less than once in three years, verify that the credit institution which has received the permission to use internal approaches for the calculation of risk-weighted values or own capital requirements meets the preconditions for obtaining the permission which are included in Part Three of EU Regulation No 575/2013. When assessing conformity, the Financial and Capital Market Commission shall pay special attention to the changes in the commercial activity model of the credit institution, to application of internal approaches to new products, to the manner in which the credit institution improves its internal approach on the basis of proven modern techniques and practices.

(2) If the verification referred to in Paragraph one of this Section shows that the internal approach of the credit institution does not cover all significant risks, the Financial and Capital Market Commission shall require the credit institution to eliminate the respective defects. To mitigate risks until the defects are remedied the Financial and Capital Market Commission may determine a higher coefficient which shall be used for the calculation of the own capital requirements in accordance with the internal approach, additional own capital requirements or implement other suitable and effective measures.

(3) If the inspection of the internal model used for the calculation of the market risk capital requirements of the credit institution shows that the internal model is not or is no longer sufficiently accurate as, upon applying of back testing in accordance with Article 366 of EU Regulation No 575/2013, it has been found that the number of overshootings does not correspond to the allowed level, the Financial and Capital Market Commission shall require the credit institution to eliminate such defects without delay, or cancels the permission to use the internal model.

(4) If the Financial and Capital Market Commission establishes that a credit institution does not conform to the provisions for the receipt of a permission to use the internal approach and the credit institution is not able to provide reasonable evidence that such incompliance does not have significant effect on the calculation of risk-weighted exposure value or own funds requirement in accordance with the requirements of EU Regulation No 575/2013, the Financial and Capital Market Commission shall require that the credit institution draws up and implements an action plan which ensures remedying of the incompliance. The Financial and Capital Market Commission shall require that the credit institution amends its submitted incompliance remedy plan, if the measures provided for therein do not ensure restoration of complete compliance or the timeframes of the implementation thereof are not acceptable.

(5) If there are grounds to believe that a credit institution is not capable to restore the internal approach compliance with the provisions of the receipt of the permission of use thereof within an acceptable timeframe and the credit institution has not provided reasonable evidence that non-compliance does not have significant effect on the calculation of own funds requirements in accordance with EU Regulation No 575/2013, the Financial and Capital Market Commission shall cancel the permission to use the internal approach or permit use thereof only in such areas in which complete compliance with the preconditions for obtaining the permission is ensured or will be ensured within an acceptable timeframe.

(6) The Financial and Capital Market Commission shall inform the European Banking Authority of the principles of taking the decisions referred to in this Section.

[*24 April 2014; 21 July 2017*]

**Section 105.4** (1) The Financial and Capital Market Commission shall assess the quality of internal approaches not less frequently than once per year, analysing the report of the credit institution concerning the calculation of exposures and risk-weighted values of items or own funds requirement included in the benchmark portfolio and paying special attention to:

1) internal approaches as a result of application of which significant differences arise in the volume of own funds requirements for similar exposures;

2) internal approaches, the results of application of which indicate a considerable and systematic determination of too small own funds requirement volume or the application of which to a benchmark portfolio and the credit institution’s exposures demonstrate especially big or especially small differences in the modelling results.

(2) If the results of an internal approach used by a credit institution significantly differ from the results of use of internal approaches used by the majority of similar credit institutions and it can be clearly established that the own funds requirements are being underestimated as a result of the internal approach used by the credit institution and it cannot be explained by the credit institution’s exposures or the differences of risks inherent to the financial instruments’ items, the Financial and Capital Market Commission shall require that the credit institution takes such corrective measures to improve the used internal approach, which will ensure the compliance of the results of use of the internal approach which is applied to the credit institution’s exposures with the results of the benchmark portfolio. When deciding on corrective measures, the Financial and Capital Market Commission shall ensure that they do not restrict risk-sensitivity of the credit institution’s internal approach, do not promote standardisation of internal approaches or determination of privileges for a certain internal approach, do not create incorrect incentives, and do not promote equalisation of internal approaches used by different credit institutions.

[*24 April 2014*]

**Section 106.** (1) The Financial and Capital Market Commission or an authorised person thereof has the right to inspect the activities of a credit institution, a financial holding company, a mixed financial holding company, a mixed holding company and the subsidiaries thereof and the activities of other persons related to the abovementioned companies or authorised representatives thereof who perform the functions necessary for ensuring of the activities of the abovementioned companies.

(2) The Financial and Capital Market Commission or an authorised person thereof has the right to require from the persons referred to in Paragraph one of this Section the information necessary for the Financial and Capital Market Commission to perform its functions, to become acquainted with the documentation of the persons referred to in Paragraph one of this Section, verify the accounting data and records and receive any extracts and copies thereof, to receive explanations and information from the persons referred to in Paragraph one of this Section or their representatives or employees regarding commercial companies in which the consolidation group has investments or to interview any other person who has consented thereto, to acquire information regarding the subject to be verified.

(3) An authorised representative of Latvijas Banka has the right to verify the compliance with the regulatory instructions and provisions approved thereby by the credit institution, as well as to become acquainted with all the documentation, assets and liabilities of the credit institution and to receive explanations and information from the responsible persons of the credit institution necessary for the verification.

(4) Credit institutions, subsidiaries of credit institutions which provide financial services related to credit risk, savings and loan associations, and insurers have the right to, directly or through an institution established specifically for this purpose, mutually exchange information on debtors and the course of fulfilment of their obligations. Credit institutions according to the procedures laid down in this Paragraph have the right to mutually exchange information regarding all cases when a customer fails to comply, fully or partially, with the requirements of Section 73 of this Law.

(5) In order to evaluate the ability of the customer – consumer – to repay the credit, and the ability of the customer’s guarantor to fulfil the obligations resulting from the guarantee contract or its ability to manage the credit risk, credit institutions, the subsidiaries of credit institutions which provide financial services related to the credit risk, savings and loan associations, and also capital companies that have received the special permit (licence) for the provision of consumer finance services shall exchange information regarding a customer, customer’s guarantor, their obligations and the course of the fulfilment of obligations in accordance with the provisions of the Consumer Rights Protection Law.

[*1 June 2000; 11 April 2002; 11 December 2003; 28 October 2004; 22 February 2007; 17 May 2007; 23 December 2010; 24 April 2014; 25 October 2018*]

**Section 106.1** The participation of a credit institution, a branch of a credit institution and such commercial company, which has close relationship with the credit institution, shall be laid down in the Law on the Credit Register.

[*24 May 2012*]

**Section 106.2**(1) Any person may report to the Financial and Capital Market Commission on potential and actual violations of this Law, any regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law, and also EU Regulation No 575/2013 and EU Regulation No 1286/2014.

(2) The Financial and Capital Market Commission shall establish and maintain a safe system for reporting that includes at least the following elements:

1) the procedures by which reports on the violations are received;

2) in accordance with the laws and regulations regarding personal data protection – personal data protection of such person who is reporting on the violation, as well as personal data protection of such natural person regarding whom there are suspicions that he or she has committed the violation;

3) the provisions regarding ensuring confidentiality to such person who is reporting on the violation, except for the case when disclosure of such information is provided for in the laws and regulations of the Republic of Latvia.

(3) The procedures for reporting on potential and actual violations of this Law, any regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law, and also EU Regulation No 575/2013 and EU Regulation No 1286/2014, and the procedures for processing the reports received at the Financial and Capital Market Commission shall be determined by the regulatory provisions of the Financial and Capital Market Commission.

(4) Reporting which, in accordance with Paragraphs one and five of this Section, may be performed by the employees of the credit institution shall not be considered as the violation of the prohibition to disclose information specified in the contract and any law or regulation, and the person may not be held liable for such reporting. Discriminatory or other unfair activities may not, due to such reporting, be directed against the employees of the credit institution who report on potential and actual violations at the credit institution.

(5) The credit institution shall develop a procedure by which an independent and special internal channel for reporting on the violation is established, and it shall ensure that the employees of the credit institution can report on potential or actual violations of this Law, any regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law, and also EU Regulation No 575/2013 and EU Regulation No 1286/2014. The procedure for establishing the internal channel for reporting on the violation developed by the credit institution shall ensure compliance with the requirements laid down in Paragraph two, Clauses 2 and 3, and also Paragraph four of this Section.

[*19 December 2019 / See Paragraph 85 of Transitional Provisions*]

**Section 107.** [28 October 2004]

**Section 107.1** (1) The supervisory authority of another Member State has the right to carry out inspections at branches and representations of a credit institution of the relevant Member State registered in the Republic of Latvia, as well as at such credit institutions and commercial companies thereof, which have submitted information to the supervisory authority of the Member State for the performance of consolidated supervision, as well as to become acquainted with the documentation and to receive explanations and information required within the framework of inspection.

(2) Prior to the commencement of the inspection, the supervisory authority of another Member State shall, in a timely manner, inform the Financial and Capital Market Commission thereof in writing. A representative of the Financial and Capital Market Commission has the right to participate in such inspection. The supervisory authority of another Member State shall submit to the Financial and Capital Market Commission a copy of the report prepared on the results of the inspection carried out.

(3) The Financial and Capital Market Commission has the right to, in accordance with their mutual agreement, provide the supervisory authority of another Member State with information not to be further disclosed, which is necessary for exercising the supervision at the branches and representations of the credit institutions of the relevant Member State registered in the Republic of Latvia, as well as the credit institutions and commercial companies thereof referred to in Paragraph one of this Section, which have submitted information to the supervisory authority of such Member State for exercising the consolidated supervision, if the legal acts of the relevant Member State provide liability for the disclosure of information not to be disclosed.

[*28 October 2004; 22 February 2007; 26 February 2009; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

**Section 107.2** The rights of a Member State supervisory authority laid down in Section 107.1 of this Law shall also be applied to a foreign supervisory authority insofar as it is necessary for exercising the supervision of credit institutions, on the basis of consolidated financial accounts and an agreement between the Financial and Capital Market Commission and the relevant foreign supervisory authorities of credit institutions.

[*28 October 2004*]

**Section 108.** (1) A written report shall be submitted to the management of the credit institution on the results of the inspection where the violations are indicated and directions instructions for the required changes in the further activities and credit policy of the credit institution are provided.

(2) If a credit institution does not agree with the opinion of the inspection 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 appoint a new inspection or decide to make amendments to the opinion of the inspection, 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 in court.

(4) If a credit institution does not agree with the opinion of the inspection by Latvijas Banka, it is entitled submit a complaint to the council of Latvijas Banka which is entitled to appoint a new inspection or to decide to make amendments to the opinion of the inspection, or to reject the complaint.

(5) If the decision of the council of Latvijas Banka does not satisfy the credit institution, it is entitled to appeal the decision in court.

[*1 June 2000; 11 December 2003*]

**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 activities that are in contradiction to the laws of Latvia, it shall without delay request that such credit institution terminate such activities.

(2) If the branch of a credit institution registered in another Member State which is operating in Latvia, or a credit institution registered in another Member State which is providing financial services without opening a branch does not discontinue activities that are in contradiction to the laws of Latvia, the Financial and Capital Market Commission shall, without delay, inform the supervisory authority of the relevant Member State whose obligation is to act so as to eliminate the violations. The supervisory authority of another Member State shall inform the Financial and Capital Market Commission of the measures taken.

(3) If the branch of a credit institution registered in another Member State which is operating in Latvia, or a credit institution registered in another Member State which is providing financial services without opening a branch does not discontinue activities that are in contradiction to the laws of Latvia, the Financial and Capital Market Commission shall inform the supervisory authority of the relevant Member State and take measures for rectification of such violations.

(4) The requirements laid down 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 to the laws of Latvia that safeguard the interests of the 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 crisis situations, without conforming to the procedures referred to in Paragraphs one, two, three, and four of this Section, the Financial and Capital Market Commission is entitled to implement measures in order to protect the interests of depositors, investors, and other recipients of the services of a credit institution by conforming to the commensurability of such measures with the interests to be protected and without causing preferences for the creditors of a credit institution referred to in this Paragraph in comparison to creditors in other Member States. The Financial and Capital Market Commission shall, without delay, inform the relevant supervisory authority of the Member State, the European Banking Authority, and the European Commission of taking the measures referred to in the first sentence of this Paragraph. If the administrative or judicial authority of the state of domicile applies reorganisation measures to the credit institution, then from the day of commencing such reorganisation measures the measures taken by the Financial and Capital Market Commission shall become invalid.

[*11 April 2002; 11 December 2003; 28 October 2004; 22 February 2007; 22 March 2012; 21 July 2017*]

**Section 108.2** (1) In order to ensure the supervision of such credit institutions, which with the intermediation of branches are operating in one or several Member States, the Financial and Capital Market Commission shall co-operate with the supervisory authorities of the relevant Member States, provide and receive information from such authorities necessary for the supervision of credit institutions regarding management and stockholders (shareholders) of credit institutions, as well as information that is related to the requirements governing the receipt of a licence of a credit institution, the commencing activities of branches and the activities of credit institutions, in particular in relation to liquidity, solvency, deposit guarantees, limiting of the large exposures, administrative and accounting procedures and internal control mechanisms.

(2) The Financial and Capital Market Commission is entitled to inform the European Banking Authority of the cases when the supervisory authority of another Member State does not cooperate or does not provide information upon a substantiated request of the Financial and Capital Market Commission, or does not provide information within a corresponding (reasonable) time period.

[*23 December 2010; 22 March 2012; 24 April 2014*]

**Section 108.3** (1) The Financial and Capital Market Commission, by indicating a justification, shall send to the supervisory authority or consolidating supervisor, supervising the consolidation group that includes a credit institution, which has a branch registered in the Republic of Latvia, of the state of domicile of a credit institution not included in the consolidation group, which has a branch registered in the Republic of Latvia, a request to co-ordinate the opinions in order to take the decision (hereinafter – the co-ordinated decision) to recognise the branch registered in the Republic of Latvia as significant.

(2) When assessing the significance of a branch, the Financial and Capital Market Commission shall take into account the following criteria:

1) deposits attracted by the branch in the Republic of Latvia are exceeding two per cent from the amount of deposits attracted by the sector of credit institutions;

2) suspension or termination of activities of the branch may have an impact on the payment, clearing and settlement system, as well as the liquidity of the financial market of the Republic of Latvia;

3) assets and the number of customers of the branch are significant for the sector of credit institutions or the financial system of the Republic of Latvia.

(3) The Financial and Capital Market Commission and the supervisory authority of the state of domicile or consolidated supervisor of the branch shall co-operate and carry out all necessary activities in order to within two months from the day of sending the request referred to in Paragraph one of this Section the co-ordinated decision is taken to recognise a branch as significant.

(4) The decision referred to in Paragraph three of this Section may be appealed in the state of domicile of consolidated supervisor or the branch in accordance with the procedures laid down in the laws of the relevant state.

41) [24 April 2014]

(5) If within two months from sending of the request referred to in Paragraph one of this Section the co-ordinated decision is not taken, the Financial and Capital Market Commission is entitled, in conformity with the opinion of the supervisory authority of the state of domicile or the consolidated supervisor, within the following two months, to take the decision to recognise the relevant branch as significant without co-ordination of opinions.

51) [24 April 2014]

(6) The supervisory authority of another Member State may apply to the Financial and Capital Market Commission with a request that a branch registered in this Member State of a credit institution registered in the Republic of Latvia is recognized as significant or, if the Financial and Capital Market Commission is the consolidating supervisory authority, with a request that branches of the credit institutions included in the consolidation group are recognized as significant. The Financial and Capital Market Commission shall take all the necessary measures in order to, within two months from the day of receipt of the request, make the co-ordinated decision to recognise a branch as significant. If the co-ordinated decision is not taken, the Financial and Capital Market Commission shall conform to the decision taken by the supervisory authority of another Member State to recognise the relevant branch as significant.

(7) The decision referred to in Paragraph six of this Section may be appealed against to the Administrative Regional Court.

(8) The decision taken to recognise a branch as significant shall be communicated to the relevant supervisory authorities of subsidiary credit institutions and branches registered in other Member States of a credit institution registered in the Republic of Latvia.

(9) Recognition of a branch as significant shall not affect the rights and obligations laid down for the supervisory authorities.

(10) The Financial and Capital Market Commission shall co-operate with the supervisory authorities of the significant branches of credit institutions registered in the Republic of Latvia in the countries involved, exchanging the information referred to in Section 112.7, Paragraph one, Clauses 3 and 4 of this Law and carrying out the supervisory activities referred to in Section 112.3, Paragraph one, Clause 3.

(11) If the Financial and Capital Market Commission detects an emergency situation, it shall, in conformity with the provisions for disclosure of restricted access information and using already established types of exchange of information as much as possible, without delay notify the national central banks of the countries involved, which are part of the European System of Central Banks, the European Central Bank and the European Systemic Risk Board.

(111) If a credit institution registered in the Republic of Latvia has significant branches in other Member States, the Financial and Capital Market Commission shall inform the supervisory authorities of credit institutions of the relevant States of the risks referred to in Section 101.3, Paragraph one and Section 112.4, Paragraph two of this Law and the assessment results of the capital necessary for covering them, and the decisions taken in accordance with Section 101.3, Paragraph three of this Law, insofar the relevant risk assessments and decisions apply to such branches.

(112) The Financial and Capital Market Commission shall co-operate with the supervisory authority of such country involved in which a credit institution of the Republic of Latvia has a registered significant branch in relation to the action plan for overcoming the potential liquidity crisis if it may affect the liquidity risk in the currency of the country involved.

(113) If the Financial and Capital Market Commission does not receive the information requested thereby from the supervisory authorities of significant branches of credit institutions registered in the Republic of Latvia or the measures taken by such branches are not corresponding, the Financial and Capital Market Commission may request that the European Bank Authority participates in examining the issue in accordance with Article 19 of EU Regulation No 1093/2010.

(12) If a credit institution registered in the Republic of Latvia has significant branches in other Member States and the credit institution is not included in the college of supervisors established within the framework of the consolidation group, the Financial and Capital Market Commission shall set up and manage a college of supervisors with the supervisory authorities of such countries involved in which the significant branches of the abovementioned credit institution have been registered in order to ensure co-operation with the supervisory authorities of the abovementioned Member States by carrying out the activities referred to in Paragraphs ten and eleven of this Section and Section 108.2. The Financial and Capital Market Commission shall create a college of supervisors by entering into a co-operation agreement with the supervisory authorities of the relevant countries involved.

(13) The Financial and Capital Market Commission, taking into account the importance of the planned or co-ordinated supervisory activities for the supervisory authorities of the countries involved and the potential impact on the stability of the financial system of the relevant Member States, particularly in emergency situations, shall determine such supervisory authority that has the obligation to participate in meetings of the college of supervisors.

(14) The Financial and Capital Market Commission shall, in due time, inform all participants of the college of supervisors of organisation of meetings of the college, the main issues to be examined and the planned activities, as well as the decisions taken or the measures carried out in the meetings.

[*23 December 2010; 22 March 2012; 24 April 2014; 21 July 2017*]

**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 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; 11 December 2003*]

**Section 110.** [1 June 2000]

**Section 110.1** (1) Information on a credit institution and its customer, the activities of the credit institution and its customer transactions which has not been previously published in accordance with the procedures laid down by law, or the disclosure of which has not been governed by other laws, or the decision on disclosure of which has not been taken by the Financial and Capital Market Commission, information received in accordance with the procedures laid down in this Section from Member State, foreign competent authorities and persons, and also from institutional units established by Member States and foreign countries, and information obtained by credit institutions in inspections for the needs of supervision shall be deemed to be restricted access information and shall not be disclosed to third parties other than in the form of an overview or summary so that it would be impossible to identify a specific credit institution or its customer. Such information on a credit institution and its customer, and also the activities of the credit institution and its customer transactions shall have the status of restricted access information also in such case where the insolvency proceedings of the credit institution or its customer have been initiated or liquidation thereof has been initiated, or the credit institution or its customer (legal person) has been liquidated.

(2) The prohibition to disclose restricted access information shall not apply to information:

1) which is related to court proceedings in a civil case if the insolvency proceedings of a credit institution have been declared or liquidation thereof has been initiated and such information is not related to third parties involved in actions to improve the financial situation of the credit institution;

2) which has been provided by the Financial and Capital Market Commission to the person directing the proceedings in a criminal case on the basis of the relevant request;

3) on a potential criminal offence established by the Financial and Capital Market Commission in the activities of a credit institution whereof it shall inform law enforcement authorities;

4) on persons who are responsible for detecting and investigating violations of laws and regulations in the field of commercial activity if the following conditions are complied with:

a) provision of information is necessary for detecting and investigating violations of laws and regulations governing the field of commercial activity;

b) a certification has been provided that information will be available only to such persons who are involved in the execution of the task and that the requirements for the protection of information are binding on them;

c) if the Financial and Capital Market Commission has obtained the necessary information from the supervisory authority of the financial market participant of another country, such information shall be disclosed only after receipt of the consent of the authority which provided the information.

(3) The provisions of Paragraph one of this Section shall not prohibit the Financial and Capital Market Commission, in conformity with the competence, to exchange restricted access information with the supervisory authorities of financial market participants of another Member State and the European Central Bank, the European Banking Authority, the European Securities and Markets Authority, the European Insurance and Occupational Pensions Authority, and the European Systemic Risk Board by preserving the status of restricted access information for the information provided, and also to openly disclose (publish on its website) the results of the stress tests performed by the Financial and Capital Market Commission.

(4) The Financial and Capital Market Commission is entitled to use the obtained information in accordance with Paragraphs three, seven, and nine of this Section only for the performance of its functions:

1) in order to ascertain conformity with the laws and regulations governing the founding and activities of credit institutions in the supervision of the activities of credit institutions, especially in relation to liquidity, solvency, large exposures, organisation of administration and accounting, and internal control mechanisms;

2) in order to apply the administrative measures and sanctions laid down by law;

3) in legal proceedings in which the administrative acts issued by the Financial and Capital Market Commission or its actual actions are appealed.

(5) The Financial and Capital Market Commission is entitled to request information from a credit institution on the basis of the request of the supervisory authority of credit institutions of another Member State and the request of such foreign supervisory authority of credit institutions with which a contract for exchange of information has been entered into. The abovementioned authorities are entitled to use the information provided thereto by the Financial and Capital Market Commission only subject to written consent of the Financial and Capital Market Commission and may use such information only for the requested purpose thereof.

(6) The Financial and Capital Market Commission is entitled to enter into contracts for exchange of information with foreign supervisory authorities of credit institutions or the authorities of the relevant foreign country the functions of which are comparable to the functions of the authorities referred to in Paragraphs seven and nine of this Section if the laws and regulations of this foreign country provide for the protection of restricted access information equivalent to this Section and the requirements in force in the field of personal data protection are conformed to. Such information shall only be used for the supervision of financial market participants or the relevant authorities for the performance of the functions laid down by law.

(7) When preserving the status of restricted access information, the provisions of Paragraphs one and four of this Section shall not prohibit the Financial and Capital Market Commission from exchange of restricted access information with:

1) the supervisory authorities of credit institutions of another Member State and the ministries of finance of such countries;

2) the authorities which have the duty to supervise the financial market or financial market participants;

3) the authorities of the Member States, including collegiate authorities and institutional units established by the Member States which have the obligation to maintain the stability of the financial system in Member States and which determine or implement macroprudential policy;

4) the authorities of the Member States which are responsible for the reorganisation of financial market participants, including collegiate authorities and institutional units established by Member States, and also the State authorities the purpose of which is to protect the stability of the financial system;

5) contractual or institutional systems for customer protection of Member States;

6) the competent authorities which are involved in insolvency, liquidation and similar procedures of credit institutions laid down in the legal acts of other Member States;

7) the persons who are responsible for mandatory audits of the financial statements of credit institutions;

8) the authorities of a Member State which manage investment and deposit compensation schemes if such information is necessary for the performance of the functions thereof;

9) the authorities which are responsible for the supervision of the financial market participants in the field of the prevention of money laundering and terrorism and proliferation financing and other authorities similar to the Financial Intelligence Unit of Latvia;

10) the competent authorities, State authorities or institutional units which are responsible for the application of rules in respect of structural division of actions in a banking group.

(8) The Financial and Capital Market Commission shall notify the European Banking Authority of State authorities and institutional units which may receive restricted access information for the performance of monitoring or supervisory functions or which in accordance with laws and regulations are responsible for detecting and investigating violations of laws and regulations in the field of commercial activity.

(9) The provisions of this Section shall not preclude the Financial and Capital Market Commission from exchanging restricted access information with the central banks of the Member States and other authorities of the Member State which are responsible for the monitoring of payment systems if provision of such information is necessary for the performance of the functions thereof laid down by law and also with the European Systemic Risk Board.

(10) In case of an emergency situation, adverse circumstances or condition where unfavourable development is observed on financial markets that could substantially threaten proper functioning, liquidity and integrity of the financial market and the stability of the financial system or part thereof in the European Union or in any of the Member States, the Financial and Capital Market Commission shall immediately, upon the relevant request, provide to the central banks of the Member States and the European Systemic Risk Board the information which is necessary to these authorities for the performance of the functions laid down by law, including for the implementation of the monetary policy and the provision of associated liquidity, the supervision of payment, clearing, and settlement systems and for ensuring the stability of the financial system.

(11) The provisions of this Section shall not preclude the Financial and Capital Market Commission from provision of restricted access information in accordance with the procedures laid down in Paragraph thirteen of this Section to the following international authorities:

1) the International Monetary Fund and the World Bank – for the performance of assessments intended for the Financial Sector Assessment Program;

2) the Bank for International Settlements – for the performance of quantitative impact studies;

3) the Financial Stability Board – for the performance of its functions.

(12) The Financial and Capital Market Commission shall provide restricted access information to the authorities referred to in Paragraph eleven of this Section in conformity with the provisions of Paragraph thirteen of this Section if a motivated request has been received and the following conditions are complied with:

1) the request is sufficiently justified, taking into account the particular tasks carried out by the requesting authority in accordance with the legal acts governing its operation;

2) the request is sufficiently accurate in relation to the content, amount of the requested information and the means for disclosure thereof;

3) a certification has been provided that the requested information is necessary for the performance of particular tasks of the requesting authority and does not exceed the scope of functions assigned to such authority in the laws and regulations governing the activity thereof;

4) a certification has been provided that information will be available only to such persons who are involved in the execution of the task and the requirements for the protection of information are binding on them.

(13) The authorities referred to in Paragraph eleven of this Section may become acquainted with restricted access information only in person in the premises of the Financial and Capital Market Commission.

[*23 September 2021 / 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 110 of Transitional Provisions*]

**Section 111.** (1) The employees of Latvijas Banka, the Ministry of Financial and the Financial and Capital Market Commission, the authorised representatives of the Financial and Capital Market Commission, and sworn auditors, the authorised persons of Latvijas Banka and the Financial and Capital Market Commission or other persons who have acted pursuant to the instructions of the authorised representatives of the Financial and Capital Market Commission or sworn auditors, shall be considered to be officials and shall be punishable for the disclosure of non-disclosable information, if they have, intentionally or unintentionally, made public or disclosed information on 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 Latvijas Banka and the Financial and Capital Market Commission in accordance with the procedures laid down in this Law, as well as in the cases and according to the procedures laid down in other laws.

(3) Information on 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 Latvijas Banka or the Financial and Capital Market Commission determines violations of law in the activities 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 the third parties for losses, which have occurred thereto, upon fulfilling of the official duties of the employee or upon fulfilling the tasks of the authorised person.

(6) The Financial and Capital Market Commission shall be liable for losses which have been caused to a third party by an action to the Financial and Capital Market Commission, upon fulfilling of the functions thereof laid down in the law, only in case if the illegal action of the Financial and Capital Market Commission has been intentional or the Financial and Capital Market Commission has permitted gross negligence.

(7) The Financial and Capital Market Commission shall be liable for losses which have been caused to a third party by an action of the employee or authorised person of the Financial and Capital Market Commission only in case if the illegal action of the employee or authorised person has been intentional or the employee or authorised person has permitted gross negligence.

[*21 May 1998; 1 June 2000; 11 April 2002; 11 December 2003; 17 May 2007; 12 February 2009*]

**Section 112.** [22 February 2007]

**Section 112.1** [23 December 2010] Amendment regarding the deletion of Section shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions]

**Chapter VII.1**

**Supervision of Activities of Credit Institutions at the Level of Consolidation Group**

[*23 December 2010*]

**Section 112.2** (1) The Financial and Capital Market Commission shall carry out consolidated supervision of parent credit institutions of the Republic of Latvia, or parent credit institutions of the European Union registered in the Republic of Latvia on the level of a consolidation group of the parent credit institution.

(2) If the parent company of a credit institution is a parent investment firm of the Republic of Latvia, a parent investment firm of the European Union registered in the Republic of Latvia, or a parent investment firm of the European Union registered in another Member State which does not have credit institutions – subsidiaries – in other Member States, the Financial and Capital Market Commission shall carry out consolidated supervision of such credit institutions at the level of such investment firm.

(3) If the parent company of credit institutions – subsidiaries – registered in the Republic of Latvia and at least one other Member State is a parent investment firm of the Republic of Latvia, a parent investment firm of the European Union registered in the Republic of Latvia, an investment firm of another Member State, or a parent investment firm of the European Union registered in another Member State, the Financial and Capital Market Commission shall carry out consolidated supervision, if the credit institution registered in the Republic of Latvia has the largest total assets.

(4) If the parent company of a credit institution is a parent financial holding company of the Republic of Latvia, a parent mixed financial holding company of the Republic of Latvia, a European Union parent financial holding company registered in the Republic of Latvia, or a European Union parent mixed financial holding company registered in the Republic of Latvia, or also a European Union parent financial holding company of another Member State, or a European Union parent mixed financial holding company of another Member State which does not have credit institutions – subsidiaries – in other Member States, the Financial and Capital Market Commission shall carry out consolidated supervision of such group.

(5) If a credit institution registered in the Republic of Latvia and an investment firm registered in at least one other Member State are subsidiaries of the same parent financial holding company of the Republic of Latvia, parent mixed financial holding company of the Republic of Latvia, European Union parent financial holding company registered in the Republic of Latvia, or European Union parent mixed financial holding company registered in the Republic of Latvia, the Financial and Capital Market Commission shall carry out consolidated supervision of such group.

(6) If the parent company of credit institutions registered in the Republic of Latvia and at least one other Member State is a financial holding company or mixed financial holding company registered in the Republic of Latvia and at least one other Member State, and there is also a registered credit institution – subsidiary – in each such Member State, the Financial and Capital Market Commission shall carry out consolidated supervision, if the credit institution registered in the Republic of Latvia holds the largest total assets.

(7) If consolidation is carried out in accordance with Article 18(3) or (6) of EU Regulation No 575/2013, the Financial and Capital Market Commission shall carry out consolidated supervision, if the credit institution registered in the Republic of Latvia has the largest total assets.

(8) In special cases when, in the situations referred to in Paragraphs two, three, six, and seven of this Section, several credit institutions – subsidiaries – of such group are registered in one Member State, the Financial and Capital Market Commission shall carry out consolidated supervision, if the credit institution registered in the Republic of Latvia has the largest total assets or the credit institutions registered in the Republic of Latvia have the largest total assets.

(9) In special cases the Financial and Capital Market Commission is entitled, upon mutual agreement with the supervisory authorities of the relevant Member States, not to apply the procedures laid down in Paragraphs one, two, three, five, six, and seven of this Section, if the application thereof would be inappropriate, taking into account the relative significance of the credit institutions and investment firms involved and their activities in different countries or taking into account the necessity to ensure that carrying out of consolidated supervision is continued by the supervisory authority of the relevant credit institution or investment firm, and to propose determination of another supervisory authority for the carrying out of consolidated supervision, rather determination of the supervisory authority according to the usual procedures. Prior to taking of this decision, the supervisory authorities involved shall provide the parent company of the European Union, the European Union parent mixed financial holding company, the European Union parent financial holding company, or the credit institution, or the investment firm with the largest total assets, with an opportunity of expressing an opinion on the decision to be taken. The Financial and Capital Market Commission shall, without delay, inform the European Commission and the European Banking Authority of such type of agreement and the content thereof.

(10) A financial holding company or a mixed financial holding company which is the parent company of a credit institution but which has not been issued with the permit in accordance with Section 33.3 of this Law, shall provide the credit institution the consolidated supervision of which is carried out by the Financial and Capital Market Commission with information on such credit institutions and financial institutions which are subsidiaries of the financial holding company or the mixed financial holding company or in which the financial holding company or the mixed financial holding company has a participation.

(11) A financial holding company or a mixed financial holding company shall ensure that members of the council or the board of a financial holding company registered in the Republic of Latvia or a mixed financial holding company registered in the Republic of Latvia meet the same requirements and are subjected to the same restrictions as respectively imposed on the member of the council or the board of the credit institution by Section 24, Paragraphs one and two, Section 25, Paragraph one, and Section 26, Paragraph one, and also Section 26.1 of this Law, taking into account the specific characteristics of the activities of the financial holding company registered in the Republic of Latvia or the mixed financial holding company registered in the Republic of Latvia.

(12) If a credit institution registered in the Republic of Latvia is a subsidiary of a parent credit institution of another Member State, a parent mixed financial holding company of another Member State, or a parent financial holding company of another Member State and it is not included in the consolidation group in such Member State for the purposes of consolidated supervision in accordance with EU Regulation No 575/2013, the Financial and Capital Market Commission is entitled to request information from the parent company registered in the relevant Member State necessary for the supervision of the credit institution registered in the Republic of Latvia.

(13) Subsidiaries of such credit institutions, mixed financial holding companies, and financial holding companies which are not included in the consolidation group for the purposes of consolidated supervision in accordance with EU Regulation No 575/2013 shall, upon request of the Financial and Capital Market Commission, provide the information necessary for the supervision. The Financial and Capital Market Commission may carry out inspections or assign the carrying out thereof to the third parties – a sworn auditor or a commercial company of sworn auditors – in order to verify the information received from the abovementioned subsidiaries.

(14) If the requirements of this Law and the equivalent requirements of the Financial Conglomerates Law are binding on a mixed financial holding company, especially with regard to risk management and internal control, the Financial and Capital Market Commission, if it is the consolidated supervisor, has the right, after negotiations with the involved supervisory authorities, apply only the requirements of the Financial Conglomerates Law to that company.

(15) If the requirements of this Law and equivalent requirements of the Insurance and Reinsurance Law are binding to a mixed financial holding company, particularly in relation to the risk management and internal control, the Financial and Capital Market Commission, if it is the consolidated supervisor, upon agreement with a group supervisory authority in the insurance sector, is entitled to apply only the requirements of such law to the mixed financial holding company in relation to the financial sector which has been laid down as the most important in accordance with the Financial Conglomerates Law.

(16) The Financial and Capital Market Commission shall inform the European Banking Authority and the European Insurance and Occupational Pensions Authority of taking the decisions referred to in Paragraphs fourteen and fifteen of this Section.

[*29 April 2021*]

**Section 112.3** (1) In order to ensure the supervision a parent credit institution of the European Union registered in the Republic of Latvia and of a credit institution which is a subsidiary of a European Union parent financial holding company registered in the Republic of Latvia or a European Union parent mixed financial holding company registered in the Republic of Latvia, at the level of a consolidation group, the Financial and Capital Market Commission shall:

1) co-ordinate the acquisition and disclosure of essential information for the needs of supervision including in emergency situations;

2) in cooperation with the supervisory authorities of credit institutions of other Member States included in the consolidation group, plan and co-ordinate day-to-day supervisory activities, including activities necessary for the purpose of taking a co-ordinated decision on specific prudential requirements and the sanctions to be imposed;

3) in co-operation with the supervisory authorities of credit institutions of other Member States included in the consolidation group and, where appropriate, central banks of such Member States, which are part of the European System of Central Banks and the European Central Bank, plan and co-ordinate the supervisory activities for readiness for emergency situations and during emergency situations, including such emergency situations, which may develop in case of deterioration of the financial situation of the credit institution, or due to the impact of unfavourable development of financial markets. The supervisory activities provided for emergency situations shall include the preparation of a joint assessment of the situation, the implementation of a crisis management plan and the provision of public information. During the exchange process of the necessary information already established types of exchange of information shall be used as much as possible for the provision of crisis management.

(11) If the supervisory authorities of credit institutions of other Member States included in the consolidation group do not co-operate adequately in implementation of the supervisory tasks laid down in Paragraph one of this Section, the Financial and Capital Market Commission is entitled to apply to the European Banking Authority for the settlement of disputes in accordance with EU Regulation No 1093/2010.

(2) [24 April 2014]

(3) [24 April 2014]

(4) [24 April 2014]

41) [24 April 2014]

(5) [24 April 2014]

51) [24 April 2014]

(6) [24 April 2014]

(7) [24 April 2014]

71) [24 April 2014]

(8) [24 April 2014]

[*22 March 2012; 16 May 2013; 24 April 2014*]

**Section 112.4** (1) If the Financial and Capital Market Commission is the consolidated supervisor, it and the supervisory authorities of other Member States which supervise subsidiaries of a European Union parent institution, subsidiaries of a European Union parent mixed financial holding company, or subsidiaries of a European Union parent financial holding company which are included in a consolidation group shall carry out the activities which are within their competence and necessary to take the co-ordinated decision on:

1) evaluation of the assessment process of the sufficiency of capital of a consolidation group and subsidiaries included in the consolidation group and implementation of the process for the inspection of supervision, determining the amount of capital required for covering the inherent and potential risks for the activities of the entire consolidation group and the subsidiaries included in the consolidation group, and also, if necessary, imposing an obligation for the entire consolidation group and the subsidiaries included in the consolidation group to maintain a higher level of own funds in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law;

2) measures necessary to solve significant findings related to the supervision of liquidity, inter alia, such, which refer to the organisation structure of the liquidity risk management and sufficiency of procedures, as well as, where appropriate, to determine special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law;

3) the guidance on additional own funds in accordance with Section 101.17, Paragraph three of this Law.

(2) The co-ordinated decision referred to in Paragraph one, Clause 1 of this Section shall be taken within four months after the Financial and Capital Market Commission has submitted a report to the supervisory authorities of the subsidiaries involved in the decision-making on assessment of the risks of the consolidation group and the additional own funds necessary for covering thereof that has been carried out in accordance with Section 101.3, Paragraph 4.4, Clause 1 of this Law. The co-ordinated decision referred to in Paragraph one, Clause 2 of this Section shall be taken within four months after the Financial and Capital Market Commission has submitted a report to the supervisory authorities involved in the decision-making which contains a liquidity risk assessment of the consolidation group in accordance with the requirements of Section 101.3 of this Law. The co-ordinated decision referred to in Paragraph one, Clause 3 of this Section shall be taken within four months after the Financial and Capital Market Commission has submitted a report to the supervisory authorities involved in the decision-making on assessment of the risks of the consolidation group and the capital necessary for covering thereof which has been carried out in accordance with the requirements of Section 101.17 of this Law. When taking co-ordinated decisions, the assessment of the risks of subsidiaries and the capital necessary for covering thereof (including the additional own funds requirement and the guidance on additional own funds), which is carried out by the supervisory authorities of the subsidiaries involved in the consolidation group, shall also be taken into account.

(3) The Financial and Capital Market Commission shall send the co-ordinated decision referred to in Paragraph one, Clause 1 or 2 of this Section together with a complete justification to the European Union parent institution of the relevant consolidation group.

(4) In case of a dispute between the supervisory authorities involved in the decision-making, the Financial and Capital Market Commission shall, upon request from any supervisory authority involved in the decision-making or upon its own initiative, consult with the European Banking Authority or shall apply to the European Banking Authority for the settlement of disputes in accordance with EU Regulation No 1093/2010.

(5) If the Financial and Capital Market Commission and the supervisory authorities of the companies included in the consolidation group during the time period referred to in Paragraph two of this Section do not take the co-ordinated decision and neither any supervisory authority of the companies included in the consolidation group nor the Financial and Capital Market Commission has applied the settlement of disputes to the European Banking Authority during this time period, the Financial and Capital Market Commission shall, taking into account the risk assessment carried out by all supervisory authorities of the subsidiaries, take the decision on:

1) measures which are necessary for solving essential determinations related to liquidity supervision;

2) the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law;

3) the implementation of the process of inspection of supervision at the level of the consolidation group, determining the amount of capital necessary for covering the inherent and potential risks for the activities of the consolidation group, and also, if necessary, imposing an obligation for the entire consolidation group to ensure additional own funds or the guidance on additional own funds, taking into account the risk assessment carried out by all supervisory authorities of subsidiaries.

(6) The decision on measures which are necessary for solving essential determinations related to liquidity supervision or the decision on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law, or the decision on the implementation of the process of inspection of supervision for a subsidiary on an individual or sub-consolidated basis, by determining the amount of capital necessary for covering the inherent and potential risks for the activities of the subsidiary on an individual or sub-consolidation basis, and also, if necessary, by imposing an obligation for the subsidiary on an individual or sub-consolidation basis to ensure additional own funds or the guidance on additional own funds, shall be taken by the supervisory authorities of the involved subsidiaries, taking into account the opinion expressed by the Financial and Capital Market Commission.

(7) If the Financial and Capital Market Commission and the supervisory authorities of the companies included in the consolidation group do not take the co-ordinated decision within the time period referred to in Paragraph two of this Section and any of the supervisory authorities of the companies included in the consolidation group, or the Financial and Capital Market Commission has applied the settlement of disputes to the European Banking Authority during this time period, the Financial and Capital Market Commission shall conform to the decision of the European Banking Authority when taking the decision on measures which are necessary for solving essential determinations related to liquidity supervision or the decision on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law, or the decision on the implementation of the process of inspection of supervision at the level of the consolidation group, or determining the amount of capital necessary for covering the inherent and potential risks for the activities of the consolidation group, and also, if necessary, imposing an obligation for the entire consolidation group to ensure additional own funds or the guidance on additional own funds.

(8) If the Financial and Capital Market Commission is the consolidated supervisor, it shall send the decision taken in accordance with Paragraph five or seven of this Section together with the justification and the risk assessment carried out by the supervisory authorities of the companies included in the consolidation group, their opinions and reservations to all supervisory authorities involved in the decision-making and the European Union parent institution of the relevant consolidation group.

(9) If consultations have taken place with the European Banking Authority, all the supervisory authorities involved in the decision-making shall take into account the recommendations thereof or, if the recommendations are not taken into account, shall provide explanations.

(10) The decisions referred to in Paragraph one of this Section may be appealed to the Administrative Regional Court.

(11) The decisions referred to in Paragraph one of this Section or any other decision taken in the absence of the co-ordinated decision, shall be reviewed at least once a year or in the situation when the supervisory authority of the subsidiary, by submitting a reasoned request to the Financial and Capital Market Commission in writing, requests a review of the decision on the obligation to ensure additional own funds or the guidance on additional own funds or the decision on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law. If the review of a decision has been initiated by a subsidiary, it may be reviewed by the Financial and Capital Market Commission, involving only the supervisory authority of the respective subsidiary. If the Financial and Capital Market Commission is not the consolidated supervisor for a consolidation group which contains a credit institution registered in the Republic of Latvia, the Financial and Capital Market Commission may, upon submitting a reasoned request to the supervisory authority in writing, propose to review the decision on the obligation to ensure additional own funds or the guidance on additional own funds or the decision on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law.

(12) If the Financial and Capital Market Commission is not the consolidated supervisor for a consolidation group which contains a credit institution registered in the Republic of Latvia, the Financial and Capital Market Commission shall, upon expressing its opinion, participate with the consolidated supervisor and the supervisory authorities of the subsidiaries of other Member States in taking of the co-ordinated decision on:

1) the amount of capital necessary for covering the inherent and potential risks for the activities of the whole consolidation group and the subsidiaries included in the consolidation group;

2) the obligation for the whole consolidation group and the subsidiaries included in the consolidation group to ensure additional own funds or guidance on additional own funds;

3) the measures necessary to solve significant findings related to the supervision of liquidity, inter alia, such, which refer to the organisation structure of the liquidity risk management and sufficiency of procedures;

4) the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law.

(13) If there are disputes between the Financial and Capital Market Commission and the consolidated supervisor, the Financial and Capital Market Commission is entitled to request that the consolidated supervisor consults with the European Banking Authority, or itself is entitled to apply to the European Banking Authority for the settlement of disputes. If the co-ordinated decision is not taken within the time period referred to in Paragraph two of this Section, which is counted from the day of receipt of the report of the consolidated supervisor, but the settlement of disputes has not been applied to the European Banking Authority by any supervisory authority from the companies included in the consolidation group, the decision at the level of the consolidation group shall be taken by the consolidated supervisor, but the decision on measures which are necessary for solving essential determinations related to liquidity supervision or the decision on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law to a credit institution registered in the Republic of Latvia on an individual or sub-consolidated basis, or the decision on the amount of capital necessary for covering the inherent and potential risks of activities of a credit institution registered in the Republic of Latvia on an individual or sub-consolidated basis, and also, if necessary, the decision to impose an obligation for a credit institution registered in the Republic of Latvia or a consolidation subgroup thereof to ensure additional own funds and the guidance on additional own funds, shall be taken by the Financial and Capital Market Commission, taking into account the opinion of the consolidated supervisor, and the respective decision shall be sent to the consolidated supervisor.

(14) If within the specified time period from the day of receipt of the report of the consolidated supervisor referred to in Paragraph thirteen of this Section any supervisory authority of the companies included in the consolidation group has applied to the European Banking Authority for the settlement of disputes on the measures necessary to solve significant findings related to the supervision of liquidity or on the application of special liquidity requirements in accordance with Section 101.3, Paragraphs 4.7 and 4.8 of this Law, or on the amount of capital necessary for covering the inherent and potential risks for the activities of the entire consolidation group or subsidiaries included in the consolidation group, and also, if necessary, on imposition of an obligation for the entire consolidation group and subsidiaries included in the consolidation group to ensure additional own funds or the guidance on additional own funds, the consolidated supervisor and the Financial and Capital Market Commission shall conform to the decision of the European Banking Authority.

(15) The co-ordinated decisions referred to in Paragraph twelve of this Section may be appealed in the state of domicile of the consolidated supervisor in accordance with the procedures laid down in the laws of the relevant state.

[*29 April 2021*]

**Section 112.5** (1) In case of an emergency situation, including when unfavourable trends in the development of financial markets are identified, which could endanger the liquidity of the financial market and the stability of the financial system in any of the Member States, where commercial companies of a consolidation group supervised by the Financial and Capital Market Commission or significant branches of credit institutions of such consolidation group, or licensed commercial companies not included in the consolidation group are registered, the Financial and Capital Market Commission, in accordance with the provisions for disclosure of restricted access information and for the provision of crisis management using already established types of exchange of information as much as possible, shall, without delay, warn the European Banking Authority, the European Systemic Risk College, the central bank of the relevant Member State, or another competent authority responsible for the monetary system, as well as the supervisory authorities of credit institutions, financial institutions, investment firms and insurance companies regarding the emergency situation, and shall notify all the information related to the performance of the tasks thereof.

(11) If the information on the emergency situation referred to in Paragraph one of this Section falls at the disposal of Latvijas Banka, it shall without delay notify the Financial and Capital Market Commission and the European Banking Authority on such situation.

(2) The Financial and Capital Market Commission, if possible, shall request the information necessary for consolidated supervision which is already at the disposal of the supervisory authority of another Member State from the relevant supervisory authority in order for the commercial companies included in the consolidation group not to be required to provide the same information several times.

[*22 March 2012; 24 April 2014*]

**Section 112.6** (1) In order to ensure efficient consolidated supervision, the Financial and Capital Market Commission shall enter into co-operation agreements with the supervisory authorities of the commercial companies included in the consolidation group. The Financial and Capital Market Commission, as the institution responsible for consolidated supervision, is entitled to undertake additional supervisory tasks, as well as to stipulate the co-operation procedures.

(11) If the Financial and Capital Market Commission is the consolidated supervisor for a consolidation group which includes a European Union parent financial holding company registered in another Member State or a European Union parent mixed financial holding company which has received a permit in accordance with Section 33.3 of this Law, the Financial and Capital Market Commission shall enter into the cooperation agreement referred to in Paragraph one of this Section also with the competent authority of the relevant Member State.

(2) The tasks that may facilitate the supervision of such credit institution registered in the Republic of Latvia and included in the consolidation group, which is a subsidiary of a parent credit institution of another Member State or a parent financial holding company of another Member State, may be handed over by the Financial and Capital Market Commission to the supervisory authority of the relevant Member State upon a mutual agreement. The Financial and Capital Market Commission shall inform the European Banking Authority regarding such an agreement and the content thereof.

(3) If the Financial and Capital Market Commission is the authority of consolidated supervision, it shall establish a college of supervisors of the supervisory authorities of subsidiaries of other Members States and the supervisory authorities of such Member States, where the significant branches established in accordance with the requirements of Section 108.3, Paragraph six of this Law are registered for the credit institutions forming the consolidation group has registered, in order to facilitate the compliance with the tasks laid down Sections 112.3, 112.4 and Section 112.5, Paragraph one of this Law, as well as, where appropriate, involve representatives of foreign supervisory authorities in the college of supervisors, if the foreign country conforms to provisions equivalent to the provisions for disclosure of restricted access information adopted in the European Union in order to ensure appropriate co-ordination and co-operation with the relevant foreign supervisory authorities.

(31) If the Financial and Capital Market Commission is the consolidated supervisor, it shall establish a college of supervisors also if the headquarters of all cross-border subsidiaries of a parent credit institution of the European Union, a European Union parent financial holding company, or a European Union parent mixed financial holding company are located in foreign countries in order to promote the execution of the tasks referred to in Section 112.3, Paragraph one, Section 112.5, Paragraphs one and 1.1, and Section 112.6, Paragraph one of this Law, if provisions equivalent to the provisions for the disclosure of restricted access information adopted in the European Union are conformed to in the foreign country.

(4) Participants of the college of supervisors are entitled to share restricted access information. The operation thereof shall not affect the rights and obligations of the supervisory authorities, but ensure the carrying out of the following tasks for the consolidated supervisor and the supervisory authorities of other Member States constituting the college of supervisors:

1) exchange of information among the supervisory authorities involved and the European Banking Authority;

2) if necessary, consensus building for voluntary carrying out of tasks and delegation of responsibilities;

3) determination of programmes for inspections of supervision in accordance with the requirements of Section 101 of this Law, on the basis of the risk assessment of the consolidation group, which has been performed in accordance with Section 103.3 of this Law;

4) increase in efficiency of supervision, eliminating the overlapping of supervisory requirements, including requiring the information referred to in Section 112.5, Paragraph two and Section 112.7, Paragraph three of this Law;

5) application of consistent prudential requirements in accordance with this Law and EU Regulation No 575/2013 to all commercial companies of the consolidation group;

6) performance of the supervisory activities referred to in Section 112.3, Paragraph one, Clause 3 of this Law.

(5) The college of supervisors in accordance with the decision of the constituent supervisory authorities thereof may, where appropriate, include a representative from the central bank, which is part of the European System of Central Banks, of the Member State involved in the college of supervisors or a representative from the European Central Bank, as well as representative from the supervisory authority of the relevant foreign country, if laws and regulations of the foreign country, in the opinion of all supervisory authorities forming the college of supervisors, provide for legal framework for exchange of restricted access information equivalent to the legal framework laid down in this Law and legal acts of the European Union. The college of supervisors, if necessary, may include the supervisory authority of such Member State the European Union parent financial holding company or the European Union parent mixed financial holding company registered in which has received a permit in accordance with Section 33.3 of this Law.

(6) The Financial and Capital Market Commission as the consolidated supervisor shall chair the meetings of the college of supervisors and determine which supervisory authorities shall be invited to participate in the meetings of the college of supervisors. The Financial and Capital Market Commission shall, in due time, inform all participants of the college of supervisors regarding holding of the meetings of the college of supervisors, the main issues to be examined and the planned activities. The Financial and Capital Market Commission shall, in due time, inform all participants of the college of supervisors also regarding the decisions taken in the college meetings.

(7) The Financial and Capital Market Commission, when taking decisions within the framework of the established college of supervisors, shall take into account the significance of the planned or co-ordinated supervisory activities to these supervisory authorities, particularly the impact of the decisions on stability of the financial system of the relevant Member State.

(8) The Financial and Capital Market Commission shall inform the European Banking Authority regarding the decisions taken by the college of supervisors, including in emergency situations, and shall provide it with all the information necessary for equal application of the supervisory requirements.

(9) Where the consolidated supervisor of another Member State carries out the supervision of a consolidation group, which includes a credit institution registered in the Republic of Latvia, or the supervision of such credit institutions, which have significant branches registered in the Republic of Latvia, the Financial and Capital Market Commission shall participate in the work of the college of supervisors established by them to the extent determining by the consolidated supervisor.

(10) The Financial and Capital Market Commission is entitled apply to the European Banking Authority for resolution of disputes related to the activities of the college of supervisors, in accordance with EU regulation No 1093/2010.

[*22 March 2012; 24 April 2014; 29 April 2021*]

**Section 112.7** (1) In co-operation with supervisory authorities of other Member States, the Financial and Capital Market Commission shall exchange with them information which is essential or relevant for the consolidated supervision and verification of compliance with the requirements of this Law and EU Regulation No 575/2013. The Financial and Capital Market Commission shall, upon its own initiative, provide any essential information and, upon request, provide useful information to the supervisory authorities of other Member States. Information shall be considered to be essential for the performance of consolidated supervision if it can affect the stability rating of the activities of a credit institution or financial institution of another Member State, and shall include at least information on:

1) legal, management and organisational structure of the consolidation group, indicating the regulated commercial companies, unregulated subsidiaries and significant branches included in the consolidation group, and any parent commercial company, as well as information regarding compliance with the requirements of Section 14, Paragraph one, Clauses 2 and 3, Section 34.1, Section 50.9 of this Law, and regarding the supervisory authorities of the regulated commercial companies included in the consolidation group;

2) the procedures to be complied with when receiving information from credit institutions forming the group, and the procedures for the verification of such information;

3) negative development trends of the credit institution or other commercial companies of the group, which may have a material impact on the activities of the credit institution;

4) significant sanctions and supervisory measures in emergency situations, which the Financial and Capital Market Commission shall determine and carry out in accordance with this Law, as well as regarding the obligation to maintain a higher level of own funds than the total sum of minimum capital requirements and any restrictions on use of the advanced operational risk measurement approach in accordance with EU Regulation No 575/2013.

(11) The Financial and Capital Market Commission is entitled to inform the European Banking Authority of cases when the supervisory authorities of other Member States have not provided essential information or upon a substantiated request of the Financial and Capital Market Commission have refused to co-operate or have failed to act within a corresponding (reasonable) time period.

(2) The Financial and Capital Market Commission shall provide all the relevant information to the supervisory authorities of other Member States, the jurisdiction of which covers the subsidiaries of a parent credit institution of the European Union registered in the Republic of Latvia, the subsidiaries of a European Union parent mixed financial holding company registered in the Republic of Latvia or the subsidiaries of a European Union parent financial holding company registered in the Republic of Latvia. When determining extent of the useful information, the significance of the referred to subsidiaries in the financial system of the relevant Member State shall be taken into account.

(3) If the Financial and Capital Market Commission for supervision of such credit institution which is a subsidiary of a parent credit institution of the European Union of another Member State, a European Union parent mixed financial holding company of another Member State, or a European Union parent financial holding company of another Member State, needs information on approaches to be used for the calculation of capital requirements, the methodology and the procedures for implementation thereof in accordance with this Law and EU Regulation No 575/2013, which may already be at the disposal of the supervisory authority of the relevant Member State, the Financial and Capital Market Commission, if possible, shall require such information the from supervisory authority of the Member State.

(4) Prior to taking of decisions important for carrying out of the supervisory functions of other Member States, the Financial and Capital Market Commission shall consult with the supervisory authorities of the relevant Member States, on the following matters:

1) on such changes in the composition of stockholders (shareholders) and organisational or management body of the credit institution group which require a permission from the supervisory authorities;

2) on significant sanctions and supervisory measures in emergency situations, which the Financial and Capital Market Commission plans to determine and carry out, also regarding the obligation to maintain a higher level of own funds than the total sum of minimum capital requirements and any restrictions on use of the advanced operational risk measurement approach in accordance with EU Regulation No 575/2013. Prior to taking the abovementioned decisions in relation to credit institutions which are subsidiaries of parent credit institutions of other Member States or of parent financial holding companies of other Member States, the Financial and Capital Market Commission shall always consult with the supervisory authority of the relevant Member State which is responsible for consolidated supervision. In urgent cases or in cases when such consultations might endanger the efficiency of taking the decision, the Financial and Capital Market Commission may, without consulting with the supervisory authority of the relevant Member State and without delay, notify the decision taken thereto.

(5) The Financial and Capital Market Commission shall, according to its competence, cooperate with the Financial Intelligence Unit of Latvia and institutions of other Member States the obligations of which on the merits are similar and with the supervisory and control authorities which supervise the conformity of the activities of credit institutions and financial authorities with the requirements for the prevention of money laundering and terrorism and proliferation financing, and also exchange with all the necessary information which is important for the performance of the relevant obligations in accordance with this Law, EU Regulation No 575/2013, and the requirements for the prevention of money laundering and terrorism and proliferation financing. Such cooperation and exchange of information shall not affect the preparation of requests, investigation, or processes in accordance with the criminal law or administrative law of such Member State in which the abovementioned institutions are located.

(6) The Financial and Capital Market Commission is entitled to apply to the European Banking Authority for the resolution of disputes related to coordination of supervisory activities in accordance with EU Regulation No 1093/2010.

[*22 March 2012; 16 May 2013; 24 April 2014; 29 April 2021*]

**Section 112.8** (1) If the parent company of one or more credit institutions is a mixed holding company, the Financial and Capital Market Commission shall, directly or with the intermediation of credit institutions – subsidiaries, request that the mixed holding company and other subsidiaries thereof provide information which is relevant for the supervision of the credit institutions – subsidiaries.

(2) The Financial and Capital Market Commission may carry out inspections or assign them to third parties – a sworn auditor or commercial company of sworn auditors to verify the information received from mixed holding companies and its subsidiaries. If a mixed-activity holding company or any of the subsidiaries thereof is registered in another Member State, verification of information in the presence shall be carried out in accordance with the procedures laid down in Section 112.12 of this Law.

**Section 112.9** (1) A credit institution the parent company of which is a mixed holding company has the obligation to provide the Financial and Capital Market Commission with information on transactions which have been carried out thereby with the parent company and other subsidiaries thereof, with the exception of large transactions with exposure, regarding which information has been provided to the Financial and Capital Market Commission in accordance with EU Regulation No 575/2013.

(2) The credit institution shall establish an appropriate system for risk management and internal control, as well as develop relevant accounting procedures, in order to appropriately determine, assess and control transactions with the parent company thereof, which is a mixed holding company, and other subsidiaries of such mixed holding company.

(3) [24 April 2014]

(4) The Financial and Capital Market Commission shall determine the procedures for submitting the information referred to in Paragraph one of this Section.

[*16 May 2013; 24 April 2014*]

**Section 112.10** (1) The Financial and Capital Market Commission is entitled to request from credit institutions, financial institutions, financial holding companies, mixed holding companies, mixed financial holding companies and their subsidiaries or commercial companies included in the consolidation group or exempt from inclusion therein, and the aforementioned persons have the obligation to provide information, which in accordance with the laws and regulations, including EU Regulation No 575/2013, or a mutual agreement between the Financial and Capital Market Commission and the supervisory authority of credit institutions of other Member State is necessary for exercising consolidated supervision of credit institutions.

(2) If the parent company and any of the subsidiaries thereof – credit institutions – are registered in the Republic of Latvia and in other Member States, the Financial and Capital Market Commission and the supervisory authorities of such Member States shall share all the information necessary for exercising of consolidated supervision. If the Financial and Capital Market Commission does not carry out consolidated supervision of a parent company registered in the Republic of Latvia, then upon a request of the supervisory authority of other Member State responsible for carrying out of such supervision, the Financial and Capital Market Commission shall request information from the parent company, which could be relevant for consolidated supervision, and shall forward it to the supervisory authority responsible for consolidated supervision.

(3) The Financial and Capital Market Commission is entitled to share the information referred to Paragraph two of this Section with the supervisory authorities of other Member States, which has been received from financial holding companies of credit institutions, mixed financial holding companies, financial institutions, mixed holding companies and such subsidiaries thereof, which are not credit institutions or are exempt from inclusion in the consolidation group, and which is necessary to the Financial and Capital Market Commission and the supervisory authorities of other Member States for exercising of consolidated supervision. The fact that the Financial and Capital Market Commission acquires and uses such information shall not mean that the Financial and Capital Market Commission supervises the abovementioned merchants.

[*16 May 2013; 24 April 2014*]

**Section 112.11** (1) If a credit institution, a financial holding company, a mixed financial holding company, or a mixed holding company controls one or more subsidiaries which are insurance companies or commercial companies providing such investment services for which an authorisation (license) is necessary, the Financial and Capital Market Commission shall co-operate with the supervisory authorities of such insurance companies of other Member States and other licensed commercial companies. The Financial and Capital Market Commission shall provide information to the supervisory authorities of other Member States, which can ensure the supervision of activities and financial situation of such commercial companies.

(11) If a European Union parent mixed financial holding company is registered in the Republic of Latvia and the Financial and Capital Market Commission is the consolidated supervisor, but is not the coordinator in accordance with the Financial Conglomerates Law, the Financial and Capital Market Commission shall cooperate with the coordinator in order to apply the requirements of this Law and EU Regulation No 575/2013 to the consolidation group. The Financial and Capital Market Commission shall enter into a cooperation agreement with the relevant coordinator.

(2) The information received by the Financial and Capital Market Commission, in carrying out consolidated supervision (particularly any information received from the supervisory authorities), shall be deemed to be restricted access information.

(3) If the Financial and Capital Market Commission carries out supervision of such credit institutions which are subsidiaries of a financial holding company or a mixed financial holding company, at the level of the consolidation group of a financial holding company or a mixed financial holding company in accordance with EU Regulation No 575/2013, the Financial and Capital Market Commission shall draw up a list of such financial holding companies or mixed financial holding companies and send it to the supervisory authorities of other Member States, the European Banking Authority and the European Commission.

[*22 March 2012; 16 May 2013; 24 April 2014; 29 April 2021*]

**Section 112.12** (1) If the accuracy of such information which the Financial and Capital Market Commission has received during consolidated supervision regarding a credit institution, financial institution, ancillary services undertaking (as defined in Article 4(1)(18) of EU Regulation No 575/2013), financial holding company, mixed holding company, mixed financial holding company registered in another Member State, or regarding a subsidiary of a credit institution, a financial holding company, a mixed financial holding company, or a mixed holding company, which is an insurance undertaking or commercial company which provides investment services requiring a permit (licence), or a subsidiary of a credit institution, a financial holding company, or a mixed financial holding company which is not subject to consolidated supervision needs to be verified, the Financial and Capital Market Commission shall send to the supervisory authority of the relevant Member State a request to verify the accuracy of the received information. The Financial and Capital Market Commission shall itself verify the received information, if the respective supervisory authority has granted permission thereto, and may also participate in the verification of information that is carried out by the supervisory authority of the respective Member State or another person authorised to carry out the abovementioned verification.

(2) The Financial and Capital Market Commission is entitled to carry out inspections in a credit institution, financial institution, ancillary services undertaking (within the meaning of Article 4(1)(18) of EU Regulation No 575/2013), financial holding company, mixed holding company, mixed financial holding company registered in the Republic of Latvia or a subsidiary of a credit institution, a financial holding company, a mixed financial holding company, and a mixed holding company which is an insurance company or a commercial company which provides investment services which require a permit (licence), or a subsidiary of a credit institution, a financial holding company, or a mixed financial holding company which is not subjected to consolidated supervision, upon a request of a supervisory authority of another Member State, in order to verify the accuracy of the information received by the relevant supervisory authority of the Member State on the relevant companies in the course of consolidated supervision, or to allow the supervisory authority of such Member State to carry out such inspection. If the supervisory authority of the relevant Member State does not carry out its own inspection, it may participate in the inspection carried out by the Financial and Capital Market Commission.

[*16 May 2013; 24 April 2014*]

**Section 112.13** (1) If a financial holding company, a mixed holding company, or a mixed financial holding company registered in the Republic of Latvia which is the parent company of a credit institution or financial institution or the holding company referred to in Section 33.3 of this Law, does not conform to the requirements of this Law or does not provide the information necessary for consolidated supervision of the credit institution, the Financial and Capital Market Commission has the right to impose the sanctions referred to in this Law, including to prohibit the use of the voting right thereof in credit institutions and financial institutions registered in the Republic of Latvia.

(2) [24 April 2014]

[*16 May 2013; 24 April 2014; 29 April 2021*]

**Section 112.14** (1) If the Financial and Capital Market Commission does not carry out consolidated supervision of such credit institution, the parent company of which is a foreign credit institution, a mixed financial holding company or a financial holding company, the Financial and Capital Market Commission, upon its own initiative or upon request of the parent company of the credit institution, or upon request of a credit institution, an insurance undertaking, a reinsurance undertaking, an alternative investment fund manager, investment management company or an investment firm registered in a Member State, shall consult with the supervisory authorities of the relevant Member States and assess whether the credit institution is subject to consolidated supervision requirements equivalent to those laid down in the Member States.

(2) When assessing whether the consolidated supervision carried out by the supervisory authority of the relevant foreign country conforms to the consolidated monitoring requirements laid down in Member States, the Financial and Capital Market Commission shall consult with the European Banking Authority prior to taking of the decision referred to in Paragraph one of this Section.

(3) If consolidated supervision carried out by the supervisory authority of the relevant foreign country does not conform to the requirements laid down in Member States, the Financial and Capital Market Commission shall carry out consolidated supervision of the credit institution, the parent company of which is a foreign credit institution, a mixed financial holding company or a financial holding company, in accordance with the requirements of this Law and EU Regulation No 575/2013.

[*22 March 2012; 16 May 2013; 24 April 2014*]

**Chapter VIII**

**Restrictions Applicable to Credit Institutions**

[*12 February 2009*]

**Section 113.** (1) If the Financial and Capital Market Commission finds that a credit institution does not comply, or the Financial and Capital Market Commission has grounds to believe that within 12 months after the date on which it took the decision to implement the activities referred to in this Section, it will not conform to the requirements of this Law, EU Regulation No 575/2013, the directly applicable laws and regulations issued by the European Union authorities or the requirements of decisions or regulatory provisions issued by the Financial and Capital Market Commission, or if activities of the a credit institution endanger the stability or solvency thereof, the security or stability of the sector of credit institutions of Latvia, threatens to cause significant losses to the national economy, or if an excessive outflow of deposits or other outside funds from the credit institution takes place, the Financial and Capital Market Commission is entitled to carry out one or more of the following activities by taking a decision:

1) [24 April 2014];

2) [24 April 2014];

3) to give binding written instructions to the administrative bodies of the credit institution, their managers and members, which are necessary for the prevention of such situation;

4) to impose restrictions for the rights and activities of the credit institution, including to suspend the provision of financial services in full or in part, as well as to lay down restrictions for performance of liabilities;

5) [11 June 2015];

6) to appoint one or more authorised persons of the Financial and Capital Market Commission in the credit institution (hereinafter – the decision to appoint an authorised person);

7) [24 April 2014];

8) [24 April 2014];

9) [24 April 2014];

10) [24 April 2014];

11) to apply the measures referred to in Section 101.3, Paragraph 4.4 of this Law.

(2) The Financial and Capital Market Commission is entitled to implement one or more of the activities referred to in Paragraph one of this Section also when activities of a commercial company involved in the consolidation group of the credit institution endangers or may endanger sound operation of the relevant credit institution or all sector of credit institutions.

(3) If the restrictions referred to in Paragraph one, Clause 4 of this Section are imposed on a credit institution servicing a transit credit, the Ministry of Finance shall take the decision to continue the transit credit servicing in this credit institution or transfer to other credit institutions.

(4) The Financial and Capital Market Commission shall inform the European Banking Authority on the principles, which have been determined for the implementation of the activities referred to in this Section.

(5) The Financial and Capital Market Commission is entitled, in conformity with Article 24 of EU Regulation No 1286/2014 regarding violations of Regulation, to implement one or several of the following activities:

1) to prohibit the distribution of packaged private investment products;

2) to impose the obligation to suspend the distribution of packaged private investment products;

3) to prohibit the distribution of a key information document which does not comply with the requirements of Article 6, 7, 8, or 10 of EU Regulation No 1286/2014, or to assign publishing of a new key information document complying with this Regulation;

4) to impose on a person who is the creator of packaged private investment products or provides consultations on packaged private investment products, or sells them the obligation to inform the relevant customer who is a private investor and whose rights and interests have been violated of the sanction or supervisory measure applied and also of where the customer may submit a complaint or where he or she can go in order to initiate extrajudicial settlement of disputes, as well as of his or her rights to bring a claim to a court.

[*12 February 2009; 23 December 2010; 22 March 2012; 24 April 2014; 11 June 2015; 21 July 2017*]

**Section 114.** [11 June 2015]

**Section 115.** (1) The objective of activities, tasks and functions of an authorised person, the scope and time period of authorisation, the amount of remuneration of an authorised person, the amount of expenses allowed for the carrying out of the tasks of an authorised person, as well as other provisions considered as essential by the Financial and Capital Market Commission shall be laid down in the decision to appoint an authorised person.

(2) If several authorised persons are appointed, in addition to the provisions of Paragraph one of this Section the distribution of the scope of the powers of authorised persons and their mutual subordination shall be determined in the decision to appoint an authorised person.

(3) A person may not be appointed to be an authorised person without his or her written consent.

(4) An authorised person shall be appointed for a time period which does not exceed one year. In an exceptional case the Financial and Capital Market Commission may extend such time period if the conditions necessary for appointing an authorised person still exist.

[*12 February 2009; 11 June 2015*]

**Section 116.** (1) The following persons may be an authorised person:

1) a natural person, including an official of the Financial and Capital Market Commission who conforms to the requirements of Paragraph two of this Section and to whom the restrictions laid down in Paragraph three of this Section cannot be applied;

2) a legal person (capital company), to the members of the board of which the restrictions laid down in Paragraph three of this Section cannot be applied and the majority of members of the board of which conform to the requirements of Paragraph two of this Section.

(2) Such natural person may be appointed as the authorised person, the objectivity of whose actions in relation to the particular credit institution raises no doubt and who has:

1) State recognised second level higher vocational education or higher academic education and corresponding qualification;

2) corresponding competence and sufficient professional work experience;

3) impeccable reputation;

(3) The following natural person may not be appointed as the authorised person:

1) who has to be recognised as an interested person in relation to a credit institution or a person related thereto;

2) against whom insolvency proceedings have been completed or initiated as against a debtor or who is considered to be the debtor’s representative in an insolvency case and this case has not been terminated;

3) who has been convicted of a crime against the State, a criminal offence against the property, general security and public order, management procedures or jurisdiction or a criminal offence in the national economy or service of public authorities regardless of extinguishing or setting aside of the criminal record;

4) against whom criminal prosecution has been initiated or who is a suspect in criminal proceedings;

5) who has been convicted of committing the criminal offence laid down in Clause 3 of this Paragraph, although released from serving his or her punishment due to limitation period, clemency or amnesty;

6) against whom criminal proceedings for committing the criminal offence laid down in Clause 3 of this Paragraph are terminated due to limitation period or amnesty;

7) to whom a restriction of rights has been imposed in accordance with the procedures laid down in the Criminal Law to engage in a specific entrepreneurial activity or take up specific offices;

8) [1 November 2018].

(4) If the decision to appoint an authorised person in accordance with Section 117, Paragraph one, Clause 3 of this Law provides that the authorised person shall manage the credit institution, then, in addition to the requirements and restrictions laid down in Paragraphs one, two, and three of this Section, only the legal person referred to in Paragraph one of this Section or such natural person who is an employee of the Financial and Capital Market Commission or has been appointed to the position of the administrator of insolvency proceedings in accordance with the Insolvency Law may be such authorised person.

[*12 February 2009; 21 July 2017; 1 November 2018*]

**Section 117.** (1) The decision to appoint an authorised person may provide that from the time of entry into effect thereof:

1) the authorised person is entitled to convene a meeting of stockholders or shareholders of the credit institution, a meeting of the council and the board and to participate therein with the right to propose the issues to be considered at either meeting;

2) the authorised person shall decide whether to allow or not to allow the credit institution to make payments, enter into new transactions, as well as to amend or terminate the existing transactions in order to ensure the compliance with the restrictions laid down for the credit institution by Section 113, Paragraph one, Clause 4 of this Law;

3) the authorised person shall perform the administration of the credit institution.

(2) If the decision to appoint an authorised person determines his or her right in accordance with Paragraph one of this Section to convene a meeting of stockholders or shareholders of the credit institution, a meeting of the council and the board and to participate therein, the decision of the relevant administrative body of the credit institution shall not been taken if the authorised person objects thereto.

(3) If the Financial and Capital Market Commission takes the decision to suspend the activities of the council, the board and a procuration holder of the credit institution, and to impose a prohibition on the credit institution to act with the property thereof, as well as with the property belonging to the third parties in control or possession of the credit institution, the authorised person shall obtain this right in accordance with Paragraph one, Clause 3 of this Section. Appointing an authorised person shall not restrict the rights of stockholders (shareholders) laid down in The Commercial Law.

(31) If the authorisation to represent the credit institution has been laid down for the authorised person in the decision to appoint an authorised official taken by the Financial and Capital Market Commission, the Financial and Capital Market Commission shall publish such decision on its website.

(4) For the performance of his tasks the authorised person is entitled:

1) to issue binding instructions to all units of the credit institution and the staff thereof;

2) not to conform to the restrictions indicated in the articles of association, by-laws and provisions (policies, descriptions of procedures and other operational instruments) of the credit institution;

3) to submit to the Financial and Capital Market Commission a proposal regarding transition of a credit institution undertaking, to carry out alienation or transfer of the property, tangible or intangible objects, contracts and liabilities of a credit institution, if such activities are aimed at ensuring repayment of the deposits made with the credit institution;

4) to draw up and approve financial reports of the credit institution on behalf of the administrative bodies of the credit institution.

(5) The authorised person may exercise the authorisation to convene a meeting of stockholders (shareholders) and to determine the agenda of such meeting only with a consent of the Financial and Capital Market Commission, unless such consent has already been included in the decision referred to in Paragraph one of this Section.

[*12 February 2009; 23 December 2010; 24 April 2014; 11 June 2015; 29 April 2021*]

**Section 118.** (1) The Financial and Capital Market Commission shall pay remuneration to the authorised person and shall cover the expenditures necessary for the performance of his or her tasks in the amount laid down in the decision to appoint an authorised person. The credit institution shall indemnify the costs laid down in this Paragraph to the Financial and Capital Market Commission within the time period stipulated thereby.

(2) The authorised person does not have the right to receive any remuneration or income for the performance of his or her tasks in addition to that provided for in the decision to appoint an authorised person.

[*12 February 2009*]

**Section 119.** (1) Administrative bodies, units, staff of the credit institution and other representatives and stockholders of the credit institution shall be under the obligation to co-operate with the authorised person and upon his or her request:

1) to hand over items (documents, keys, access codes, passwords, etc.) to him or her;

2) to provide him or her with the necessary information, documents, explanations and assistance.

(2) The authorised person shall immediately notify the Financial and Capital Market Commission regarding a failure to conform to the provisions referred to in Paragraph one of this Section, as well as on other obstacles for the performance of his or her tasks.

[*12 February 2009*]

**Section 120.** (1) The authorised person has the obligation to provide a report on his or her activities to the Financial and Capital Market Commission within the time period stipulated thereby and to notify the Financial and Capital Market Commission without delay of the findings, which may have an impact on the financial situation of the credit institution.

(2) The authorised person, when performing his or her tasks, shall take care of the interests of national economy, the safety and stability of the sector of credit institutions of Latvia and the protection of the interests of depositors, as well as of careful and prudent management of the credit institution.

[*12 February 2009*]

**Section 121.** (1) The authorised person is entitled to resign from the fulfilment of his or her duties by submitting a substantiated submission to the Financial and Capital Market Commission, to which a report on activities of the authorised person regarding the whole time period of his or her activities is appended.

(2) The Financial and Capital Market Commission shall examine the submission of the authorised person regarding resigning from the fulfilment of his or her duties within one month from the day of receipt thereof and shall take the relevant decision. Until taking such decision is taken and matters are handed over, the authorised person shall continue the fulfilment of the duties assigned to him or her.

[*12 February 2009*]

**Section 122.** (1) The Financial and Capital Market Commission shall supervise the activities of the authorised person, and is entitled, at any time, in its sole discretion, to dismiss him or her.

(2) The authorisation of the authorised person shall expire:

1) upon expiry of the time period laid down in the decision to appoint an authorised person,

2) by dismissal of the authorised person.

(3) The Financial and Capital Market Commission shall examine the matter of dismissal of the authorised person if it is found that the authorised person, in fulfilling his or her duties, fails to comply with the provisions of this Law or other laws and regulations and court rulings, that he or she does not meet the requirements laid down in this Law or abuses his or her powers.

(4) The authorised person, upon expiry of the authorisation, shall hand over the matters to the person determined by the Financial and Capital Market Commission within the time period stipulated by the Commission.

[*12 February 2009*]

**Section 123.** An appeal of an administrative act issued by the Financial and Capital Market Commission regarding performance of the activities referred to in Chapter VIII of this Law shall not suspend the execution thereof.

[*12 February 2009*]

**Section 124.** [12 February 2009]

**Section 125.** [12 February 2009]

**Chapter IX**

**Liquidation of a Credit Institution**

[21 May 1998]

**Section 126.** (1) The liquidation of a credit institution may be carried out:

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 ruling;

3) in case of insolvency.

(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 activities 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; 11 December 2003; 28 October 2004; 1 November 2018*]

**Section 126.1** (1) Reorganisation measures or liquidation legal relations, which arise from employment contracts, shall be governed by only those laws and regulations of Member States, which relate to entered into employment contracts.

(2) Reorganisation measures or liquidation rights in relation to:

1) immovable property shall be governed by those Member State laws and regulations in the territory of which the immovable property is located;

2) ships or aircraft shall be governed by those Member State laws and regulations within whose purview the relevant public register is located in which the relevant ship or aircraft is recorded (registered);

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 governed by those Member State laws and regulations in accordance with which the ownership rights of the credit institution to the relevant financial instruments is certified.

[*28 October 2004*]

**Section 126.2** (1) The Financial and Capital Market Commission controls the compliance of the liquidation (also voluntary liquidation) proceedings with the requirements laid down in this Law, Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, Law on International Sanctions and National Sanctions of the Republic of Latvia, Commercial Law, the regulatory provisions of the Financial and Capital Market Commission and other laws and regulations, insofar as it applies to liquidation (also voluntary liquidation) proceedings. For this purpose, 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 applies to the liquidation (also voluntary liquidation) proceedings of the credit institution.

(2) During the liquidation (also voluntary liquidation) proceedings of a credit institution the liquidator shall, according to the risk inherent to the activities of the credit institution to be liquidated, ensure that the requirements of the laws and regulations in the field of money laundering and terrorism and proliferation financing are met, insofar as they are applicable to the liquidation (also voluntary liquidation) proceedings of credit institutions, including inform the Financial Intelligence Unit of Latvia of the suspicious transactions established during the liquidation (also voluntary liquidation) proceedings.

(3) The liquidator shall develop a methodology for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing according to the money laundering and terrorism and proliferation financing risk inherent to the activities of the credit institution and shall submit it to the Financial and Capital Market Commission and the Financial Intelligence Unit of Latvia. Disbursement of funds for the creditors of a credit institution shall be commenced only after the methodology has been approved by the Financial and Capital Market Commission.

(4) The Financial and Capital Market Commission shall determine the requirements to be set for methodology for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing in the liquidation (also voluntary liquidation) proceedings of the credit institution according to the money laundering and terrorism and proliferation financing risk inherent to the activities of the credit institution.

[*13 June 2019*]

**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 of its branches in the country involved) shall not restrict the commencement of the liquidation thereof based on a court ruling.

[*28 October 2004; 1 November 2018*]

**Section 128.** (1) A credit institution, which is preparing to commence voluntary liquidation (also the liquidation of the branch thereof in the involved state), shall submit to the Financial and Capital Market Commission a submission regarding voluntary liquidation within five days after such decision has been taken. The following shall be attached to the submission:

1) the most recent report of the credit institution, which reflects the financial situation at the end of the accounting period and which has been prepared in conformity with the regulatory provisions of the Financial and Capital Market Commission regarding the preparation of the annual financial statement;

2) a voluntary liquidation plan which provides for the process of implementation of voluntary liquidation and the procedures for fulfilling the obligations towards the creditors;

3) information regarding the potential liquidator.

(2) Within 30 days after receipt of all the necessary documents which certify the information referred to in Paragraph one of this Section, the Financial and Capital Market Commission shall verify whether the credit institution is able to fulfil the obligations towards creditors within the time period specified in the contracts and in the full amount, and shall assess the impact of the money laundering and terrorism and proliferation financing risk inherent to the activities of the credit institution on the ability of the credit institution to fulfil the abovementioned obligations.

(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). Upon commencing the fulfilment of his or her duties, the liquidator shall accept and sign the deed.

(4) Upon completing the voluntary liquidation of a credit institution (also its branches in the involved state), the liquidator shall take the decision to complete the voluntary liquidation and submit it to the Financial and Capital Market Commission.

[*28 October 2004; 9 June 2005; 16 July 2009; 21 July 2017; 13 June 2019; 29 April 2021*]

**Section 129.** (1) If the licence (permit) issued to a credit institution for the activities of a credit institution is cancelled in accordance with Section 27, Paragraph one, Clause 1, 2, 3, 7, 8, or 9 of this Law, the Financial and Capital Market Commission shall appoint an authorised person and submit to the court an application for the liquidation of such credit institution and the appointment of a liquidator by concurrently nominating a liquidator.

(11) During the voluntary liquidation proceedings of a credit institution, the Financial and Capital Market Commission may appoint an authorised person and submit to the court an application for the liquidation of such credit institution and the appointment of a liquidator, if it establishes the violations of the requirements for the voluntary liquidation of credit institutions laid down in Section 126.2, Paragraphs one and two of this Law. The provisions of this Law shall be applicable to the authorised person referred to in the first sentence of Paragraph one, insofar as they are applicable to the voluntary liquidation proceedings of a credit institution.

(2) After the cancellation of a licence, the meeting of the stockholders (shareholders) of the credit institution is not entitled to decide on commencement of voluntary liquidation and the appointment of a liquidator.

(3) If the licence for the activities of a credit institution issued to the credit institution is cancelled or it ceases to be valid, the Financial and Capital Market Commission shall without delay inform Latvijas Banka thereof in writing.

(4) An appeal of an administrative act issued by the Financial and Capital Market Commission regarding appointing of an authorised person shall not suspend the execution thereof.

[*1 June 2000; 11 April 2002; 11 December 2003; 9 June 2005; 22 February 2007; 12 February 2009; 21 July 2017; 1 November 2018; 13 June 2019; 29 April 2021*]

**Section 130.** [1 November 2018]

**Section 131.** (1) The liquidator of a credit institution, if the credit institution is to be liquidated by a court ruling, may be:

1) sworn advocates;

2) sworn auditors;

3) commercial 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 laid down in Paragraph one of this Section and the restrictions laid down in Section 132 of this Law shall apply.

[*28 October 2004*]

**Section 131.1** (1) A natural person who has been appointed to the position of the administrator of insolvency proceedings in accordance with the Insolvency Law, who has not been released, removed or suspended from the position of the administrator, or the functions of whose position have not been suspended, and who is not subject to the restrictions laid down in Section 132.1 of this Law may be the administrator of a credit institution in the insolvency proceedings of the credit institution.

(2) A candidate for the position of the administrator for particular insolvency proceedings of a credit institution shall be selected from the list of candidates for the position of administrators maintained in the Electronic Insolvency Accounting System of the Insolvency Control Service, using an automated selection ensured by the Court Information System.

(3) The Cabinet shall lay down the procedures by which the list of candidates to the position of the administrator shall be kept in the Electronic Insolvency Accounting System, indications based on which the administrator shall be included in the list of candidates to the position of the administrator, and the procedures by which a candidate to the position of the administrator shall be selected within the insolvency proceedings of a credit institution, using an automated selection provided by the Court Information System.

[*21 July 2017; 1 November 2018 / Paragraph two shall come into force on 1 January 2021. See Paragraph 79 of Transitional Provisions*]

**Section 132.** (1) A natural person may not undertake and fulfil the duties of a liquidator in the liquidation proceedings of a credit institution if:

1) the liquidator who has been appointed to the position of the administrator has been released, removed or suspended from the position of the administration due to the established violations of the laws and regulations, or the functions of his or her position have been suspended;

2) the liquidator is a suspect or an accused in criminal proceedings for committing an intentional criminal offence;

3) the liquidator has been punished for committing an intentional criminal offence, irrespective of extinguishing or expungement of the criminal record;

4) the liquidator, within the last five years before proclamation of the liquidation proceedings of the credit institution, has been:

a) a participant (stockholder) of the credit institution to be liquidated or a member of administrative bodies thereof;

b) a procuration holder or a person with a commercial power of attorney of the credit institution to be liquidated;

c) a person who is married to the founder, participant (stockholder) of the credit institution to be liquidated or the member of its administrative bodies, in kinship or affinity relationship to the second degree;

d) a creditor who is in one group of companies with the credit institution to be liquidated;

5) the liquidator has had employment legal relationship with the credit institution to be liquidated within the last five years prior to the day of proclamation of the relevant liquidation proceedings;

6) the liquidator, within the last two years prior to the day of appointing the liquidator, has been in the relationship of an authorisation contract with the creditor of the credit institution to be liquidated in its legal relationship with the credit institution to be liquidated;

7) the credit institution to be liquidated has the right of action against the liquidator, except when the total amount of the claim does not exceed 20 minimum monthly wages, and such claim has arisen in the business relationship between the liquidator and the credit institution within the framework of its usual activity, the transaction is not disputed, and the liquidator does not enjoy special advantages;

8) the liquidator has the right of action against the credit institution to be liquidated, except when the amount of the claim does not exceed the amount of the covered deposit;

9) an insolvency matter has been initiated against the liquidator as a debtor, or the liquidator is considered to be a representative of the debtor in another insolvency matter and that other matter has not been terminated;

10) the liquidator is personally interested in the matter of liquidation proceedings of the credit institution to be liquidated or there are other circumstances causing justified doubts in respect of his or her impartiality;

11) the liquidator carries out the activities related to the duties of the liquidator in the liquidation proceedings of the credit institution to be liquidated in which he or she himself or herself, his or her spouse or person who are in kinship or affinity relationship with the liquidator up to the second degree, or his or her transaction partners are or might be personally or financially interested;

12) the liquidator carries out the activities related to the duties of the liquidator in relation to such creditor or debtor whose participant, stockholder, member, member of the control or executive body he or she is himself herself, his or her spouse, or persons who are in kinship or affinity relationship with the liquidator up to the second degree;

13) the liquidator has already fulfilled the duties of a liquidator in the liquidation proceedings of such credit institution to be liquidated.

(2) The provisions of Paragraph one, Clause 4, Sub-clause “d”, Clauses 6, 7, 8, 10, and 13 of this Section, as well as the following restrictions shall apply to a liquidator – legal person:

1) the liquidator, within the last five years before proclamation of the liquidation proceedings of the credit institution, has been a participant (shareholder) of the credit institution to be liquidated;

2) an insolvency matter has been initiated against the liquidator as a debtor;

3) the liquidator carries out the activities related to the duties of the liquidator in the liquidation proceedings of the credit institution to be liquidated in which he or she himself or herself or his or her transaction partners are or might be personally or financially interested;

4) the liquidator carries out the activities related to the duties of the liquidator in relation to such creditor or debtor whose participant or shareholder he or she himself or herself is.

(3) The liquidator and the natural person authorised by the commercial company of the liquidator may concurrently fulfil the duties of the liquidator or administrator of the credit institution within only one liquidation or insolvency proceeding of the credit institution.

(4) [13 June 2019]

[*21 July 2017; 13 June 2019*]

**Section 132.1** (1) The duties of the administrator in the insolvency proceedings of a credit institution may not be undertaken and fulfilled if:

1) the administrator has been released, removed or suspended from its position due to the established violations of the laws and regulations, or the functions of his or her position have been suspended;

2) the administrator is a suspect or an accused in criminal proceedings for committing of an intentional criminal offence;

3) the administrator has been punished for committing an intentional criminal offence, irrespective of extinguishing or expungement of the criminal record;

4) the administrator, within the last five years before proclamation of the liquidation proceedings of the credit institution, has been:

a) a participant (stockholder) of the credit institution to be administered or a member of its administrative bodies;

b) a procuration holder or a person with a commercial power of attorney of the credit institution to be administered;

c) a person who is married to the founder, participant (stockholder) of the credit institution to be administered or the member of its administrative bodies, in kinship or affinity relationship to the second degree;

5) the administrator has had employment legal relationship with the credit institution to be administered within the last five years prior to the day of proclamation of the relevant insolvency proceedings;

6) within the last two years before the day when the administrator was appointed, the administrator has been in relationship of an authorisation contract with the creditor of the credit institution to be administered within its legal relationship with the credit institution to be administered;

7) the credit institution to be administered has the right of action against the administrator, or the administrator has the right of action against the credit institution to be administered;

8) another insolvency case has been initiated against the administrator as a debtor, or the administrator is a representative of the debtor in another insolvency case and that other case has not been terminated;

9) the administrator is personally interested in the case of insolvency proceedings of the credit institution to be administered or there are other circumstances causing justified doubts regarding his or her impartiality;

10) within the insolvency proceedings of the credit institution to be administered, the administrator carries out the activities related to the duties of the administrator in which he or she himself or herself, his or her spouse or person who are in kinship or affinity relationship with the administrator up to the second degree, or his or her transaction partners are or might be personally or financially interested;

11) the administrator carries out activities related to the duties of the administrator in relation to such creditor or debtor whose participant, stockholder, member, member of the control or executive body is he or she is himself or herself, his or her spouse, or persons who are in kinship or affinity relationship with the administrator up to the second degree;

12) the administrator has already fulfilled the duties of the administrator in the insolvency proceedings of such credit institution to be administered.

(2) The administrator may concurrently fulfil the duties of the administrator or liquidator of a credit institution only in one insolvency and liquidation proceeding.

(3) In conformity with the competence laid down in this Law, the Financial and Capital Market Commission is entitled to control the activities and conformity of the administrator to the restrictions laid down in this Law. 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 that is related to the credit institution, as well as to receive explanations and any other necessary information which is related to the insolvency proceedings of the credit institution from the administrator.

[*21 July 2017*]

**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 adoption of a court ruling on liquidation, for publication in the official gazette *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 ruling 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;

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 activities and the telephone number.

(2) The time period referred to in Paragraph two, Clause 2 of this Section shall be three months, except for the claims of creditors of covered bonds which, in accordance with the Covered Bonds Law, shall be applied regardless of the abovementioned time period. The running of the time period shall begin on the day of publication of the notice in the official gazette *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 provisions of Chapter XI of this Law, except for Sections 160 and 166, and also the rights, duties and powers of the administrator laid down in Sections 172 and 172.1 of this Law shall be applicable to the liquidator of a credit institution which has been appointed by a court.

(5) The provisions of Chapter XI of this Law, except for Section 155, Section 156, Paragraph two, Section 157, Paragraphs two and three, Sections 160, 166, 167, 168 and 169, and also the rights, duties and powers of the administrator laid down in Sections 172 and 172.1 of this Law shall be applicable to the liquidator of a credit institution which has been elected by the meeting of stockholders.

[*1 June 2000; 11 April 2002; 11 December 2003; 16 May 2013; 24 April 2014; 1 November 2018; 27 May 2021*]

**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 laid down in Section 135 of this Law;

2) the salaries to be paid to the employees, calculating from the day when the decision to liquidate 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;

7) expenses which are related to the making of entries in public registers during the liquidation process.

[*28 October 2004*]

**Section 135.** (1) In case of liquidation of a credit institution, if the liquidation is carried out on the basis of Section 126, Paragraph one, Clause 1 of this Law, the remuneration of the liquidator shall be determined by the meeting of stockholders (shareholders) of the credit institution.

(2) If the liquidation is carried out upon a court ruling and if the meeting of creditors has not agreed with the liquidator on another amount of remuneration, the amount of the total pro rata remuneration of the liquidator and the assistant to the liquidator shall be determined as an appropriate share of the difference between the total amount of monetary funds to be disbursed to creditors and the sum in which the monetary funds in the cashier’s office of the credit institution to be liquidated, its investments in Latvijas Banka, freely available (unencumbered) monetary funds in other credit institutions, means which have been obtained from selling financial instruments admitted for trade in the regulated market, and means which have been obtained from exercising the right of action against a Member State or a foreign country, are included. The amount of the total remuneration in proportion of the liquidator and the assistant to the liquidator shall be determined as:

1) 2 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 30 per cent of such difference;

2) 3 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 30 per cent, but exceeds 60 per cent of such difference;

3) 4 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 60 per cent, but exceeds 75 per cent of such difference;

4) 5 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which exceeds 75 per cent of such difference.

(21) The amount of the total remuneration in proportion of the liquidator and the assistant to the liquidator shall not exceed EUR 100 000.

(3) In relation to monetary assets that were recovered through legal proceedings, a complexity coefficient of 1.25 shall be applied to the remuneration laid down in Paragraph two of this Section in the part of the remuneration to be paid out, which in proportion corresponds to the total amount of assets recovered through legal proceedings.

(4) In relation to monetary assets that were recovered through legal proceedings, by recognising a transaction concluded contrary to the interests of the credit institution as void or revocable, a complexity coefficient of 1.5 shall be applied to the remuneration laid down in Paragraph two of this Section in the part of the remuneration to be paid out, which in proportion corresponds to the total amount of assets recovered through legal proceedings.

(5) [1 November 2018]

(6) The liquidator shall cover the costs for remuneration to the persons referred to in Section 161, Paragraph four, Clause 19 of this Law and other costs related to the liquidation process, other than those referred to in Section 134, Paragraph two of this Law, unless the meeting of creditors and the liquidator has agreed on other procedure for covering of the costs.

(7) Within liquidation proceedings that have been commenced upon a court ruling or within the scope of insolvency proceedings, the convening of the meeting of creditors and taking decisions shall be ensured by the liquidator and administrator in accordance with Sections 135.1, 135.2, 135.3, 135.4, 135.5, 135.6 and 135.7 of this Law.

(8) The liquidator and administrator has the right to convene the meeting of creditors:

1) upon its own initiative;

2) upon a request of the creditors.

[*16 May 2013; 1 March 2018; 1 November 2018*]

**Section 135.1** (1) The administrator or liquidator 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 on the meeting of creditors shall be published in the official gazette *Latvijas Vēstnesis* and two other newspapers.

(2) If there are more than three hundred creditors, when notifying of the meeting of creditors, the administrator or liquidator shall invite those creditors the claims of whom does not exceed one per cent of the amount of all claims to authorise a joint representative.

[*1 November 2018*]

**Section 135.2** (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 is 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) In a meeting of creditors where the vote on the plan for liquidation or insolvency proceedings is taken, the secured creditors shall also have voting rights to the full extent of the claim.

(4) In a meeting of creditors, the secured creditors shall 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.

[*1 November 2018*]

**Section 135.3** (1) The meeting of creditors shall:

1) elect the committee of creditors;

2) shall agree with the administrator or liquidator on the determination of the amount of total administrator’s or liquidator’s proportionate remuneration and other expenses related to the insolvency or liquidation proceedings;

3) shall examine other issues related with the insolvency or liquidation proceedings that are proposed for examination by the administrator or liquidator.

(2) The meeting of creditors shall be chaired by the administrator or liquidator.

(3) The meeting of creditors is entitled to take decisions irrespective of the amount of debt represented therein if all known creditors were notified of the convening of the meeting within the time period provided for in this Law and if the persons whose participation in the insolvency or liquidation proceedings is mandatory have been invited thereto.

(4) The failure of the persons whose participation in the insolvency or liquidation proceedings is mandatory to attend the meeting of creditors shall not be an obstacle for its proceeding if the meeting of creditors has been convened in accordance with the procedures laid down in this Law.

(5) 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 determined in proportion to his or her declared amount of debt, as well as the amount reflected in the documents of the debtor – credit institution (accounting records registers) if the claim of a creditor has not been lodged.

(6) 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 determined 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.

(7) 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.

(8) 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.

[*1 November 2018*]

**Section 135.4** (1) The meeting of creditors shall elect a committee of creditors if more than fifty creditors have lodged their claims in insolvency or liquidation proceedings.

(2) 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 or liquidation proceedings period. All the rounds of creditors involved in the insolvency or liquidation proceedings shall be represented in the committee of creditors in accordance with the provisions of Section 139.2 and 139.3 of this Law.

[*1 November 2018*]

**Section 135.5** (1) The meeting of creditors has the right to remove the committee of creditors.

(2) A member of the committee of creditors may withdraw from the fulfilment of duties by providing a written warning thereof to the administrator or liquidator one month in advance. If the number of members of the committee of creditors decreases to less than five, the administrator or liquidator shall convene a meeting of creditors which shall elect new members of the committee of creditors.

[*1 November 2018*]

**Section 135.6** (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 or liquidator may request the chairperson of the committee of creditors to convene a meeting of the committee of creditors within 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.

[*1 November 2018*]

**Section 135.7** (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 round of creditors may authorise not more than one person to represent it at the meeting of creditors. The authorised person shall represent the round of creditors to the full amount of the round of creditors’ claims.

[*1 November 2018*]

**Section 136.** (1) If liquidation is takin place based on a court ruling, after completion of the liquidation the liquidator shall submit 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 the decision to complete liquidation proceedings.

(2) If voluntary liquidation of a credit institution is carried out, the liquidator shall submit, within five days after 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) The liquidator shall, within the first 10 days of each month, submit for publication in the official gazette *Latvijas Vēstnesis* an account on the previous month of the credit institution, which reflects the financial situation at the end of the accounting period, and a report on the recovered assets, including property, and the liquidation expenses of the previous month.

[*1 June 2000; 11 December 2003; 16 July 2009; 16 May 2013*]

**Section 137.** (1) If the liquidator finds that the stockholders (shareholders), the chairperson or the members of the council or the board, the executive managers, the head or members of the internal audit service of the credit institution, company controller, auditors or sworn auditors have exceeded their powers or have failed to comply with the requirements of the laws, Cabinet regulations, the regulatory instructions and regulations of Latvijas Banka, the regulatory provisions 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 obligation of the liquidator to inform law enforcement institutions thereof based on the jurisdiction and the Financial and Capital Market Commission.

(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; 11 December 2003; 28 October 2004; 13 June 2019*]

**Section 138.** (1) If during the course of liquidation of a credit institution the liquidator finds that the credit institution to be liquidated does not have enough property to fully satisfy the claims of all creditors, it is the obligation of the liquidator to take the decision to initiate insolvency 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 to initiate bankruptcy proceedings.

(2) [1 November 2018]

(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 laid down in Section 132.1 do not apply.

[*22 February 2007; 1 November 2018*]

**Section 139.** (1) The liquidator shall determine the procedures for covering other costs and debts in conformity with the provisions of Sections 139.2, 139.3, 139.4, 139.5, 139.6, and 139.7 of this Law.

(2) During the liquidation (also voluntary liquidation) proceedings of a credit institution, the payments to the creditors are not performed for the deposits the depositor of which is not identified as a customer according to the requirements of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing or until identification of a customer and customer due diligence is completed.

[*1 November 2018; 13 June 2019; 27 May 2021*]

**Section 139.1** [27 May 2021]

**Section 139.2** After covering the expenses of the insolvency proceedings or liquidation, the remaining funds are distributed for the satisfaction of the principal sums (without interest) of the creditors’ claims according to the following rounds:

1) payments to depositors who in accordance with the law are entitled to a guaranteed compensation in the amount of the covered deposit. The payments shall be determined in the amount of the covered deposit in accordance with the Deposit Guarantee 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 the depositor has received the guaranteed compensation in the amount of the covered deposit, he or she shall lose the right of action with respect to the amount received, and claims of the deposit guarantee fund against the credit institution shall be treated as claims of this round;

2) payments to depositors who are natural persons, micro-enterprises, small and medium-sized enterprises (within the meaning of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms) in the amount of the part of the deposit which exceeds the covered deposit, except for those deposits which are attracted by using a branch of a credit institution registered in Latvia which is located outside the European Union;

3) claims of employees regarding the remuneration for work for the last three months of legal employment relations in the 12 month period prior to the court judgment on the declaration of insolvency of the debtor; regarding the annual vacation pay to which rights were acquired in the 12 month period prior to the court judgment on the declaration of insolvency of the debtor; regarding the 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 on the declaration of insolvency of the debtor; regarding the severance pay in the minimum amount laid down in the law; regarding the 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 until 1 January 1997, as well as in cases if after 1 January 1997 a 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 has been diagnosed with an occupational disease the cause of which is the work performed by such employee in harmful working conditions until 1 January 1997; the mandatory payments of State social insurance and personal income tax payments which are related to the expenditure referred to in this Clause, or the claims of the Insolvency Control Service if it has satisfied the aforementioned 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;

4) 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 took the ruling on the liquidation of the credit institution;

5) such debts to creditors which have arisen from a credit institution accepting, but failing to fulfil, payment orders from a customer regarding money transfer to accounts of the State or local government budgets;

6) State claims regarding repayment of credits guaranteed by the State.

[*1 November 2018; 28 February 2019*]

**Section 139.3** After complete satisfaction of the creditors’ claims provided for in Section 139.2 of this Law, the remaining funds shall be distributed for the satisfaction of creditors’ claims in the following rounds:

1) the remaining legal claims of the creditors (principal sum with interest), also claims of such creditors which have obtained the status of a creditor after initiation of insolvency proceedings or taking the court ruling on liquidation, if they are not, in accordance with this Law, treated as if they were the creditors’ claims provided for in Section 139.2. Deferred tax payments after making payments of the creditors’ claims provided for in Section 139.2 of this Law, the remaining deposits of natural persons, micro-enterprises, and medium-sized enterprises and salary debts, and also other payments arising from employment relationship, shall be treated as if they were claims of this round. 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 round. In this round also claims of covered bonds shall be satisfied in accordance with the Covered Bonds Law;

2) [28 February 2019];

3) claims of creditors lodged after the specified time period, except for the non-settled claims of covered bonds which are settled in accordance with Clause 1 of this Section also if they have been lodged after the specified time period, and also claims of the State and local government authorities that are responsible for the accounting and control of taxes;

31) claims arising from a debt security in relation to which a lower value has been specified in the contract regarding the principal sum of the security than for such creditors’ claims which arise from the liabilities excluded in Article 72a(2) of EU Regulation No 575/2013;

32) claims arising from a debt security whose initial maturity, in accordance with the contract or the prospectus, is at least one year, which is not considered a derivative financial instrument, which does not contain a derivative financial instrument and in relation to which a lower quality has been specified in the contract or the prospectus than for those claims of the creditors which are similar to those laid down in Section 139.2 of this Law and Clauses 1 and 3 of this Section. A security debt with a variable interest rate to be determined on the basis of a base interest rate generally recognised in the financial market and a security debt which is not expressed in the national currency of the issuer, provided that the principal sum, sum to be repaid, and the interest rate are expressed in the same currency, shall not be considered such debt security in which a derived financial instrument is included only due to the indications referred to in this sentence;

4) claims which do not arise from Tier 2 capital securities which creditors have loaned to the credit institution for a definite time period, provided that they may be requested early only in the case of liquidation of the credit institution;

5) claims arising from liabilities which a credit institution to which that specified in Section 61 of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms applies has issued to a resolution entity and which a resolution entity has purchased directly or indirectly with the intermediation of other entities of the same resolution group or which the credit institution has issued to the current stockholder which is not included in the same resolution group, and which the stockholder has purchased;

6) claims arising from Tier 2 capital securities which conform to the conditions of Article 63 of EU Regulation No 575/2013;

7) claims arising from Additional Tier 1 capital securities which conform to the conditions of Article 52(1) of EU Regulation No 575/2013.

[*1 November 2018; 28 February 2019; 24 April 2021; 27 May 2021*]

**Section 139.4** The claims of each subsequent round of creditors shall be satisfied only after complete satisfaction of the previous round of creditors. If the funds of the credit institution are insufficient to fully satisfy all claims of the creditors of one round, such claims shall be satisfied proportionately to the amount due to each creditor within the framework such round.

[*1 November 2018*]

**Section 139.5** The funds, which remain after the satisfaction of the claims referred to in Sections 139.2 and 139.3 of this Law shall be distributed to the stockholders (shareholders) of the credit institution in proportion to the amount of the contribution of each.

[*1 November 2018*]

**Section 139.6** When, in insolvency proceedings of a credit institution, creditors have submitted their claims of creditors, after declaration of insolvency proceedings of the credit institution creditors need not to resubmit the claims of creditors in the amount applied in the liquidation proceedings of the credit institution.

[*1 November 2018*]

**Section 139.7** If, in the liquidation proceedings of a credit institution, the court declares the credit institution as insolvent, the administrator shall continue to satisfy the claims of the creditors of the relevant round to the percentage of the creditors’ claims specified by the liquidator. Upon reaching the amount of claims specified in the first sentence of this Section, the administration shall satisfy the claims of the creditors of the relevant round in accordance with the procedures laid down in this Law.

[*1 November 2018*]

**Section 139.8** The liquidator of a credit institution is entitled to hold the monetary assets of the credit institution to be liquidated, including the monetary assets recovered in liquidation proceedings in the euro account of the credit institution to be liquidated in Latvijas Banka according to the conditions for servicing the accounts of Latvijas Banka which are provided for in the account servicing contract which has been entered into by and between the credit institution and Latvijas Banka. Only the liquidator is entitled to transfer monetary assets into this account from the account of the credit institution to be liquidated in the credit institution of the Member State and to transfer monetary assets from such account to the account of the credit institution to be liquidated in the credit institution of the Member State. The liquidator has the right to keep cash in the cashier’s office in such amount which is necessary to cover the current expenditures of the insolvency proceedings.

[*17 June 2020*]

**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 obligation 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 obligations to the debtor represented by the administrator.

(2) In such event all the provisions of Section 143 of this Law shall apply to the application 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, of 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:

1) 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; 11 December 2003*]

**Section 146.** (1) A credit institution, the liquidator of a credit institution, a creditor or a group of creditors, and the 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 laid down in the law. The Financial and Capital Market Commission shall submit the insolvency petition to the court within three days after it has taken the decision to submit 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 laid down for the suspension of the petition, the Financial and Capital Market Commission shall submit the petition to a court, in accordance with the procedures laid down in the 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 laid down in the Administrative Procedure Law to reject the petition and inform the submitter of the petition of such within three days from the date of 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 Latvijas Banka in writing of the submission of an insolvency petition to a court.

[*1 June 2000; 11 December 2003; 28 October 2004; 22 February 2007*]

**Section 146.1** (1) During the insolvency proceedings of a credit institution the administrator shall, according to the risk inherent to the activities of the insolvent credit institution, ensure that the requirements of the laws and regulations in the field of money laundering and terrorism and proliferation financing are met, insofar as they are applicable to the insolvency proceedings of credit institutions, including inform the Financial Intelligence Unit of Latvia of the suspicious transactions established during the insolvency proceedings.

(2) The administrator shall develop a methodology for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing according to the money laundering and terrorism and proliferation financing risk inherent to the activities of the credit institution and shall submit it to the Financial and Capital Market Commission and the Financial Intelligence Unit of Latvia. Disbursement of funds for the creditors of a credit institution shall be commenced only after the methodology has been approved by the Financial and Capital Market Commission.

(3) The Financial and Capital Market Commission shall determine the requirements to be set for methodology for the fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing in the insolvency proceedings of the credit institution according to the money laundering and terrorism and proliferation financing risk inherent to the activities of the credit institution.

[*13 June 2019*]

**Section 147.** [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 parties.

(2) Based on a submission of the creditor or the administrator, material rights which a creditor or a third person have gained as a result of the activities of the creditor referred to in Paragraph one of this Section are to be deemed as null and void in accordance with the procedures laid down in the law.

(3) With the initiation of the insolvency proceedings the Financial and Capital Market Commission shall appoint an authorised person.

(4) An appeal of an administrative act issued by the Financial and Capital Market Commission regarding appointing of an authorised person shall not suspend the execution thereof.

[*12 February 2009*]

**Section 149.** (1) Upon the declaration of a credit institution as insolvent:

1) the credit institution shall lose the right to act with its property, and also the property of third parties in its possession or holding, and such rights shall be acquired by the administrator;

2) the activities of the administrative bodies of the credit institution shall be suspended, and the credit institution shall be managed by the administrator;

3) increase in late charges and interest for the creditor claims shall be discontinued, except for tax debts where the calculation of increase in principal debt amount and late charges shall be discontinued in accordance with the law On Taxes and Fees.

(2) If insolvency has been declared for a credit institution which has performed emission of covered bonds, the legal norms included in this Law which govern the rights of the credit institution to cover assets and the claims related thereto (including in relation to the receipt and maintenance of cover assets, late payments, and interest increase for creditors’ claims) shall be applied insofar as they are not in contradiction with the norms of the Covered Bonds Law.

[*27 May 2021*]

**Section 150.** (1) Application for the completion of insolvency proceedings shall be submitted to a court by the administrator. The ruling on the completion of insolvency proceedings shall be made by a court.

(2) [1 November 2018]

(3) Insolvency proceedings shall be terminated if a court rejects the insolvency petition or terminates the insolvency case.

[*1 June 2000; 11 December 2003; 1 November 2018*]

**Section 151.** [1 November 2018]

**Section 152.** (1) Insolvency proceedings shall be financed from the funds of the credit institution.

(2) In case of insolvency, when criminal proceedings for bringing to insolvency is carried out, the court may recover the expenses of the insolvency proceedings jointly from the council and the board of the credit institution, and its members.

[*1 November 2018*]

**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 laid down in Section 166 of this Law;

2) [1 November 2018];

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 related to registration of insolvency measures in public registers.

[*28 October 2004; 16 May 2013; 1 November 2018*]

**Chapter XI**

**Administrator in Insolvency Proceedings**

[*21 May 1998*]

**Section 154.** [21 July 2017]

**Section 155.** (1) The administrator shall have security for such cases when he or she causes harm, through his or her activities, to 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 the administrator shall be issued by the Cabinet.

**Section 156.** (1) The administrator shall have a personal seal with the inscription “Administrators (kredītiestādes nosaukums) maksātnespējas procesā” [Administrator in insolvency proceedings for (the name of the credit institution)] and his or her given name, surname.

(2) The administrator shall have an identification document with his or her photograph, given name and surname, and the inscription “Administrators (kredītiestādes nosaukums) maksātnespējas procesā” [Administrator in insolvency proceedings for (the name of the credit institution)]. The identification document shall be approved by the Chief Judge of a court with his or her signature and the seal of the court.

[*16 May 2013*]

**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 an account on 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 parties that is in the possession or care of the credit institution;

4) prepare a list of creditors based on the data in the accounting registers of the credit institution, indicating information regarding 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 the administrator, the administrator and the chairperson of the board of the credit institution shall jointly begin making an inventory of the documents and property of the credit institution. If the chairperson of the board is temporarily absent or his or her location is unknown, the inventory shall be made by the administrator and the members of the board. 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 are temporarily absent, or their location is unknown, the administrator shall inform the Financial and Capital Market Commission thereof in writing and make the inventory alone. After completion of the inventory the administrator shall prepare and sign an inventory document, and it shall be considered to be the acceptance-delivery deed of property (documents, objects, and the like).

[*1 June 2000; 11 April 2002; 11 December 2003; 16 July 2009*]

**Section 158.** (1) Taking reorganisation measures or liquidation activities in relation to a credit institution (also the branch thereof) shall not affect close-out netting, 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 the law in relation to credit institution claims.

(2) Transactions which are based upon close-out netting or repurchase contracts shall be governed only by those laws which relate to close-out netting or the repurchase contract in accordance with which such transactions were made.

(3) The provisions of Paragraph two of this Section shall not restrict the fulfilment of Section 218 of this Law.

(31) Full or partial discharge of claims and liabilities of a credit institution and a customer thereof during the insolvency proceedings shall not be allowed, except the case when:

1) the credit institution and the customer thereof prior to insolvency of the credit institution have carried out discharge of claims and liabilities of one round on a regular basis;

2) claim of the credit institution had expired prior to insolvency of the credit institution.

(32) During insolvency proceedings of a credit institution mutual discharge of the loan issued by the credit institution by a deposit shall not be permitted.

(4) Interested persons have the rights to dispute the fulfilment of the activities laid down in Paragraphs one and two of this Section.

[*28 October 2004; 11 March 2010; 30 September 2021*]

**Section 159.** (1) Within three days after the credit institution has been declared insolvent, the administrator shall send a notice and the true copy of the court judgment to Latvijas Banka, the Enterprise Register and the district (city) court based on the location of the immovable property, indicating in the cover letter his or her given name, surname, the place of operation and telephone number.

(2) The Enterprise Register has the obligation to record the submitted information in accordance with the procedures laid down in the law On the Enterprise Register of the Republic of Latvia.

(3) In accordance with the Land Register Law, the district (city) court has the obligation to make an entry in the relevant section of the Land Register on the declaration of the insolvency of the owner.

(4) If insolvency proceedings are terminated due to renewal of the solvency of the credit institution, the administrator shall send the court ruling to the Enterprise Register and the relevant district (city) court for extinguishing of the entries made.

(5) If the insolvency proceedings are completed, the administrator shall send the court ruling on the completion of insolvency proceedings to the Enterprise Register so that the credit institution would be excluded from the Commercial Register.

[*1 June 2000; 16 May 2013; 1 November 2018; 28 February 2019 / Amendments regarding the replacement of the words “Land Registry Office” with the words “district (city) court” shall come into force on 1 June 2019. See Paragraph 81 of Transitional Provisions*]

**Section 160.** (1) Within three days after 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 official gazette *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;

2) the given name and surname, the place of operation and telephone number of the administrator;

3) the time period during which the claims and other demands of creditors and other persons are to be submitted.

(3) The time period referred to in Paragraph two, Clause 3 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 official gazette *Latvijas Vēstnesis*.

[*16 May 2013; 29 April 2021*]

**Section 161.** (1) After a credit institution has been declared insolvent, the administrator shall have all the duties, rights and powers of the administrative bodies and the heads of such bodies provided for in the laws and in the articles of association of the credit institution.

(2) The administrator has the following duties:

1) to ensure the lawful and efficient progress of the insolvency proceedings;

2) to receive the property, documentation and seal of the credit institution, as well as the property of third parties that is in the possession or care of the credit institution;

3) to control the property of the credit institution;

4) [1 November 2018];

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 laid down in Section 157, Paragraph two of this Law;

7) not later than within one month after receipt of the request from the Ministry of Finance, to transfer the servicing of transit credits to the Ministry of Finance or to a bank indicated by it;

8) [1 November 2018];

9) to provide information regarding the insolvency proceedings to the Financial and Capital Market Commission and Latvijas Banka, and to submit all the requested information that is necessary for them to perform their functions, within the terms stipulated by them;

10) within the first 10 days of each month, to submit for publication in the official gazette *Latvijas Vēstnesis* an account on the previous month of the credit institution, which reflects the financial situation at the end of the 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 district (city) courts;

13) in accordance with the procedures laid down in the 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 authorities based on jurisdiction, if the administrator finds that the stockholders (shareholders), the chairperson or members of the council or the board, 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 requirements of laws, Cabinet regulations, regulatory instructions and regulations of Latvijas Banka, regulatory provisions 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 have acted neglectfully or in bad faith, as well as bring an action in a court against the offenders for the compensation of losses if as a result of actions by such persons losses have been caused to the creditors or stockholders (shareholders);

15) [1 November 2018];

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 Control Service. After the receipt of monetary assets from the Insolvency Control Service, the administrator shall pay out to third parties 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 Control Service;

17) [27 May 2021];

18) [27 May 2021];

19) regularly, but not less often than once per year inform known creditors regarding the course of the insolvency.

(3) [1 November 2018]

(4) The 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 parties, or for the benefit of third parties, 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) to withdraw unilaterally from performance of the contract if the performance thereof reduces assets of the credit institution and the contract does not regulate the provision of financial service;

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 hire and discharge from employment employees, including those employees who were hired before the initiation of the insolvency proceedings, without applying the time period for notice of termination of the employment contract laid down in the Labour Law, as well as the provisions of the Labour Law on collective redundancy. If an employee has entered into a collective agreement, the administrator has the right to derogate from the provisions of a notice of termination of the employment contract, including the costs related to the notice of termination. When taking the decision not to apply the provisions laid down in the Labour Law and the collective agreement entered into, the administrator has the obligation to assess the usefulness of such decision;

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 parties, 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;

18) request and receive from creditors and other persons translations of claims and other objections in the official language of the Republic of Latvia;

19) to invite specialists in order to receive accounting, audit and legal services, as well as to ensure the representation of the interests of a credit institution or the administrator in State administrative and judicial authorities and to receive other services that are necessary to ensure the course of efficient insolvency proceedings;

20) to convene the meeting of creditors in order to examine the issue of determining the amount of total proportionate remuneration of the administrator and the assistant to the administrator and other expenses related to insolvency proceedings, and also other issues related to insolvency proceedings that are proposed for examination by the administrator.

(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, Clauses 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;

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; 11 December 2003; 28 October 2004; 12 February 2009; 16 July 2009; 11 March 2010; 23 December 2010; 16 May 2013; 1 November 2018; 28 February 2019; 27 May 2021*]

**Section 162.** (1) Persons have the obligation to provide to the administrator such information at their disposal which is of significance to 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 mandatory have the obligation 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 the credit institution and the 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) The administrator shall be fully liable for the losses that have been caused to the creditors through his or her fault.

(2) If several administrators have been appointed, the administrators shall be liable only for their own actions and in proportion to the losses, which have been caused to creditors through their fault. In such case the scope of liability of each administrator shall be determined by a court.

(3) The administrator shall not be liable for losses, which were incurred by creditors before he or she commenced the fulfilment of duties.

**Section 164.** (1) Claims regarding the compensation of losses caused by the administrator may be brought to a court by creditors in accordance with general procedures.

(2) Claims against the administrator may be brought not later than within three years after the termination of insolvency proceedings.

(3) If the administrator has caused losses to creditors or other interested persons through his or her actions, and the court has found indications of a criminal offence in such actions, claims 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 proceeding, 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 caused by the assistant to the administrator or an employee who acts on the basis of such authorisation.

**Section 166.** (1) If the meeting of creditors has not agreed with the administrator on another amount of remuneration, the amount of the total proportionate remuneration of the administrator and the assistant to the administrator shall be determined as an appropriate share of the difference between the total amount of monetary funds to be disbursed to creditors and the sum in which the monetary funds in the cashier’s office of the credit institution to be liquidated, its investments in Latvijas Banka, freely available (unencumbered) monetary funds in other credit institutions, means which have been obtained from selling financial instruments admitted for trade in the regulated market, and means which have been obtained from exercising the right of action against a Member State or a foreign country, are included. The amount of the total proportionate remuneration of the administrator and the assistant to the administrator shall be determined as:

1) 2 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 30 per cent of such difference;

2) 3 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 30 per cent, but exceeds 60 per cent of such difference;

3) 4 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which does not exceed 60 per cent, but exceeds 75 per cent of such difference;

4) 5 per cent of the means included in the difference referred to in the introduction part of this Paragraph the amount of which exceeds 75 per cent of such difference.

(2) In relation to monetary assets that were recovered through legal proceedings, a complexity coefficient of 1.25 shall be applied to the remuneration laid down in Paragraph one of this Section in the part of the remuneration to be paid out, which in proportion corresponds to the total amount of assets recovered through legal proceedings.

(21) The amount of the total proportionate remuneration of the administrator and the assistant to the administrator shall not exceed EUR 100 000.

(3) In relation to monetary assets that were recovered through legal proceedings, by recognising a transaction concluded contrary to the interests of the credit institution as void or revocable, a complexity coefficient of 1.5 shall be applied to the remuneration laid down in Paragraph one of this Section in the part of the remuneration to be paid out, which in proportion corresponds to the total amount of assets recovered through legal proceedings.

(4) The total amount of monetary assets to be paid out to creditors, which is laid down in Paragraph one of this Section, shall be calculated by reducing the amount of monetary assets, which has been acquired through recovery of the property or selling of assets of the credit institution during insolvency proceedings, by expenditures of insolvency proceedings laid down in Section 153 of this Law (except for the remuneration of the administrator of insolvency proceedings). The proportionate remuneration determined for the administrator and the assistant to the administrator shall be deducted from the calculated amount of monetary assets to be paid out to creditors before paying-out.

(5) 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 when the administrator was appointed up to the examination of the insolvency case – a one-time remuneration in the amount of 10 minimum monthly wages;

2) [1 November 2018];

3) [1 November 2018];

4) [1 November 2018].

(6) In calculating the total proportional remuneration of the administrator and the assistant to the administrator, it shall be reduced by the amount of the fixed remuneration calculated in accordance with Paragraph five of this Section.

(7) The administrator shall cover the expenses for remuneration to the persons referred to in Section 161, Paragraph four, Clause 19 of this Law and other expenses related to insolvency proceedings, other than those referred to in Section 153 of this Law, unless the meeting of creditors and the administrator have agreed on other procedures for covering the expenses.

(8) Convening of a meeting of creditors and deciding of the issues referred to in this Section shall be carried out in accordance with Sections 135.1, 135.2, 135.3, 135.4, 135.5, 135.6 and 135.7 of this Law.

[*16 May 2013; 1 March 2018; 1 November 2018*]

**Section 167.** (1) The duties of the administrator shall be terminated:

1) if the administrator is removed 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;

4) in case of death of the administrator.

(2) If a change of administrators takes place in accordance with the provisions of Paragraph one, Clause 1 or 2 of this Section, the new administrator shall commence the fulfilment of his or her duties after the acceptance-delivery deed 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 fulfilment of duties and shall be liable in accordance with the procedures laid down in the law.

(3) [1 November 2018]

(4) Information regarding the expiration of the powers of the administrator shall be published in the official gazette *Latvijas Vēstnesis*.

[*11 April 2002; 16 May 2013; 1 November 2018*]

**Section 168.** (1) If the Financial and Capital Market Commission expresses a lack of confidence in the administrator, it shall request a court to release such administrator and to appoint another.

(2) It is the obligation of the discharged administrator to submit to the Financial and Capital Market Commission and a court, within 15 days from the day of release, a report that must present a true and clear view of his or her activities.

[*1 June 2000; 11 December 2003; 1 November 2018 / Amendment to Paragraph one regarding the deletion of the words “recommending a new candidacy for the administrator” shall come into force on 1 January 2021. See Paragraph 79 of Transitional Provisions*]

**Section 169.** (1) The administrator is entitled to withdraw from the fulfilment of his or her duties, informing the Financial and Capital Market Commission and the Insolvency Control Service thereof and submitting a written submission to a court regarding his or her withdrawal, and a report which must present a true and clear view of the activities of the administrator. The submission shall include the reasons why they are unable to, or do not wish to, continue the fulfilment of the administrator’s duties.

(2) The administrator whose withdrawal has been approved by a court shall receive remuneration in accordance with Section 166 of this Law.

[*1 June 2000; 11 December 2003; 1 November 2018 / Amendment to Paragraph one shall come into force on 1 January 2021. See Paragraph 79 of Transitional Provisions*]

**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 is submitted to the court;

2) the fruits that were gained from the assets, including property, of the credit institution during the insolvency proceedings;

3) other assets, including property, lawfully obtained during the insolvency proceedings.

[*16 July 2009*]

**Section 171.** (1) After 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) The administrator is entitled to hold the monetary assets of the insolvent credit institution, including the monetary assets recovered in insolvency proceedings in the euro account of the insolvent credit institution in Latvijas Banka according to the conditions for servicing the accounts of Latvijas Banka which are provided for in the account servicing contract which has been entered into by and between the insolvent credit institution and Latvijas Banka. Only the administrator is entitled to transfer monetary assets into this account from the account of the insolvent credit institution in the credit institution of the Member State and to transfer monetary assets from such account to the account of the insolvent credit institution in the credit institution of the Member State. The administrator has the right to hold cash in the cashier’s office in such amount which is necessary to cover the current expenditures of the insolvency proceedings.

[*17 June 2020*]

**Section 172.** (1) The list of property of a credit institution shall include deposits and interest on deposits, but shall not include other property belonging to third parties which is in possession of the credit institution and funds of State funded pension scheme investment plans, funds of pension schemes of private pension funds, the funds provided for fulfilment of the obligations laid down in pension schemes and insurance contracts, if such condition is referred to in the deposit contract, and the funds of the Guarantee Fund of the Compulsory Civil Liability Insurance of Motor Vehicle Owners. The following shall also be considered as the property belonging to third parties which is in possession of the credit institution:

1) the funds in the account opened with the credit institution in the name of the private pension fund, if it is provided for in the contract between the private pension fund and the credit institution that such account may be only used to make contributions in the pension schemes of private pension funds or to perform disbursements to the recipients of supplementary pension within the meaning of the Private Pension Fund Law;

2) the funds in the account opened with the credit institution in the name of a covered bonds company registered in Latvia, an issuer of a Member State, or a covered bonds company of a Member State, if it is provided for in the contract between the relevant covered bonds company or issuer of a Member State and the credit institution that such account may be only used to make contributions arising from the claims included in cover assets and to perform disbursements to investors and creditors of covered bonds within the meaning of the Covered Bonds Law.

(2) The administrator shall ensure safekeeping of the property belonging to third parties until its transfer to the owner. The administrator is entitled to collect from third parties the expenditures incurred in relation to the safekeeping of their property.

(3) [24 April 2014]

(4) [24 April 2014]

(5) [24 April 2014]

[*20 November 2003; 26 February 2009; 24 April 2014; 19 December 2019; 27 May 2021*]

**Section 172.1** (1) The administrator shall invite third parties to receive their property and agree on the procedures for the receipt thereof, by publishing a respective notification in mass media and the official gazette *Latvijas Vēstnesis*.

(2) The administrator shall alienate the property which the third parties do not take in their possession, in accordance with the procedures laid down in Paragraph 2.1 two of this Section, and within three months after alienation thereof shall invite the third parties to lodge claims for the disbursement of cash assets by publishing the relevant notification in mass media and the official gazette *Latvijas Vēstnesis*.

(21) The assets, including property, of a credit institution shall be sold in public auctions, unless the meeting of creditors has decided otherwise and the law does not provide for other alienation procedures. Auctions shall be organised by and auction regulations shall be prepared by the administrator.

(3) The cash assets the disbursement of which is not claimed by third parties shall be placed by the administrator, by entering into a written agreement, under a bailment of another credit institution registered in the Republic of Latvia chosen at his own discretion, by publishing a notification on entering into the agreement in mass media and the official gazette *Latvijas Vēstnesis*.

(4) The fee for the bailment of the transferred cash assets shall be deducted in accordance with the price list of the credit institution from the amount of cash assets, which pertain to third parties.

(5) A third party shall lose the right of action against the credit institution, if it has not within 10 years filed a claim with the credit institution and collected the cash assets pertaining to it. The cash assets, which pertain to third parties and with regard to which the limitation period has become applicable, shall pertain to the State as ownerless property.

(6) The acts by the administrator with the property of third parties referred to in Paragraphs two, three, four and five of this Section shall be also applicable to the acts with the property of creditors of the credit institution, with regard to which creditors do not file any claims.

[*24 April 2014; 1 November 2018*]

**Section 173.** (1) Upon a request of the 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;

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 bring 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) Transition of a credit institution undertaking carried out in accordance with Section 59.3 or Section 59.4, Paragraph two of this Law, may not be declared null and void.

[*12 February 2009*]

**Section 174.** (1) A property donated by a credit institution or a part thereof may be reclaimed 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.

[*24 April 2014*]

**Section 175.** (1) A pledge agreement may be declared void upon a 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;

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**

[1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 176.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 177.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 178.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.1** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.2** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.3** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.4** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.5** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.6** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.7** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.8** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 179.9** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 180.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 181.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 182.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 183.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 183.1** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Chapter XIV**

**Bankruptcy Proceedings for Credit Institutions**

[1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 184.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 185.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 186.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 187.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 188.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 189.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 190.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 191.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 192.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 193.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 194.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 195.** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Section 195.1** [1 November 2018 / See Paragraph 78 of Transitional Provisions]

**Chapter XV**

**Liability**

**Section 196.** (1) For the violations of this Law, the directly applicable legal acts issued by the European Union authorities or regulatory provisions or decisions taken by the Financial and Capital Market Commission, the Financial and Capital Market Commission is entitled to impose the following sanctions:

1) to express a public announcement by indicating the person liable for the violation and the nature of the violation;

2) issue a warning;

3) [23 September 2021];

4) [23 September 2021];

5) impose an obligation on the meeting of stockholders (shareholders), the council or the board of the credit institution to dismiss a member of the board or the council, the head of the internal audit service, the risk manager, the person responsible for conformity control of the operation, the person responsible for fulfilment of the requirements for the prevention of money laundering and terrorism and proliferation financing of the credit institution, the company controller, the head of a branch of a foreign credit institution or a branch of a credit institution in another Member State, or a procuration holder from their position;

6) impose the fines laid down in this Law;

7) cancel the licence (permit) in accordance with Section 27, Paragraph one, Clauses 2 and 8 of this Law;

(11) For the violations of this Law, the directly applicable legal acts issued by the European Union authorities or regulatory provisions or decisions taken by the Financial and Capital Market Commission, the Financial and Capital Market Commission is entitled to apply the following administrative measures:

1) require that the credit institution or the person liable for the violation immediately ceases the respective acts;

2) determine a temporary prohibition for the member of the board or the council of the credit institution or another natural person liable for the violation to fulfil their duties at the credit institution;

(2) The Financial and Capital Market Commission shall apply the sanctions laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing for violations of the laws and regulations in the field of prevention of money laundering and terrorism and proliferation financing.

(3) In addition to that laid down in Paragraph two of this Section, the Financial and Capital Market Commission shall, upon assessing the severity, duration and regularity of the violations of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and other relevant circumstances referred to in Section 77 of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, submit a draft decision to the European Central Bank on cancellation of the licence (permit) issued to the credit institution in accordance with Section 27, Paragraph one, Clause 8 of this Law.

(4) The Financial and Capital Market Commission shall issue regulatory provisions that determine the criteria for significant violations of laws and regulations in the field of prevention of money laundering and terrorism and proliferation financing.

[*24 April 2014; 21 July 2017; 26 October 2017; 13 June 2019; 23 September 2021 / Amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” and also amendment regarding the replacement of the words “regulatory provisions” with the word “provisions” 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 110 of Transitional Provisions*]

**Section 196.1** If the interest of a stockholder of a credit institution in the credit institution threatens or may threaten its management and activity that is financially stable, cautious and compliant with laws and regulations, or if the person who has acquired qualifying holding does not comply with the requirements set forth for the founders of the credit institution, is not financially stable, fails or refuses to provide the information referred to in Section 28, Paragraph two or three of this Law, the Financial and Capital Market Commission is entitled, in addition to the sanctions laid down in Section 196 of this Law, to prohibit the stockholder to exercise the voting right pertaining to the stocks held by him or her.

[*24 April 2014*]

**Section 197.** [24 April 2014]

**Section 197.1** [12 February 2009]

**Section 198.** (1) If a person does not fulfil the requirements of Section 8 of this Law, has knowingly provided false or incomplete information, has failed to provide the information requested in accordance with this Law or has interfered with the inspections carried out by an authorised representative of Latvijas Banka and the Financial and Capital Market Commission, the Financial and Capital Market Commission and Latvijas Banka are entitled to impose a fine on the person held liable for the violation from EUR 1400 up to EUR 14 200.

(2) If a credit institution does not fulfil the requirements of Sections 79, 89.1, 89.2, 90, 91, 95, and 96 of this Law, the Financial and Capital Market Commission is entitled to impose a fine on the credit institution from EUR 1400 up to EUR 14 200.

(3) [24 May 2012]

(4) [24 April 2014]

(5) For entering into such a consumer credit agreement where the amount of credit is equal to 100 minimum monthly salaries or more, if a statement regarding income of a consumer has not been received from the State Revenue Service or the tax authority of another country, the Financial and Capital Market Commission shall impose a fine on the credit institution – EUR 1400. For the same activities if re-committed within one year after imposition of the referred to fine, the Financial and Capital Market Commission shall impose a fine on the credit institution – EUR 4300.

(6) For the issuance of such credit, the amount of which is equal to 100 minimum monthly salaries or more and the repayment of which is secured by mortgage on immovable property, for more than 90 per cent of the market value of the relevant immovable property, the Financial and Capital Market Commission shall impose a fine on the credit institution – EUR 1400. For the same activities if re-committed within one year after imposition of the referred to fine, the Financial and Capital Market Commission shall impose a fine on the credit institution – EUR 4300.

(7) [29 May 2008 / See Paragraph 33 of Transitional Provisions]

(8) [24 April 2014]

(9) [24 April 2014]

(10) For the attraction of deposits and other repayable funds without obtaining a licence (permit) from the Financial and Capital Market Commission or in the event the person has acquired or increased qualifying holding in a credit institution prior to submitting the notification referred to in Section 29, Paragraph one or two of this Law to the Financial and Capital Market Commission, during the reviewing thereof or has terminated or reduced the qualifying holding after entering into effect of the decision to prohibit acquisition or increase the qualifying holding in a credit institution without notification thereof to the Financial and Capital Market Commission, or if a credit institution has obtained a licence (permit) for the activities of a credit institution by providing false information or in another unlawful manner, does not fulfil the requirements of Section 32, 34.1, 35.26, 35.27, or 35.28 of this Law or the requirements of Article 28, 52, or 63 with regard to payments to the holders of instruments included in own funds, Article 99(1), Article 101, Article 394(1), Article 395, Article 405, Article 415(1) and (2), Article 430(1), Article 431(1), (2) and (3), and Article 451(1) of EU Regulation No 575/2013, repeatedly or constantly fails to conform to the requirements of Article 412 of EU Regulation No 575/2013, or if a member of the board or of the council of a credit institution fails to comply with the requirements of this Law, the Financial and Capital Market Commission is entitled:

1) to impose a fine on a legal person of up to 10 per cent of the net income from the previous fiscal year that conforms to the amount which, in accordance with EU Regulation No 575/2013, is used in order to calculate the own funds requirements for operational risk in accordance with the basic indicator approach. If 10 per cent of the amount of net income of the preceding financial year, which has been calculated in accordance with what is laid down in the first sentence of this Clause constitutes less than EUR 142 300, the Financial and Capital Market Commission is entitled to impose a fine of up to EUR 142 300. If a legal person is a subsidiary of parent company, the net income from the previous fiscal year shall conform to the amount which, in accordance with EU Regulation No 575/2013, is used in order calculate own funds requirement for operational risk according to the basic indicator approach on the basis of the data presented by the final parent company in consolidated financial accounts of the previous fiscal year;

2) to impose a fine of up to EUR 5 000 000 on an official, employee or person who at the time of committing the violation is responsible for carrying out certain actions on behalf or in the interests of the credit institution;

3) to impose a fine of up to double amount of the income generated a result of the violation or of the prevented possible loss.

(11) The Financial and Capital Market Commission is entitled, in accordance with Article 24 of EU Regulation No 1286/2014 for violations of Regulation:

1) to impose a fine on a legal person of up to EUR 5 million or up to three per cent from the total annual turnover according to the last available audited annual account of the abovementioned legal person. If the legal person is a parent company or a subsidiary of a parent company which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the laws and regulations of the Member State of origin, the relevant total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the laws and regulations of the Member State of origin in the field of accounting by taking into account the last available consolidated financial statement which has been approved by the main management body of the parent company;

2) to impose a fine of up to EUR 700 000 on a natural person liable for the violation;

3) as an alternative to that laid down in Clause 1 or 2 of this Paragraph to impose a fine of up to double amount of the income gained as result of the violation or of the prevented possible loss.

[*1 June 2000; 11 December 2003; 28 October 2004; 26 May 2005; 17 May 2007; 29 May 2008; 26 February 2009; 23 December 2010; 24 May 2012; 19 September 2013; 24 April 2014; 2 June 2016; 21 July 2017*]

**Section 198.1** [26 October 2017]

**Section 199.** For the activities other than referred to in Section 198 of this Law as a result of which violations have occurred of the requirements of this Law or of the laws and regulations arising from it or directly applicable laws and regulations issued by the European Union institutions the Financial and Capital Market Commission and Latvijas Banka shall impose a fine up to EUR 142 300 on the person liable for the violation.

[*24 April 2014; 2 June 2016; 26 October 2017*]

**Section 200.** If the chairperson or the members of the council or the board, 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 laid down in Sections 198 and 199 of this Law shall be paid into in the State budget.

[*26 October 2017*]

**Section 201.1** (1) The Financial and Capital Market Commission shall place the information on the sanctions imposed on persons, administrative measures, and the simultaneous actions taken in accordance with Section 113 and Section 101.3, Paragraph 4.4 of this Law on its website by indicating the personal data and the violation committed thereby, and also the contesting of the administrative act issued by the Financial and Capital Market Commission and the ruling taken thereby.

(2) The Financial and Capital Market Commission may make public the information referred to in Paragraph one of this Section without identifying the person if it is established after prior assessment that the disclosure of personal data of the natural person is not commensurate or the disclosure of the data of the natural or legal person may threaten the stability of the financial market or progress of initiated criminal proceedings or cause incommensurate damage to the persons involved.

(3) If it is expected that the circumstances referred to in Paragraph two of this Section may change within a reasonable time period, making of the information referred to in Paragraph one of this Section available to the public may be suspended for this time period.

(4) The information posted on the website of the Financial and Capital Market Commission in accordance with the procedures laid down in this Section shall be available for five years from the date of posting thereof.

(5) The Financial and Capital Market Commission shall inform the European Banking Authority of the sanctions imposed on and administrative measures applied to persons.

(6) The Financial and Capital Market Commission has the right to publish, in accordance with the procedures laid down in Paragraph one of this Section, information regarding other decisions which it has taken in accordance with Section 113 and Section 101.3, Paragraph 4.4 of this Law, if such decisions may affect the interests of clients, but cannot threaten the stability of a credit institution or financial market.

[*24 April 2014; 11 June 2015; 29 April 2021; 23 September 2021 / 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 110 of Transitional Provisions*]

**Section 202.** Persons who have brought a credit institution to insolvency shall be held liable in the cases provided for in The Criminal Law.

[*1 November 2018*]

**Section 203.** If the chairperson or the members of the council or the board of a credit institution, or the liquidators of a credit institution, have failed to submit an insolvency petition in the cases provided for in Section 138 and Section 140, Paragraph two of this Law, the offenders shall be subject to liability for the failure to submit an insolvency petition in the cases provided for in the law.

[*21 May 1998; 21 July 2017*]

**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 intentional violation of the insolvency proceedings, which is manifested as a failure to provide, or concealment of, the information requested by a court or the administrator and prescribed by the 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.** The administrator may be subject to criminal liability for intentional concealment of information from a court, for misleading it, for the performance of transactions not provided for in this Law in favour of one creditor or one round of creditors at the expense of other creditors.

[*21 May 1998; 21 July 2017*]

**Section 208.** [28 October 2004]

**Section 208.1** (1) An appeal of an administrative act issued by the Financial and Capital Market Commission regarding imposition of the sanctions and application of administrative measures referred to in Chapter XV of this Law, except regarding imposition of a fine, shall not suspend the enforcement of such act.

(2) When deciding on the imposition of sanctions on and application of administrative measures to the persons who have violated the laws and regulations governing the financial market, the Financial and Capital Market Commission shall take into account the circumstances referred to in the Financial and Capital Market Commission Law, and also the potential systemic consequences of the violation.

[*24 April 2014; 23 September 2021 / Amendment regarding the replacement of the words “Law on the Financial and Capital Market Commission” with the words “Law on Latvijas Banka”, amendment regarding the replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka”, and also the amendment to Paragraph one regarding the replacement of the word “appeal” with the words “contesting and appeal” 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 110 of Transitional Provisions*]

**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;

4) credit institutions registered in the Republic of Latvia, which have creditors in another Member State.

(2) Other reorganisation measure or liquidation governing norms shall be applicable in such amount insofar as they not in contradiction to the norms of this Chapter.

[*22 February 2007*]

**Section 210.** (1) Only the competent authorities of the country of residence have the right to take decisions in conformity with the competence laid down in the law of the relevant state on activities, which are related to reorganisation measures or liquidation of a credit institution (also the branches thereof) registered in the country of residence 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 governed by the laws and regulations of the relevant state of domicile if it is not laid down otherwise in this Law.

**Section 211.** (1) The Financial and Capital Market Commission or other competent institution, each in conformity with the competence laid down in its laws and regulations, prior to taking a decision on 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 notifications related to reorganisation measures or liquidation received from the competent authorities of other Member States in the official gazette *Latvijas Vēstnesis* and the website of the Financial and Capital Market Commission.

(3) If a court makes a ruling 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 entering into effect of such ruling or decision ensure the publication in the official gazette *Latvijas Vēstnesis* of the ruling or decision related to the reorganisation measures or liquidation laid down in the law, as well as sending a notification of the ruling 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 laid down 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 ruling or the decision of the competent authority regarding reorganisation measures or liquidation.

[*22 February 2007; 16 May 2013; 24 April 2014; 11 June 2015; 29 April 2021*]

**Section 212.** (1) The liquidator or administrator, or person authorised by other laws shall immediately notify each of the known creditors in writing of the reorganisation measures or liquidation irrespective of their location.

(2) The 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 related to claims, as well as other information, which creates, amends or terminates creditor obligations.

(3) The 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) The liquidator or administrator, or person authorised by other laws has the right to request that the creditor ensures the translation of the application in the official language of the Republic of Latvia only when it has been previously notified in the notification to creditors laid down in this Section.

**Section 213.** (1) Before the court has taken a ruling or the competent institution has taken the decision on 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, after taking of the relevant ruling or decision, the Financial and Capital Market Commission shall immediately inform competent authorities of those Member State in which the relevant credit institution has opened a branch of the aforementioned court ruling or decision of authority.

(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 related to 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) The liquidator or administrator, or person authorised by other laws shall co-operate with persons authorised by other countries who have the right to take reorganisation measures or liquidation.

[*22 February 2007*]

**Section 214.** The laws and regulations of the Republic of Latvia shall govern issues, which are related to:

1) assets or activities with assets, which have been acquired or transferred after the commencement of liquidation or insolvency proceedings;

2) the rights and obligations of the administrative body and liquidator or administrator;

3) close-out netting, 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 laws and regulations laying down the lodging, verification and recognition of claims;

8) the requirements of laws and regulations determining 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 laws and regulations, 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 laws and regulations regarding the costs of liquidation or insolvency proceedings;

12) the provisions of laws and regulations, which restrict all the rights determined for creditors or determine prohibitions or restrictions in order that in relation to creditors to prevent unequal conditions or losses.

[*30 September 2021*]

**Section 215.** If reorganisation measures or liquidation of such credit institution registered in the Republic of Latvia (also its branches in the involved country) or credit institution which provides financial services in the involved country without opening a branch, the liquidator or administrator, or person authorised by other laws shall regularly, but not less than once per year, inform the known creditors in other Member States of the reorganisation measures or liquidation.

**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.

**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 laid down in this Section.

**Section 218.** If after the decision to perform reorganisation measures or liquidation has been taken and the relevant activities have been commenced, assets are alienated, such activities shall be governed in relation to:

1) immovable property – by those laws and regulations in the territory of which the immovable property is located;

2) ships or aircraft – by those Member State laws and regulations in the purview of which public registers are located;

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 laws and regulations in accordance with which the ownership rights of the credit institution to the relevant financial instruments is certified.

**Section 219.** (1) The rights and obligations of participants in a regulated market in transactions with financial instruments in relation to the implementation of reorganisation measures or liquidation shall be governed 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 laid down in this Section.

**Section 220.** (1) The powers of the liquidator or administrator, or person authorised by other laws that has been appointed by competent institution of another Member State shall be certified by a certified copy of the original decision of such institution or another certification, which conforms to the laws and regulations of the relevant country. Competent authorities have the right to request that the referred to document be translated into the official language of the Republic of Latvia.

(2) The liquidator or administrator, or person authorised by other laws that has been appointed by another Member State has the right to implement such powers in the Republic of Latvia, which he or she may implement in the territory of the relevant Member State. The 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) When implementing its powers in the Republic of Latvia, the liquidator or administrator, or person authorised by other laws that has been appointed by another Member State shall conform to the laws and regulations of the Republic of Latvia, especially in relation to activities related to the sale of assets and the provision of information to employees.

[*22 February 2007*]

**Section 221.** (1) When implementing its powers, the liquidator or administrator, or person authorised by other laws that has been appointed in the country of residence has the obligation to register reorganisation measures or liquidation in the public registers of the Republic of Latvia if such registration is required by the laws and regulations of the Republic of Latvia.

(2) When implementing its powers, the liquidator or administrator, or person authorised by other laws that has been appointed in the Republic of Latvia has the obligation to register reorganisation measures or liquidation in the public registers of the involved country if such registration is required by the laws and regulations of the relevant Member State.

(3) Expenses which are related to 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.

**Section 222.** The laws and regulations of the Republic of Latvia shall not be applied to the right to lay down 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;

2) the laws and regulations of the Republic of Latvia do not provide for the possibility of disputing the activities of a person who has gained a benefit.

**Section 223.** The influence of reorganisation measures or liquidation on matters in existing court proceedings shall be governed by the laws and regulations of such Member State in the territory of which the relevant court proceedings take place.

**Section 224.** (1) Competent institution which in the fulfilment of functions laid down in the law receive information on reorganisation measures or liquidation shall ensure the non-disclosure of the abovementioned information.

(2) The procedures for the disclosure of the information referred to in Paragraph one of this Section shall be governed by the laws and regulations of the relevant Member State.

**Transitional Provisions**

1. Upon 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 banks shall observe that the minimum founding capital of a bank 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,

- from 1 April 1998 until 31 December 1999 – not less than 2 000 000 lats.

2) [30 October 1997].

[*30 October 1997; 23 December 2010 / Amendments in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

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 banks shall fulfil the requirements of Section 21 of this Law by 31 December 1999.

[*30 October 1997; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

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 Latvijas Banka shall be cancelled. They shall be transferred to Latvijas Banka 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 stipulated by the Cabinet.

8. In accordance with the provisions of Paragraph 7 of the Transitional Provisions of this Law, the right of action 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.

[*11 December 2003*]

9. The procedures for the coming into force of Sections 12.1, 12.2, 12.3 and 108.1 shall be laid down by a special law.

[*11 April 2002*]

10. Section 161, Paragraph two, Clause 16 and the amendment to Section 192, Clause 2 of this Law shall come into force on 1 January 2003.

[*11 April 2002*]

11. Section 24, Paragraph one, Clause 3 of this Law shall come into force on 1 April 2004, but Paragraph two – on 1 April 2007.

[*11 April 2002*]

12. Insolvency (bankruptcy) or liquidation proceedings of credit institutions that were commenced prior to the coming into force of this Law, shall be resolved and completed according to procedures that were laid down in the Credit Institutions Law up to the day of the coming into force of this Law.

[*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.

[*28 October 2004*]

13. Amendments to Section 63 of this Law shall come into force concurrently as the coming into force of the Bailiff Law.

[*24 October 2002*]

14. Section 63, Paragraph one, Clause 7 of this Law shall come into force concurrently as the relevant amendments to the Corruption Prevention and Combating Bureau Law.

[*27 May 2004*]

15. Section 10.2 of this Law shall come into force simultaneously with the coming into force of the relevant law regarding financial security.

[*28 October 2004*]

16. Section 63, Paragraph one, Clause 14 of this Law shall come into force simultaneously with the coming into force of the Law on Orphan’s and Custody Courts.

[*22 June 2006*]

17. Credit risk capital requirement calculations based upon the Advanced Internal Ratings Based Approach and the Advanced Measurement Approach for the calculation of operational risk capital requirements shall be applied from 1 January 2008.

[*22 February 2007*]

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.

[*22 February 2007*]

19. Credit institutions, which for the calculation of the operational risk capital requirement apply 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.

[*22 February 2007*]

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 stipulated by the Financial and Capital Market Commission for the calculation of sufficiency of capital.

[*22 February 2007*]

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 stipulated by the Financial and Capital Market Commission for the calculation of sufficiency of capital.

[*22 February 2007*]

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 stipulated by the Financial and Capital Market Commission for the calculation of sufficiency of capital.

[*22 February 2007*]

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 governing requirements shall be calculated individually or at the consolidation group level in accordance with Sections 50.8 and 50.9 of this Law.

[*22 February 2007*]

24. Up to 31 December 2007, a credit institution credit risk and counterparty risk capital requirements calculation in accordance with the Standardised Approach laid down in Section 35 of this Law may prepare it according to the sufficiency of capital calculation procedures stipulated by the Financial and Capital Market Commission.

[*22 February 2007*]

25. If a credit institution utilises the possibility referred to in Paragraph 24 of these Transitional Provisions of this Law, it may by 31 December 2007 prepare the debt instrument and equities position risk capital requirements calculation laid down in Section 35 of this Law according to the sufficiency of capital calculation procedures stipulated by the Financial and Capital Market Commission.

[*22 February 2007*]

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.

[*22 February 2007*]

27. When using the possibility referred to in Paragraph 24 of these Transitional Provisions of this Law, a credit institution shall reduce the operational risk capital requirement laid down in Section 35, Paragraph one, Clause 4 of this Law by such an amount which is determined as such total exposure value which is calculated in the credit risk capital requirement in accordance with Paragraph 24 of these Transitional Provisions of this Law in relation to the total exposure value subject to all credit risks.

[*22 February 2007*]

28. If the risk-weighted exposure for all exposures is calculated in accordance with Paragraph 24 of these Transitional Provisions of this Law, the implementation of credit institution restrictions on large exposures and restrictions on exposures of persons related to the credit institution shall be ensured by the procedures which were stipulated by the Financial and Capital Market Commission prior to the coming into force of these amendments.

[*22 February 2007*]

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.

[*22 February 2007*]

30. Section 74.3 of this Law shall come into force on 1 July 2007. Credit institutions have the obligation to submit to the State Revenue Service information on the sight deposit accounts of legal persons – residents of the Republic of Latvia, as well as non-resident permanent representations in Latvia which are opened and not closed prior to the day of coming into force of Section 74.3 of this Law in accordance with the procedures and the time period laid down by the Cabinet.

[*22 February 2007*]

31. Amendments to Section 106 of this Law in relation to exclusion of Paragraphs four and five, and to Section 198, Paragraph three, as well as Section 106.1 shall come into force on 1 January 2008.

[*22 February 2007*]

32. Amendments to Section 89.1 of this Law shall apply to the statements which 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 in relation to exclusion of Paragraph seven shall enter into force concurrently with amendments to the Consumer Rights Protection Law.

[*29 May 2008*]

34. If the application on an administrative act of the Financial and Capital Market Commission has been submitted to the Administrative District Court by 1 January 2009, the decision on the submitted application shall be taken, as well as the initiated administrative case shall be examined and a court ruling in this case shall be taken and appealed in accordance with the provisions of the Administrative Procedure Law.

[23 October 2008]

35. Amendments to Sections 106.1 and 198 of this Law in relation to commercial companies having close relationship with a credit institution, shall apply from 1 April 2009.

[*26 February 2009; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

36. Provisions of Section 59.6, Paragraphs one and two of this Law in relation to prohibitions shall not be applicable to a credit institution, to which prior to coming into force of this legal norm aid for commercial activity has been provided or for which deposit restrictions have been determined in accordance with the laws and regulations regarding aid for commercial activity.

[*22 October 2009; 23 December 2010 / Amendment in relation to replacement of the word “bank” with the words “credit institution” shall come into force on 30 April 2011. See Paragraph 39 of Transitional Provisions*]

37. The Cabinet shall issue the regulations laid down in Section 63, Paragraph 3.1 of this Law until 1 July 2010.

[*28 January 2010*]

38. Amendments to Section 59.2, Paragraph one of this Law shall come into force concurrently with the relevant amendments to the Commercial Law.

[*11 March 2010*]

39. Amendments to the Law in relation to replacement the word “bank” with the 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 the Law in relation to exclusion of these Sections or some parts thereof in relation to electronic money and electronic money institutions, and also amendment to Section 117 shall come into force concurrently with amendments to the Payment Service Law governing the activities of the electronic money institutions.

[*23 December 2010*]

40. Until 31 December 2012 the time period of six months shall be applied for taking of the decision referred to in Section 112.4, Paragraphs two and ten of this Law.

[*23 December 2010*]

41. Credit institutions which are using the internal ratings-based approach for calculation of the risk weighted average shall, by 31 December 2011, ensure own funds which are always higher than or equal to the amount of own funds indicated in Paragraph 45 of the Transitional Provisions of this Law.

[*23 December 2010*]

42. Credit institutions, which after 1 January 2010 have received an authorisation from the Financial and Capital Market Commission to use the internal ratings-based approach for calculation of the risk weighted average, shall ensure own funds, which are always higher or equal to the amount of own funds laid down in Paragraph 45 of the Transitional Provisions of this Law. The procedures for calculation laid down in Paragraph 45 or 46 of these Transitional Provisions shall be used in calculation of own funds.

[*23 December 2010*]

43. The credit institutions which use the advanced measurement approach for calculation of the operational risk capital requirements, until 31 December 2011, shall ensure own funds which are always higher or equal to the amount of own funds laid down in Paragraph 45 of the Transitional Provisions of this Law.

[*23 December 2010*]

44. Credit institutions which after 1 January 2010 have received an authorisation from the Financial and Capital Market Commission to use the advanced measurement approach for calculation of the operational risk capital requirements shall ensure own funds which are always higher or equal to the amount of own funds laid down in Paragraph 45 of the Transitional Provisions of this Law. The procedures for calculation laid down in Paragraph 45 or 46 of these Transitional Provisions shall be used in calculation of own funds.

[*23 December 2010*]

45. Until 31 December 2011 own funds of a credit institution shall be at least 80 per cent of the minimum own funds, calculated in accordance with the procedures for calculation of the sufficiency of capital stipulated by the Financial and Capital Market Commission.

[*23 December 2010*]

46. The Financial and Capital Market Commission may authorise credit institutions which after 1 January 2010 have obtained an authorisation thereof to use the internal ratings-based approach for calculation of the risk weighted average or to use the advanced measurement approach for calculation of the operational risk capital requirements, to calculate the minimum amount of own funds referred to in Paragraph 45 of these Transitional Provisions, applying appropriate simpler approaches for determination of the credit risk and the operational risk capital requirements in accordance with the procedures for calculation of the minimum capital requirements stipulated by the Financial and Capital Market Commission.

[*23 December 2010*]

47. [13 June 2019]

48. Credit institutions which are using the internal ratings-based approach for calculation of the risk weighted average shall continue to ensure own funds that are always higher or equal to the amount of own funds laid down in Paragraph 50 of these Transitional Provisions until 31 December 2012.

[*22 March 2012*]

49. Credit institutions which are using the advanced measurement approach for calculation of the operational risk capital requirements shall continue to ensure own funds that are always higher or equal to the amount of own funds laid down in Paragraph 50 of these Transitional Provisions until 31 December 2012.

[*22 March 2012*]

50. Until 31 December 2012 own funds of the credit institutions shall be at least 80 per cent of the minimum own funds, as calculated in accordance with the procedures for the calculation of sufficiency of capital stipulated by the Financial and Capital Market Commission.

[*22 March 2012*]

51. Amendments to Section 63, Paragraph one, Clause 11 of this Law (stating thereof in the new wording) in the part regarding provision of information necessary for tax administration needs on a specific taxpayer of the state requesting information in accordance with the international agreements ratified by the *Saeima* of the Republic of Latvia, to Section 63, Paragraph one, Clause 11.1 in the part regarding provision of information necessary for tax administration needs on a specific taxpayer of a foreign country in accordance with such international agreements ratified by the *Saeima* of the Republic of Latvia which provide for the provision of predictably important information or important information, as well as amendments to Section 63, Paragraph three (stating of the third sentence in the new wording) shall be applicable from 1 July 2013. Until 30 June 2013 information for tax administration needs shall be provided by credit institutions in accordance with the international agreements ratified by the *Saeima* of the Republic of Latvia to the extent laid down in Section 63, Paragraph one, Clause 11 of this Law on the day prior to the day when the relevant amendments (to Section 63, Clauses 11 and 11.1) come into force.

[*14 March 2013*]

52. Section 100.1 of this Law in relation to payments of a credit institution to the Financial and Capital Market Commission for funding of the activities thereof shall come into force concurrently with the amendments to the Law On the Financial and Capital Market Commission.

[*16 May 2013*]

53. Amendments to Section 1, Clauses 41 and 42, Section 135, Section 153, Clause 2, Section 161, Paragraph four, Clauses 9, 19, and 20, and Section 166 of this Law shall not be applicable to insolvency and liquidation proceedings of a credit institution which have been initiated prior to the entry into force of the relevant amendments.

[*16 May 2013*]

54. In relation to selection of an administrator of a credit institution in insolvency proceedings, which have been initiated prior to the date of entry into force of amendments to Section 131.1 (rewording of the Section), the legal provisions that were in force on the date when the administrator was appointed, except cases when another administrator must be appointed in insolvency proceedings, shall be applicable.

[*16 May 2013*]

55. Section 65, Paragraph four of this Law shall come into force on 1 June 2014.

[*24 April 2014*]

56. The requirements of Sections 35.4, 35.5, 35.6, 35.7 and 35.8 of this Law regarding the countercyclical capital buffer shall come into force on 1 January 2016.

[*24 April 2014*]

57. The requirements of Sections 35.9, 35.10, 35.11, and 35.12 of this Law regarding the capital buffer of another global systemically important institution shall come into force on 1 January 2016. The requirement shall be conformed to as of 1 January 2016 at the extent of 25 per cent, as of 1 January 2017 – at the extent of 50 per cent, as of 1 January 2018 – at the extent of 75 per cent and as of 1 January 2019 – at the extent of 100 per cent of what is laid down in this Law.

[*24 April 2014; 29 April 2021*]

58. The requirements of Sections 35.13, 35.14 and 35.15 of this Law regarding the capital buffer of other systemically important institution shall come into force on 1 January 2016.

[*24 April 2014*]

59. Section 35.18, Paragraphs three and four of this Law shall come into force on 1 January 2015.

[*24 April 2014*]

60. The other accrued income indicated in the statement of comprehensive income referred to in Section 21, Paragraph one, Clause 3 of this Law shall be included in the initial capital as of 1 January 2015, in accordance with the transitional provisions laid down by the Financial and Capital Market Commission.

[*24 April 2014*]

61. The requirement of Section 34.3, Paragraph two of this Law shall apply to the variable component of remuneration, which shall be determined not later than for the results of operation during the second half of the year 2014, and to the fixed component of remuneration for the respective period regardless of the date of entering into the employment contract or authorisation agreement.

[*24 April 2014*]

62. The regulations referred to in Section 63, Paragraph one, Clause 11.2 of this Law shall be issued by the Cabinet by 31 March 2015.

[*29 January 2015*]

63. Section 63, Paragraph one, Clause 18 of this Law shall come into force on 1 April 2016.

[*30 November 2015*]

64. Amendments to Section 89.1, the new wording of Section 90, Paragraph one, and the new wording of Section 91, as well as Sections 89.2 and 91.1 in relation to extending the time period for submitting the annual account, consolidated annual account, or report of a sworn auditor or their copies shall be applicable starting from the reporting year of 2015 (the year which starts on 1 January 2015 or during the calendar year of 2015).

[*30 November 2015*]

65. Credit institutions shall ensure the compliance of the persons responsible for the fulfilment of the requirements for the prevention of money laundering or terrorism financing with the requirements of Sections 24 and 25 of this Law by 1 January 2017.

[*2 June 2016*]

66. The fines collected in 2016 for activities as a result of which the requirements of the laws and regulations in relation to prevention of money laundering or terrorism financing have been violated (including for the violations referred to in Section 198.1), with an order of the Minister for Finance, are directed for increasing the appropriation for the State basic budget programme “Resources for Unforeseeable Cases” if a decision of the Cabinet has been taken and the Budget and Finance (Tax) Commission of the *Saeima* has not objected against increase in appropriation within five working days from the day of receipt of the relevant information.

[*2 June 2016*]

67. The Cabinet shall issue the regulations provided for in Section 66.2, Paragraph eight of this Law by 1 March 2017.

[*23 November 2016*]

68. A credit institution shall enforce such collection tasks, order regarding suspending the payment operations of a taxpayer in part or in full, or orders given by bailiffs regarding transfer of monetary funds which have been issued by 30 June 2017, and the orders laid down in Section 66.1 of this Law which have been notified by using the type of data exchange laid down in Section 66.2, Paragraph two, Clauses 2 and 3 of this Law in such order as was received by the credit institution. The credit institution shall accept the orders by which the amount of the monetary funds laid down in such collection tasks, order regarding suspending the payment operations of a taxpayer in part or in full, or orders regarding transfer of monetary funds which have been issued by 30 June 2017, or the enforceable activities are updated, for enforcement in the order of the unique numbers assigned and shall enforce them in such order as was laid down for the enforcement of the initial order (order to be replaced).

[*23 November 2016*]

69. Section 66.2 , Paragraph two, Clauses 2 and 3 of this Law and the second sentence of Paragraph eight (in relation to delegation to the Cabinet to determine the procedures by which a credit institution, when enforcing the order laid down in Section 66.1, Paragraph one of this Law, commences and performs the data exchange by using the type of the data exchange laid down in Paragraph two, Clause 2 of this Section) is repealed from 1 July 2019.

[*23 November 2016*]

70. A credit institution shall ensure the type of data exchange laid down in Section 66.2, Paragraph two, Clause 1 of this Law from 1 July 2019. A credit institution may use the type of data exchange laid down in Section 66.2, Paragraph two, Clause 1 of this Law in conformity with the procedures laid down by the Cabinet from 1 July 2017 by informing the State Revenue Service and the Court Administration thereof in advance. A credit institution which has not informed the State Revenue Service and the Court Administration of commencing electronic data exchange by using the type of data exchange specified in Section 66.2, Paragraph two, Clause 1 of this Law, shall use the type of data exchange laid down in Section 66.2, Paragraph two, Clause 2 of this Law for data exchange with the State Revenue Service until 30 June 2019 in accordance with the procedures laid down by the Cabinet, and the type of data exchange laid down in Section 66.2, Paragraph two, Clause 3 of this Law – with bailiffs in accordance with the procedures provided for in the Civil Procedure Law which was in force until 30 June 2017.

[*23 November 2016*]

71. Section 63.2, Section 65, Paragraph one (in the new wording), Section 65, Paragraphs1.1 and 1.2, Section 65, Paragraph two (in the new wording), Section 66 (in the new wording), Sections 66.1 and 66.2 of this Law shall come into force on 1 July 2017. Until the day of coming into force of Section 63.2 of this Law a credit institution has the obligation to provide information to the State Revenue Service on accounts of permanent representations of legal persons – residents, as well as non-residents of the Republic of Latvia in Latvia in accordance with the legal norms which were laid down in Cabinet Regulation No. 421 of 26 June 2007, Procedures for Providing Information to the State Revenue Service Regarding Demand Deposit Accounts of Permanent Representation of Legal Persons – Residents and Non-residents of the Republic of Latvia in Latvia.

[*23 November 2016*]

72. In addition to that laid down in Section 63.2 of this Law credit institutions shall, by 31 August 2017, on the second working day of each calendar week provide information to the State Revenue Service on the demand deposit accounts of permanent representations of legal persons – residents and non-residents of the Republic of Latvia in Latvia opened and closed in the previous week by indicating the name (firm name), single registration code of the customer, the number, currency of the demand deposit account, the date of opening and closing the account. Credit institutions shall provide the abovementioned information according to the procedures which were laid down for credit institutions for the provisions of such information until 30 June 2017.

[*21 July 2017*]

73. The authorised person referred to in Section 116, Paragraph four of this Law or the administrator referred to in Section 131.1 who has been appointed as the authorised person or the administrator until the day when amendments to Section 116, Paragraph four and Section 131.1 of this Law which has been reworded come into force and who, in accordance with the Insolvency Law, has a valid certificate of the administrator of insolvency proceedings issued by the association *Latvian Association of Certified Administrators of Insolvency Proceedings* has the right to continue fulfilling the duties of the authorised person or administrator.

[*21 July 2017*]

74. Amendments on supplementation of this Law with Section 186, Paragraph five and Section 195.1 in relation to repeat application of creditors’ claims and their satisfaction shall not be applicable to the insolvency proceedings of a credit institution which have been initiated prior to the coming into force of the relevant amendments.

[*21 July 2017*]

75. Amendments to Section 135, Paragraph two of this Law (which provide for the procedures for laying down the total proportional remuneration of the liquidator and the assistant to the liquidator) and Section 166, Paragraph one (which provide for the procedures for laying down the total proportional remuneration of the administrator and the assistant to the administrator) shall not be applicable to the liquidation and insolvency proceedings of a credit institution which have been initiated prior to the coming into force of the relevant amendments.

[*1 March 2018*]

76. Section 24, Paragraph 2.1 of this Law does not apply to the persons referred to in Section 24, Paragraph one of this Law that have been appointed in the position until the day when Paragraph 2.1 of Section 24 comes into force.

[*1 November 2018*]

77. Section 34.5 of this Law shall come into force on 1 February 2019. Section 34.5, Paragraph three of this Law shall not apply to persons who, on the day of coming into force of this Paragraph, are in legal employment relationships with the credit institution and meets one or several of the indications laid down in Section 34.5, Paragraph three of this Law due to the fact that this person has become insolvent or has committed any of the aforementioned violations of the law before the day of coming into force of the relevant paragraph.

[*1 November 2018*]

78. Amendments regarding the exclusion of Chapter XIII, Restoration of a Credit Institution, and Chapter XIV, Bankruptcy Proceedings for Credit Institutions, of this Law shall not apply to the insolvency and liquidation proceedings of a credit institution which has been commenced before the relevant amendments have come into force. Legal norms that were in force until the day when the amendments referred to in the first sentence of this Paragraph came into force shall apply to such insolvency and liquidation proceedings.

[*1 November 2018*]

79. Section 131.1, Paragraph two of this Law, amendments to Section 168, Paragraph one and Section 169, Paragraph one of this Law shall come into force on the same day when the relevant amendment to the Civil Procedure Law (regarding the cases of credit institution insolvency) comes into force. The Cabinet shall submit the respective amendments to the Civil Procedure Law to *Saeima* by 1 May 2019. The selection of the administrator and the procedures for keeping the list of the candidates to the position of the administrator of the credit institution provided for in Section 131.1, Paragraph three of this Law shall be applied from the day when the relevant amendment to the Civil Procedure Law (regarding the cases of credit institution insolvency) comes into force.

[*1 November 2018*]

80. Amendments to Section 65, Paragraph 1.2, Section 66, Paragraph four, Section 66.1, Paragraph one, Clause 1, the second sentence of Paragraph three and the first sentence of Paragraph seven (the new wording) of Section 66.2 of this Law in relation to an order of the State Revenue Service regarding suspension of payment transactions of a taxpayer shall come into force concurrently with the relevant amendments to the law on Taxes and Fees.

[*28 February 2019*]

81. Amendments to Section 159 and Section 161, Paragraph two, Clause 12 of this Law regarding the replacement of the words “Land Registry Office” (in the relevant number and case) with the words “district (city) court” (in the relevant number and case) shall come into force on 1 June 2019.

[*28 February 2019*]

82. The Financial and Capital Market Commission shall, by 1 August 2019, issue the regulatory provisions referred to in Section 126.2, Paragraph four and Section 146.1, Paragraph three of this Law.

[*13 June 2019*]

83. Sections 126.2 and 146.1of this Law, amendments to Section 128 regarding the new wording of Paragraphs one and two and to Section 129, Paragraph one, Section 129, Paragraph 1.1, amendments to Section 132, Paragraph four regarding the deletion of Paragraph, amendments to Section 137, Paragraph one, and Section 139, Paragraph two shall not be applicable to the insolvency and liquidation (also voluntary liquidation) proceedings initiated prior to the coming into force of the relevant amendments. Legal norms that were in force until the day when the amendments referred to in the first sentence of this Paragraph came into force shall apply to such insolvency and liquidation (also voluntary liquidation) proceedings.

[*13 June 2019*]

84. The Financial and Capital Market Commission shall, by 1 August 2019, issue the regulatory provisions referred to in Section 196, Paragraph four of this Law.

[*13 June 2019*]

85. The credit institution shall develop the procedure and establish the internal channel for reporting on the violation referred to in Section 106.2, Paragraph five of this Law not later than by 31 March 2020.

[*19 December 2019*]

86. Amendments regarding the supplementation of Section 63, Paragraph two of this Law with a sentence and the new wording of the second sentence of Paragraph three, amendments to Section 63, Paragraph 3.1 regarding the new wording of the third sentence and regarding the supplementation of this Paragraph with a sentence, and also Section 63, Paragraph 3.2 and Section 64, Paragraph 1.1 shall come into force on 1 July 2021.

[*17 June 2020*]

87. Until the day when amendments to the Electronic Documents Law which determine the use of an electronic seal as a detail of legal force of an electronic document come into force, an electronic document the author or one of authors of which is a credit institution shall be valid without signature of a representative of the credit institution, if the document has been certified with a qualified electronic seal issued to the credit institution as a legal person (within the meaning of Article 3(27) of Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC) and concurrently all of the following conditions are fulfilled:

1) the document applies to the provision of financial services or, with the document, the credit institution provides information to other persons or State or local government authorities;

2) it is not specifically provided for in the external regulatory enactment for the document of the relevant type that it should be signed;

3) authorisation of a member of the board of the credit institution to other persons may not be provided for in the document.

[*17 June 2020*]

88. A credit institution as a creditor is entitled to unilaterally cancel such loan (credit) liabilities in full or partial amount for natural persons which have not been executed due to the economic recession of 2008 (hereinafter – the liabilities) and fulfil all of the following conditions:

1) a loan (credit) contract has been concluded by and between the creditor and the natural person;

2) the natural person (in relation to the lender) is not and has not been a person affiliated with an undertaking within the meaning of the law on Taxes and Fees;

3) the liabilities have been established by a loan (credit) contract which has been concluded and has entered into effect until 31 December 2008;

4) the repayment of the liabilities was ensured with an immovable property mortgage;

5) due to debt liabilities against a creditor in accordance with the procedures laid down in the Civil Procedure Law or according to an agreement with a credit institution, the debtor or pledger has lost property rights to the pledged immovable property until 31 December 2018;

6) the loan (credit) liabilities on the day when they are cancelled in the accounting records of the creditor in accordance with the requirements of the international financial reporting standards within the meaning of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards have been presented as an asset written off from the balance sheet of the participant of the financial and capital market;

7) insolvency proceedings have not been initiated for the relevant natural person.

[*9 July 2020*]

89. The rights of a creditor referred to in Paragraph 88 of these Transitional Provisions shall also apply to the guarantee liabilities. The guarantee liabilities shall be included in the amount of the liabilities to be cancelled, if the guarantee has been provided for the liabilities which conform to that laid down in the relevant Paragraph.

[*9 July 2020*]

90. Also a person to whom the credit institution has ceded the liabilities referred to in Paragraph 88 of this Regulation has the rights referred to in Paragraph 88 of these Transitional Provisions. The person to whom the relevant liabilities have been ceded is entitled to use the policy referred to in Paragraph 92 of these Transitional Provisions.

[*9 July 2020*]

91. If an agreement regarding execution of the liabilities referred to in Paragraph 88, 89, or 90 of these Transitional Provisions has been entered into by and between the creditor and the debtor (borrower or guarantor) prior to coming into force of Paragraphs 88, 89, 90, 91, 92, 93, 94, 95, 96, or 97 of these Transitional Provisions and this agreement has not been executed yet, the debtor (borrower or guarantor) is offered to amend such agreement in order to prevent that the conditions provided for therein by which a part of liabilities is to be cancelled are more unfavourable to the debtor (borrower or guarantor) than the conditions for the cancellation of liabilities which would be applied in the same situation for unilateral cancellation of liabilities in accordance with the policy specified in Paragraph 92 of these Transitional Provisions.

[*9 July 2020*]

92. A credit institution shall, in accordance with Sections 34.1and 34.2 of this Law, approve a policy and procedure based on objective and justified criteria for unilateral cancellation of loan (credit) liabilities, including complete or partial cancellation of liabilities, and publish it on the website of the credit institution.

[*9 July 2020; 29 April 2021*]

93. A credit institution shall, until 1 July 2022, constantly assess and document the conformity of the liabilities to be cancelled with Paragraphs 88, 89, 90, and 91 of these Transitional Provisions and decide on unilateral cancellation of liabilities.

[*9 July 2020*]

94. A creditor shall send a notification on unilateral cancellation of liabilities to the Credit Register and to such credit bureau the participant of which it is, and also to the debtor (borrower or guarantor) to the address which is available to the creditor.

[*9 July 2020*]

95. A credit institution or a person to which the credit institution has ceded the liabilities referred to in Paragraph 88 of these Transitional Provisions shall, once a year, inform the State Revenue Service of the persons whose liabilities have been unilaterally cancelled thereby and of the amount of liabilities cancelled for such persons.

[*9 July 2020*]

96. The legal norms included in Paragraphs 88, 89, 90, 91, 92, 93, 94, and 95 of these Transitional Provisions which provide for the rights and obligations in relation to unilateral cancellation of a loan (credit) shall be applicable until 31 December 2022.

[*9 July 2020*]

97. Also a credit institution registered in another Member State which is operating in the Republic of Latvia with the intermediation of a branch is entitled to apply the legal norms included in Paragraphs 88, 89, 90, 91, 92, 93, 94, 95, and 96 of these Transitional Provisions which provide for such rights and obligations in relation to unilateral cancellation of a loan (credit) for natural persons which have not been executed due to the economic recession of 2008.

[*9 July 2020*]

98. Section 10.1 of this Law in the new wording shall come into force on 1 July 2021.

[*29 April 2021*]

99. The Financial and Capital Market Commission shall, by 30 June 2021, issue the provisions referred to in Section 10.1, Paragraph twenty of this Law.

[*29 April 2021*]

100. The Financial and Capital Market Commission shall examine a submission to the Financial and Capital Market Commission which has been submitted until 30 June 2021 and applies to the planned outsourced service in accordance with such provisions of Section 10.1 of this Law which were in force on the day when the submission was submitted.

[*29 April 2021*]

101. A credit institution shall ensure that it executes the requirements laid down in Section 10.1 of this Law (in the new wording) by 1 March 2022.

[*29 April 2021*]

102. Sections 49.2, 49.3, Section 101.3, Paragraph 4.4, Clause 11, Paragraphs five and six of this Law in the new wording shall come into force on 28 June 2021.

[*29 April 2021*]

103. Amendments to Sections 35.29, 35.30, and 35.31 of this Law (in relation to the leverage ratio buffer requirement) and Sections 35.34, 35.35, and 35.36 of this Law shall come into force on 1 January 2023.

[*29 April 2021 / The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

104. Amendment to Section 34.2, Paragraph one of this Law regarding its new wording in relation to the credit spread risk of the non-trading book shall be applied starting from 28 June 2021.

[*29 April 2021*]

105. A third-country group which includes more than one credit institution or investment firm of a Member State and the total asset value of which in the European Union on 27 June 2019 was at least EUR 40 billion, and which continues its activities on the day of coming into force of Section 33.4 of this Law shall, in accordance with the requirements of the abovementioned Section, establish a parent company in the European Union by 30 December 2023.

[*29 April 2021*]

106. The holding company referred to in Section 33.3 of this Law which carried out activities on 27 June 2019 and continues activities on the day of coming into force of Section 33.3 of this Law shall receive a permit in accordance with the procedures laid down in the abovementioned Section within six months from the day of coming into force of Section 33.3.

[*29 April 2021*]

107. Until the day when such amendments to laws come into force by which it is determined that the property remaining after termination of the activities of a capital company and exclusion thereof from the Commercial Register pertains to the State, the resolution specified in Section 63, Paragraph one, Clause 24 of this Law shall be applied only in relation to the provision of information to capital companies which, in accordance with Section 314.1, Paragraph two and Section 317, Paragraph two of the Commercial Law, have been excluded from the Commercial Register, and other legal persons which are not capital companies and have been excluded from the relevant register kept by the Enterprise Register.

[*27 May 2021*]

108. A credit institution shall provide information on capital companies which, in accordance with Section 314.1, Paragraph two and Section 317, Paragraph two of the Commercial Law, have been excluded from the Commercial Register until the day of coming into force of Section 63, Paragraph one, Clause 24 of this Law, on the basis of a request of the State Revenue Service to which the information provided by the Enterprise Register on the abovementioned capital companies excluded from the Commercial Register has been appended.

[*27 May 2021*]

109. Section 64 of this Law shall also be applied to such employees of the Financial and Capital Market Commission whose legal relationship have been terminated until the day of coming into force of the Law on Latvijas Banka.

[*23 September 2021*]

110. Amendments to this Law regarding the replacement of the words “Law on the Financial and Capital Market Commission” with the words “Law on Latvijas Banka” in the entire Law, replacement of the words “Financial and Capital Market Commission” with the words “Latvijas Banka” in the entire Law, replacement of the words “regulatory provisions” with the word “provisions”, except for Transitional Provisions, replacement of the word “appeal” with the words “contesting and appeal” in Section 10.1, Paragraph nineteen, Section 59.2, Paragraph four, Section 101.2, Paragraph five, Section 101.3, Paragraph eight, Section 123, Section 129, Paragraph four, Section 148, Paragraph four, and Section 208.1, Paragraph one of this Law, amendments to Section 6, Paragraph three, amendment regarding the deletion of Section 7, amendment regarding the new wording of Section 8, Paragraph one, amendments to Section 50, Paragraph two, Section 61, Paragraph two, Section 63, Paragraph one, Section 64, amendment regarding the new wording of the introductory part of Section 100.1, Section 101, Paragraph two, amendment regarding the deletion of Section 106, Paragraph three, amendment regarding the new wording of Section 108, Paragraphs two and three, amendments regarding the deletion of Section 108, Paragraphs four and five, Section 111, Section 112.5, Paragraph 1.1, Section 129, Paragraph three, amendment regarding the new wording of Section 137, Paragraph one, amendment regarding the deletion of Section 146, Paragraph five, amendments to Section 159, Paragraph one and Section 161, Paragraph two, Clauses 9 and 14, amendment regarding the new wording of Section 198, Paragraph one, and also amendments to Section 199 shall come into force concurrently with the Law on Latvijas Banka.

[*23 September 2021 / The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

111. The regulatory provisions issued by the Financial and Capital Market Commission on the basis of this Law, until the day of coming into force of the Law on Latvijas Banka, shall be applied until the day of coming into force of the relevant regulations of Latvijas Banka, but not longer than until 31 December 2024.

[*23 September 2021*]

112. The Enterprise Register shall, in relation to the documents referred to in Section 89.1, Paragraph two of this Law received until the day of coming into force of amendments to Section 89.1, Paragraph three of this Law, not later than within five working days, publish a notification in the official gazette *Latvijas Vēstnesis* that copies of the annual statement or consolidated annual statement and the documents appended thereto are available in electronic form in the Enterprise Register.

[*23 September 2021*]

113. Amendments to Section 21, Paragraph four and Section 59.1, Paragraph one of this Law which stipulate the obligation to publish notifications on the website of the Enterprise Register shall come into force on 1 July 2023.

[*23 September 2021 / The abovementioned amendments shall be included in the wording of the Law as of 1 July 2023*]

**Informative Reference to Directive of the European Union**

[*26 May 2005; 9 June 2005; 22 February 2007; 29 May 2008; 26 February 2009; 11 March 2010; 23 September 2010; 23 December 2010; 15 March 2012; 22 March 2012; 24 May 2012; 14 March 2013; 16 May 2013; 24 April 2014; 11 June 2015; 21 July 2017; 28 February 2019; 19 December 2019; 17 June 2020; 29 April 2021*]

This Law contains norms arising from:

1) [14 March 2013];

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 payment;

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 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;

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 prudent 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) [24 May 2012];

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;

18) Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures;

19) 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);

20) Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC; and

21) 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.

22) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

23) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council;

24) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC;

25) Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy;

26) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 684/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC;

27) Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU;

28) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

29) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

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

Rīga, 24 October 1995