The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Crowdfunding Services Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

The terms used in the Law correspond to the terms used in Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (hereinafter – Regulation No 2020/1503).

**Section 2. Purpose of the Law**

The purpose of the Law is to promote the development of the field of crowdfunding services, to strengthen the stability and reliability of the crowdfunding service market, to protect the interests of the clients of crowdfunding service providers, and also to determine the requirements in the field of crowdfunding services.

**Section 3. Scope of Application of this Law**

This Law prescribes:

1) the procedures for the issuing and registration of authorisations for the operation of crowdfunding service providers, their operation and liability in accordance with Regulation No 2020/1503;

2) the rights, obligations, and also powers of the competent authority to issue regulatory provisions binding on crowdfunding service providers.

**Section 4. Competent Authority**

(1) In Latvia, the Financial and Capital Market Commission (hereinafter – the Commission) shall be the competent authority designated in accordance with Article 29(1) of Regulation No 2020/1503.

(2) The Commission is entitled to issue regulatory provisions:

1) on the management of information technology and security risks of crowdfunding service providers;

2) on the content of and procedures for the submission of reports on activities and other information to be provided by crowdfunding service providers.

(3) The Commission has the right to determine the requirements governing the activities of crowdfunding service providers arising from the decisions, guidelines, and recommendations adopted by the European Banking Authority or the European Securities and Markets Authority in the field of crowdfunding services.

(4) An administrative act of the Commission issued in accordance with the requirements of this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services or an actual action of the Commission taken in accordance with the requirements of this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services may be appealed before the Regional Administrative Court. The court in the composition of three judges shall examine the case as the court of first instance. A judgement of the Regional Administrative Court may be appealed by submitting a cassation complaint.

**Chapter II**

**Authorisation or Refusal of Authorisation of a Crowdfunding Service Provider**

**Section 5. Commencement of the Operation of a Crowdfunding Service Provider**

(1) In order to receive an authorisation for the operation of a crowdfunding service provider and to register with the register of crowdfunding service providers, a crowdfunding service provider shall submit an application to the Commission, appending thereto the documents and information referred to in Regulation No 2020/1503 and other directly applicable legal acts of the European Union.

(2) A crowdfunding service provider does not have the right to engage in any other commercial activity in addition to the provision of crowdfunding services if it undermines or is likely to undermine the financial stability of the crowdfunding service provider or the ability of the Commission to supervise the conformity of the operation of the crowdfunding service provider with the requirements of Regulation No 2020/1503. The Commission may request that a separate legal person is established for the provision of crowdfunding services.

**Section 6. Procedures for Issuing and Refusing an Authorisation for the Operation of a Crowdfunding Service Provider**

(1) The Commission shall, by a decision, grant or refuse to grant an authorisation for the operation of a crowdfunding service provider in accordance with the procedures and within the time period laid down in Regulation No 2020/1503.

(2) When examining the documents and information submitted for the receipt of an authorisation for the operation of a crowdfunding service provider, the Commission has the right to request the crowdfunding service provider to make amendments thereto or to submit additional documents and information necessary to enable the Commission to verify that the crowdfunding service provider is acting in a prudent and cautious manner, and also that the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services are fulfilled.

(3) If the Commission takes the decision referred to in Paragraph one of this Section, appeal against such decision shall not suspend its operation.

**Chapter III**

**Activities of the Crowdfunding Service Provider and Provision of Information to Clients**

**Section 7. General Requirements**

(1) The relationship between a crowdfunding service provider and its clients shall be determined by this Law, Regulation No 2020/1503, other directly applicable legal acts of the European Union in the field of crowdfunding services, and civil law contracts concluded by the crowdfunding service provider with the clients.

(2) A crowdfunding service provider has an obligation to provide services in a professional and responsible manner, taking into account the interests of clients.

(3) A crowdfunding service provider shall conform its activities with the requirements of this Law, Regulation No 2020/1503, other directly applicable legal acts of the European Union in the field of crowdfunding services and the requirements of the regulatory provisions issued by the Commission governing the activities of crowdfunding service providers.

(4) The funding raised through crowdfunding services may in no way be used for the provision of other financial services.

(5) If a collateral is provided for the fulfilment of the liabilities of the project owner, it is registered in the name of the crowdfunding service provider or a special purpose vehicle established by it, with a notation that the relevant mortgage or commercial pledge secures the claim of the investor. The collateral serving for the fulfilment of the liabilities of the project owner shall not be included in the assets of the crowdfunding service provider or special purpose vehicle out of which the claims of the creditors of the crowdfunding service provider shall be met.

**Section 8. Provision of Information to Clients and Persons Responsible for It**

(1) A crowdfunding service provider shall make a key investment information sheet in at least the official language available to the prospective investors in Latvia, and this sheet shall be prepared by the project owner for each crowdfunding offer.

(2) The project owner and its supervisory authority or executive authority shall be responsible for ensuring that the information provided in the key investment information sheet is accurate and presented in accordance with the requirements laid down in Regulation No 2020/1503 and other directly applicable legal acts of the European Union in the field of crowdfunding services.

(3) The project owner shall indicate in the key investment information sheet the persons responsible for the information provided in the sheet, indicating the given name, surname, and position for natural persons and the firm name and legal address for legal persons.

(4) A crowdfunding service provider providing individual portfolio management of loans services shall prepare and make available a key investment information sheet at platform level at least in the official language to prospective investors in Latvia.

(5) A crowdfunding service provider and its supervisory authority or executive authority shall be responsible for ensuring that the information provided in the key investment information sheet at platform level is accurate and presented in accordance with the requirements laid down in Regulation No 2020/1503 and other directly applicable legal acts of the European Union in the field of crowdfunding services.

(6) The key investment information sheet at platform level shall indicate the persons responsible for the information provided in the sheet, indicating the given name, surname, and position for natural persons and the firm name and legal address for legal persons.

(7) The Commission is entitled to require the project owner and the persons responsible for completing the key investment information sheet to provide information and documents necessary for the Commission to verify the conformity of activities of the project owner with the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services.

(8) Crowdfunding service providers shall provide marketing communications in Latvia at least in the official language.

**Chapter IV**

**Supervision of the Operation of a Crowdfunding Service Provider and Withdrawal of an Authorisation**

**Section 9. General Supervision Requirements**

(1) The Commission shall, in accordance with the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services, supervise the operation of crowdfunding service providers which have received an authorisation issued by the Commission.

(2) The Commission has the right to determine additional requirements governing the operation of crowdfunding service providers in order to mitigate the operational risks of crowdfunding service providers and to protect the clients of crowdfunding service providers.

(3) A crowdfunding service provider has an obligation to immediately inform the Commission of any changes in the information submitted to it in order to receive an authorisation for the operation of a crowdfunding service provider, including of any circumstances which may have a negative impact on its future operation.

**Section 10. Rights of the Commission in Implementation of Supervision**

(1) In order to verify the conformity of the operation of a crowdfunding service provider with the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services, the Commission has the right to:

1) request that the information and documents on the fulfilment of the requirements in the field of crowdfunding services is provided by the crowdfunding service provider, third parties selected to perform the tasks in relation to the provision of crowdfunding services, and also natural or legal persons having control over the crowdfunding service provider or the third parties or over whom control is exercised by the crowdfunding service provider or such third parties;

2) request that the sworn auditor or the commercial company of sworn auditors and the supervisory authority or executive authority of the crowdfunding service provider and of third parties selected to perform the tasks in relation to the provision of crowdfunding services provide information on the fulfilment of the requirements in the field of crowdfunding services;

3) carry out inspections in places other than the private place of residence of natural persons and enter their premises in order to access documents and other data in any format if there are reasonable grounds to suspect that the documents and other data relating to the subject-matter of the inspection may be relevant to prove infringements in the field of crowdfunding services;

4) to verify the identity, criminal record, and information relating to the founders, shareholders, or members and officers of the crowdfunding service provider in order to ascertain the adequacy of the free capital and the origin of the funds invested;

5) request that the crowdfunding service provider submits reports on activities;

6) transfer the contracts concluded by the crowdfunding service provider to another crowdfunding service provider in accordance with Article 30(2)(i) of Regulation No 2020/1503 if the authorisation of the crowdfunding service provider is withdrawn in accordance with Article 17(1), first sub-paragraph, point (c) of Regulation No 2020/1503.

(2) If there are reasonable grounds to suspect that the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services are being violated, the Commission has the right to apply the following supervisory measures:

1) to suspend or request that the crowdfunding service provider or the third party selected to perform the tasks related to the provision of crowdfunding services suspends the provision of crowdfunding services for a period of up to 10 working days;

2) to suspend the publication of the crowdfunding offer for a period of up to 10 working days;

3) to prohibit or suspend the publication of marketing communications or to request that the crowdfunding service provider or the third party selected to perform the tasks in relation to the provision of crowdfunding services prohibits or suspends the publication of marketing communications for a period of up to 10 working days.

(3) The Commission is entitled to take decisions in order to perform the tasks assigned to it by this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services.

(4) If the Commission has issued an administrative act on the basis of the provisions of Paragraphs one, two, and three of this Section, appeal against such act shall not suspend its operation.

**Section 11. Withdrawal of the Authorisation for the Operation of a Crowdfunding Service Provider**

(1) The Commission has the right to withdraw an authorisation for the operation of a crowdfunding service provider by a decision in the cases referred to in Regulation No 2020/1503.

(2) If the Commission, on the basis of the provisions of Paragraph one of this Section, has issued an administrative act, appeal against such act shall not suspend its operation.

**Chapter V**

**Liability for Violations in the Field of Crowdfunding Services**

**Section 12. Application of Administrative Measures and Sanctions**

The Commission is entitled to impose the sanctions and administrative measures referred to in Section 13 of this Law if it establishes that the crowdfunding service provider or the person responsible for the violation has failed to comply with:

1) the requirements laid down in Article 3 of Regulation No 2020/1503 with regard to the provision of crowdfunding services;

2) the requirements laid down in Article 4 of Regulation No 2020/1503 with regard to effective and prudent management of the activities of the crowdfunding service provider and the determination of the price of the crowdfunding offer;

3) the requirements laid down in Article 5 of Regulation No 2020/1503 with regard to the due diligence of the project owner;

4) the requirements laid down in Article 6(1), (2), (3), (4), (5), and (6) of Regulation No 2020/1503 with regard to the individual portfolio management of loans and the information to be disclosed to clients;

5) the requirements laid down in Article 7(1), (2), (3), and (4) of No Regulation 2020/1503 with regard to the handling of complaints from clients;

6) the requirements laid down in Article 8(1), (2), (3), (4), (5), and (6) of Regulation No 2020/1503 with regard to the handling of conflicts of interest and the information to be disclosed to clients;

7) the requirements laid down in Article 9(1) and (2) of Regulation No 2020/1503 with regard to the organisation of outsourcing and the management of operational risks;

8) the procedures for the provision of asset safekeeping services and payment services laid down in Article 10 of Regulation No 2020/1503;

9) the requirements laid down in Article 11 of Regulation No 2020/1503 with regard to compliance with prudential safeguards, including their characteristics and calculation procedures;

10) the requirements laid down in Article 12(1) of Regulation No 2020/1503 with regard to the application for authorisation of a crowdfunding service provider if a person intends to provide crowdfunding services;

11) the requirements laid down in Article 13(2) of Regulation No 2020/1503 with regard to the application for authorisation of a crowdfunding service provider in the event of extension of activities;

12) the requirements laid down in Article 15(2) and (3) of Regulation No 2020/1503 with regard to notifying the Commission of any material changes to the conditions for authorisation, and also in the event of failure to provide the information requested;

13) the requirements laid down in Article 16(1) of Regulation No 2020/1503 with regard to the provision of information to the Commission in relation to reporting by the crowdfunding service provider;

14) the requirements laid down in Article 18(1) and (4) of Regulation No 2020/1503 with regard to the commencement of cross-border provision of crowdfunding services and the provision of services in other Member States;

15) the requirements laid down in Article 19(1), (2), (3), (4), (5), and (6) of Regulation No 2020/1503 with regard to the information to be provided to clients of crowdfunding service providers or the procedures for providing it;

16) the requirements laid down in Article 20(1) and (2) of Regulation No 2020/1503 with regard to the disclosure of default rates on the website of a crowdfunding service provider or the procedures for the publication thereof;

17) the requirements laid down in Article 21(1), (2), (3), (4), (5), (6), and (7) of Regulation No 2020/1503 with regard to investor knowledge test and simulation of the ability to bear loss or the procedures for the application thereof;

18) the requirements laid down in Article 22 of Regulation No 2020/1503 with regard to the provision of, or compliance with, a pre-contractual reflection period;

19) the requirements laid down in Article 23(2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (13) of Regulation No 2020/1503 with regard to the information to be included in the key investment information sheet or the procedures for providing it;

20) the requirements laid down in Article 24 of Regulation No 2020/1503 with regard to the information to be included in the key investment information sheet at platform level or the procedures for providing it;

21) the requirements laid down in Article 25 of Regulation No 2020/1503 with regard to the use of a bulletin board or the information to be included therein;

22) the requirements laid down in Article 26 of Regulation No 2020/1503 with regard to keeping of records of all data relating to the services and transactions of the crowdfunding service provider and the access of clients to such records;

23) the requirements laid down in Article 27(1), (2), and (3) of Regulation No 2020/1503 with regard to the information to be included in marketing communications or the procedures for the publication thereof.

**Section 13. Sanctions and Administrative Measures**

(1) When taking a decision on the violations referred to in Section 12 of this Law, the Commission is entitled to impose the following sanctions:

1) a warning to the crowdfunding service provider or the natural person responsible for the violation;

2) an obligation for the crowdfunding service provider to remove from office a member of its executive board or supervisory board or a prohibition for the natural person responsible for the violation to perform the duties assigned to him or her in the crowdfunding service provider if that person has violated the requirements laid down in Regulation No 2020/1503;

3) a fine for the legal person or the natural person responsible for the violation of up to twice the amount of the benefit derived from the violation if such benefit can be established, even if it exceeds the amounts specified in Clause 4 or 5 of this Paragraph of the Section;

4) a fine for the legal person of up to EUR 500 000 or up to five per cent of the total annual turnover of the abovementioned legal person according to the latest available financial statement. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant legal acts of the European Union in the field of accounting, taking into consideration the latest available consolidated financial statement of the ultimate parent undertaking;

5) a fine for the natural person of up to EUR 500 000;

6) the cancellation of the registration of the crowdfunding service provider in the register of crowdfunding service providers in accordance with Article 17(1), first subparagraph, point (f) or Article 17(1), second subparagraph, point (a) of Regulation No 2020/1503.

(2) When taking a decision on the violations referred to in Section 12 of this Law, the Commission is entitled to impose the following administrative measures until the violation has been remedied:

1) a public statement indicating the crowdfunding service provider or the third party selected to perform the tasks related to the provision of crowdfunding services and the nature of the violation;

2) a prohibition on the provision of crowdfunding services;

3) a prohibition on the publication of the crowdfunding offer;

4) a request that the crowdfunding service provider or the person responsible for the violation to immediately ceases the respective acts.

(3) A person who is responsible for the information provided in the key investment information sheet at platform level, including any translation thereof, shall be liable under Paragraph one or two of this Section in either of the following cases:

1) the information is misleading or inaccurate;

2) the key investment information sheet at platform level does not contain information necessary to enable investors to consider whether to invest through the individual portfolio management of loans.

(4) A person who is responsible for the information provided in the key investment information sheet, including any translation thereof, shall be liable under Paragraph one or two of this Section in either of the following cases:

1) the information is misleading or inaccurate;

2) the key investment information sheet does not contain information necessary to enable investors to consider whether to finance the crowdfunding project.

(5) If the Commission, on the basis of the provisions of Paragraphs one, two, three, and four of this Section, has issued an administrative act, except for the decision to impose a fine, appeal against such act shall not suspend its operation.

(6) The Commission shall publish on its website information on the sanctions and administrative measures imposed on a person in accordance with Paragraphs one, two, three, and four of this Section in accordance with the requirements and procedures laid down in Regulation No 2020/1503.

**Section 14. Statute of Limitation**

(1) If a crowdfunding service provider or the person responsible for the violation violates the requirements laid down in this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services, the Commission is entitled to initiate proceedings within a maximum period of five years from the day on which the violation was committed or, if the violation is continuous, from the day on which the violation ceased.

(2) The calculation of the statute of limitation specified in Paragraph one of this Section shall be stopped from the day of initiation of the proceedings.

(3) The Commission may take the decision on the imposition of the sanctions and administrative measures specified in Section 13 of this Law within two years from the day of initiation of the proceedings.

(4) Due to objective reasons, including if the proceedings require a protracted determination of facts, the Commission may, by taking a relevant decision, extend the time period for taking of the decision specified in Paragraph three of this Section for a time period not exceeding three years from the day of initiation of the proceedings. The decision on extending the time period shall not be subject to appeal.

(5) The Commission shall terminate the proceedings if no decision on the imposition of sanctions and administrative measures specified in Section 13 of this Law has been taken within the time period specified in Paragraph three of this Section.

**Chapter VI**

**Payments by the Crowdfunding Service Provider to the Commission**

**Section 15. Payments to the Commission**

(1) A person wishing to provide crowdfunding services shall pay to the Commission EUR 2500 for the examination of documents and information submitted for the receipt of the authorisation for the operation of a crowdfunding service provider.

(2) After registration in the register of crowdfunding service providers, a crowdfunding service provider shall pay to the Commission EUR 4000 per year and in addition up to and including 1.4 per cent per year of the gross revenue related to the provision of crowdfunding services, but the total amount of payments by the crowdfunding service provider shall not exceed EUR 100 000 per year.

**Section 16. Procedures for Calculating and Making Payments**

(1) After registration with the register of crowdfunding service providers, a crowdfunding service provider shall, in accordance with the procedures and within the time periods stipulated by the Commission, submit a report thereto which is necessary for the calculation of the payments specified in Section 15, Paragraph two of this Law and shall make the relevant payment by the thirtieth day of the month following the quarter.

(2) The Commission shall issue regulatory provisions on the procedures for the calculation and payment of the payments referred to in Section 15, Paragraph two of this Law and the submission of the report referred to in Paragraph one of this Section.

**Chapter VII**

**Examination of Submissions and Complaints**

**Section 17. Procedures for Examining Submissions and Complaints within the Competence of the Commission**

(1) The Commission shall examine submissions and complaints from such clients who are not considered to be consumers with regard to violations of this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services. If it does not arise from the information provided in the submission or complaint and the accompanying materials that there has been a violation which has caused or can cause significant harm to the interests of a group of clients (collective interests), the Commission is entitled to not initiate administrative proceedings. The Commission shall provide a reply to the submitter of the submission or complaint in accordance with the procedures laid down in the Law on Submissions.

(2) If the Commission, when examining an administrative case, establishes that the non-conformity with this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services has caused or can cause significant harm to the interests of a group of clients (collective interests), it is entitled to take a decision ordering the crowdfunding service provider or project owner to terminate the non-conformity with this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services or to remedy the violations committed, and to determine a time period for the implementation of the actions necessary for that purpose.

(3) The Commission is entitled, within its competence, to request information from the crowdfunding service provider and the client of the crowdfunding service provider necessary for the examination of the administrative case or complaint, which shall be used only for examination of the administrative case or complaint, and also to determine a time period for the submission of the information.

**Section 18. Procedures for Examining Submissions and Complaints within the Competence of the Consumer Rights Protection Centre**

(1) The Consumer Rights Protection Centre shall, in accordance with the laws and regulations governing the protection of consumer rights, examine submissions and complaints from investors who are considered to be consumers with regard to non-conformity with the consumer protection requirements laid down in this Law, Regulation No 2020/1503, including the provisions of the abovementioned Regulation on publication of marketing communications, and other directly applicable legal acts of the European Union in the field of crowdfunding services. If it does not arise from the information provided in the submission or complaint and the accompanying materials that there has been a violation which has caused or can cause significant harm to the interests of a group of consumers (collective interests), the Consumer Rights Protection Centre is entitled not to initiate an administrative case. In such a case, the Consumer Rights Protection Centre shall provide a reply to the user of crowdfunding services.

(2) If the Consumer Rights Protection Centre, when examining an administrative case in accordance with Paragraph one of this Section, establishes that the non-conformity with the requirements of this Law, Regulation No 2020/1503, and other directly applicable legal acts of the European Union in the field of crowdfunding services has caused or can cause significant harm to the interests of a group of consumers (collective interests) or to an individual consumer, it is entitled to take a decision ordering the crowdfunding service provider or project owner to terminate the non-conformity with this Law and other directly applicable legal acts of the European Union in the field of crowdfunding services or to remedy the violations committed, and to determine a time period for the implementation of the actions necessary for that purpose. The procedures by which the Consumer Rights Protection Centre shall take a decision and the procedures for appealing such decision shall be determined in the Consumer Rights Protection Law.

The Law has been adopted by the *Saeima* on 7 April 2022.

President E. Levits

Rīga, 20 April 2022