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

13 Janury 1994 [shall come into force on 26 January 1994];

24 August 1995 [shall come into force on 27 September 1995];

11 June 1997 [shall come into force on 11 July 1997];

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

9 March 2006 [shall come into force on 6 April 2006];

12 September 2013 [shall come into force on 1 Janury 2014].

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

The Supreme Council ofthe Republic of Latvia has adopted a law:

**On Stock Exchanges**

**TERMS USED IN THE LAW**

**Stock exchange** is a joint-stock company which facilitates trade in commodities, financial instruments, currency, and immovable property (buying–selling) by organising auctions in which the brokers registered with the stock exchange participate.

**Commodities exchange** is a stock exchange in which transactions for commodities (fungible goods) according to their samples or descriptions and standards are being entered into.

**Securities exchange** is a stock exchange in which transactions for financial instruments and foreign currency are being entered into.

**Stock exchange members** are persons who have stock exchange stocks in their ownership and who participate in the management of stock exchange and perform stock exchange transactions.

**Stock exchange visitors** are natural persons or representatives of legal persons who have the right to attend stock exchange meetings but do not have the right to perform stock exchange transactions.

**Stock exchange meeting** is gathering of stock exchange members and brokers at a specified time in the trading room for entering into stock exchange transactions.

**Stock exchange transaction** is a transaction entered into in the trading room during a stock exchange meeting at an auction where brokers, dealers, and stock exchange visitors who have the right to participate in stock exchange transactions are participating.

**Stock exchange broker** is a natural or legal person (brokerage office) who or which performs stock exchange transactions in return for a commission. A broker may become a stock exchange member by buying stock exchange stocks.

**Dealer** is a broker who has the right to perform stock exchange transactions at its own expense.

**Stockbroker** is a stock exchange officer (broker of operations) who ascertains demand and offer during a stock exchange meeting and registers transactions.

**Broker group** is a group of stockbrokers (division) which operates as a stock exchange unit.

**Quotation** is a process during which a special executive body of stock exchange (usually the quotation commission) determines and publishes the prices of commodities or financial instruments and the foreign currency exchange rate in the stock exchange bulletins.

**Accounting commission** is a stock exchange unit which registers the forward rate agreements entered into and ensures the settlement of accounts by stock exchange members (brokers) for them.

**Commodities** are an object or service for which its value may be determined by buying or selling it on the market.

**Currency** is national and foreign banknotes which are expressed in foreign monetary units and are used in inter-country settlement of accounts or on the currency market.

[*20 November 2003; 9 March 2006*]

**Chapter I**

**General Provisions**

**Section 1. Legal Status of a Stock Exchange**

A stock exchange is a joint stock company operating in accordance with the Commercial Law, this Law, the statutes of a stock exchange, and the trade rules of a stock exchange. The Commercial Law in relation to stock exchanges shall be applicable insofar as it is not in contradiction with this Law.

The purpose of operation of stock exchanges is trade promotion.

A stock exchange shall receive a commission for the transactions entered into (for intermediation services).

Participation of employees of State administration authorities in stock exchange transactions is prohibited.

A stock exchange shall obtain the status of a legal person from the day when it has been entered in the Commercial Register as a joint-stock company.

In applying a stock exchange for entering in the Commercial Register, approved trade rules of a stock exchange must be submitted in addition to the documents laid down in the Commercial Law.

[*13 January 1994; 20 November 2003; 9 March 2006*]

**Section 2. Application of this Law**

This Law governs the operation of commodities exchanges, immovable property exchanges, and general stock exchanges. The operation of securities exchanges shall be governed by the Financial Instrument Market Law.

[*24 August 1995; 20 November 2003*]

**Section 3. Functions of a Stock Exchange**

The main functions of a stock exchange shall be as follows:

1) intermediation in buying–selling of currency and commodities (also immovable property) and entering into transactions;

2) quotation of currency rate and commodities on the basis of the demand and offer ration in stock exchange transactions;

3) research of the market situation, and also promotion of the turnover of commodities and the trade transactions related thereto;

4) performance of the duties of an arbitration court in the settlement of disputes related to stock exchange transactions;

5) ensuring of the order and legality in stock exchange transactions.

[*24 August 1995*]

**Section 4. Procedures for Approving the Provisions Governing the Operation of a Stock Exchange**

The statutes of a stock exchange, the by-laws of its services, the by-laws regarding stockbrokers and the quotation commission as regards an auction of stock exchange stock, and also the trade rules of a stock exchange shall be developed in accordance with this Law and they shall be adopted by the stockholder meeting of stock exchange.

**Section 5. Statutes of a Stock Exchange**

The following must be indicated in the statutes of a stock exchange:

1) specialisation of the stock exchange depending on the area of operation: commodities (also immovable property) exchange or general stock exchange;

2) the procedures for the admission and removal of members of the stock exchange;

3) the provisions for the formation of the stock exchange equity capital, its minimum size, and nominal value of its share;

4) the rights and obligations of the stock exchange members and visitors;

5) the structure and management procedures of stock exchange;

6) the procedures for organising an auctions of stock exchange stocks;

7) the functions, rights and obligations of stock exchange services;

8) the requirements for drawing up documents of stock exchange and the procedures for publishing the trade rules;

9) the procedures for the settlement of disputes related to entering into stock exchange transactions;

10) other essential provisions for the operation of stock exchange.

[*24 August 1995; 9 March 2006*]

**Section 6. Trade Rules of a Stock Exchange**

The trade rules of a stock exchange must be developed in accordance with this Law and the statutes of a stock exchange.

The following must be indicated in the trade rules of a stock exchange:

1) the types of stock exchange transactions;

2) the trade procedures at the stock exchange;

3) the information system of the stock exchange, the procedures for forming prices and rates of the stock exchange, the way of publishing them;

4) the requirements for the integrity of brokers and stockbrokers in performing stock exchange transactions and their liability;

5) the types and size of stock exchange fees, the procedures for settling accounts of the stock exchange;

6) stock exchange penalties.

Moreover, all stock exchanges must mandatorily have the following trade rules:

1) entering into stock exchange transactions only at an auction at a stock exchange meeting (trading room);

2) registration of all the stock exchange transactions entered into;

3) informing of stock exchange market participants of the prices of stock exchange transactions;

4) prohibition for paid stock exchange employees to participate in stock exchange transactions and to establish brokerage firms;

5) prohibition for paid stock exchange employees to directly or indirectly use service information on stock exchange operations for their own benefit or to transfer it to other persons.

**Section 7. Founding of a Stock Exchange**

A stock exchange shall be founded in accordance with the Commercial Law by taking into account the requirements of this Law.

[11 June 1997]

[*11 June 1997; 9 March 2006*]

**Chapter II**

**Stock Exchange Equity Capital, Mandatory Reserve, and Stocks**

[*9 March 2006*]

**Section 8. Stock Exchange Equity Capital and Mandatory Reserve**

Stock exchange equity capital shall consist of investments of stock exchange members and other income indicated in Section 9 of this Law.

The size of equity capital which must conform to the total value of shares issued and the type of investments shall be determined by the founders of the stock exchange.

The minimum size of equity capital shall be EUR 142 287.

The mandatory reserves of the stock exchange shall consist of deductions from the stock exchange income for the sold seats and other income. The size of such deductions shall be determined by the stockholder meeting of stock exchange provided that the mandatory reserve must reach at least one third of the equity capital within 10 years.

[*24 August 1995; 9 March 2006; 12 September 2013*]

**Section 9. Income of a Stock Exchange**

Income of a stock exchange shall consist of:

1) interest from deposits of stock exchange equity capital;

2) fines for non-conformity with the procedures laid down at the stock exchange;

3) fee for the stock exchange services;

4) income from the property of the stock exchange;

5) income from the fee for visitor cards.

[*9 March 2006*]

**Section 10. Stock Exchange Stocks**

A stock exchange shall only issue registered stocks.

Issues regarding issuing of stocks shall be governed by the Commercial Law and the Financial Instrument Market Law.

[*20 November 2003; 9 March 2006*]

**Section 11. Alienation of Stocks**

Only stock exchange has the right to sell stock exchange stocks. If a stock exchange member wishes to alienate a stock, he or she shall hand it over to the stock exchange board for sale at the nearest auction of stock exchange stocks. Stock exchange stocks may only be sold at an auction of stock exchange stocks which has been organised according to the by-laws regarding auctions of stock exchange stocks approved at the stockholder meeting of stock exchange.

**Section 12. Stocks for Members of the Stock Exchange Board**

A certain number of stocks which has been determined in the statutes of a stock exchange must be bought by members of the stock exchange board and by paid responsible employees. Such stocks shall be stored in a special account of the stock exchange for the whole period while their owner is operating in the stock exchange, they do not give the right to a seat of a broker and shall not be subject to alienation, as long as their owner holds the particular office.

**Section 13. Right to Participate in a Stock Exchange Meeting**

The stock exchange board shall determine the maximum number of seats in a stock exchange meeting.

The right to participate in a stock exchange meeting is obtained by buying the number of stock exchange stocks laid down in the statutes in one’s ownership or by buying a broker.

**Chapter III**

**Stock Exchange Founders, Members, and Visitors**

**Section 14. Stock Exchange Founders**

[9 March 2006]

**Section 15. Stock Exchange Members**

[9 March 2006]

A share of one founder (stock exchange member) shall not exceed 35 per cent of the stock exchange equity capital.

Stock exchange founders and the natural and legal persons admitted to stock exchange during the period of its operation according to the requirements of the statutes shall be stock exchange members.

The number of stock exchange members, the procedures for their admission and removal shall be determined by the statutes of a stock exchange.

Stock exchange founders shall become stock exchange members by buying stock exchange stocks.

[*9 March 2006*]

**Section 16. Examination of Submissions**

The commission for the auctioning of stock exchange stocks shall examine the submissions received for the participation in an auction of the stock exchange stocks. Refusal may be given only if:

1) [9 March 2006];

2) the applicant is insolvent;

3) the applicant is under guardianship;

4) criminal record of the applicant for criminal offences against property, national economy, or service in State authorities has not been extinguished.

[9 March 2006]

[*9 March 2006*]

**Section 17. Rights of a Stock Exchange Member**

A stock exchange member has the right:

1) to participate in the management of the stock exchange;

2) to receive information on the operation of the stock exchange;

3) to participate in the stock exchange meetings, to enter into stock exchange transactions on behalf of himself or herself, other stock exchange members, or third parties who have authorised him or her in accordance with the procedures laid down in law;

4) to authorise representatives for operation in stock exchange meetings;

5) to use other stock exchange services.

**Section 18. Participation of Stock Exchange Members in a Stock Exchange Meeting**

A stock exchange member shall participate in a stock exchange meeting directly or with intermediation of his or her authorised representative. A stock exchange member may lease his or her right to participate in a stock exchange meeting to another natural or legal person.

The right of a stock exchange member may be leased or sold only with the intermediation of the stock exchange board.

**Section 19. Obligations of a Stock Exchange Member**

A stock exchange member has an obligation:

1) to comply with the provisions for the operation of the stock exchange and the requirements of this Law;

2) to execute the decisions of the stockholder meeting of stock exchange and the stock exchange board.

**Section 20. Stock Exchange Visitors**

Natural persons and representatives of legal persons who may observe the work of a stock exchange meeting, but may not participate in stock exchange transactions, and also representatives of State authorities and the press may be stock exchange visitors with a name (personal) card issued by the stock exchange board.

The price of the visitor card shall be determined by the stock exchange board. If a stock exchange visitor starts participating in the proceedings of the stock exchange market, he or she shall be expelled from the meeting.

It may be provided for in the statutes of a stock exchange and the trade rules of a stock exchange that the stock exchange board may grant the right to regular stock exchange visitors to participate in stock exchange transactions for a specific period of time. In such case all obligations and liability of a stock exchange member, and also the right to use information and services of stock exchange shall apply to the stock exchange visitor for a specific period of time.

**Section 21. Liability of a Stock Exchange Member**

If a stock exchange member has violated the requirements of this Law, the statutes of a stock exchange, and the trade rules of a stock exchange, the stock exchange board has the right to suspend his or her participation in stock exchange meetings for a period of up to six months. If the violation has occurred repeatedly, the stock exchange board shall submit the issue on exclusion of such member for examination at the stockholder meeting of stock exchange.

In order to take the decision of the stock exchange board that the participation of a stock exchange member in stock exchange meetings is suspended, the majority of votes of three quarters of members of the stock exchange board present shall be necessary.

A stock exchange member may appeal the abovementioned decision of the stock exchange board in a court.

**Chapter IV**

**Stock Exchange Brokers**

**Section 22. Legal Status of Stock Exchange Brokers**

Stock exchange brokers may be natural and legal persons (brokerage firms). In order for brokers to be able to participate on a stock exchange market, they must register with a stock exchange, proving their professional qualification. The qualification provisions of brokers necessary for registration shall be determined by the stock exchange board.

It is prohibited for paid employees of a stock exchange to participate in stock exchange transactions, to establish brokerage firms, and to hand over service information to other persons.

The operation of stock exchange brokers is regulated by the statutes of a stock exchange, the trade rules of a stock exchange, and other regulatory documents of a stock exchange.

The most important criterion of the operation of a stock exchange broker and a brokerage firm is honesty.

The stock exchange board shall cancel the seat of a broker for a gross violation of the statutes of a stock exchange or the trade rules of a stock exchange, but if the broker is a stock exchange member, the board shall suspend his or her operation and propose the stockholder meeting to cancel the seat of such broker. Criminal liability of a broker (dealer) shall be determined by law.

**Section 23. Obtaining a Seat of a Stock Exchange Broker**

A broker (brokerage firm) shall obtain a seat of a stock exchange broker by buying it in accordance with the provisions provided for by the stock exchange board.

Brokers who have bought the right to participate in stock exchange transactions may perform stock exchange transactions on their behalf, on their own account (dealer transactions), and also upon assignment of other persons.

A broker (brokerage firm) may, with the permission of the stock exchange board, rent a seat of another broker who does not participate in stock exchange transactions.

**Chapter V**

**Stockbrokers**

**Section 24. Appointing of a Stockbroker**

A stockbroker shall be appointed to the office by the stock exchange board. The rights, obligations, and liability of a stockbroker shall be determined by the by-laws regarding a stockbroker which are adopted by the stockholder meeting of stock exchange.

In taking up the office, a stockbroker must give an oath to the stock exchange board. The text of the oath shall be determined by the stock exchange board.

**Section 25. Prohibitions in the Operation of a Stockbroker**

A stockbroker is prohibited from drawing up stock exchange transactions in which he or she has not been an intermediary.

A stockbroker shall not perform transactions in a stock exchange on his or her own account or on account of any participant of stock exchange transactions. Any communication of a stockbroker with the press shall be regulated by the stock exchange board.

**Chapter VI**

**Stock Exchange Transactions**

**Section 26. Types and Subject-matter of Commodities Exchange Transactions**

The types of commodities exchange transactions shall be determined by the trade rules of a stock exchange. The subject-matter of stock exchange transactions may include not only property, but also property rights and rights of obligations, not only real property, but also property that does not yet exist at the moment of transaction.

**Section 27. Settlement of Disputes Arisen in Entering into Commodities Exchange Transactions**

Disputes which have arisen in entering into commodities exchange transactions shall be settled by the arbitration commission of stock exchange. Decisions of the arbitration commission of stock exchange which are taken in the cases of such disputes shall not withdraw the right of the parties to turn to a court. The stock exchange board does not have the right to interfere with the work of the arbitration commission of stock exchange when it is examining specific cases.

**Section 28. Liability for the Provision of False Information at a Stock Exchange**

Natural and legal persons shall be liable, in accordance with the procedures laid down in laws and regulations, for losses which have arisen for a stock exchange if they have, intentionally or due to negligence, presented incorrect, incomplete, or unclear information.

[*9 March 2006*]

**Section 29. Recognising of Stock Exchange Transactions as Invalid**

If it is detected that the stock exchange transactions entered into cannot enter into effect due to the reasons laid down in the law or due to insolvency of the person entering into transaction, the stock exchange board shall suspend them and hand the issue over to the arbitration commission of stock exchange or the court for deciding.

**Section 30. Stock Exchange Transactions with Securities**

[20 November 2003]

**Section 31. Stock Exchange Transactions with Currency**

Only stock exchange participants and members who have the licence of Latvijas Banka for trade in currency may participate in stock exchange transactions with currency.

**Chapter VII**

**Management of a Stock Exchange**

**Section 32. Management Bodies of Stock Exchange**

[9 March 2006]

**Section 33. Stockholder Meeting of Stock Exchange**

In addition to the functions which have been laid down for a stockholder meeting in the Commercial Law, the stockholder meeting of stock exchange shall perform the following functions:

1) elect the commodities quotation commission;

2) elect the arbitration commission of stock exchange;

3) may assign the stock exchange board to establish a broker group, an accounting commission, a registration office, an information division, and other special services;

4) approve the by-laws developed by the stock exchange board for regulating the operation of each executive body;

5) determine the service tariffs of a stock exchange, the fee for visitor cards, the fine for non-conformity with the provisions and internal procedure of a stock exchange, the remuneration of the paid employees of a stock exchange;

6) examine proposals of the stock exchange board for the cancellation of seats of brokers;

7) decide on other specific issues of the operation of a stock exchange.

[*24 August 1995; 9 March 2006*]

**Section 34. Rights and Obligations of the Management Bodies of Stock Exchange**

The functions, rights and obligations of the stock exchange board, the auditor, and the directorate shall be determined by the Commercial Law and the statutes of a stock exchange.

In taking up the office, officials of the stock exchange must buy the stock exchange stocks referred to in Section 12 of this Law. When leaving the office, the official of stock exchange shall sell them to the next executor of the relevant office for nominal value.

[*9 March 2006*]

**Chapter VIII**

**Executive Bodies of Stock Exchange**

**Section 35. Establishment of Executive Bodies of Stock Exchange**

For the implementation of one’s objectives and for the fulfilment of the tasks laid down in the statutes, the following executive bodies may be established in a stock exchange in addition to the bodies elected at the stockholder meeting (Section 33 of this Law): the directorate, the broker group, the accounting commission, the registration office, the information division, and other special services. With a decision of the stockholder meeting of stock exchange, other special services operating on the basis of the by-laws approved by the stockholder meeting of stock exchange may be founded in a stock exchange.

**Section 36. Establishment and Composition of the Quotation Commission**

The quotation commission operating on the basis of the by-laws regarding the quotation commission shall be established in a stock exchange for the quotation of commodities and currency.

The quotation commission shall be elected at a stockholder meeting of stock exchange from amongst the stock exchange members and the chairperson of such commission shall be elected from members of the stock exchange board.

The most senior broker in position shall be a member of the quotation commission.

[9 March 2006]

[*24 August 1995; 20 November 2003; 9 March 2006*]

**Section 37. Quotation of Commodities**

In summarising (summing up) the results of stock exchange transactions, the demand and offer, the quotation commission shall quote commodities and currency and publish the prices in the stock exchange bulletin.

The stock exchange board shall determine the periodicity of issuing the stock exchange bulletin and the subscription fee thereof.

[*20 November 2003*]

**Section 38. Arbitration Commission of Stock Exchange**

In order to settle the disputes which have arisen in entering into stock exchange transactions, the arbitration commission of stock exchange is founded. Its composition, competence, and operational procedures shall be determined by the by-laws approved by the stockholder meeting of stock exchange regarding the arbitration commission of stock exchange.

The arbitration commission of stock exchange shall examine a dispute if both parties agree thereto. If both parties do not agree to examination of a dispute in the arbitration commission of stock exchange, the dispute shall be examined by a court.

Chairperson of the Supreme Council of the Republic of Latvia A. Gorbunovs

Secretary of the Supreme Council of the Republic of Latvia I. Daudišs

Rīga, 28 January 1992