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

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

8 October 2015 [shall come into force on 6 November 2015];

30 March 2017 [shall come into force on 26 April 2017];

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

21 June 2018 [shall come into force on 18 July 2018];

25 October 2018 [shall come into force on 28 November 2018];

20 June 2019 [shall come into force on 16 July 2019];

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

30 September 2021 [shall come into force on 2 November 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:

**Law on Alternative Investment Funds and Managers Thereof**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

The following terms are used in the Law:

1) **alternative investment fund** (hereinafter also – the fund) – an undertaking for collective investments which raises capital from several investors in order to invest it for the benefit of the abovementioned investors according to an investment policy. The fund shall not constitute an investment fund within the meaning of the law On Investment Management Companies;

2) **sub-fund** – a separated unit of the fund property formed by investments made in return for investment units, and also assets obtained in transactions involving this property;

3) **alternative investment fund manager** (hereinafter also – the manager) – a legal person the primary activity of which is the management of funds;

4) **fund property** – assets the aggregate of which forms the fund;

5) **branch** – territorially or otherwise separated structural unit of the manager which does not hold the status of a legal person and which provides services under a license issued by a supervisory authority of a Member State;

6) **carried interest** – a profit share of the fund which the manager has the right to receive as remuneration for the fund management and which does not include the profit share of the fund which the manager makes as a return on its investments into the fund;

7) **close links** – a mutual link of two or more persons:

a) in the form of a participation – direct holding, comprising 20 per cent and more of the voting rights or the equity capital of a commercial company, or the control over the voting rights or the equity capital of such amount;

b) by control;

c) if they are linked with the same person by control;

8) **control**– a condition where a person has control over a commercial company if:

a) this person has a decisive influence in the commercial company on the basis of holding;

b) this person has a decisive influence in the commercial company on the basis of a group of companies agreement;

c) there is another relationship between this person and the commercial company which is analogous to the relationship referred to in Sub-clause “a” or “b” of this Clause;

9) **place of founding** – a place where:

a) the manager has its registered office;

b) the fund has its registered office unless it has been registered in a supervisory authority of the fund, or the country of supervisory authority of the fund;

c) the custodial bank has its registered office or address of location of the branch;

d) the authorised legal person has its registered office or address of location of the branch;

e) the authorised natural person has address of his or her permanent place of residence;

10) **Member State fund** – a fund founded in a Member State or a fund the registered office of which is in a Member State;

11) **Member State fund manager** – the manager the registered office of which is in a Member State;

12) **investment unit** – an investment certificate, a share, a document confirming an investment of limited and general partners or another document confirming holding of a fund investor in the fund or sub-fund and the rights deriving from this holding;

13) **investment certificate** – a security confirming an investment which confirms holding of a fund investor in the fund founded as the aggregate of assets in accordance with Section 30 of this Law;

14) **fund value** (hereinafter also – the net asset value of the fund) – the difference between the value of assets and the value of liabilities of the fund. The sub-fund value is the difference between the value of assets and the value of liabilities of the sub-fund;

15) **master fund** – the fund the investor of which is a feeder fund;

16) **feeder fund** – the fund which conforms to at least one of the following criteria:

a) at least 85 % of the fund assets are invested in investment units of another fund;

b) at least 85 % of the fund assets are invested in investment units of such master funds the investment strategies of which are identical;

c) at least 85 % of the fund assets are at an investment risk not referred to in Sub-clauses “a” and “b” of this Clause which is related to the master fund;

17) **holding company** – a parent company which conducts on a long-term basis commercial activities through subsidiary companies or associated commercial companies [within the meaning of Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council] or with holding in other commercial companies by carrying out an activity for its benefit, and the capital securities of which are admitted on a regulated market of a Member State or which does not operate in the favour of investors by selling assets of subsidiary companies and associated commercial companies, and clearly reflect such activity in the financial report (annual);

18) **home Member State of the fund** – the Member State where the fund has been founded or registered for the first time (if it has been registered several times) or, if the fund has not been founded in a Member State, then the Member State where the registered office of the fund is located;

19) **home Member State of the manager** – the Member State where the registered office of the manager is located but for a third country manager – the relevant reference Member State which is determined in accordance with the provisions of Section 75 of this Law;

20) **host Member State of the manager** – the Member State where the Member State manager manages a Member State fund and markets investment units of a Member State or third country fund, but this country is not the home Member State of the manager, or the Member State where the Member State manager provides the services referred to in Section 5, Paragraphs seven and eight of this Law, but this country is not the home Member State of the manager;

21) **host Member State of a third country manager** – the Member State where the third country manager manages a Member State fund and markets investment units of a Member State or third country fund, but this country is not a reference Member State of the third country manager which is determined in accordance with the provisions of Section 75 of this Law;

22) **issuer** – a joint stock company registered in a Member State the shares of which or transferable securities equivalent thereto that ensure holding in the equity capital of the joint stock company are admitted on a regulated market;

23) **authorised representative** – a natural person the permanent place of residence of which is in a Member State, or a legal person the registered office of which is in a Member State that has been authorised by a third country manager to represent its interests in the relationships with public bodies, clients, organisations, and counterparties of the third country manager in Member States;

24) **leverage** – any transaction as a result of which the manger increases the exposure of the fund managed by it by borrowing money or securities or executing transactions in derivative financial instruments or otherwise;

25) **marketing** – initial placement of investment units performed by the manager itself or on behalf of the manager or offering thereof to investors the registered office or permanent place of residence of which is in a Member State;

26) **third country fund** – a fund which is not a Member State fund;

27) **company not admitted on a regular market** – a capital company registered in a Member State the shares (stocks) of which or transferable securities equivalent thereto that ensure holding in the equity capital of the capital company are not admitted on a regulated market;

28) **parent company** – a commercial company controlling another commercial company;

29) **prime broker** – a credit institution or an investment brokerage company that has been licensed in a Member State and has the right to provide one or several investment services and non-core investment services to professional investors, including to finance or execute transactions in financial instruments as a counterparty, and also to operate accounts and to deliver and hold financial instruments, to issue financial instrument loans, and to ensure a customised information system;

30) **professional investor** – an investor the status of which conforms to the status of a professional client or who is granted such status, upon request, by the manager or an investment service provider in accordance with the procedures laid down in the Financial Instrument Market Law;

31) **qualifying holding** – a holding acquired directly or indirectly by a person or several persons acting in concerted action under an agreement which comprises 10 per cent and more of the equity capital or the number of shares with voting rights of a commercial company or which makes it possible to exercise a significant influence over the financial and operational policy of the commercial company;

32) **employees’ representatives** – persons who have the right to represent employees in accordance with norms of the Labour Law;

33) **subsidiary company** – a commercial company which is controlled by another commercial company;

34) **Group of Ten** – countries that have agreed to participate in the General Arrangements to Borrow with the International Monetary Fund;

35) **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;

36) **Member State** – a European Union or European Economic Area country;

37) **third country** – a country which is not a Member State;

38) **officials of the manager** – board members of the manager and persons who are authorised to manage a fund, to issue orders in respect of the fund property, or to dispose of it on behalf of the manager;

39) **stakeholders of the manager** – board and council members, officials, shareholders of the manager who own 10 and more per cent of the manager’s shares with voting rights, and also spouses, parents, and children of all natural persons referred to in this Clause;

40) **investment fund** – a fund registered in accordance with the law On Investment Management Companies;

41) **stress testing** – an analysis conducted by the manager in order to determine and evaluate the potential impact of different extraordinary, likely unfavourable events or changes in market conditions on the investment portfolio or liquidity of the fund;

42) **Financial Action Task Force** – an international authority which determines the international standard for the fight against money laundering, terrorism financing, proliferation of weapons of mass destruction, and other threats to integrity of the international financial system, and also promotes efficient implementation of legal, regulatory, and operational measures;

43) **money market fund** – an alternative investment fund to which the requirements laid down by Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (Text with EEA relevance) (hereinafter – Regulation 2017/1131) shall be applicable;

44) **pre-marketing** – provision of information or communication, direct or indirect, on potential investment strategies or investment objects by a manager licensed in Latvia or a Member State or on its behalf, to potential professional investors the permanent place of residence or registered office of which is in a Member State in order to test the interest of the potential professional investors in a fund or a sub-fund which is not yet established, or which is established, but not yet notified for marketing of investment units in accordance with Sections 66, 67, and 68 of this Law, in that Member State where the permanent place of residence of potential investors or their registered office is located, and therefore the investment units of the fund or sub-fund are not traded or an offer is not made to the potential professional investors to invest in the investment units of the fund or sub-fund.

[*8 October 2015; 25 October 2018; 30 September 2021*]

**Section 2. Purpose of the Law**

The purpose of this Law is to promote stability and development of the financial system by preventing the potentially detrimental effect of risks associated with activities of an alternative investment fund manager on the financial system, and also to ensure efficient cooperation between supervisory authorities in the supervision and mitigation of such risks.

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

(1) In order to achieve the purpose of this Law referred to in Section 2, the Law shall prescribe the following:

1) the legal status of alternative investment fund managers, the activities, disclosure requirements, responsibility, and supervision thereof;

2) the procedures for registering and licensing the managers in Latvia;

3) the procedures by which the manager from another Member State or third country provides management services in Latvia;

4) the activities of funds and the procedures for registering funds and marketing investment units of funds, and also the range, rights, obligations, and responsibility of the persons to which requirements of this Law are applicable.

(2) The Law shall also govern activities of such manager which founds and manages the following:

1) a European venture capital fund, insofar as the rules of operation thereof are not governed by Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (Text with EEA relevance) (hereinafter – Regulation No 345/2013);

2) a European social entrepreneurship fund, insofar as the rules of operation thereof are not governed by Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (Text with EEA relevance) (hereinafter – Regulation No 346/2013);

3) a European long-term investment fund, insofar as the rules of operation thereof are not governed by Regulation (EU) No 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (Text with EEA relevance) (hereinafter – Regulation No 2015/760);

4) a money market fund, insofar as the rules of operation thereof are not governed by Regulation 2017/1131.

(3) The Law shall also prescribe the procedures by which an investment brokerage company or credit institution may perform initial marketing of fund investment units or market fund investment units in Latvia.

(4) Activities of such fund which has been founded as a limited partnership or joint stock company shall be governed by this Law and the Commercial Law, unless it is laid down otherwise in this Law.

[*8 October 2015; 25 October 2018*]

**Section 4. Exceptions to the Application of the Law**

This Law shall not be applied to:

1) holding companies;

2) private pension funds;

3) the European Central Bank, the European Investment Bank, the European Investment Fund, the European Development Finance Institutions and bilateral development banks, the World Bank, the International Monetary Fund, and similar international organisations which manage funds in the public interest;

4) central banks of the Member States;

5) managers of funds of the State funded pension scheme;

6) schemes for accumulation of funds created by an employer for the benefit of employees;

7) securitisation entities created for special purpose the only activities of which are securitisation in accordance with Article 1(2) of Regulation (EC) No 24/2009 of the European Central Bank of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions;

8) the manager which manages one or several funds the only investors of which are the manager itself or a parent company or subsidiary company thereof, or subsidiary companies of another parent company of the manager, provided that none of such investors is the fund itself.

**Chapter II**

**Activities, Registration, and Licensing of the Manager**

**Section 5. Activities of the Manager**

(1) The primary activity of the manager shall be the fund management which includes the following services:

1) managing the fund investments;

2) managing the risk.

(2) The manager may also provide the following non-core services:

1) administrative management of the fund which includes the following activities:

a) arrangement of legal affairs and accounting of the fund;

b) provision of information upon request of the fund investors;

c) determination of the fund value and the price of investment unit;

d) supervision of conformity with the requirements governing activities of the fund;

e) fund income distribution;

f) issue and repurchase of investment units;

g) performance of the settlements arising from contracts;

h) maintenance of accounting of transactions related to the fund resources;

i) maintenance of the register of holders of the fund investment units;

2) marketing of investment units;

3) required activities related to the management of fund assets which include management of the infrastructure, management of immovable property, advice to commercial companies on capital structure, sectoral strategy, and similar issues, advice and services in respect of the mergers and purchase of commercial companies, and also other activities related to the management of such funds, companies, and other assets in which the manager has made investments.

(3) The fund may be managed by an external or internal manager.

(4) An external manager may manage the fund founded thereby as the aggregate of assets or the fund which has been founded as a commercial company and in relation to which this external manager has been appointed as the manager by this fund or by a person authorised on behalf of the fund.

(5) An internal manager is the fund itself which has been founded as a joint stock company and carries out the obligations of the manager. The internal manager may not provide the services referred to in Paragraphs one and two of this Section to another fund.

(6) The manager may not provide solely non-core services and the services referred to in Paragraphs seven and eight of this Section if it does not carry out the principal activity of the manager. A fund investment management service may not be provided, unless a risk management service is provided, but the risk management service may not be provided, unless the fund investment management service is provided. The manager is not entitled to provide services not referred to in this Law.

(7) A licensed external manager may carry out individual management of the financial instrument portfolio of an investor according to the authorisation of the investor if such portfolio consists of one or several financial instruments referred to in Section 3, Paragraph two of the Financial Instrument Market Law.

(8) If a licensed external manager is authorised to provide the service referred to in Paragraph seven of this Section, it may provide advice on investments in the financial instruments referred to in Section 3, Paragraph two of the Financial Instrument Market Law, hold and administer investment units of funds and investment certificates of investment funds, and also make and transmit orders of investors for execution in respect of transactions in financial instruments.

(9) A licensed external manager may not provide solely the services referred to in Paragraph eight of this Section if it is not authorised to provide the services referred to in Paragraph seven of this Section in accordance with this Law.

(10) A licensed external manager that is authorised to provide the services referred to in Paragraph seven of this Section may manage assets of the pension schemes created by private pension funds in accordance with the law On Private Pension Funds.

[*8 October 2015; 30 September 2021*]

**Section 6. Firm Name and Commencement of Activities of the Manager**

(1) The manager shall be founded as a capital company in Latvia. The manager shall constitute a financial institution acting in accordance with this Law, the directly applicable legal acts of the European Union, the Commercial Law, other laws and regulations, and articles of association.

(2) An internal manager shall only be registered with the Commercial Register after a decision by the Financial and Capital Market Commission (hereinafter – the Commission) to issue a licence for the activities of an alternative investment fund manager or a decision to register the manger has been submitted to the Commercial Register Office.

(3) The firm name of the manager shall contain the phrase “alternative investment fund manager” or the abbreviation thereof “AIFM”.

(4) A commercial company which does not carry out the primary activity provided for in this Law may not include in its firm name any additions which are directly or indirectly indicative of the manager.

(5) In addition to the legal acts referred to in Paragraph one of this Section, the manager that founds and manages a European venture capital fund shall comply with Regulation No 345/2013, the manager that founds and manages a European social entrepreneurship fund shall comply with Regulation No 346/2013, the manager that founds and manages a European long-term investment fund – Regulation No 2015/760 but the manager that founds and manages a money market fund – Regulation No 2017/1131.

(6) The manager may commence its activities after the Commission has, in accordance with the procedures laid down in this Law, registered it or issued a licence for the activities of an alternative investment fund manager. A Member State manager or a third country manager shall commence its activities in Latvia in accordance with the procedures laid down in Chapters IX and XI of this Law.

(7) The licence shall specify the permitted investment strategies and those services and non-core services which the manager is entitled to provide in accordance with Section 5 of this Law.

(8) The Commission shall issue the licence without a time limit.

[*8 October 2015; 25 October 2018*]

**Section 7. General Provisions for the Registration of the Manager**

(1) The manager is entitled to commence its activities in Latvia after registration with the Commission if the manager itself, or jointly through a commercial company with which it has close links or in which it has a qualifying holding, manages funds assets that do not reach EUR 500 million in total, provided that operational rules of any fund do not provide for the use of leverage or the repurchase of investment units for a period of five years from the day when the first investment is made in the fund.

(2) The procedures for calculating funds assets under management shall be determined by Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (hereinafter – Regulation No 231/2013).

[*20 June 2019* / *See Paragraph 18 of Transitional Provisions*]

**Section 8. Documents to be Submitted for the Registration of the Manager**

(1) The manager shall include in a submission for registration to the Commission the information on its firm name, registered office, registration number, and place of registration, and also append the following information and documents:

1) the manager’s contact details, articles of association, or another document of incorporation;

2) the document referred to in Section 10, Paragraph two, Clause 1 of this Law;

3) the information on the number of funds intended to be managed, the names thereof, and the total value of assets intended to be managed;

4) the information specified in Article 5 of Regulation No 231/2013.

(2) The Commission shall take a decision to register or to refuse to register the manager within a month after receipt of all the documents specified in this Law which are necessary for taking of the decision.

(3) The Commission has the right to request additional information or explanations if it is necessary to clarify the information referred to in Paragraph one of this Section.

(4) The Commission shall take the decision to refuse to register the manager if:

1) this Law or other laws or regulations have not been complied with upon founding the manager;

2) the initial capital of the manager does not conform to the requirements of this Law;

3) the manager has failed to submit the information and documents specified in Paragraph one of this Section.

(5) Prior to taking the decision on registration, the manager shall immediately inform the Commission of any changes in the information and documents specified in Paragraph one of this Section if such changes have been made.

(6) The Commission shall publish a list of registered managers on its website.

[*20 June 2019*]

**Section 9. Operational Rules of a Registered Manager**

(1) A registered manager may market investment units to professional investors, and also provide fund management services and non-core services.

(2) Investment units of the fund under management of a registered manager may also be marketed to an investor that is not a professional investor if this investor provides the confirmation referred to in Section 41, Paragraph eight of this Law, and the minimum amount of the investor’s purchase of investment units in the relevant fund is EUR 20 000 or more.

(3) If activities and amount of assets of funds under management of the manager reach or exceed the criterion referred to in Section 7, Paragraph one of this Law, the manager shall act in accordance with Article 4 of Regulation No 231/2013.

(4) If activities and amount of assets of funds under management of the manager conform to the criterion referred to in Section 7, Paragraph one of this Law, the manager has the right not to submit to the Commission a submission for registration of the manager in order to obtain a licence for the activities of an alternative investment fund manager in accordance with the requirements of this Law and Regulation No 231/2013.

(5) The provisions of Section 16, Paragraph fourteen, Sections 21 and 29, Chapter IV (except for Section 30, Paragraph six, Section 33, Section 37, Paragraph four, Section 38, Paragraph one, Clause 3, Paragraphs two, three, four, eight, nine, and ten, Section 39, Paragraphs four, five, six, seven, eight, nine, and ten, Section 40, Paragraph two, Clause 4, Paragraphs four, five, and nineteen), Chapter V (except for Section 46, Paragraphs four and twelve), Chapter VII (except for Section 60.1), Sections 81 and 82, and Section 90, Paragraphs 1.1, two, five, and eight of this Law shall be binding upon a registered manager. For withdrawal of registration, the provisions of Section 20, Paragraph one, Clauses 1, 3, 5, 6, 7, 8, and 9 and Paragraph two of this Law shall be applied to a registered manager.

(6) [20 June 2019]

(7) [20 June 2019]

(8) [20 June 2019]

(9) [20 June 2019]

(10) [20 June 2019]

(11) [20 June 2019]

[*8 October 2015; 25 October 2018; 20 June 2019* / *See Paragraph 18 of Transitional Provisions*]

**Section 10. Documents and Information to be Submitted for Obtaining a Licence**

(1) In order to obtain a licence, the manager shall submit to the Commission a submission for obtaining a licence appending other documents referred to in this Section thereto. An external manager shall also include in the submission the information on its firm name, registered office, registration number, and place of registration.

(2) The following documents shall be submitted to the Commission in respect of the manager and the shareholders (members) thereof:

1) a document confirming payment of the initial capital;

2) a list of the shareholders (members) of the manager and the following information on the shareholders (members):

a) on natural persons – personal identification data [given name, surname (in the Latvian language and in the original language), year and date of birth, personal identity number (if any)], place of issue of a personal identification document, document number, expiry date);

b) on legal persons – firm name, registered office, registration number and place. Legal persons registered abroad shall also submit notarially certified copies of registration documents;

c) documents confirming that the shareholders (members) of the manager which have a qualifying holding in the manager have sufficient financial resources (indicating the origin of the financial resources) to make investments in the manager’s capital;

d) information on the owners of the manager’s shareholders (member) – legal persons – (until the natural person on whom information shall be provided in accordance with Sub-clause “a” of this Clause) if the shareholders (members) have a qualifying holding in the manager.

(3) The following documents and information shall be submitted to the Commission in respect of officials of the manager:

1) a notification filled in by each official. The notification shall specify the following information:

a) the firm name of the manager and the office the official stands for;

b) the given name, surname (in the Latvian language and in the original language), year and date of birth, personal identity number (if any), and citizenship;

c) the education (academic degree);

d) skill development;

e) criminal record;

f) whether the right to perform commercial activities has been withdrawn;

g) the previous places of employment over the last 10 years and a short description of the work duties;

2) copies of documents confirming education.

(4) The authenticity of information provided in the notification referred to in Paragraph three, Clause 1 of this Section shall be confirmed by a signature of the person in respect of whom the notification has been drawn up, and also the chairperson of the board of the manager.

(5) A list of stakeholders of the manager shall be submitted to the Commission. The list shall include the given name and surname of each person, personal identity number (if any), education, offices held by him or her over the last five years and terms and conditions of contracts concluded between the manager and the relevant person applicable to the job description. A legal person shall indicate the firm name, registration number and place, members of the management bodies thereof, and also submit to the Commission the annual statement for the last year.

(6) The following documents shall be submitted to the Commission in respect of operational organisation of the manager:

1) a description of the organisational structure with clearly stated obligations and powers of officials, and also precisely determined and allocated tasks of the manager’s structural units and obligations of the heads of the structural units. If the manager intends to create branches, a description of the organisational structure of branches and the obligations of branch managers shall also be submitted to the Commission;

2) a description of the management information system;

3) the key principles of accounting policy and organisation of accounting records;

4) the risk management policy;

5) the rules for the protection of the information system, including the rules for the protection of the register of fund investment units and the database for the accounting of other financial instruments under management of the manager;

6) a description of the procedures concerning identification of unusual and suspicious financial transactions;

7) the remuneration policy and a description of application thereof;

8) the procedure for the delegation and further delegation of functions;

9) the procedure for the prevention of conflicts of interest;

10) a description of the liquidity risk management;

11) a description of the procedure concerning examination of submissions and complaints (disputes) of investors.

(7) The operational plan developed for at least the following three years of operation and approved by the manager’s meeting of shareholders (members) shall be submitted to the Commission on the planned operation of the manager, reflecting in detail the operational strategy of the manager, the financial forecasts including a draft report which reflects the financial standing as at the end of at least the following three years of operation, a draft financial performance report for at least the following three years of operation, a draft capital adequacy calculation and the projected amount of annual fixed costs, a description of market research, and also any other information which provides a clear and fair presentation of the activities planned by the manager.

(8) The following documents and information shall be submitted to the Commission in respect of each fund which the manager wishes to manage:

1) information on the investment strategy and the types of the funds in which the fund makes or has intended to make investments if the fund is a fund of funds;

2) if it is intended to use the leverage – the policy of the manager for the use of the leverage, including information on the circumstances under which the fund may use the leverage, the permitted types and sources of the leverage transactions, the risks associated with the leverage, the restrictions on the use of the leverage and the conditions for a security and re-use of the fund assets, the maximum amount of the leverage which the manager is entitled to use on behalf of the fund, and also the grounds for the selection of such amount and a description of the procedure concerning compliance with the restrictions specified;

3) information on a risk profile and other characteristics of activities of the fund, including information on Member States or third countries in which the fund operates or intends to operate;

4) information on the master fund if the fund is a feeder fund;

5) a document of incorporation of each fund;

6) information on the custodial bank and custodial bank agreement;

7) a fund management contract between the fund and the manager;

8) the information referred to in Section 58, Paragraphs one and two of this Law;

9) a key information document developed in accordance with the requirements laid down in Chapter II, Section II 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) (Text with EEA relevance) (hereinafter – Regulation No 1286/2014) if fund investment units are to be marketed to investors that are not professional investors.

(81) The manager shall submit to the Commission a document describing and explaining how the investment strategy of the manager includes exercising of the rights of a shareholder in the management of this joint stock company (hereinafter – the engagement policy) if the investment policy of the fund provides for investing resources of the fund in shares of such joint stock company the registered office of which is in a Member State and the shares of which are admitted on a regulated market of a Member State.

(9) If a submission for obtaining a licence for the activities of an alternative investment fund manager is submitted by an investment management company which has already been licensed in the Commission, it shall only submit the information and data which are not at the disposal of the Commission.

(10) If, prior to taking a decision to issue a licence, any changes are made to the information or amendments are made to the documents submitted to the Commission, the manager has an obligation to immediately submit to the Commission the new information or the full text of the relevant documents including amendments made thereto.

(11) After obtaining a licence, the manager has an obligation to immediately inform the Commission in writing of any amendments and additions to the documents and information submitted. Amendments shall enter into effect if the Commission has not expressed any reasoned objections within a month from the day of receipt of the submission and the documents appended thereto. If examination of the documents requires an additional examination or additional information is necessary, the Commission has the right to extend the period for examination of the submission by one month, notifying the manager thereof in writing.

(12) The Commission shall consult the supervisory authority of the relevant Member State before issuing a licence to such manager:

1) which is a subsidiary company of a credit institution, an insurance company, an investment brokerage company, an investment management company, or an alternative investment fund manager registered in the relevant Member State;

2) which is a subsidiary company of such parent company that has another subsidiary company which is a credit institution, an insurance company, an investment brokerage company, an investment management company, or an alternative investment fund manager registered in the relevant Member State;

3) which is controlled by such natural or legal person who also controls another credit institution, insurance company, investment brokerage company, investment management company, or alternative investment fund manager registered in the relevant Member State.

(13) Prior to issuing a licence, and also during the course of supervision of a licensed manager, the Commission shall request and assess information from the supervisory authority of the relevant Member State on the suitability of the shareholders (members) of the manager and the reputation and experience of those officials of the manager who are involved in the management of other commercial companies of the group thereof in which the manager will be included.

[*8 October 2015; 30 March 2017; 20 June 2019*]

**Section 11. Requirements for the Shareholders (Members) of the Manager**

(1) A shareholder (member) of the manager may only be a person:

1) whose identity can be verified;

2) who has an impeccable reputation;

3) whose financial standing is sound, and it can be documentarily proved.

(2) Upon assessing the reputation and the financial standing of a person, the Commission shall verify the identity and criminal record of the persons referred to in Paragraph one of this Section, and the documents regarding their financial standing which allow to ascertain free capital adequacy in the amount of investments made in the capital of the manager, and also that the invested resources have not been obtained as a result of unusual or suspicious transactions. The free capital adequacy shall not be taken into account if the person is a credit institution or an insurance company.

(3) A natural person and shareholders (members) and owners (actual beneficiaries) of a legal person to whom the restrictions specified in Section 15, Paragraph three, Clause 1, 2, or 4 of this Law may apply may not be the shareholders (members) of the manager.

(4) The Commission has the right to verify the identity of shareholders (members) of the manager but, where the shareholders (members) of the manager are legal persons, information on their shareholders (members) and owners (actual beneficiaries) until information is obtained on the owners (actual beneficiaries) who are natural persons. The abovementioned persons have an obligation to provide such information to the Commission if it is not available in the public registers from which the Commission is entitled to receive such information.

**Section 12. Acquisition, Reduction, and Termination of a Qualifying Holding in the Manager**

(1) A person who conforms to the requirements specified for the shareholders (members) of the manager, and also ensures the fulfilment of the criteria laid down in Paragraph seven of this Section may acquire a qualifying holding in the manager.

(2) A person who wishes to acquire a qualifying holding in the manager shall notify the Commission thereof in writing in advance. The notification shall indicate the amount of the holding to be acquired as a percentage of the manager’s equity capital or the number of shares with voting rights. The information provided for in regulatory provisions of the Commission which is necessary to evaluate the conformity of the person with the criteria referred to in Paragraph seven of this Section shall be appended to the notification. A list of the information to be appended to the notification shall be published on the website created by the Commission.

(3) The Commission has the right to request information on persons who apply for a qualifying holding (the actual acquirers of the qualifying holding or persons suspected of holding such an acquired holding), including owners (actual beneficiaries) of legal (registered) persons – natural persons – in order to evaluate the conformity of such persons with the criteria referred to in Paragraph seven of this Section.

(4) If a person wishes to increase the qualifying holding in the manager, thereby reaching or exceeding 20, 33, or 50 per cent of the manager’s equity capital or the number of shares with voting rights, or if the manager becomes a subsidiary company of such person, the relevant person shall notify the Commission thereof in writing in advance. The notification shall indicate the amount of the holding to be acquired as a percentage of the manager’s equity capital or the number of shares with voting rights. The information provided for in regulatory provisions of the Commission which is necessary to evaluate the conformity of the person with the criteria referred to in Paragraph seven of this Section shall be appended to the notification. A list of the information to be appended to the notification shall be published on the website created by the Commission.

(5) Within two working days after the day of receipt of the notification referred to in Paragraph two or four of this Section or within two working days after receipt of the additional information requested by the Commission, the Commission shall notify the person in writing of receipt of the notification or of additional information and of the final date of the assessment period.

(6) During the assessment period specified in Paragraph seven of this Section, but not later than on the fiftieth working day of the assessment period, the Commission has the right to request additional information on the persons referred to in this Section in order to evaluate the conformity thereof with the criteria referred to in Paragraph seven of this Section.

(7) Not later than within 60 working days from the day when the information referred to in Paragraph five of this Section on receipt of the notification has been sent to the person, the Commission shall evaluate the free capital adequacy of the person, soundness and financial feasibility of the planned acquisition of a holding in order to ensure sound and prudent management of the manager in which the holding is planned to be acquired and consider the possible influence of such person on the management and activities of the manager, and also the following criteria:

1) whether the person conforms to the requirements laid down for the shareholders (members) of the manager and whether he or she has an impeccable reputation;

2) whether the person who, as a result of acquiring the planned holding, will manage activities of the manager has an impeccable reputation and experience;

3) whether the financial standing of the person is sound, in particular in relation to the type of economic activity pursued or intended in the manager in which it is planned to acquire the holding;

4) whether the manager will be able to ensure and comply with the regulatory requirements laid down in this Law and in other laws and regulations and whether the structure of such group of commercial companies where this manager is going to be incorporated does not restrict the Commission’s possibilities to exercise the supervisory functions vested to it by law, to ensure an efficient exchange of information among the supervisory authorities of the manager, and to determine the allocation of supervisory powers among the supervisory authorities of the manager;

5) whether there are no reasonable doubts that in relation to the planned acquisition of the holding, actual or attempted laundering of the proceeds from crime or terrorist financing has been carried out, or that the planned acquisition of the holding could increase such a risk.

(8) Upon requesting the additional information referred to in Paragraph six of this Section, the Commission has the right to interrupt the assessment period once until the day when such information is received, but not more than for 20 working days. The Commission has the right to extend the abovementioned interruption of the assessment period for up to 30 working days, if a person who wishes to acquire has acquired, wishes to increase, or has increased a qualifying holding in the manager is not subject to the supervision of the activities of insurance companies, reinsurance companies, credit institutions, investment management companies, managers, or investment brokerage companies or if the place of registration of such person is not in a Member State. If the Commission has interrupted the assessment period of 60 working days specified in Paragraph seven of this Section, the period of interruption shall not be included in the assessment period.

(9) Within the time period referred to in Paragraph seven of this Section, the Commission shall take the decision to prohibit the person from acquiring or increasing a qualifying holding in the manager if:

1) the person does not conform to the criteria referred to in Paragraph seven of this Section;

2) the person fails or refuses to submit to the Commission the information specified in this Law or the additional information requested by the Commission;

3) due to circumstances beyond the control of the person, he or she is not able to provide the information specified in this Law or the additional information requested by the Commission.

(10) Within two working days from taking of the decision referred to in Paragraph nine of this Section, but taking into account the assessment period referred to in Paragraph seven of this Section, the Commission shall send the abovementioned decision to the person who has been prohibited from acquiring or increasing a qualifying holding in the manager. If the Commission fails, within the time period referred to in Paragraph seven of this Section, to send to the person a reasoned decision by which it prohibits this person from acquiring or increasing a qualifying holding in the manager, it shall be considered that the Commission agrees that this person acquires or increases a qualifying holding in the manager.

(11) The criterion referred to in Paragraph seven, Clause 3 of this Section shall not be applicable to a legal person if the shares thereof are listed on a regulated market in Latvia or in another Member State, or on a regulated market the operator of which is a lawful member of the International Federation of Bourses, and this legal person provides the information to the Commission on its shareholders who have a qualifying holding therein.

(12) If the Commission has agreed that a person acquires or increases a qualifying holding in the manager, this person shall acquire or increase its qualifying holding in the manager not later than within six months after the date of sending the written confirmation referred to in Paragraph five of this Section on receipt of the notification or of the additional information. If, upon expiry of the relevant time period, the person has failed to acquire or increase a qualifying holding in the manager, the consent of the Commission for acquiring or increasing a qualifying holding in the manager is no longer effective. Upon a reasoned request of the person in writing, the Commission may decide to extend the abovementioned time period.

(13) Upon evaluating the notifications referred to in Paragraphs two and four of this Section, the Commission shall consult the supervisory authorities of the relevant Member State, if a qualifying holding is acquired by an insurer, a reinsurer of a Member State, a credit institution, an investment management company, an alternative investment fund manager, an investment brokerage firm registered in a Member State, or a parent company of an insurer of a Member State, of a reinsurer of a Member State, of a credit institution, an investment management company, an alternative investment fund manager, or an investment brokerage company registered in a Member State, or a person controlling an insurer of a Member State, a reinsurer of a Member State, a credit institution, an investment management company, an alternative investment fund manager, or an investment brokerage company registered in a Member State and if, as a result of acquiring or increasing the qualifying holding by the relevant person, the manager becomes a subsidiary company of such person or comes under the control thereof.

(14) Upon evaluating the soundness of financial standing of a person, the requirements for free capital adequacy shall not be applicable to credit institutions and insurance companies.

(15) If an influence of a person who has acquired the qualifying holding over the manager jeopardises or may jeopardise the financially sound, prudent management of the manager which complies with the laws and regulations, the Commission has the right to request immediate termination of such influence, change of the composition of the council or officials of the manager, or prohibition of the relevant person from exercising all his or her voting rights or part thereof.

(16) A person who wishes to terminate the control (decisive influence) of the parent company over the manager licensed by the Commission, to reduce the amount of a qualifying holding in the manager to less than 20, 33, or 50 per cent, or to terminate a qualifying holding in the manager, shall notify the Commission thereof in writing prior to alienation of the shares (stocks). The notification shall indicate the amount of the holding which the person will have in the manager after reduction of the holding.

**Section 13. Holding Acquired Indirectly**

Upon determining the amount of a holding that a person has acquired indirectly in the manager, the following voting rights acquired by the relevant person (hereinafter in this Section – the particular person) in the manager shall be taken into account:

1) the voting rights which may be exercised by a third party with whom the particular person has entered into an agreement, imposing an obligation on the third party to coordinate the policy of exercising the voting rights and long-term action in respect of the manager’s management;

2) the voting rights which may be exercised by a third party according to an agreement that has been entered into with the particular person and provides for temporary transfer of the voting rights;

3) the voting rights which arise from the shares (stocks) that the particular person has received as security, if he or she may exercise the voting rights and has expressed his or her intention to exercise them;

4) the voting rights which the particular person is entitled to exercise for an indefinite period of time;

5) the voting rights which may be exercised by a commercial company controlled by the particular person or which may be exercised by such commercial company in accordance with the provisions of Clauses 1, 2, 3, and 4 of this Section;

6) the voting rights which arise from the shares (stocks) transferred to and held by the particular person and which this person may exercise at his or her discretion unless that person has received special instructions;

7) the voting rights which arise from the shares (stocks) held on behalf of a third party and for the benefit of the particular person;

8) the voting rights which the particular person may exercise as a proxy holder when he or she is entitled to exercise the voting rights at his or her discretion, unless that person has received special instructions;

9) the voting rights which arise from the shares (stocks) that the particular person has acquired in any other indirect way.

**Section 14. Consequences of Failure to Give Notice**

(1) If a person that is suspected of having acquired a qualifying holding in the manager fails or refuses to provide the information referred to in Section 12, Paragraph three of this Law and his or her holding in total amounts to 10 per cent and more of the manager’s equity capital or number of shares with voting rights, that person may not exercise the voting rights attached to all shares which he or she owns. The Commission shall immediately notify the respective shareholders (members) and the manager of this fact.

(2) If a person, in disregard of the prohibition by the Commission, acquires or increases a qualifying holding, such person has no right to exercise the voting rights attached to all shares (stocks) which he or she owns, but decisions of the meeting of shareholders (members) taken through the exercise of the voting rights in these shares (stocks) shall be null and void from the moment of the taking thereof, and no records in the commercial register and any other public registers may be requested to be made on the basis of such decisions.

**Section 15. Requirements for the Officials of the Manager**

(1) A person who conforms to the following requirements may be an official of the manager:

1) he or she has sufficient competence in the field for which the person will be responsible;

2) he or she has higher education and corresponding professional experience of not less than three years;

3) he or she has an impeccable reputation;

4) he or she has not been deprived of the right to perform commercial activities.

(2) A person who is competent in financial management matters and conforms to the requirements laid down in Paragraph one, Clauses 3 and 4 of this Section may be a member of the council of the manager.

(3) A person may not be an official in the following cases:

1) he or she has been punished for committing an intentional criminal offence (regardless of whether or not the conviction has been extinguished or set aside);

2) he or she has been held criminally liable for committing an intentional criminal offence, also where a criminal case against the person has been terminated for reasons other than exoneration;

3) he or she has provided false information on himself or herself by submitting documents to the Commission in order to obtain a licence for the activities of the manager or another activity on the financial and capital market;

4) he or she has carried out obligations of a member of the board or council in the manager or another financial institution for which insolvency proceedings of a legal person have been declared at the time when the relevant person was carrying out the respective obligations, or he or she has carried out the obligations of a member of the board or council in another commercial company and, due to negligence or deliberately, has led this commercial company to insolvency.

(4) The manager shall ensure that at least two officials have competence in the implementation of the investment strategy selected by a fund under the management thereof. These officials may manage several funds which are solely under the management of one manager.

(5) The manager shall ensure that the minimum number of the board members of the manager is three.

(6) The management body of the manager has an obligation, on its own initiative or upon request of the Commission, to immediately remove any officials of the manager from their positions if they do not conform to the requirements of this Law.

(7) Upon evaluating the reputation of officials and members of the council of the manager, the Commission shall take into account the information provided by these persons in the notification, the references received from the previous places of employment, and other information on the previous professional experience of the abovementioned persons.

**Section 16. Capital of the Manager**

(1) The initial capital shall be determined by 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 – Regulation No 575/2013).

(2) The initial capital of an internal manager shall be at least EUR 300 000.

(3) The minimum initial capital of an external manager shall be at least EUR 125 000.

(4) If the amount of investment portfolios of the funds under the management of the manager exceeds EUR 250 million, the manager shall ensure ancillary own funds in the amount of 0.02 per cent of the amount by which the value of the resources under the management exceeds EUR 250 million. The requirements laid down in this Paragraph shall not apply to the manager the own funds of which are equal EUR 10 million or more.

(5) Upon determining the conformity of the manager’s own funds with the requirements of this Law, the investment portfolios of the funds under the management shall be considered the fund assets managed by the manager, including the fund assets the management services of which it has delegated in accordance with the requirements of Section 28 of this Law, but excluding the fund assets which it has received for management from another manager.

(6) Regulation No 575/2013 shall determine own funds and the procedures for the calculation thereof.

(7) The own funds of the manager may not fall below one of the following amounts, whichever is larger:

1) the sum total of the minimum initial capital and the ancillary own funds calculated in accordance with the requirements of Paragraph four of this Section;

2) 25 per cent of the total fixed costs of the previous full reporting year.

(8) Regulation No 575/2013 shall determine the procedures for calculating the total fixed costs.

(9) The manager which has received an authorisation by the Commission may ensure up to 50 per cent of the ancillary own funds referred to in Paragraph four of this Section with a guarantee of the same amount issued by:

1) a credit institution which has obtained a licence for the operation of a credit institution in a Member State or in a member state of the Organisation for Economic Co-operation and Development which is also in the Group of Ten;

2) an insurance company registered in a Member State or a branch of an insurer of a third country which has obtained a licence for the provision of insurance.

(10) For covering the potential professional liability risks related to activities of the manager, the manager shall comply with one of the following requirements:

1) ensure ancillary own funds the amount of which is sufficient to cover the potential professional liability risks resulting from professional activity of the manager due to negligence;

2) arrange professional indemnity insurance in the amount which is sufficient to cover the potential professional liability risks resulting from professional activity of the manager due to negligence.

(11) The manager shall ensure that the resources necessary for the coverage by own funds and ancillary own funds are invested in liquid assets. Unencumbered monies – cash on hand and short-term deposits in solvent credit institutions, and also investments in financial instruments if they have a permanent unlimited market and they may be sold in a short period of time without significant loss or used as a security for obtaining credits – shall be considered liquid assets.

(12) Regulation No 231/2013 shall determine the risks covered by ancillary own funds or professional indemnity insurance, the amount of ancillary own funds, and also the requirements for professional indemnity insurance.

(13) The requirements laid down in Paragraphs ten, eleven, and twelve of this Section shall be applicable to the manager which is an investment management company.

(14) The initial capital of a registered manager shall be not less than EUR 15 000.

(15) The manager which is entitled to provide the services referred to in Section 5, Paragraphs seven and eight of this Law shall follow and comply with the capital requirements and the consolidated supervisory requirements laid down for investment brokerage companies.

[*8 October 2015; 20 June 2019*]

**Section 17. Provisions for Issuing a Licence**

(1) The Commission shall take a decision to issue a licence within three months after receipt of all the documents specified in this Law which are necessary for taking the decision.

(2) If examination of the documents requires an additional examination or additional information, the Commission has the right to extend the period for examination of the submission by three months, notifying the manager thereof in writing.

(3) After the Commission has evaluated the conformity of the shareholders (members) of the manager with the requirements of this Law and information included in the documents referred to in Section 10, Paragraphs seven and eight of this Law, it is entitled to stipulate the conditions for activities of the manager in the licence.

(4) The Commission shall issue the licence within 10 working days after it has taken the decision to issue the licence.

(5) The Commission shall take the decision not to issue the licence if:

1) this Law and other laws and regulations have not been complied with upon founding the manager;

2) officials of the manager do not conform to the requirements of this Law;

3) the initial capital and own funds of the manager do not conform to the requirements of this Law;

4) close links of the manager with third parties endanger or may endanger the financial soundness thereof or restrict the right of the Commission to perform the supervisory functions specified in this Law;

5) laws of a third country and other laws and regulations applicable to persons who have close links with the manager restrict the right of the Commission to perform the supervisory functions specified in this Law;

6) it is impossible to verify the identity, reputation, and soundness of the financial standing of the persons who have a qualifying holding in the manager;

7) the Commission detects that the financial resources invested in the capital of the manager have been acquired in unusual or suspicious financial transactions or the lawfulness of the acquisition of these financial resources has not been proved by documentary evidence;

8) the management and registered office of the manager are not located in Latvia;

9) the prohibition of exercising the voting rights of shares that belong to the shareholders of the manager with a qualifying holding has set in and it lasts for more than six months.

**Section 18. Provision of Non-core Services**

(1) If the manager wishes to provide a new non-core service, the services referred to in Section 5, Paragraphs seven and eight of this Law or to refuse to provide any non-core service or the service referred to in Section 5, Paragraphs seven and eight of this Law, it shall submit a relevant submission to the Commission.

(2) If the manager wishes to commence the provision of a new non-core service or the service referred to in Section 5, Paragraphs seven and eight of this Law, it shall, together with the submission, submit the following to the Commission:

1) additions to the operational plan;

2) amendments to descriptions of the internal organisation of work of the manager which are required to ensure that the abovementioned services are provided in accordance with the requirements of this Law.

(3) The Commission shall take the decision to authorise the provision of a non-core service or the services referred to in Section 5, Paragraphs seven and eight of this Law within 15 working days after receipt of all the documents referred to in this Law.

[*8 October 2015*]

**Section 19. Re-registration and Reissuance of a Licence**

(1) If the firm name of the manager is changed, the Commission shall re-register the licence.

(2) The manager shall submit a submission to the Commission for the re-registration of the licence within seven working days after re-registration of the firm name with the Commercial Register.

(3) The Commission shall re-register the licence within seven working days after receipt of the relevant submission.

(4) If the licence has been lost, the manager shall immediately submit a submission to the Commission for the reissuance of the licence.

(5) The Commission shall issue the licence within seven working days after receipt of the relevant submission.

**Section 20. Withdrawal of a Licence**

(1) The Commission has the right, by a reasoned decision, to withdraw a licence issued to the manager in the following cases:

1) the manager has provided to the Commission or publicly disseminated false information;

2) the capital of the manager does not conform to the requirements of this Law;

3) the manager systematically violates the provisions of this Law, directly applicable legal acts of the European Union, and regulatory provisions of the Commission;

4) the activities of the manager are in contradiction with the interests of the fund investors;

5) the manager has failed to commence the activities permitted by this Law within 12 months after receipt of the licence;

6) the activities of the manager have been terminated by a court ruling;

7) the insolvency proceedings of a legal person have been declared for the manager;

8) the manager submits a submission to the Commission for the withdrawal of the licence;

9) the manager is being reorganised or liquidated;

10) the manager has failed to recommence the activities permitted by this Law within six months from the suspension of the primary activity.

(2) The Commission shall notify the manager in writing of the decision to withdraw the licence within three working days after taking of the decision.

(3) In case the licence is withdrawn for a manager licensed in Latvia the branch of which operates in a Member State, the Commission shall immediately inform the supervisory authority of the relevant Member State of this fact.

(4) The Commission shall conduct supervision of the manager until the day when the manager has fully settled its liabilities towards the fund investors and other persons.

(5) The Commission shall, on a quarterly basis, inform the European Securities and Markets Authority of the licences issued and withdrawn.

**Section 21. Reorganisation and Liquidation of the Manager**

(1) The manager shall be reorganised and liquidated in accordance with the Commercial Law. The manager shall inform the Commission of taking of the decision on reorganisation or liquidation within 10 days.

(2) The manager may not complete its liquidation before it has settled its liabilities towards the funds under the management thereof.

**Chapter III**

**Operational Rules of the Manager**

**Section 22. General Requirements for Activities of the Manager**

(1) The manager shall, during the term of operation of the licence issued thereto, follow and comply with the following requirements:

1) ensure that the requirements governing the activities of the manager and of the fund are complied with in accordance with this Law, directly applicable legal acts of the European Union, and regulatory provisions of the Commission;

2) upon providing fund management services, act as an honest, careful, and diligent proprietor and ensure that the services are provided with due professionalism and diligence in the interests of the fund and investors thereof without threatening the stability and integrity of the financial market;

3) take all necessary measures in order to identify and prevent any conflicts of interest that may arise during the provision of services and, where they cannot be prevented, ensure the management thereof by taking into account the interests of the fund and the investors thereof, and also equal treatment of the funds managed;

4) ensure equal and fair treatment of the fund investors without favouring the interests of investors of any fund over the interests of investors of another fund, unless such differences in treatment are provided for in the document of incorporation of the relevant fund or the operational rules of the fund.

(2) Upon organising its activities, the manager shall:

1) ensure human and technological resources which conform to the scope and nature of the activities, and also develop and efficiently apply the procedures necessary for the performance of the activities;

2) ensure that accounting records and administrative procedures conform to the management services provided thereby, create such mechanism for the storage, protection, and control of electronic data which would enable to reconstruct the transactions made in fund resources by the origin thereof, the parties involved therein, the nature of the transaction, the time and place of execution, and also monitor the conformity of fund investments with the operational rules of the fund and the requirements of this Law;

3) store source documents of transactions for 10 years and ensure the fulfilment of the requirements laid down in laws and regulations in respect of the completion of the source documents;

4) follow the procedures developed for ensuring of activities of the manager, including the procedures for executing personal transactions within the meaning of Regulation No 231/2013 or transactions for account of the manager and transactions in the fund investment units.

(3) Regulation No 231/2013 shall determine general principles for the operational and organisational requirements for the manager.

(4) If a licensed external manager is authorised to provide the services referred to in Section 5, Paragraphs seven and eight of this Law, in addition to the requirements laid down in Paragraphs one, two, and three of this Section, it shall follow and comply with the following requirements:

1) upon commencing the provision of services, it shall enter into a written contract with the client for the provision of service;

2) prior to entering into a contract for the provision of service, and also during the entire term of the contract, it shall ensure that the client has sufficient information enabling him or her to evaluate the essence of the provided service and the financial risks related thereto;

3) prior to entering into a contract, inform the client of the cases of disputes provided for in the contract which will be resolved in accordance with extrajudicial procedures, and the procedures for examining such disputes;

4) it shall participate in the investor protection system in accordance with the laws and regulations governing this field;

5) it shall follow and comply with other requirements which, in accordance with the Financial Instrument Market Law, have been laid down for an investment brokerage company which performs individual management of investors’ portfolios of financial instruments according to the authorisation of investors, provides advice on investments in financial instruments, makes and transmits orders of investors for execution in respect of transactions in financial instruments, or holds and administers financial instruments;

6) it shall follow and comply with the requirements laid down in the Financial Instrument Market Law for an investment brokerage company in respect of delegation of outsourcing services;

7) it shall not invest all or part of the client’s portfolio of financial instruments in investment units of the fund managed by it without prior consent of the client.

[*8 October 2015*]

**Section 23. Conflict of Interest**

(1) The manager shall take all necessary measures in order to minimise the possibility of a conflict of interest arising between the following:

1) the manager, the officials, employees thereof, or a person who controls the manager, and the fund managed by the manager or the investors thereof;

2) the fund or the investors thereof and another fund or the investors thereof;

3) two clients of the manager;

4) the fund or the investors thereof and another client of the manager;

5) the manager and the joint stock company in the shares of which the manager invests the fund resources if the registered office of this joint stock company is in a Member State and the shares thereof are admitted on a regulated market of a Member State.

(2) If the manager uses services of a prime broker on behalf of the fund, it shall provide for special terms and conditions in a service contract in respect of the transfer of the fund assets to be held by the main broker and repeated use of these assets so that these terms and conditions are not in contradiction with the document of incorporation of the fund and the operational rules of the fund. The manager shall inform the custodial bank of the relevant fund of the contract entered into between the manager and the prime broker.

(3) Prior to commencing the provision of the management services to the fund, the manager shall, in accordance with the procedures laid down in Regulation No 231/2013, inform the fund investors of the following:

1) activities of the manager which may give rise to other significant conflicts of interest not referred to in Paragraph one of this Section;

2) nature and causes of the conflicts of interest if the ensured measures for the prevention of conflicts of interest are not sufficient in the opinion of the manager in order to prevent possible damage to the interests of the investors.

(4) Regulation No 231/2013 shall determine the types of conflicts of interest and the obligations of the manager relating to the identification, management, and supervision of conflicts of interest.

[*8 October 2015; 20 June 2019*]

**Section 24. Remuneration Policy**

(1) In respect of such officials or employees whose professional activity significantly affects the risk profile of the manager or fund under the management thereof, and also such employees who provide the services referred to in Section 5, Paragraphs seven and eight of this Law, the manager shall ensure a remuneration policy and practice which conform to and promote prudent and efficient risk management, and also ensure a remuneration policy and practice which do not encourage risk-taking that does not conform to the risk profile of the fund under the management of the manager and to the operational rules of the fund.

(2) The Commission shall determine the requirements for the remuneration policy and practice in respect of the officials or employees whose professional activity significantly affects the risk profile of the manager or fund under the management thereof, and in respect of such employees who provide the services referred to in Section 5, Paragraphs seven and eight of this Law.

[*8 October 2015*]

**Section 25. Risk Management**

(1) In order to ensure identification, measurement, management, and supervision of all inherent or potential risks related to the investment strategy of the fund and the activities of the fund, the manager shall create a risk management system. Upon assessing a credit score of the fund assets, the manager shall not mechanically use the credit ratings provided by the external credit assessment authorities (rating agencies) referred to in Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, and also shall not use them as the only measure for evaluating the credit risk.

(2) The manager shall regularly, but at least once a year, assess efficiency of the risk management system and take measures for the rectification of the deficiencies and discrepancies detected.

(3) The manager shall ensure that the risk control function is organisationally and functionally separated from the activities of the manager controlled by it. If the manager intends to derogate from this requirement, it shall submit a justification to the Commission for the fact that the risk control function ensures efficient risk management, and documents confirming that the control procedures developed and introduced by the manager to prevent the existing or potential situations of conflicts of interest ensure independent risk management.

(4) The manager shall observe due diligence when making investments on behalf of the fund according to the investment strategy and objectives described in the operational rules of the fund, and also the risk profile of the fund, and ensure that the process of observing due diligence conforms to the nature of the activities of the fund, has been documented, and is reviewed on a regular basis.

(5) The manager shall ensure continuous identification, measurement, management, and supervision of all risks related to the fund investments and of the combined effects thereof on the investment portfolio of the fund which also include stress testing conforming to the nature of the activities of the fund.

(6) The manager shall ensure that the risk profile of each fund under the management thereof conforms to the amount of the fund, the structure of the investment portfolio thereof, the investment strategy and objectives described in the operational rules of the fund.

(7) The manager shall determine the maximum amount of leverage for each fund under the management thereof which the manager is entitled to assume on behalf of the fund, and also the maximum amount in which the counterparty is allowed to re-use the guarantee or security obtained in relation to the leverage transactions, taking into account at least the following criteria and observations:

1) the type of the fund;

2) the investment strategy of the fund;

3) the sources of the leverage of the fund;

4) the interlinkage or business relationship with other providers of financial services or counterparties which may cause systemic risk;

5) the need to restrict the size of exposure with each counterparty;

6) the amount of security for leverage;

7) the asset and liability ratio;

8) the extent and type of activities of the manager on markets on which it operates on behalf of the fund managed.

(8) Regulation No 231/2013 shall determine the requirements for risk management.

[*8 October 2015*]

**Section 26. Liquidity Management**

(1) The manager shall create a liquidity management system for each fund under the management thereof which conforms to the nature of the activities thereof and develop appropriate procedures to ensure that the liquidity risk of the fund is supervised and the liquidity of investments conforms to the liabilities resulting from activities of the fund.

(2) The manager shall perform stress testing on a regular basis (also under exceptional circumstances of liquidity) in order to assess and supervise the liquidity risk of the fund.

(3) The manager shall ensure that the investment strategy, liquidity profile, and policy for the repurchase of investment units of each fund under the management thereof are mutually coordinated.

(4) Paragraphs one, two, and three of this Section shall not be applicable to the closed-ended funds which do not use the leverage.

(5) Regulation No 231/2013 shall determine the requirements for the liquidity management of the fund.

**Section 27. Assessment of the Fund Assets**

(1) The manager shall ensure that procedures corresponding to the nature of investments are developed for each fund under the management thereof and founded in Latvia in order to correctly and objectively assess the fund assets in accordance with this Law, the regulatory provisions of the Commission, and the operational rules of the fund.

(2) If the fund under the management of the manager has not been founded in Latvia, the manager thereof shall follow the requirements of the laws and regulations of the place of founding of the fund or the operational rules of the fund upon assessing assets and calculating the net asset value of the fund per investment unit.

(3) Operational rules of the fund shall determine the procedures for assessing assets and calculating net asset value of the fund per investment unit.

(4) Net asset value of the fund per investment unit shall constitute the right to claim attached to one investment unit. The value of the investment unit shall consist of the fund value divided by the number of investment units issued, but not repurchased. If the fund has different classes of investment units, the value of investment units of each class shall be calculated individually, taking into account the right attached to the investment units of this class.

(5) The manager shall ensure that information is disclosed to investors on the principles for the assessment of the fund assets and the determination of the value of investment units in accordance with this Law and the operational rules of the fund.

(6) The fund assets shall be assessed and the value of an investment unit shall be calculated at least once a year.

(7) Assets of an open-ended fund shall be assessed and value of an investment unit thereof shall be calculated, taking into account the nature of investments and the time periods for the issue and repurchase of investment units.

(8) Assets of a closed-ended fund shall be assessed and value of an investment unit thereof shall be calculated in case of increasing or reducing the fund capital.

(9) The manager shall inform investors of results of the assessment of the fund assets and the calculation of the value of an investment unit according to the procedures laid down in the operational rules of the fund.

(10) The fund assets shall be assessed by the following:

1) an external evaluator who has been assigned by the manager to carry out this function and who is independent from the fund, the manager, and any other person who has close links with the fund or the manager;

2) the manager, provided that the following requirements are complied with:

a) the structural unit responsible for the assessment is functionally separated from the structural unit which manages fund investments;

b) the remuneration policy and other measures applied practically prevent the possibility of conflicts of interest and the employees involved in the assessment are not affected financially by the evaluation results.

(11) The custodial bank of the fund may only assess the fund assets if the obligation delegated to the custodial bank as an external evaluator is functionally and hierarchically separated from the obligations of the custodial bank and the potential conflicts of interest are duly supervised, identified, and managed by informing the fund investors thereof.

(12) The manager may delegate the assessment of assets to an external evaluator if:

1) the external evaluator is included in the list of evaluators of material contribution which is maintained by the Enterprise Register of the Republic of Latvia, or activities of the external evaluator are governed by the relevant laws and regulations or the regulations governing professional conduct and ethics;

2) the external evaluator has provided a professional guarantee to the manager that he or she has the capacity to efficiently assess assets in accordance with the requirements laid down in this Law;

3) delegation to the external evaluator has been performed in compliance with the requirements and procedures for delegating services laid down in Section 28 of this Law.

(13) The Commission has the right to require the manager to remove the external evaluator from the carrying out of the obligation to assess assets if the provisions specified in Paragraph twelve of this Section are not complied with.

(14) The external evaluator does not have the right to delegate assessment of the fund assets further to a third party.

(15) The manager shall be responsible for ensuring that the assets are evaluated objectively, with due skill and diligence, and the fund assets, the net asset value, and the value of an investment unit are calculated correctly and published also in cases where the valuation of assets is delegated to an external evaluator.

(16) The external evaluator has an obligation to cover losses caused to the manager due to negligence or intentional failure to comply with obligations by the external evaluator also in cases where the manager and the external evaluator have agreed under a contract that the external evaluator is released from liability for incorrect valuation.

(17) Regulation No 231/2013 shall determine the requirements for the assessment of the fund assets.

**Section 28. Delegation of Services and Non-core Services of the Manager**

(1) The manager may delegate the provision of services and non-core services to another person on the basis of a contract, notifying the Commission of this fact at least one month in advance.

(2) Prior to delegating services and non-core services, the manager shall submit a reasoned submission to the Commission in writing regarding the planned delegation and the need for it, an original or copy of the delegation contract the authenticity of which has been confirmed by an official of the manager, and also the document referred to in Paragraph four of this Section, unless the manager has already submitted it to the Commission previously.

(3) Upon selecting a person to whom the provision of individual services or non-core services will be delegated, the manager shall take into account the following conditions:

1) the person has an appropriate qualification, experience, impeccable reputation, and sufficient resources to carry out the delegated obligations;

2) the management of fund investments or risk management is only delegated to an investment management company, a credit institution, an external manager, or an investment brokerage company of a Member State which has been licensed in the Member State. It shall be acceptable to delegate services to another person if it is not possible to delegate them to the persons referred to in this Clause and the Commission has received a confirmation from the supervisory authority of the home Member State of the manager that this person is suitable for the provision of such services;

3) the management of fund investments or risk management is delegated to a person registered in a third country if the Commission recognises that this person is subject to equivalent supervision as the persons referred to in Paragraph three, Clause 2 of this Section, and the Commission has entered into a cooperation contract with the relevant supervisory authority of the third country for the exchange of information in the field of supervision.

(4) Prior to delegating services and non-core services to another person, the manager shall develop a delegation procedure for the relevant services specifying the following therein:

1) the procedures by which the manager shall take decisions to delegate services or non-core services;

2) the procedures for entering into, supervising the execution, and terminating a contract for delegation of services or non-core services;

3) the persons (officials and employees) and the structural units that are responsible for the cooperation with a provider of the delegated fund management service and for the continuous monitoring of the scope and quality of the received fund management service, and also the rights and obligations of these persons;

4) the procedures for assessing and managing risks related to the receipt of services or non-core services;

5) the right of the manager to access freely all documents and information, and also to perform verification of the delegated person in respect of the performance of the delegated services;

6) the action of the manager if the service provider fails to fulfil or will not be able to fulfil the terms and conditions of the delegation contract.

(5) The manager shall constantly ensure monitoring of the scope and quality of the service received and, where necessary, is entitled to immediately terminate the delegation contract if the execution thereof infringes interests of investors.

(6) The manager shall submit the procedure referred to in Paragraph four of this Section to the Commission prior to delegating services or non-core services to another person. The Commission shall examine and evaluate the conformity of the abovementioned document with the requirements of this Law and Regulation No 231/2013 within 30 working days after receipt thereof.

(7) The manager shall submit to the Commission all amendments to the documents to be submitted to the Commission provided for in this Law if such amendments have been made in respect of the delegation of services or non-core services.

(8) A service provider may commence the provision of the fund investment management service to the manager if the Commission has not, within 30 working days after receipt of the document referred to in Paragraph four of this Section, sent to the manager a decision prohibiting the manager from receiving the planned fund management service from the relevant service provider.

(9) If any of the non-core services referred to in Section 5, Paragraph two of this Law is delegated, the manager shall, within five working days after entering into a delegation contract, inform the Commission of this fact by submitting an original of the delegation contract or a copy thereof certified in accordance with the procedures laid down in laws and regulations.

(10) The manager shall include at least the following terms and conditions in the delegation contract:

1) a description of the fund management service or non-core service to be received;

2) precise requirements for the scope and quality of the fund management service to be received;

3) a description of the rights and obligations of the manager and of the service provider, including the following:

a) the right of the manager to constantly monitor the quality of provision of the delegated service or non-core service;

b) the right of the manager to give mandatory enforceable instructions to the service provider in the issues related to honest, quality, timely fulfilment of the delegated service or non-core service which conforms to the laws and regulations;

c) the right of the manager to request that the provider of the service or non-core service immediately terminates the delegation contract upon receipt of a written request;

4) the right of the Commission to access the documents referred to in Paragraph twelve of this Section and to request other information from the provider of the service or non-core service related to the delegation of the services and necessary for the performance of the functions of the Commission.

(11) The Commission shall prohibit to delegate services or non-core services if:

1) delegation of the services or non-core services interferes with a full-fledged management of the fund by the manager and may infringe interests of the fund investors;

2) delegation of the services or non-core services interferes with the supervision of the manager’s activities by the Commission;

3) the delegation contract does not conform to the requirements of this Law and does not provide a clear and fair presentation of the expected cooperation between the manager and the service provider during the term of the delegation contract;

4) after delegation of the services the manager no longer provides any fund management services.

(12) The Commission has the right to conduct an inspection of the activities of the provider of the service or non-core service at the location thereof or at the place for the provision of the service, to become acquainted with all documents, record keeping and accounting registers, to make copies thereof, and also to request that this provider of the service or non-core service provides information related to the provision of the delegated fund management service and necessary for the performance of the functions of the Commission.

(13) The Commission is entitled to request that the manager which has delegated the fund management services to another person immediately terminates the delegation contract if the Commission detects the following:

1) the manager fails to perform constant monitoring of the quality of the provision of the delegated fund management service or performs it irregularly and insufficiently;

2) the manager fails to perform the management of risks related to the delegated fund management service or performs it insufficiently and in poor quality;

3) significant deficiencies in activities of the service provider that threaten or might threaten the fulfilment of the manager’s obligations;

4) any of the circumstances referred to in Paragraph eleven of this Section.

(14) Delegation of the service or non-core service to another person shall not release the manager from the responsibility for the fund management as specified in this Law.

(15) The manager or any other person to whom the fund investment management service or risk management service has been delegated may not further delegate the provision thereof to the custodial bank of the fund or a person delegated by the custodial bank, and also to any other person whose interests may be in conflict with the interests of the manager or fund investors. Such delegation shall be acceptable in exceptional cases if a person to whom the service is delegated has functionally and hierarchically separated the performance of the fund investment management service or risk management service from other services provided thereby which may give a rise to a conflict of interest, and has ensured proper control and management of conflicts of interest, and also informed the fund investors of this fact.

(16) The delegated person may further delegate the services entrusted thereto if:

1) a written consent of the manager has been received for further delegation of the service;

2) prior to entering into a delegation contract, the manager has informed the Commission of further delegation of the service and has received the authorisation of the Commission;

3) the person to whom the service is delegated further conforms to the requirements referred to in Paragraph three of this Section.

(17) Any person who delegates the service further to another person shall ensure that the service is delegated in conformity with the provisions of Paragraph sixteen of this Section, and also constantly monitor conformity of the provision of the delegated service with the requirements of this Law.

(18) Regulation No 231/2013 shall determine the requirements and regulations for the delegation of the services provided by the manager.

**Section 29. Examination of Submissions and Complaints (Disputes)**

(1) The manager shall ensure that the procedure for the examination of submissions and complaints (disputes) of the fund investors related to the provision of services and non-core services of the manager is freely accessible at the location of the manager and on the website of the manager if such has been created. A registered manager need not comply with the requirement laid down in the first sentence of this Paragraph if the procedure for the examination of submissions and complaints (disputes) has been included in the document of incorporation of the fund.

(2) Fund investors and potential investors may submit submissions and complaints regarding the received services or non-core services free of charge at the place for the provision of services indicated by the manager.

(3) The manager shall, within 30 days after receipt of a written submission or complaint (dispute), provide a written answer regarding the service or non-core service. If due to objective circumstances it is not possible to comply with this time period, the manager is entitled to extend it by notifying the submitter of the submission or complaint (dispute) thereof in writing.

(4) Fund investors that are considered to be consumers within the meaning of the Consumer Rights Protection Law are entitled to submit submissions and complaints to the Consumer Rights Protection Centre regarding violations of this Law and other laws and regulations regarding consumer rights protection if they are related to the provision of services or non-core services of the manager.

(5) If a fund investor incurs losses due to incorrect information provided by the manager or due to a failure of the manager to comply with the requirements of this Law, the fund investor has the right to claim damages in accordance with the general procedures laid down in laws.

[*20 June 2019*]

**Chapter IV**

**Alternative Investment Fund**

**Section 30. Founding of the Fund and Types of Funds**

(1) The fund may be founded as an aggregate of assets, a limited partnership, or a joint stock company.

(2) The manager may found the fund as an aggregate of assets approving the document of incorporation and the operational rules of the fund. The fund founded by the manager (hereinafter in this Chapter and Chapter V – the fund of the manager) shall not constitute a legal person within the meaning of this Law. Founding of the fund as a limited partnership or joint stock company shall be governed by this Law and the Commercial Law, unless it is laid down otherwise in this Law.

(3) The fund may be founded as an open-ended or closed-ended fund. The fund may be founded as a fund with sub-funds.

(4) An open-ended fund shall be a fund the manager of which has an obligation to perform repurchase of investment units within a month if so required by the fund investors. The manager of the open-ended fund shall be released from the obligation to perform repurchase of investment units if the investment units are traded on a regulated market and the fund manager takes the necessary measures in order to ensure that the market price of the investment units does not significantly differ from the fund unit value.

(5) A closed-ended fund is a fund the manager of which is prohibited from repurchasing investment units.

(6) The fund may only commence its activities after the registration thereof with the Commission.

(7) The regulatory provisions of the Commission shall determine the criteria for recognising a collective investment undertaking as the fund.

(8) The fund investment strategies have been determined in Regulation No 231/2013.

(9) The fund property shall consist of the joint property of investors of the fund or its sub-funds (if the fund has been founded as the fund with sub-funds) and it shall be kept, registered, and managed separately from the property of the external manager, other funds or sub-funds under the management thereof (if the fund has been founded as the fund with sub-funds), and also of the custodial bank. The fund property (if the fund has been founded as the fund with sub-funds) shall consist of the joint property of sub-funds. Such fund may not have property that does not fall within any of the sub-funds.

(10) A fund investor has no right to request division of the fund property. Also a pledgee, a creditor, or an administrator of the pledged property of an investor does not have such rights in insolvency proceedings of the investor – legal or natural person.

(11) The fund property may not be included in the property of the manager, a custodial bank, or a prime broker as a debtor if insolvency proceedings of a legal person have been declared for the manager or the custodial bank, or the prime broker or it is being liquidated.

(12) Claims against a fund investor in respect of his or her liabilities may be directed against his or her investment units but not against the fund property.

**Section 31. Name of the Fund**

(1) The name of the fund shall contain the phrase “alternative investment fund” or the abbreviation thereof “AIF”.

(2) The name of the fund shall be clearly and distinctly different from the names of other funds and investment funds the investment units or certificates of which are marketed in Latvia.

(3) [25 October 2018]

[*25 October 2018*]

**Section 32. Document of Incorporation of the Fund**

The document of incorporation of the fund shall be as follows:

1) for the fund founded by the manager – the fund management rules;

2) for the fund founded as a joint stock company – the articles of association;

3) for the fund founded as a limited partnership – a partnership contract.

**Section 33. Registration of the Fund**

(1) In order to register the fund, a licensed manager shall submit the documents referred to in Section 10, Paragraph eight of this Law to the Commission in one of the following forms:

1) in the form of an electronic document in accordance with the laws and regulations regarding the development and drawing up of electronic documents;

2) in the form of a paper document. In such case the documents shall also be submitted electronically by sending them to the electronic mail address of the Commission.

(2) The Commission shall, within 60 days after receipt of all documents necessary for the registration of the fund, take the decision to register the fund.

(3) [20 June 2019]

(4) [20 June 2019]

(5) The Commission shall take the decision to refuse to register the fund in the following cases:

1) the own funds of the manager do not conform to the requirements of this Law;

2) the fund has been founded as a joint stock company but the capital thereof does not conform to the requirements of this Law;

3) the documents submitted for the registration of the fund do not conform to the requirements of this Law;

4) the manager fails to ensure that at least two officials have competence in the implementation of the investment strategy selected by the fund.

(6) The Commission shall publish a list of the funds and managers thereof on its website.

[*20 June 2019*]

**Section 34. Rights of Fund Investors**

(1) The fund investor has the rights provided for in this Law, the Commercial law, the document of incorporation of the fund, and the operational rules of the fund, and also the following additional rights:

1) to alienate its investment units without any restrictions, unless it is laid down otherwise in laws and regulations or the operational rules of the fund;

2) in proportion to the number of investment units in accordance with laws and regulations and the operational rules of the fund, to participate in the distribution of the income obtained by using the fund property;

3) in proportion to the number of investment units, to participate in the distribution of proceeds from the fund liquidation.

(2) An open-ended fund investor has the right to request that the manager repurchases its investment units.

(3) A closed-ended fund investor has the right to request convening of the general meeting of fund investors in the cases and in accordance with the procedures laid down in this Law.

**Section 35. Limitation of Liability of the Fund Investors**

(1) A fund investor shall not be liable for the liabilities of the manager.

(2) A fund investor shall be liable for claims which may be directed against the fund property only in the amount of the value of investment units owned by him or her.

(3) Agreements which are in contradiction with the provisions of this Section shall be null and void from the moment of entering into thereof.

**Section 36. Investments in Immovable Property or Capital Shares of a Capital Company**

(1) The immovable property acquired with the resources of the manager’s fund shall be registered with the Land Register but the acquired capital shares of a capital company shall be registered with the Commercial Register. Corroboration of the abovementioned immovable property with the Land Register or registration of the capital shares with the Commercial Register shall be performed on behalf of the manager with the note that the immovable property or capital shares have been acquired with the resources of the specific fund, they may not be alienated or encumbered without the consent of the custodial bank of the fund, and the immovable property or capital shares shall not be included in the property of the manager in the insolvency proceedings of the manager – legal person.

(2) Loans granted from the resources of the manager’s fund which are intended for investments in immovable property are secured with secured mortgages in favour of the manager, making the note that the relevant immovable property is a security for the loan granted from the resources of the specific fund, and it may not be encumbered and alienated without the consent of the manager.

(3) If the fund has been founded as a limited partnership or joint stock company, the immovable property acquired with the resources of such fund shall be registered with the Land Register but the acquired capital shares of a capital company shall be registered with the Commercial Register. Corroboration of the abovementioned immovable property with the Land Register or registration of the capital shares with the Commercial Register shall be performed on behalf of the fund with the note that this immovable property or capital shares may not be alienated or encumbered without the consent of the custodial bank of the fund.

(4) If immovable property is located in the territory of another country or a capital company the capital shares of which are acquired with the fund resources is registered in another country, the manager shall ensure fulfilment of the requirements referred to in this Section in accordance with the requirements of the legal acts of the relevant country.

(5) The consent of the custodial bank referred to in Paragraphs one and three of this Section to alienation or encumbrance shall be required if the fund is managed by a licensed manager. If the fund is managed by a registered manager, the consent of the custodial bank to alienation or encumbrance shall be required in the cases provided for in the document of incorporation or operational rules of the fund.

[*8 October 2015*]

**Section 36.1 Investments in Securitisation Positions**

Fund resources may be invested in securitisation positions in conformity with the requirements 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 – Regulation No 2017/2402). If any of the investments in securitisation positions no longer conforms to the requirements of Regulation No 2017/2402, the manager shall decide on the action corresponding to the interests of the fund investors and, where necessary, take corrective measures for the prevention of the non-conformity.

[*25 October 2018 /* *Section shall come into force on 1 January 2019.* *See Paragraph 14 of Transitional Provisions*]

**Section 37. General Meeting of Investors of the Closed-Ended Fund of the Manager**

(1) The manager shall convene a general meeting of investors (hereinafter – the general meeting) upon its own initiative or upon request of the investors.

(2) The manager shall convene the general meeting in order to approve the operational rules of the fund, except for the rules regarding the issue of the first investment units, and also in cases where it has been requested in writing by investors representing at least 10 per cent of the fund value. If convening of the general meeting is requested by the fund investors, the manager shall convene it within a month after receipt of the request.

(3) The request shall indicate the reasons for convening of the general meeting and the agenda thereof. The request shall be submitted to the manager.

(4) If the manager fails to convene the general meeting within the specified time period, the fund investors shall submit a written request to the Commission which convenes the general meeting within a month after receipt of the request. In such case the general meeting shall be convened irrespective of the fund value represented by the investors – submitters of the written request.

(5) A licensed manager shall publish the notification regarding convening of the general meeting in the official gazette *Latvijas Vēstnesis*, and also inform the Commission thereof. A registered manager shall publish the notification regarding convening of the general meeting in the official gazette *Latvijas Vēstnesis*. If the general meeting is convened by the Commission, the notification regarding convening of the general meeting shall be published by the Commission. Expenditures related to the convening of the general meeting shall be covered from the fond property.

(6) The general meeting has the right to take decisions binding upon the manager in respect of the following:

1) approval of the operational rules of the fund and making amendments thereto;

2) change of the manager;

3) reorganisation of the fund;

4) liquidation of the fund;

5) disbursement of dividends;

6) any other issues which have been determined by the Commission or which are provided for in the operational rules of the fund.

(7) The general meeting is entitled if investors representing at least half of the fund value are present.

(8) A decision of the general meeting shall be taken if the investors representing at least three fourths of the fund value represented in the general meeting have voted in favour of it.

(9) Representatives of the manager, authorised persons of the Commission, and a sworn auditor or a commercial company of sworn auditors (hereinafter – the sworn auditor) has the right to participate in the general meeting without voting rights but in the capacity of an advisor.

[*20 June 2019*]

**Section 38. Transfer of the Fund Management Rights to Another Manager**

(1) The fund management rights may be transferred to another manager in the following cases:

1) the manager forgoes the fund management;

2) the fund selects another manager;

3) the Commission prohibits an external manager from managing the fund.

(2) The manager may transfer the fund management rights to another manager only with the authorisation of the Commission.

(3) In order to obtain the authorisation of the Commission for the transfer of the fund management rights, the manager shall submit a reasoned submission to the Commission, appending the following documents thereto:

1) a contract for the transfer of the fund management rights;

2) amendments to the operational rules of the fund and the document of incorporation of the fund, and also to the custodial bank agreement which must be made in respect of the change of the manager.

(4) The Commission shall, within one month after receipt of all the documents referred to in this Section, take the decision to authorise the transfer of the fund management rights to another manager, provided that the following conditions have been met:

1) the transfer of the fund management rights does not infringe the interests of the fund investors;

2) the documents submitted for the transfer of the fund management rights have been drawn up in accordance with the requirements of this Law;

3) the manager to whom the fund management rights are transferred conforms to the requirements brought forward for the manager laid down in this Law.

(5) A licensed manager which transfers the fund management rights shall, after receipt of the decision by the Commission, in accordance with the procedures specified in the operational rules or document of incorporation of the fund, immediately inform all fund investors of the change of the manager, and also publish a notification in the official gazette *Latvijas Vēstnesis* regarding the transfer of the fund to another manager. A registered manager that transfers the fund management rights shall, in accordance with the procedures specified in the operational rules or document of incorporation of the fund, immediately inform all fund investors of the change of the manager, and also publish a notification in the official gazette *Latvijas Vēstnesis* regarding the transfer of the fund to another manager. The notification shall indicate the firm name, registration number, and location of the board of the new manager.

(6) A contract for the transfer of the fund management rights to another manager shall enter into effect not earlier than one month after publishing of the notification referred to in Paragraph five of this Section. Amendments to the operational rules of the fund, the fund management rules, and the custodial bank agreement shall enter into effect concurrently with the contract for the transfer of the fund management rights.

(7) Upon entering into effect of the contract for the transfer of the fund management rights, all rights and obligations related to the fund management shall be transferred to the new manager.

(8) If an external manager fails to ensure the fund management in accordance with the requirements of this Law, it shall immediately inform the Commission and the supervisory authority of the fund. The Commission shall require the manager to take all necessary measures to ensure that the fund management conforms to the requirements of this Law.

(9) If, despite the measures taken, the external manager fails to ensure the fund management in accordance with the requirements of this Law, the Commission shall require the manager to terminate the fund management and marketing of investment units in Latvia and in Member States. The Commission shall immediately inform the supervisory authority of a host Member State of the manager of the prohibition imposed upon the external manager to perform fund management and marketing of investment units.

(10) If the Commission prohibits the external manager from performing fund management, the manager shall ensure that the fund management rights are transferred to another manager within a month.

[*20 June 2019*]

**Section 39. Reorganisation of the Fund**

(1) The fund may only be reorganised as a result of a merger.

(2) It shall not be allowed to merge a closed-ended fund with an open-ended fund. The funds and sub-funds of the manager under the management of the same manager may be merged.

(3) Funds founded as limited partnerships or joint stock companies shall be merged in accordance with the procedures laid down in the Commercial Law.

(4) The Commission shall authorise the merger of funds or sub-funds.

(5) In order to obtain an authorisation by the Commission for the merger of funds or sub-funds, the manager shall submit the following to the Commission:

1) the decision by the board of the manager to merge funds or sub-funds and the grounds thereof;

2) the document of incorporation of the merged fund of the manager and the operational rules of the fund;

3) financial statements of funds or sub-funds.

(6) In order to carry out the merger of funds referred to in Paragraph three of this Section and to obtain an authorisation by the Commission, prior to submitting an application to the Commercial Register Office, commercial companies involved in the merger process shall submit the documents referred to in Section 347 of the Commercial Law and the operational rules of the fund to the Commission.

(7) The Commission shall examine the submission regarding the merger of funds or sub-funds and take a decision within 30 working days after receipt of all the documents referred to in Paragraph five or six of this Section. Upon taking the decision to authorise the merger of funds or sub-funds, the Commission shall concurrently take the decision to register the merged fund of the manager.

(8) The Commission shall take the decision not to authorise the merger of funds or sub-funds if at least one of the following cases is detected:

1) the submitted documents do not conform to the requirements of this Law;

2) the merger of funds or sub-funds would substantially infringe the legitimate interests of the investors.

(9) Upon receipt of the authorisation, the manager shall, according to the procedures laid down in the operational rules of the fund, inform investors of the merger of funds, indicating that investors have a possibility to resell the fund investment units, and also, prior to merging funds, shall perform repurchase of investment units of the investors who have expressed a wish to resell the fund investment units to the manager. The procedures referred to in this Paragraph shall not apply to an open-ended fund.

(10) The decision by the Commission to authorise the merger of funds or sub-funds and to register the merged fund shall enter into effect after notifying the manager of the decision.

**Section 40. Liquidation of the Fund**

(1) If the fund has been founded as a limited partnership or joint stock company, termination of operation and liquidation thereof shall occur in accordance with the procedures laid down in the Commercial Law, in addition taking into account Paragraphs three, eight, nine, ten, and nineteen of this Section.

(2) Liquidation of the manager’s fund shall be performed by the manager if:

1) none of the investment units have been marketed within a year after founding of the fund;

2) the manager has taken the decision to liquidate the fund;

3) the fund investors have taken the decision to liquidate the fund;

4) the Commission has taken the decision to commence liquidation of the fund.

(3) The manager shall, within 10 working days after taking of the decision to liquidate the fund, inform the Commission that the liquidation of the fund has been commenced. Information shall also include the grounds for the liquidation of the fund.

(4) The Commission has the right not to authorise liquidation of the fund if the decision to liquidate the fund has been taken by the manager and such liquidation does not conform to the legitimate interests of the investors.

(5) If the manager fails to commence liquidation of the fund within a month from the day when it was due to be commenced in accordance with the requirements of this Law, the Commission has the right to appoint a fund liquidator. The Commission shall appoint a fund liquidator also in the case referred to in Paragraph two, Clause 4 of this Section. The liquidator appointed in accordance with the procedures laid down in this Paragraph has all the rights of the manager in respect of the liquidation of the fund.

(6) The liquidator shall immediately notify the Commission of commencing liquidation of the fund of a licensed manager and publish a relevant notification in the official gazette *Latvijas Vēstnesis*. The liquidator shall immediately notify the Commission of commencing liquidation of the fund of a registered manager and publish a relevant notification in the official gazette *Latvijas Vēstnesis*.

(7) The notification regarding liquidation shall provide information on the liquidator, indicate the time period and place for the application of creditors, and also the date of publishing of the notification. The time period for the application of creditors may not be less than three months from the day of publishing of the notification, unless the decision to liquidate the fund determines a longer time period for the application of creditors. Creditors shall indicate in their claim the content of, grounds for, and amount of the claim and append documents supporting the claim.

(8) It is prohibited in the course of liquidation to perform the issue and repurchase of fund investment units, and the fund income distribution provided for in the operational rules of the fund among the fund investors. The liquidator has the right to perform activities only related to the liquidation.

(9) After commencement of the liquidation, the liquidator shall organise and perform sale of the fund property.

(10) The custodial bank or the liquidator shall distribute the proceeds gained from the sale of the property of the fund to be liquidated and the monies in the fund (hereinafter – the proceeds of liquidation), satisfying in the following order:

1) the claims of secured creditors;

2) the claims of such creditors who have applied their claims within the time period specified in the notification;

3) the claims of the creditors who have applied their claims after the time period specified in the notification, but before the distribution of the proceeds of liquidation.

(11) [30 March 2017]

(12) The remaining proceeds of liquidation shall be distributed among the fund investors in proportion to the number of the investment units thereof.

(13) The liquidator shall submit a notification for publication in the official gazette *Latvijas Vēstnesis* regarding the distribution of the proceeds of liquidation among the fund investors, indicating the sum to be paid for one investment unit, and also the place and time for making the payments.

(14) All payments to creditors and fund investors shall be made in cash.

(15) The liquidator shall act in the interests of creditors and fund investors.

(16) The liquidator shall be fully liable to the fund investors and third parties in respect of the losses caused in the course of liquidation if the liquidator intentionally or due to negligence has violated the law, the operational rules of the fund, or the document of incorporation of the fund, or has negligently carried out his or her obligations.

(17) In the course of liquidation the liquidator has the right to cover liquidation expenditures from the proceeds of liquidation. The liquidation expenditures do not include intermediation payments related to the sale of immovable property. These payments shall be included in the fund expenditures paid from the fund property and their maximum amount shall be set out in the fund management rules. The liquidation expenditures may not exceed two per cent of the proceeds of liquidation.

(18) The procedures for the liquidation of the fund laid down in this Section shall be applicable to the liquidation of a sub-fund.

(19) The liquidator shall, once a month, submit a report to the Commission on the course of liquidation. The liquidator shall, within 10 working days after completion of the liquidation, submit a notification to the Commission regarding the completion of the liquidation and a closing liquidation report.

[*30 March 2017; 20 June 2019*]

**Chapter V**

**Issue and Marketing of Investment Units**

**Section 41. General Requirements**

(1) Public circulation of fund investment units shall occur in accordance with the Financial Instrument Market Law, insofar as it has not been laid down otherwise in this Law. In order to admit fund investment units on a regulated market, the operational rules and the management rules of the manager’s fund shall be treated as a prospectus drawn up in accordance with the requirements of the Financial Instrument Market Law.

(2) Fund investment units may be of various classes with a different nominal value, related payments, or different rights to the fund income distribution. Equal rights shall be attached to the same class of investment units of the same fund.

(3) Upon alienation of an investment unit, the undivided share of the property of the relevant alienator in the fund shall also be transferred to the acquirer.

(4) Investment units are issued in a dematerialised form.

(5) Investment units of the manager’s fund may be divided. The document of incorporation or the operational rules of the fund shall determine the procedures for the rounding up of the number of investment units after the division thereof.

(6) Investment units may only be marketed to the persons referred to in Section 9, Paragraphs one and two, and Paragraphs seven, eight, and nine of this Section of this Law.

(7) A manager licensed in a Member State may market investment units to professional investors, and also other investors in Latvia in accordance with the provisions of Paragraphs eight and nine of this Section.

(8) Investment units of a Member State fund under management of a manager licensed in a Member State may also be marketed to an investor that is not a professional investor if this investor provides a written confirmation that he or she is capable of independently taking a decision to invest in the relevant fund and is aware of all risks, including the risk to lose investment or part thereof resulting from such investment or liabilities which he or she has assumed, and the minimum amount of the investor’s purchase of investment units in the relevant fund is EUR 100 000 or more.

(9) If the operational rules of a Member State fund under management of a manager licensed in a Member State provide for the use of leverage in the amount of not more than 50 per cent of the fund net asset value, investment units of this fund may also be marketed to an investor that is not a professional investor if this investor provides the confirmation referred to in Paragraph eight of this Section.

(10) An investment firm or a credit institution registered in Latvia may perform initial marketing of investment units of a fund registered in Latvia, or market fund investment units in Latvia in accordance with the requirements laid down for the investor in this Section by entering into a marketing contract with the manager if this manager is authorised to market investment units of the relevant fund in Latvia.

(11) Upon marketing fund investment units in Latvia and other Member States to investors that are not professional investors, the manager, including a manager licensed in a Member State, shall comply with the requirements of Regulation No 1286/2014.

[*8 October 2015; 30 March 2017; 30 September 2021*]

**Section 42. Requirements for a Closed-Ended Fund of the Manager**

(1) The amount of initial placement of one issue of closed-ended fund investment units shall be limited, and the time thereof may not exceed twenty-four months.

(2) After expiry of the time period specified in Paragraph one of this Section, it shall be considered that the issue of investment units has occurred in the amount of the investment units paid.

(3) Investment units are only issued in return for full payment of the price of such units in cash.

(4) The issue price of a closed-ended fund investment unit shall constitute the price of an investment unit during the initial placement, and it shall not change throughout the whole duration of the issue.

**Section 43. Requirements for a Open-Ended Fund of the Manager**

(1) The issue price of an open-ended fund investment unit shall constitute the sale price of the first investment unit.

(2) The manager may determine commissions on the issue or repurchase of open-ended fund investment units. Distribution of the commissions between the manager and the fund shall be determined in the document of incorporation of the fund or the operational rules of the fund.

(3) The sale price of an open-ended fund investment unit shall consist of the sum of the investment fund unit value and the commissions on the issue of investment units (if any). Money received for investment units, except for the commissions on the issue of investment units (if any), shall be immediately transferred to the fund property. The procedures for determining and paying the price of an investment unit, and also the distribution of the commissions between the manager and the fund shall be determined in the document of incorporation of the fund or the operational rules of the fund.

(4) The sale price of an open-ended fund investment unit shall be determined concurrently with the fund unit value, and the information thereon shall be available in the places specified in the operational rules of the fund.

(5) The repurchase price of an open-ended fund investment unit shall constitute the investment unit value reduced by commissions on the repurchase according to the operational rules of the fund. If the fund has investment units of different classes, the repurchase price thereof shall be determined for each class of investment units individually.

(6) If the manager announces the sale price of open-ended fund investment units, it also has an obligation to announce the repurchase price thereof. If the manager announces the repurchase price of open-ended fund investment units, it also has an obligation to announce the sale price thereof.

(7) The manager of an open-ended fund has an obligation to perform repurchase of investment units upon request of a fund investor by paying the repurchase price to him or her in cash according to the operational rules of the fund.

(8) Open-ended fund investment units shall be withdrawn from circulation when the manager receives a repurchase application from an investor and the investment units owned by the investor are transferred into the issue account of the fund. After withdrawal of the investment units from circulation, all rights of fund investors deriving from them shall cease, except for the right to claim in the amount of the repurchase price of the investment units.

(9) The manager may temporarily suspend repurchase of open-ended fund investment units in the cases and according to the procedures laid down in the operational rules of the fund. Suspension of the repurchase may only be provided for in exceptional cases, if required by circumstances, and suspension is justifiable, taking into account the interests of the investors.

(10) The repurchase price shall be paid from the fund property according to the procedures and within the time period laid down in the operational rules of the fund.

(11) Investment units shall be repurchased in the order of the submission of repurchase applications.

(12) In order to ensure compliance with the requirement of Paragraph seven of this Section, the manager shall create a liquidity management system which corresponds to the nature of activities of the fund and develop appropriate procedures.

**Section 44. Requirement for the Redemption of Investment Units of the Manager’s Fund**

(1) If due to the fault of the manager the information in the operational rules of the fund and accompanying documents which is essential for the assessment of investment units is incorrect or incomplete, a fund investor has the right to request that the manager redeems his or her investment unit and compensates him or her for all losses incurred for this reason.

(2) If in the case referred to in Paragraph one of this Section the fund investor has obtained the investment unit by using services of an investment service provider, this investment service provider together with the manager shall be solidarily liable for the reimbursement of losses to the fund investor. The investment service provider shall not be liable if he or she was not, and could not have been, aware that the information was incorrect or incomplete.

(3) If, when the fund investor has become aware that the information is incorrect or incomplete, he or she no longer owns an investment unit, the fund investor has the right to request that the manager pays the difference by which the sum invested by him or her exceeds the repurchase price of the investment unit at the moment of repurchase.

(4) A claim in accordance with the provisions of Paragraphs one, two, and three of this Section shall be brought within six months from the day when the fund investor has become aware that the information was incorrect or incomplete, however, not later than within three years from the day of purchase of the investment units.

**Section 45. Requirements for the Fund Founded as a Limited Partnership**

(1) The Commercial Law shall govern the procedures for entering into a partnership contract between members of a limited partnership and the mutual relationships between members.

(2) In addition to the requirements laid down in the Commercial Law, the partnership contract shall include information on the term and objective of activities of the fund, the general principles for the fund management, and the procedures by which to act with the fund property, and the procedures for the reorganisation and liquidation of the fund.

**Section 46. Requirements for the Fund Founded as a Joint Stock Company**

(1) If an open-ended fund has been founded as a joint stock company, the manager thereof has an obligation, not later than within a month, to perform repurchase of shares upon request of a shareholder. The equity capital of such fund shall change depending on the amount of the issue and maturity of shares.

(2) If a closed-ended fund has been founded as a joint stock company, the manager thereof is prohibited from repurchasing shares and shares are redeemed at the end of the term of activities of the fund or in the cases referred to in the operational rules of the fund.

(3) The provisions of the Commercial Law regarding the increase and reduction of the equity capital shall be applicable to the fund, insofar as it is not laid down otherwise in this Law.

(4) Upon founding the fund, the equity capital specified in the articles of association shall be paid fully by the moment the fund is registered with the Commission.

(5) The time of issue of shares of an open-ended fund and the number of shares to be issued shall not be limited, unless the articles of association of the fund and the operational rules of the fund provide for the maximum amount of the equity capital of the fund. If the equity capital is increased, the current shareholder does not have priority rights to purchase the new shares. The amount of the equity capital and the number of shares need not be indicated in the articles of association of the open-ended fund.

(6) The equity capital of a closed-ended fund may only be increased on the basis of a decision of a meeting of shareholders. If the equity capital is increased, only the current shareholders have the right to subscribe for the new shares in proportion to the sum of nominal values of the shares they own. Other investors are entitled to subscribe for the new shares if the current shareholders have not exercised their rights within the specified time period and they have such rights according to the rules regarding the increase of the equity capital.

(7) The payment for the shares shall not be made in instalments or with a material contribution. Upon subscribing for the shares, the payment for them shall be made in full amount.

(8) The fund may only issue freely transferable shares. The fund is prohibited from issuing staff, preference shares, and convertible bonds, and also to acquire its own shares. The fund may only acquire its own shares if it is managed by an internal manager.

(9) The resources obtained as a result of increasing the equity capital shall be transferred by the fund to the manager for the investment thereof according to the operational rules of the fund.

(10) Each share with voting rights with the minimum nominal value shall give the right to one vote in a meeting of shareholders. If the meeting of shareholders decides on issues affecting the interests of shareholders of a specific sub-fund of an open-ended fund, only shareholders of this sub-fund have the right to vote.

(11) In addition to the requirements laid down in the Commercial Law, the founders of the fund shall include the following in the articles of association of the fund:

1) information on the type, term of activities, and objective of the fund. The time period for activities of a closed-ended fund may not exceed 10 years;

2) information on the general principles and the procedures for the fund management;

3) the procedures for taking decisions, in particular indicating decision-taking competences and procedures for acting with the fund property;

4) the conditions for increasing and reducing the equity capital;

5) the procedures for repurchasing shares of the fund and the conditions and procedures for suspending repurchase of shares;

6) the procedures for calculating and disbursing dividends;

7) the procedures for the reorganisation and liquidation of the fund.

(12) Founders of the fund or the manager shall submit the articles of association or amendments to the articles of association to the Commission for its consent prior to announcing a notification regarding convening of the meeting of shareholders. The Commission shall examine the abovementioned articles of association or amendments to the articles of association within 10 working days and give its consent or take the decision to refuse to give its consent to the articles of association or amendments thereto.

(13) If, after announcing a notification regarding convening of the meeting of shareholders, additional issues regarding amendments to the articles of association which provide for changes in the information referred to in Paragraph eleven of this Section are submitted to the authority that convenes the meeting of shareholders, such additional issues may not be included in the agenda of the meeting of shareholders which has already been announced.

(14) In addition to the rights specified in the Commercial Law, the meeting of shareholders shall take a decision on the following:

1) the approval of the investment policy, objective, and strategy;

2) the change of the manager;

3) any other issues which have been provided for in the operational rules of the fund.

**Chapter VI**

**Custodial Bank**

**Section 47. Requirements for a Custodial Bank**

(1) A custodial bank of the fund founded in Latvia may be any credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State or third country, an investment brokerage company registered in Latvia, or a branch of an investment brokerage company in Latvia registered in a Member State or third country which is entitled to provide investment services and non-core services, including holding of financial instruments.

(2) The manager shall ensure that each fund has only one custodial bank.

(3) The Commission shall ensure the supervision of a custodial bank licensed in Latvia. The supervision of the custodial bank of a third country fund referred to in Paragraph six of this Section shall be performed by the supervisory authority of the third country in which the custodial bank has its registered office.

(4) Upon carrying out the obligations specified in this Law and Regulation No 231/2013, a custodial bank shall act as an honest, careful, and diligent proprietor, independently from the manager, and ensure that services are provided with due professionalism and diligence in the interests of the fund and investors thereof.

(5) In order to prevent a conflict of interest among the custodial bank, the manager, the fund, and the investors thereof, the manager may not carry out the obligations of the custodial bank. The prime broker that is a counterparty of the fund may only carry out the obligations of the custodial bank of the relevant fund if the obligations of the prime broker are functionally and hierarchically separated from the obligations of the custodial bank, the potential conflicts of interest are controlled according to the internal procedures, and the fund investors are informed thereof.

(6) A custodial bank of a Member State fund shall carry out its obligations in the home Member State of the fund. A custodial bank of a third country fund shall carry out its obligations in the third country where the relevant fund has been founded, in the home Member State of the fund manager, or in the reference Member State of the abovementioned fund manager.

(7) The manager may select any credit institution registered in a third country or an investment brokerage company registered in a third country as a custodial bank of the fund which has commenced the provision of investment services and non-core services, including holding of financial instruments, provided that the following conditions are met:

1) the supervisory authority of the Member State in which it is planned to market investment units of a third country fund, and the Commission as the supervisory authority of the manager have entered into a cooperation and information exchange contract with the supervisory authority of the custodial bank;

2) supervision equivalent to the requirements laid down for the supervision of a custodial bank in Latvia is performed in the country where the custodial bank has been founded, and also equivalent minimum capital requirements are applicable to the custodial bank;

3) the country where the custodial bank has been founded is not included in the list compiled by the Financial Action Task Force as a country or territory which does not cooperate;

4) Member States in which it is planned to market investment units of a third country fund and Latvia as a home country of the manager have entered into a contract with the country where the custodial bank has been founded, the terms and conditions of which are equivalent to the standards laid down in the Organisation for Economic Co-operation and Development Model Tax Convention on Income and on Capital, and ensure exchange of information in the field of taxes;

5) it is provided for in the custodial bank agreement that the custodial bank is liable to the fund or the investors thereof for the compliance with the requirements laid down in Sections 54 and 55 of this Law.

(8) A custodial bank may, in exceptional cases, carry out obligations for the fund or the manager thereof which may cause a conflict of interest among the fund, the investors thereof, the manager, and the custodial bank provided that the custodial bank has functionally and hierarchically separated its other obligations from the obligations of the custodial bank, potential conflicts of interest are controlled according to the internal procedures, and the fund investors are informed thereof.

(9) A custodial bank may use assets transferred into the holding thereof if a written consent has been received from the fund or the manager acting on behalf of the fund.

(10) If obligations of a custodial bank are carried out by an investment brokerage company, the own funds thereof may not be less than EUR 750 000.

[*8 October 2015*]

**Section 48. Obligations of a Custodial Bank**

(1) A custodial bank shall have the following obligations:

1) to hold assets of the fund or the manager acting on behalf of the fund in accordance with this Law, Regulation No 231/2013, and the custodial bank agreement;

2) to ensure that the issue, sale, repurchase, and redemption of investment units occur in accordance with this Law, Regulation No 231/2013, and the operational rules of the fund;

3) to ensure that the value of investment units is calculated in accordance with this Law, Regulation No 231/2013, and the operational rules of the fund, and to execute orders of the manager, unless they are in contradiction with this Law, Regulation No 231/2013, the custodial bank agreement, and the document of incorporation or the operational rules of the fund;

4) to ensure that the payments specified in transactions with the fund assets are duly made;

5) to ensure that the fund income is utilised in accordance with the law, Regulation No 231/2013, and the document of incorporation of the fund or the operational rules of the fund.

(2) A custodial bank shall, upon request of the Commission, provide information which it has received while carrying out obligations of the custodial bank of the fund. The Commission shall request that the supervisory authority of the custodial bank of a third country fund provides the information necessary from the custodial bank of a third country fund referred to in Section 47, Paragraph six of this Law.

(3) A custodial bank has an obligation to bring claims of fund investors against the manager on its own behalf, if relevant circumstances so require. This shall not restrict the rights of the fund investors to bring such claims on their own behalf.

(4) A custodial bank has an obligation to bring a counterclaim if recovery proceedings are directed against the fund property in connection with the liabilities thereof.

(5) A custodial bank shall be fully liable to the fund investors and the manager for any losses which have been caused if the custodial bank or the person with which the custodial bank holds financial instruments has intentionally or due to negligence violated the law or the custodial bank agreement or has carried out its obligations negligently.

**Section 49. Custodial Bank Agreement**

(1) A custodial bank agreement shall be an agreement which has been entered into in writing between the fund or the manager acting on behalf of the fund and the custodial bank and according to which the custodial bank undertakes to maintain the fund property and to execute transactions in the fund property, and also to serve the fund accounts in accordance with this Law, Regulation No 231/2013, the document of incorporation of the fund, the operational rules of the fund, this agreement, and orders of the manager.

(2) In addition to the terms and conditions of an agreement contained in Regulation No 231/2013, a custodial bank agreement shall indicate the following

1) the firm name, registration number, licence number, registered office, or location of the board of the manager;

2) the firm name, registration number, licence number, registered office, or location of the board of the custodial bank;

3) the rights and obligations of the parties;

4) the procedures for servicing the fund accounts;

5) the amount of remuneration of the custodial bank and the procedures for paying thereof;

6) the procedures for covering expenditures of the custodial bank incurred while executing transactions in the fund property or servicing the fund accounts;

7) the dispute settlement procedures;

8) other regulations resulting from the document of incorporation or the operational rules of the fund.

(3) Parties may also include other terms and conditions in the custodial bank agreement which are not in contradiction with this Law, Regulation No 231/2013, the document of incorporation of the fund, and the operational rules of the fund.

**Section 50. Termination of a Custodial Bank Agreement**

(1) A custodial bank agreement shall terminate in the following cases:

1) upon expiry of the time period specified in the agreement;

2) upon mutual agreement of the parties to the agreement;

3) one party unilaterally withdraws from the agreement, taking into account the time periods specified in Paragraph two of this Section;

4) upon occurrence of circumstances as a result of which the custodial bank no longer conforms to the requirements of the law and Regulation No 231/2013;

5) the insolvency proceedings of a legal person have been declared for the custodial bank;

6) upon termination of activities of the custodial bank;

7) upon commencement of the liquidation of the fund;

8) the Commission gives an order to the manager to change the custodial bank;

9) in other cases specified in the custodial bank agreement.

(2) A party which unilaterally withdraws from the agreement has an obligation to notify the other party thereof three months in advance, unless the custodial bank agreement provides for a longer time period.

**Section 51. Order Regarding Change of the Custodial Bank**

(1) The Commission has the right to give an order to the fund or the manager acting on behalf of the fund to change the custodial bank if the custodial bank violates the provisions of this Law, Regulation No 231/2013, or the custodial bank agreement or if it is necessary for the protection of legitimate interests of the fund investors.

(2) In the case specified in Paragraph one of this Section the custodial bank agreement shall terminate within the time period and according to the procedures stipulated by the Commission.

**Section 52. Entering into a New Custodial Bank Agreement**

(1) The fund or the manager acting on behalf of the fund shall ensure that, on the next day after termination of the custodial bank agreement, a new custodial bank agreement enters into effect, except for the case where the agreement terminates due to the liquidation of the fund.

(2) If the fund or the manager acting on behalf of the fund fails to enter into a new custodial bank agreement within the time period specified in Paragraph one of this Section, it shall commence liquidation of the fund.

**Section 53. General Requirements for the Holding of the Fund Assets**

(1) A custodial bank shall ensure that all monies of the fund are entered in one or several cash accounts of the custodial bank opened on behalf of the manager, on behalf of the custodial bank acting on behalf of the fund, or on behalf of the fund itself.

(2) Upon accounting for monies or for financial instruments held by the custodial bank and belonging to the fund or the manager acting on behalf of the fund, the custodial bank shall ensure that:

1) it is possible to separate, at any moment, the monies or financial instruments belonging to one fund or the manager acting on behalf of the fund from the monies or financial instruments of another client of the custodial bank;

2) the accounting is regularly compared to the accounting of the monies or financial instruments of a third party with which the custodial bank holds monies or financial instruments of its clients.

(3) A custodial bank which holds with a third party the monies or financial instruments belonging to the fund or the manager acting on behalf of the fund shall ensure that such monies or financial instruments are identifiable separately from the monies or financial instruments belonging to the third party or the custodial bank itself.

(4) A custodial bank shall perform holding and accounting of other assets if it has ascertained that the fund or the manager acting on behalf of the fund holds the ownership rights to such assets. The custodial bank shall constantly perform an inspection of the abovementioned ownership rights on the basis of the documents supporting the ownership rights provided by the fund or the manager acting on behalf of the fund, and also the information which the custodial bank may obtain from public registers.

(5) Regulation No 231/2013 shall determine the rights and obligations additionally imposed upon a custodial bank.

**Section 54. Holding of Assets with a Third Party**

(1) A custodial bank may hold with a third party the financial instruments or other fund assets if there is a justified reason for this and it does not avoid complying with the requirements of this Law.

(2) A custodial bank is entitled to hold the monies or financial instruments of the fund with the following third parties:

1) the central bank of a Member State if it provides such service;

2) a credit institution registered in Latvia or a credit institution registered in a Member State;

3) a credit institution registered in a third country;

4) a commercial company which operates on the financial and capital market of a third country and which is subject to the supervision of the provision of investment services and investment non-core services equivalent to the requirements adopted in Latvia.

(3) Upon attracting a third party for the holding of the financial instruments of the fund or other fund assets, a custodial bank shall comply with the following conditions:

1) exercise all due skill, care, and diligence in the selection of the third party and during the entire period while the financial instruments or other fund assets are held therewith, exercise all due skill, care, and diligence in the periodic review and regular supervision of the third party carrying out obligations entrusted thereto;

2) regularly ascertain that the third party has an appropriate organisational structure and sufficient experience in holding financial instruments or other assets;

3) regularly ascertain that in a country where financial instruments are held, the third party is subject to the supervisory requirements governing activities equivalent to those laid down in Latvia, including the minimum capital requirements, and to the supervision thereof, and also ascertain that such party is subject to an annual mandatory audit of a sworn auditor upon receipt of an opinion on the existence of financial instruments;

4) regularly ascertain that the third party holds the client assets of the custodial bank separately from its own assets and the assets of the custodial bank in such a way that they can be clearly identified as assets belonging to clients of a particular custodial bank;

5) the custodial bank is entitled to allow the third party to use the fund assets transferred into holding of the third party if the custodial bank has obtained consent from the fund or the manager acting on behalf of the fund;

6) regularly ascertain that the third party complies with the requirements brought forward for the custodial bank in Section 47, Paragraphs two, eight, and nine and Section 53, Paragraphs three and four of this Law.

(4) If the legal acts of a third country provide for separate holding of financial instruments with a commercial company only registered in this third country, but there are no such commercial companies in the relevant third country which would conform to the requirements referred to in Paragraph three, Clause 3 of this Section, the custodial bank may hold financial instruments or other fund assets with such commercial company until a commercial company corresponding to the requirements brought forward for a third party in this Section is registered in a third country.

(5) If a custodial bank holds financial instruments or other fund assets in the commercial company of a third country referred to in Paragraph four of this Section, the custodial bank shall ensure that fund investors are informed of the fact that the financial instruments or other fund assets are held with a commercial company of a third country and of the grounds for such holding, and also of the fact that the custodial bank has obtained a written consent from the fund or the manager acting on behalf of the fund for holding financial instruments or other fund assets with a commercial company of a third country.

(6) A third party may hold financial instruments or other fund assets with another person if the same requirements are complied with in relation to such person as those imposed upon the third party. The holding of financial instruments or other fund assets with the third parties shall not release the custodial bank from the liability specified in this Law for the carrying out the obligations entrusted thereto.

(7) Services provided by the payment and financial instrument settlement systems referred to in the law On Settlement Finality in Payment and Financial Instrument Settlement Systems or similar services provided by the financial instrument settlement systems of third countries shall not be considered the holding of financial instruments or other fund assets with a third party within the meaning of this Section.

[*8 October 2015*]

**Section 55. Liability for the Loss of Financial Instruments**

(1) A custodial bank shall be liable to the fund or fund investors for the loss of financial instruments held by the custodial bank or third party. Regulation No 231/2013 shall determine the conditions for considering financial instruments as lost and the external circumstances under which the custodial bank is released from liability for the loss of financial instruments.

(2) In case of the loss of financial instruments, a custodial bank shall immediately, as soon as possible, replace the lost financial instruments to the fund or the manager acting on behalf of the fund with financial instruments of the same category, other financial instruments equivalent in value and liquidity to the lost financial instruments, or disburse compensation in cash corresponding to the value of the lost financial instruments. The amount of the compensation shall be determined according to the accounting value of the financial instruments belonging to the fund on the day when detecting irreversible loss of financial instruments.

(3) A custodial bank shall not be liable to the fund or fund investors for the loss of financial instruments held by the custodial bank or third party if the custodial bank may demonstrate that the loss has incurred due to external circumstances which the custodial bank has not been able to influence by reasonable means and the consequences of which would have been unavoidable despite the efforts to achieve the opposite by reasonable means.

(4) A custodial bank shall not be liable to the fund or fund investors for the loss of financial instruments with a third party if:

1) all the requirements laid down in Section 54, Paragraph four of this Law and Regulation No 231/2013 for the holding of financial instruments with the third party have been complied with;

2) a contract has been entered into by and between the custodial bank and the third party under which the third party assumes full liability for the holding of financial instruments and the fund or the manager acting on behalf of the fund may, in case of the loss of financial instruments, bring a claim for damages against the third party or authorise the custodial bank to bring such claim on behalf thereof;

3) a contract has been entered into by and between the custodial bank and the fund or the manager acting on behalf of the fund under which the custodial bank is released from the payment of damages in case of the loss of financial instruments, and the reason for entering into the contract referred to in Clause 2 of this Paragraph is indicated.

(5) If regulatory framework of a third country provides for holding of specific financial instruments with a commercial company of such third country and there are no such commercial companies in the third country which would conform to the requirements laid down in Section 54, Paragraph three, Clause 3 of this Law, the custodial bank shall not be liable for the loss of such financial instruments. The custodial bank shall not be liable for the loss of financial instruments, provided that it has also complied with the following additional requirements in the case referred to in this Section:

1) the document of incorporation of the fund or the operational rules of the fund provide for release of the custodial bank from liability;

2) prior to investing the fund investors are informed of the release of the custodial bank from liability and of the valid reasons for such release;

3) the fund or the manager acting on behalf of the fund has given an order to the custodial bank to hold financial instruments with a commercial company of a third country;

4) a contract has been entered into by and between the custodial bank and the fund or the manager acting on behalf of the fund which provides for release of the custodial bank from liability;

5) a contract has been entered into by and between the custodial bank and the third party under which full liability for the holding of financial instruments is transferred to a commercial company of a third country, and the fund or the manager acting on behalf of the fund may, in case of the loss of financial instruments, bring a claim for damages against this commercial company or authorise the custodial bank to bring such claim on behalf thereof.

**Chapter VII**

**Disclosure Requirements**

**Section 56. Preparation, Review, and Publication of the Annual Statement of the Fund Founded as an Aggregate of Assets**

(1) An external manager shall maintain accounting records of an open-ended fund founded in Latvia and prepare the annual statement of the open-ended fund in accordance with this Law, the law On Accounting, and the regulatory provisions of the Commission, and also in accordance with Regulation No 231/2013. The Commission shall issue relevant regulatory provisions which have been developed on the basis of the International Accounting Standards and the International Financial Reporting Standards approved by the European Commission.

(2) An external manager shall maintain accounting records of a closed-ended fund founded in Latvia and prepare the annual statement of the closed-ended fund in accordance with this Law, the law On Accounting, and the regulatory provisions of the Commission, and also in accordance with Regulation No 231/2013. The Commission shall issue relevant regulatory provisions which have been developed on the basis of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

(3) An external manager which manages several funds shall ensure that accounting records of each fund is maintained separately.

(4) If the fund managed by an external manager and founded in Latvia has acquired control in a company or issuer not admitted on a regulated market, the external manager thereof shall also prepare a consolidated annual statement of such fund. The regulatory provisions of the Commission shall determine the procedures for preparing a consolidated annual statement, taking into account the provisions of Paragraphs one and two of this Section.

(5) An external manager which manages the fund founded in a Member State or a third country shall ensure that the annual statement and the consolidated annual statement of such fund are prepared in accordance with the accounting standards existing in the country where the fund has been founded.

(6) The annual reporting period of the fund shall coincide with the reporting year of the external manager.

(7) A management body specified in the articles of association of an external manager shall approve a sworn auditor which performs audit of the annual statement and the consolidated annual statement of the fund.

(8) Audit of the annual statement and the consolidated annual statement of the fund founded in Latvia shall be performed in accordance with the law On Sworn Auditors. The report of a sworn auditor, including all comments, shall be published together with the annual statement and the consolidated annual statement.

(9) An external manager which manages the fund founded in a Member State (except for Latvia) or a third country shall ensure that audit of the annual statement and the consolidated annual statement of such fund is performed in accordance with the accounting standards existing in the country where the fund has been founded.

(10) Not later than within 10 days after approval of the annual statement and the consolidated annual statement and not later than six months after the end of the reporting year, an external manager shall ensure that the annual statement and the consolidated annual statement are published for each fund under the management thereof founded in a Member State and for each fund the investment units of which are marketed in a Member State. The annual statement and the consolidated annual statement shall be published in the Latvian language or the language which is used in the field of international finance. A translation of the annual statement and the consolidated annual statement shall be published within a month after approval of the annual statement and the consolidated annual statement. An external manager may publish the relevant information on its website or select another appropriate information medium or place for making the information public.

(11) An external manager shall ensure that, not later than six months after the end of the reporting year, the annual statement and the consolidated annual statement of each fund under the management thereof is submitted to the Commission and the supervisory authority of the country where the fund has been founded, unless the fund has been registered with the Commission.

(12) If an external manager publishes the annual statement and the consolidated annual statement of the fund in accordance with the requirements of the Financial Instrument Market Law, the information referred to in Paragraph thirteen of this Section shall be provided to the investors upon their request. The annual statement and the consolidated annual statement shall be published not later than four months after the end of the reporting year.

(13) The annual statement and the consolidated annual statement of the fund shall include at least the following information:

1) financial statements;

2) the manager’s report on the financial standing and characteristics of economic activity;

3) all significant changes in the information referred to in Section 58 of this Law which have occurred over the reporting year;

4) the sum total of the remuneration awarded to officials and employees of an external manager during the reporting year, indicating separately the fixed component and the variable component of the remuneration and the number of recipients of such components, and also the sum total of the component of carried interest awarded by the fund, if such is provided for;

5) the sum total of the remuneration awarded during the reporting year to the officials and employees of an external manager whose professional activities significantly affect the risk profile of the fund under the management thereof, indicating separately the sums of the remuneration awarded to such officials and employees.

(14) If the fund is managed by a registered manager, it shall be allowed not to include the information referred to in Paragraph thirteen, Clauses 3, 4, and 5 of this Section in the annual statement and the consolidated annual statement of the fund.

**Section 57. Preparation, Review, and Publication of the Annual Statement of the Fund Founded as a Commercial Company**

(1) An open-ended fund shall maintain accounting records and prepare the annual statement and the consolidated annual statement of the open-ended fund in accordance with this Law, the law On Accounting, and the regulatory provisions of the Commission, and also in accordance with Regulation No 231/2013. The Commission shall issue relevant regulatory provisions which have been developed on the basis of the International Accounting Standards and the International Financial Reporting Standards approved by the European Commission.

(2) A closed-ended fund shall maintain accounting records and prepare the annual statement and the consolidated annual statement of the closed-ended fund in accordance with this Law, the law On Accounting, and the regulatory provisions of the Commission, and also in accordance with Regulation No 231/2013. The Commission shall issue relevant regulatory provisions which have been developed on the basis of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

(3) A sworn auditor that performs audit of the annual statement and the consolidated annual statement of the fund shall be elected in accordance with the Commercial Law.

(4) Audit of the annual statement and the consolidated annual statement of the fund shall be performed in accordance with the law On Sworn Auditors. A report of a sworn auditor, including all comments, shall be published together with the annual statement and the consolidated annual statement.

(5) The fund shall, not later than within 10 days after approval of the annual statement and not later than six months after the end of the reporting year, submit to the State Revenue Service a copy of the annual statement and of the report of the sworn auditor together with an extract from the minutes of the meeting of shareholders (members) regarding approval of the annual statement. In addition to the documents specified in the first sentence of this Paragraph, the fund preparing the consolidated annual statement shall, not later than within 10 days after approval of the consolidated annual statement and not later than six months after the end of the reporting year, also submit a copy of the consolidated annual statement and of the report of the sworn auditor to the State Revenue Service together with an extract from the minutes of the meeting of shareholders (members) regarding approval of the consolidated annual statement. The fund shall submit the documents referred to in this Paragraph either in paper form or in electronic form.

(6) The State Revenue Service shall, within five working days, hand over by electronic means the documents referred to in Paragraph five of this Section, if they have been submitted in electronic form, or electronic copies of such documents, if they have been submitted in paper form, to the Enterprise Register which ensures that the received documents are publicly available. The procedures for handing over and certifying electronic documents shall be determined by an interdepartmental agreement entered into by and between the State Revenue Service and the Enterprise Register.

(7) After receipt of the documents referred to in Paragraph six of this Section, the Enterprise Register shall publish them on the website of the Enterprise Register.

(8) An open-ended fund shall, not later than six months after the end of the reporting year, ensure publication of the annual statement and the consolidated annual statement if such is prepared. The open-ended fund may publish the relevant information on its website or select another appropriate information medium or place for making the information public. A closed-ended fund shall ensure that the annual statement and the consolidated annual statement, if such is prepared, are available to the investors upon their request.

(9) If the annual statement and the consolidated annual statement of the fund is published in accordance with the requirements of the Financial Instrument Market Law, the information referred to in Paragraph ten of this Section shall be provided to the investors upon their request. The annual statement and the consolidated annual statement shall be published not later than four months after the end of the reporting year.

(10) The annual statement and the consolidated annual statement of the fund shall include the information referred to in Section 56, Paragraph thirteen, Clauses 1, 2, and 3 of this Law, and also at least the following information:

1) the sum total of the remuneration awarded to officials and employees of the manager during the reporting year, indicating separately the fixed component and the variable component of the remuneration and the number of recipients of such components, and also the sum total of the component of carried interest awarded by the fund, if such is provided for;

2) the sum total of the remuneration awarded during the reporting year to the officials and employees of the manager whose professional activities significantly affect the risk profile of the fund under the management thereof, indicating separately the sum of the remuneration awarded to such officials and employees.

(11) If the fund is managed by a registered manager, it shall be allowed not to include the information referred to in Paragraph ten, Clauses 1 and 2 of this Section and Section 56, Paragraph thirteen, Clause 3 in the annual statement and the consolidated annual statement of the fund.

[*30 September 2021 /* *Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” and 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 19 of Transitional Provisions*]

**Section 58. Disclosure to Investors**

(1) The manager shall ensure that, prior to investing, the operational rules of the fund, the last prepared annual statement, and the consolidated annual statement, if such is prepared, the last calculated net asset value of the fund or the last calculated value of an investment unit, or the market price is available to a fund investor in respect of each Member State fund under management of the manager and each fund the investment units of which it markets in Member States. If the document of incorporation of the fund (articles of association or partnership contract) includes operational rules of the fund, it shall not be necessary for a registered manager to provide investors with an individual document which includes the operational rules of the fund.

(2) The operational rules of the fund shall include at least the following information:

1) a description of the investment objective, investment policy and strategy of the fund;

2) information on the place of founding, type, and strategy of the master fund if the fund is a feeder fund, and the place of founding, type, and strategy of the funds in which the fund intends to invest if the fund investing is a fund of funds;

3) a description of the types of such assets in which the fund intends to invest, the types of transactions which the fund may execute, and all the risks associated with such transactions, and also all investment restrictions set;

4) a description of the circumstances under which the fund may use the leverage, the permitted types and sources of the leverage transactions, the risks associated with the leverage, any restrictions on the use of the leverage and conditions for a security and re-use of the fund assets, and also the maximum amount of the leverage which the manager is entitled to use on behalf of the fund;

5) a description of the procedure for the change of the investment strategy or the investment policy of the fund;

6) a description of the legal consequences resulting from the contracts which are related to the fund investments, including also information on the place for the settlement of disputes and on the applicable laws and regulations, the recognition and enforcement of a court ruling in the country where the fund operates;

7) information on the identity of the manager, the custodial bank of the fund, the sworn auditor, the external evaluator, if such has been attracted, and other service providers, a description of their obligations and the rights of the investors;

8) a description of the fact how the manager ensures compliance with the requirements of Section 16, Paragraph ten of this Law;

9) a description of the fund management service delegated by the manager, the service of the holding of resources delegated by a custodial bank of the fund, and also information on the identity of the delegated service provider and potential conflicts of interest;

10) a description of the procedure for the assessment of the fund assets and of the methodology for the determination of the asset value which also includes methods employed to assess illiquid assets or to assess assets the value of which is determined with limitations;

11) a description of the management of liquidity risk of an open-ended fund, including information on the exercise of the right to repurchase investment units both under normal and exceptional circumstances, and also the procedures for repurchasing and taking back the current investment units, the methods for and frequency of calculation of the sale and repurchase prices of investment units, and also information on the fact where and how often theses prices are published;

12) a description of the commissions, charges, and expenditures related to the issue of investment units, and also the maximum amounts thereof which are directly or indirectly covered by investors;

13) a description of ensuring fair treatment of investors. If an investor is treated differently or he or she has the right to be treated differently, the description shall explain why and which categories of investors are treated differently, and also indicate legal or economic links between such investors and the fund or the manager, if any;

14) the conditions and procedure for the issue and marketing of investment units;

15) past performance indicators of the fund;

16) information on the identity of the prime broker and any significant agreement between the fund and the prime broker thereof, and also the following:

a) a description of the prevention of potential conflicts of interest;

b) the conditions contained in the custodial bank agreement, if such are provided for and refer to the transfer or re-use of the fund assets;

c) information on any potential transfer of liability to the prime broker;

17) information on the fact when and how the information specified in Paragraphs five and six of this Section is disclosed to investors;

18) information on the fact when and how amendments to the operational rules of the fund and the last prepared annual statement as well as the consolidated annual statement, if such is prepared, will be made available to investors.

(3) Prior to investing in the fund, the manager shall inform an investor of the cases provided for in the custodial bank agreement where the custodial bank is released from liability in accordance with Section 55, Paragraph three of this Law. The manager shall ensure that all fund investors are immediately informed of changes in the extent of liability of the custodial bank.

(4) If the requirements of the Financial Instrument Market Law for the publication of an issue prospectus are binding upon the fund, the manager shall, in addition to the respective requirements, also provide in the prospectus or separate annex the information referred to in Paragraphs one, two, and three of this Section.

(5) The manager shall individually provide the following information to the investors on each Member State fund under management of the manager and each fund the investment units of which it markets in a Member Stater:

1) the share of illiquid assets of the fund or of assets the value of which is determined with limitations and to which special measures are applied, as referred to in Regulation No 231/2013 and expressed as a percentage;

2) changes in the methods which the manager will apply to manage liquidity of the fund;

3) the current risk profile of the fund and the description of the risk management system used to manage the risks of the manager associated with the activities of the fund.

(6) The manager shall individually, on a periodic basis, provide the following information to the investors on each Member State fund under management of the manager which uses the leverage, and also on each fund the investment units of which the manager markets in a Member Stater and which uses the leverage:

1) changes related to the maximum amount of the leverage which the manager may use on behalf of the fund, and also the right to re-use the security received or the guarantees granted when engaging in the leverage transactions;

2) the total amount of the leverage which this fund has assumed.

(7) Regulation No 231/2013 shall determine the disclosure obligation and periodicity in respect of the information referred to in Paragraphs five and six of this Section.

[*8 October 2015; 20 June 2019*]

**Section 59. Provision of Information to the Commission**

(1) A manager registered in Latvia shall once a year submit to the Commission the information for the aggregation of statistical data and the information referred to in Article 110(1) of Regulation No 231/2013 according to a model template form included in Annex IV thereof in accordance with the procedures stipulated by the Commission.

(2) A manager licensed in Latvia shall provide to the Commission the information referred to in Paragraph one of this Section and the following information on each Member State fund under the management thereof and each fund the investment units of which it markets in a Member State:

1) the share of illiquid assets of the fund or of assets the value of which is determined with limitations and to which special measures are applied, as referred to in Regulation No 231/2013 and expressed as a percentage;

2) changes in the methods which the manager will apply to manage liquidity of the fund investments;

3) the risk profile of the fund and the risk management systems which are used by the fund to manage the market risk, liquidity risk, counterparty risk, operational risk, and other risks;

4) the main types of such assets in which the fund has invested;

5) results of the stress tests performed in accordance with Section 25, Paragraph five and Section 26, Paragraph two of this Law.

(3) In order to enable the Commission to evaluate to what extent the leverage used by funds under management of the manager contributes to the build-up of systemic risk in the financial system, risk of unpredictable development of the market or poses a threat to long-term growth of economy, a licensed manager shall provide the following information to the Commission on each fund under the management thereof which uses the leverage in a substantial amount:

1) the total amount of the leverage and the distribution in the leverage which is related to the following:

a) borrowing of cash or securities;

b) use of derivative financial instruments;

c) re-use of the fund assets to increase the leverage;

2) the identity of the five largest lenders of cash or securities and the amount of resources borrowed from each of them.

(4) A third country manager licensed in Latvia shall comply with the requirements of Paragraph three of this Section in respect of the Member State funds under the management thereof and the third country funds the investment units of which it markets in any of the Member States.

(5) Regulation No 231/2013 shall determine the leverage transactions, the procedures for calculating the amount of the leverage, and the criteria for considering the amount of the leverage as significant, and also the content of the information to be provided and the periodicity of the submission thereof.

(6) For the purpose of performance of the supervisory functions of the Commission, including efficient monitoring of systemic risk, and also the aggregation of statistical data, the Commission has the right to request that a registered or licensed manager also provides the information not referred to in this Section. The Commission shall inform the European Securities and Markets Authority of the fact that additional information is necessary for efficient monitoring of systemic risk.

(7) The Commission has the right to request also such information from the manager the preparation of which is requested by the European Securities and Markets Authority under exceptional circumstances and in cases where it is necessary to ensure stability and integrity of the financial system or to contribute to long-term growth of economy.

(8) The Commission shall determine the procedures for preparing and submitting the information referred to in this Section.

[*20 June 2019* / *The new wording of Paragraph one shall come into force on 1 January 2020.* *See Paragraph 17 of Transitional Provisions*]

**Section 60. Use of Information in Cross-border Supervision of Activities of the Manager**

(1) The Commission shall analyse the information referred to in Section 59 of this Law in order to determine to what extent the leverage used by the fund may pose a systemic risk to the financial system or to long-term growth of economy.

(2) The Commission shall provide the information referred to in Section 10, Paragraph eight and Section 59 of this Law to the supervisory authorities of other Member States, the European Securities and Markets Authority, and the European Systemic Risk Board in conformity with the provisions of Section 87 of this Law. The Commission shall immediately inform the supervisory authorities of the relevant Member States of the manager under the supervision thereof or the fund under management of such manager which may pose a significant counterparty risk to a credit institution or other systemically linked financial institutions in the relevant Member State.

(3) In order to ensure stability and integrity of the financial system, the Commission shall, at least 10 working days prior to taking the decision to impose the restrictions referred to in Section 81, Paragraph seven, Clauses 13 and 20 of this Law upon the manager, notify the European Securities and Markets Authority, the European Systemic Risk Board, and the supervisory authority of the relevant fund of this decision. The Commission shall provide information in the notification to the abovementioned authorities on the restrictions, the grounds for imposing restrictions,and indicate the date when the abovementioned restrictions enter into effect. The Commission may, under exceptional circumstances, take the decision on entry into effect of the restrictions prior to the notifying thereof the authorities indicated in the first sentence of this Paragraph.

(4) The Commission shall evaluate recommendations of the European Securities and Markets Authority regarding conformity of the restrictions imposed upon the manager with the specific case. If the European Securities and Markets Authority agrees with the expected decision of the Commission, it shall enter into effect within the time period stipulated by the Commission. The Commission may take a decision, without taking into account the recommendations of the European Securities and Markets Authority, however, the Commission shall give the grounds to the European Securities and Markets Authority for not taking into account the recommendations.

(5) Upon imposing the restrictions referred to in Section 81, Paragraph seven, Clauses 13 and 20 of this Law with regard to which it is necessary to notify the European Securities and Markets Authority in accordance with Paragraph three of this Section, the Commission shall take into account the requirements laid down in Regulation No 231/2013 for the assessment of the risks associated with the impact which the amount of the leverage has on stability and integrity of the financial system.

**Section 60.1 Disclosure of the Engagement Policy**

(1) If the investment policy of the fund provides for investing fund resources in shares of such joint stock company the registered office of which is in a Member State and the shares of which are admitted on a regulated market of a Member State (hereinafter in this Section – the joint stock company), a licensed manager shall develop the engagement policy.

(2) Upon developing the engagement policy, the manager shall envisage how activities of the joint stock company will be supervised at least in the following fields:

1) strategy;

2) results and risk of financial and non-financial activities;

3) capital structure;

4) social impact;

5) environmental impact;

6) corporate management.

(3) In addition to the information referred to in Paragraph two of this Section, the manager shall envisage in the engagement policy how the following will occur:

1) a dialogue with the joint stock company;

2) exercising of the voting rights and other rights arising from shares in the joint stock company, including by providing for the criteria for determining insignificant votes;

3) cooperation with other shareholders of the joint stock company;

4) communication with stakeholders of the joint stock company;

5) management of the actual and potential conflicts of interest in relation to engagement in the management of the joint stock company.

(4) The manager shall, each year by 1 August, publish a report on the implementation of the engagement policy. The report shall be provided for the period from the day when the engagement policy was published for the first time or the last report on the implementation of the engagement policy was published. In addition the report shall include the following:

1) general information on how the manager is implementing the voting rights;

2) an explanation of the most significant votes;

3) information on the use of the services of authorised advisers (within the meaning of Section 1, Paragraph one, Clause 106 of the Financial Instrument Market Law).

(5) In addition to the information referred to in Paragraph four of this Section, the manager shall publish its votes in the meetings of shareholders of the joint stock company. The manager need not disclose the votes which, according to the engagement policy, are considered to be insignificant.

(6) The manager need not apply one or several requirements of this Section. If the manager does not apply any of the requirements of this Section, it shall provide information on which requirement is not being applied and the grounds for such action.

(7) The manager shall ensure that the information referred to in Paragraphs two, three, four, five, and six of this Section is publicly available on its website free of charge. If the manager does not have its website, the information shall be published on the website of a shareholder of the manager.

[*20 June 2019*]

**Chapter VIII**

**Acquisition of a Qualifying Holding or Control in a Capital Company**

**Section 61. General Requirements for the Determination of a Qualifying Holding or Control**

(1) The provisions of this Chapter shall be applicable to the following:

1) the manager that manages one or several funds which, individually or jointly, on the basis of an agreement, acquire control in a company not admitted on a regulated market;

2) the managers that, on the basis of an agreement, invest resources of the funds managed by them in a company which is not admitted on a regulated market and in which these funds acquire control.

(2) The provisions of this Chapter shall not be applicable if the control is acquired in one of the following companies:

1) a company which, according to the information included in the annual statement or the consolidated annual statement thereof, conforms to at least two of the following criteria:

a) the average number of employees in the reporting year is less than 250;

b) the sum total of assets does not exceed EUR 43 million;

c) the annual net turnover does not exceed EUR 50 million;

2) a special purpose vehicle the purpose of which is to purchase or manage immovable property.

(3) The requirement regarding the provision of a notification in accordance with the procedures laid down in Section 62 of this Law shall also be applicable to the managers that manage funds which acquire a holding without the voting rights in a company not admitted on a regulated market.

(4) The requirement regarding the provision of a notification in accordance with the procedures laid down in Paragraphs one, two, and three of Section 62 and the restrictions on reduction of assets referred to in Section 65 of this Law shall also be applicable to the manager the fund managed by which acquires control in the issuer.

(5) Within the meaning of this Chapter, control shall constitute the acquisition of more than 50 per cent of the voting rights in a company not admitted on a regulated market.

(6) Upon determining the amount of the holding acquired by the fund, the following voting rights acquired by the fund indirectly shall also be taken into account:

1) the voting rights which the commercial company controlled by the fund is entitled to exercise;

2) the voting rights which a natural or legal person is entitled to exercise on his or her behalf but for the benefit of the fund or a commercial company controlled by it.

(7) Upon determining the amount of the holding acquired by the fund, all shares (stocks) which give the voting rights shall be taken into account, including those on the exercising of which a restriction has been imposed.

(8) Acquisition of control in the issuer shall be determined in accordance with the provisions of the Financial Instrument Market Law for the expression of a share buy-back offer.

(9) If the information referred to in Section 63, Paragraph two of this Law contains a commercial secret of a capital company, employees have an obligation not to disclose the information which has come into their disposal and which constitutes a commercial secret of the employer. The employer has an obligation to indicate in writing to employees which information is considered to be a commercial secret.

(10) Upon determining the amount of the holding acquired by the fund which ensures control in a capital company and the method for the calculation thereof, the legal acts of the country in which the registered office of the capital company is located shall be applied.

**Section 62. Notification Regarding Acquisition of a Qualifying Holding and Control in a Company not Admitted on a Regulated Market**

(1) The manager shall, immediately, but not later than within 10 working days from the day since the fund has acquired or alienated shares (stocks) with the voting rights in a company, notify the Commission of the proportion of its shares with the voting rights in the company if this proportion reaches, exceeds 10, 20, 30, 50, and 75 per cent, or falls below the abovementioned percentage.

(2) The manager that manages one or several funds which, individually or jointly, on the basis of an agreement, acquire control in a company not admitted on a regulated market, and also managers that, on the basis of an agreement, invest resources of the funds managed by them in a company which is not admitted on a regulated market and in which these funds acquire control shall, immediately, but not later than within 10 working days after the abovementioned fact, notify the Commission, the company, and the shareholders (members) of the company thereof which may be ascertained by using the register of shareholders (members) of the company or public registers.

(3) The notification referred to in Paragraph two of this Section shall contain the following information:

1) the distribution of the voting rights on the day of submission of the notification expressed in figures and as a percentage of the equity capital and of the number of shares (stocks) with the voting rights after the acquisition or alienation thereof;

2) the controlled commercial companies through which the fund has the voting rights;

3) the identity of the fund, even if the fund is not entitled to exercise the voting rights, and the identity of the natural or legal person that is entitled to exercise the voting rights on behalf of the fund;

4) the date on which the proportion of the shares (stocks) with the voting rights reached, exceeded the proportion of the voting rights specified in Paragraph one of this Section, or fell below it.

(4) The board of the company shall immediately inform representatives of employees of the company or, if there are no such representatives, employees themselves of the fact that the fund under management of the manger has acquired control in the company, and shall provide them with the information referred to in Paragraph three of this Section.

**Section 63. Disclosure of Information on Acquisition of Control**

(1) The manager that manages one or several funds which, individually or jointly, on the basis of an agreement, acquire control in a company not admitted on a regulated market or an issuer, and also managers that, on the basis of an agreement, invest resources of the funds managed by them in a company which is not admitted on a regulated market or an issuer and in which these funds acquire control shall, immediately, but not later than within 10 working days after the abovementioned fact, notify the Commission, the company, or the issuer and their shareholders (members) thereof which may be ascertained by using the register of shareholders (members) of the company or issuer or by using public registers.

(2) The manager shall provide the following information and documents in the notification:

1) the registration number, licence number, registered office, and location of the board of the managers referred to in Paragraph one of this Section;

2) the policy for the prevention and management of conflicts of interest among the fund, the manager, and the company or the issuer;

3) the information on the measures the objective of which is to prevent special advantages in contracts among the manager, the fund, and the company or the issuer;

4) the external and internal communication policy of the fund and the company or the issuer and its employees.

(3) The board of the company or of the issuer shall immediately inform representatives of employees of the company or issuer or, if there are no such representatives, employees themselves of the fact that the fund under management of the manger has acquired control in the company or the issuer, and shall provide them with the information referred to in Paragraph two of this Section.

(4) Managers that manage the funds which acquire control in a company not admitted on a regulated market shall, in accordance with the provisions of Paragraph one of this Section, immediately, but not later than within 10 working days after the abovementioned fact, inform the company and the shareholders (members) thereof which may be ascertained by using the register of shareholders (members) of the company or by using public registers of future commercial activities of the company and safeguarding of jobs, also of all significant changes in the conditions of employment.

(5) The board of the company shall immediately notify the information referred to in Paragraph two of this Section to representatives of employees of the company or, if there are no such representatives, to employees themselves.

(6) Managers that manage the funds which acquire control in a company not admitted on a regulated market shall, in accordance with the provisions of Paragraph one of this Section, immediately, but not later than within 10 working days after the abovementioned fact, notify the amount of the transaction in the acquisition of holding and the source of financing to the Commission and fund investors.

**Section 64. Requirements for the Preparation of the Annual Statement for the Fund which Has Acquired Control in a Company not Admitted on a Regulated Market**

(1) The manager that manages one or several funds which, individually or jointly, on the basis of an agreement, acquire control in a company not admitted on a regulated market shall ensure that one of the following requirements is complied with:

1) the board of the company not admitted on a regulated market makes available the annual statement which has been prepared in conformity with the requirements laid down in Paragraph two of this Section to representatives of employees of the company or, if there are no such representatives, to employees themselves within a time period in which such annual statement is prepared in accordance with laws and regulations;

2) the annual statement and the consolidated annual statement of the fund which have been prepared in conformity with the requirements of this Law shall include the additional information referred to in Paragraph two of this Section on the company not admitted on a regulated market.

(2) Additional information which is included in the annual statement and the consolidated annual statement of the company or the fund shall contain fair representation of the development of the company, reflecting the standing as at the end date of the reporting period. The statement shall also indicate the following:

1) all significant events after the end of the reporting period;

2) future development plans of the company;

3) information on acquisition of own shares of the company.

(3) The manager that manages the fund referred to in Paragraph one of this Section shall, in addition to the requirements of Paragraph one, comply with one of the following requirements:

1) make all efforts to ensure that the board of the company not admitted on a regulated market makes available the annual statement of the company to representatives of employees of the company or, if there are no such representatives, to employees themselves not later than six months after the end of the reporting year;

2) make available the annual statement of the company not admitted on a regulated market to fund investors not later than six months after the end of the reporting year or on the day when the annual statement of the company not admitted on a regulated market is prepared in accordance with the legal acts of the country where the fund has been founded.

**Section 65. Restrictions on the Reduction of Assets**

(1) The manager that manages one or several funds which, individually or jointly, on the basis of an agreement, acquire control in a company or issuer not admitted on a regulated market, taking into account the restrictions referred to in Paragraph two of this Section, is not entitled, for 24 months, to:

1) facilitate, support, or instruct to perform distribution, reduction of equity capital, repurchase of shares (stocks), or acquisition of the own shares (stocks) of the company;

2) vote at the meeting of shareholders (members) of the company for distribution, reduction of equity capital, repurchase of shares, or acquisition of the own shares (stocks) of the company;

3) allow distribution, reduction of equity capital, repurchase of shares, or acquisition of the own shares (stocks) of the company.

(2) The restrictions imposed upon the manager in Paragraph one of this Section shall be applicable to the following activities:

1) any distribution to shareholders (members) if the equity capital indicated in the annual statement of the company as at the end date of the last reporting year is less or would become less after such distribution than the paid equity capital, plus the reserves which may not be distributed in accordance with the laws and regulations or the articles of association;

2) distribution of such sum to shareholders (members) the amount of which exceeds the sum of the profit of the reporting year and the retained earnings of the previous years, and reserves, the sum being reduced by uncovered losses of the previous years and the sum included in the reserve which has been determined in accordance with the laws and regulations or the articles of association;

3) any reduction of the own funds below the amount referred to in Paragraph two, Clause 1 of this Section as a result of the acquisition of the own shares (stocks) of the company or acquisition of the shares (stocks) of the company acquired previously or just recently which is performed by a person on his or her behalf but for account of the company.

(3) Within the meaning of this Section, the disbursement of dividends as well as other payments to shareholders (members) resulting from the rights attached to the shares (stocks) shall be considered distribution.

(4) The provisions of this Section regarding reduction of equity capital shall not be applicable to cases where the subscribed equity capital is reduced in order to cover losses or to increase the non-distributable reserve if after this activity the sum in this reserve does not exceed 10 per cent of the reduced subscribed equity capital.

(5) In respect of the acquisition of the own shares (stocks) of the company, the company shall take into account the requirements of the Commercial Law.

**Chapter IX**

**Rights of Member State Managers to the Management of Member State Funds and the Marketing of Investment Units**

**Section 66. Rights of a Manager Licensed in Latvia to Market Investment Units of a Member State Fund in Latvia**

(1) The provisions of this Section shall be applicable to a manager licensed in Latvia which wishes to market in Latvia investment units of the fund which is under the management thereof and founded in Latvia or investment units of a Member State fund under the management thereof.

(2) If the fund referred to in Paragraph one of this Section is a feeder fund, then the investment units thereof may be marketed provided that also the master fund is a Member State fund under management of a Member State manager.

(3) In order to commence marketing of investment units of the fund, the manager shall submit a notification to the Commission, appending the following information and documents thereto:

1) the operational programme, indicating information on the fund the investment units of which it wishes to market;

2) information on the place of founding of the fund;

3) the document of incorporation of the fund;

4) the operational rules of the fund;

5) information on the custodial bank of the fund;

6) information on the place of founding of the master fund if the fund is a feeder fund;

7) the last prepared annual statement and the consolidated annual statement, if such is prepared, information on the last calculated net asset value of the fund or the last calculated value of an investment unit or market price;

8) the procedures for ensuring marketing of investment units only for professional investors;

9) the key information document developed in accordance with the requirements of Chapter II, Section II of Regulation No 1286/2014 if investment units of the fund are to be marketed to investors that are not professional investors;

10) information on the address which is necessary for the Commission to be able to write out an invoice or notify the Commission of the payments to be made;

11) information on how taking of the measures referred to in Section 68, Paragraph four of this Law will be ensured.

(4) The Commission shall, within 20 working days after receipt of all documents prepared in accordance with the requirements of laws and regulations, take the decision to authorise the manager to market investment units.

(5) The manager has the right to commence marketing of investment units on the day following receipt of the decision of the Commission. The Commission shall also communicate the abovementioned decision to the supervisory authority of the Member State manager and fund.

(6) The Commission shall take the decision not to authorise marketing of investment units of the fund if the fund management performed by the manager or the manager itself does not conform to the requirements of this Law.

(7) If amendments are expected to the documents referred to in Paragraph three of this Section, the manager shall inform the Commission thereof at least a month prior to the entry into effect of these amendments. The manager shall inform the Commission of any unplanned amendments immediately after entry into effect thereof.

(8) If the planned amendments to documents referred to in Paragraph seven of this Section do not correspond to the fund management performed by the manager or the manager itself does not conform to the requirements of this Law, the Commission shall take the decision not to authorise making of amendments.

(9) If the planned amendments referred to in Paragraph seven of this Section have entered into effect, although the Commission has not authorised to make amendments to the relevant documents or the unplanned amendments to documents do not conform to the fund management performed by the manager, or the manager itself does not conform to the requirements of this Law, the Commission has the right to impose the sanctions and restrictions specified in this Law.

[*8 October 2015; 30 March 2017; 30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 67. Rights of a Manager Licensed in Latvia to Market Investment Units of a Member State Fund in Other Member States**

(1) The provisions of this Section shall be applicable to a manager licensed in Latvia which wishes to market in other Member States investment units of the fund which is under the management thereof and founded in Latvia or investment units of a Member State fund under the management thereof.

(2) If the fund referred to in Paragraph one of this Section is a feeder fund, then the investment units thereof may be marketed provided that also the master fund is a Member State fund under management of a Member State manager.

(3) In order to commence marketing of investment units of the fund, the manager shall submit a notification to the Commission appending information thereto on the Member States in which it is planned to market investment units, and also the documents referred to in Section 66, Paragraph three of this Law.

(4) The Commission shall, within 20 working days after receipt of all documents prepared in accordance with the requirements of the laws and regulations and submitted by using electronic media, send a notification and documents to the supervisory authority of the manager and fund of such Member State in which it is planned to market investment units of the fund. The Commission shall electronically forward the notification if the the fund management performed by the manager and the manager itself conform to the requirements of this Law. The Commission shall append a confirmation to the notification that the manager is authorised to manage the fund according to the investment strategy indicated in the description of the activities thereof.

(5) The Commission shall immediately inform the manager of sending a notification to the supervisory authorities of the Member State manager and of the fund.

(6) The manager may commence marketing of investment units of the fund in another Member State from the day when a notification of the Commission has been received.

(7) The manager shall ensure that investment units are only marketed to professional investors in accordance with the procedures and under supervision laid down in the legal acts of the host Member State of the manager.

(8) The notification referred to in Paragraph three and the confirmation referred to in Paragraph four of this Section shall be drawn up in the language which is used in the field of international finance.

(9) The manager shall notify the Commission in writing of amendments to the information and documents referred to in Paragraph three of this Section:

1) at least 30 days prior to making of amendments;

2) without delay if amendments have been unplanned and the Commission has not been notified of the making thereof.

(10) The Commission shall, within 15 working days, examine the information and documents which have been provided in accordance with Paragraph nine, Clause 1 of this Section. If it is established during examination of the information and documents that, due to the planned amendments, the fund management performed by the manager or the manager itself will no longer conform to the requirements of this Law, the Commission shall notify the manager thereof and shall inform the supervisory authority of the host Member State of the manager.

(11) The Commission shall, without delay, inform the supervisory authority of the host Member State of the manager of the sanctions and supervision measures imposed on the manager due to the fact that, regardless of receipt of the notification of the Commission referred to in Paragraph ten of this Section, such amendments have been made to the information and documents due to which the fund management performed by the manager or the manager itself no longer conforms to the requirements of this Law.

(12) If amendments have been made to the information and documents referred to in Paragraph three of this Section; however, they do not affect the conformity of the fund management performed by the manager or of the manager itself with the requirements of this Law, the Commission shall, within 30 days, inform the supervisory authority of the host Member State of the manager of the amendments made.

[*8 October 2015; 30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 67.1 Rights of a Manager Licensed in Latvia to Terminate the Marketing of Investment Units of a Member State Fund in Other Member States**

(1) A manager which has commenced, in another Member State, the marketing of investment units of a fund under its management and founded in Latvia or investment units of a Member State fund under its management is entitled to discontinue the marketing of investment units of the fund, including investment certificates of all or some investment funds, in such Member State, if it submits a notification to the Commission in which the information on the fulfilment of all the following conditions is indicated:

1) an offer to repurchase or redeem, free of any charges or deductions, all such investment units of funds (except for closed-ended funds and European long-term investment funds the operational provisions of which are governed by Regulation No 2015/760) which are marketed to investors in the relevant Member State:

a) has been made;

b) has been publicly available for at least 30 working days;

c) has been addressed, directly or through financial intermediaries, individually to all investors in the relevant Member State whose identity is known;

2) a notification regarding the intention to terminate the marketing of investment units and the taking of the measures necessary for ensuring marketing is made public, including by using electronic means of communication;

3) any liabilities arising from a contract with financial intermediaries or outsourced service providers are modified or terminated with effect from the date which is considered the day of terminating the marketing of investment units in order to prevent either direct or indirect start or continuation of the marketing of the investment units of the fund after terminating the marketing of investment units.

(2) From the day when the marketing of investment units is terminated, the manager is prohibited to directly or indirectly market investment units of the fund in the Member State regarding which it has provided a notification in accordance with the procedures laid down in Paragraph one of this Section.

(3) If the notification submitted by the manager contains the information indicated in Paragraph one of this Section, the Commission shall, within 15 working days, forward the notification to the supervisory authority of the host Member State of the manager and to the European Securities and Markets Authority. The Commission shall, without delay, inform the manager of forwarding the notification.

(4) From the day when the marketing of investment units is terminated, the manager is prohibited to perform pre-marketing of investment units of the funds indicated in the notification referred to in Paragraph one of this Section for 36 months, including to provide information or to notify of similar investment strategies or investment objects in the Member State indicated in the notification.

(5) The manager has the obligation to provide the information referred to in Section 58 of this Law to the Commission and the fund investors in the relevant Member State which shall retain the investment units of the fund after terminating the marketing of investment units of the fund. In providing the information, the manager is entitled to use any electronic means of communication.

(6) The Commission shall send information to the supervisory authority of the relevant Member State on amendments to the information and documents referred to in Section 66, Paragraph three, Clauses 1, 2, 3, 4, 5, 6, and 7 of this Law.

[*30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 68. Rights of a Manager Licensed in a Member State to Market Investment Units of a Member State Fund in Latvia**

(1) A manager licensed in a Member State may market investment units of a Member State fund under the management thereof in Latvia if the Commission has received a notification of the supervisory authority of the manager licensed in the Member State to which the following documents have been appended:

1) the documents referred to in Section 66, Paragraph three of this Law;

2) the confirmation referred to in Section 67, Paragraph four of this Law.

(2) The notification referred to in Paragraph one of this Section and the confirmation provided for in Paragraph four of Section 67 shall be submitted in the language which is used in the field of international finance. The documents referred to in Section 66, Paragraph three of this Law which are to be submitted to the Commission in accordance with Paragraph one of this Section shall be submitted in the official language or the language which is used in the field of international finance.

(3) A manager licensed in a Member State may commence marketing of investment units of the fund in Latvia from the day a notification of the supervisory authority of the manager licensed in the Member State is received.

(4) A manager licensed in a Member State which plans to market investment units of Member State funds in Latvia to such investors which are not professional investors shall ensure the necessary measures in order for the following to occur in Latvia:

1) to accept and process the purchase, repurchase, and redemption orders relating to investment units and to perform the settlements related thereto according to the conditions of the documents of incorporation of the fund;

2) to provide investors with information on the submission of purchase, repurchase, and redemption orders of investment units and the settlements related thereto;

3) to facilitate the handling of information relating to the exercise of investors’ rights arising from their investment in the fund in Latvia;

4) to make the copies of the information and documents referred to in Section 58 of this Law available to investors;

5) to provide the information, including by using electronic means of communication, to investors on measures which are taken by the persons referred to in Paragraph seven of this Section;

6) to carry out the function of the contact point, indicating a person for communication with the Commission and other supervisory authorities.

(5) In order to take the measures referred to in Paragraph four of this Section, the manager does not have the obligation to ensure physical presence in Latvia or to delegate the taking of measures to a third party.

(6) In taking the measures referred to in Paragraph four of this Section, the Latvian language and another language to the use of which the Commission has agreed is used for communication.

(7) The measures referred to in Paragraph four of this Section may be taken by:

1) the manager;

2) participants to the financial and capital market the supervision of which is performed by the Commission or the supervisory authority of another Member State, or the participants to the financial and capital market supervised by the European Central Bank;

3) the persons referred to in Clauses 1 and 2 of this Paragraph jointly.

(8) In entering into a contract with the persons referred to in Paragraph seven, Clause 2 of this Section, the manager shall include the provisions in the contract specifying which measures will be taken by the manager itself and which – by the abovementioned persons, and also a certification that the persons referred to in Paragraph seven, Clause 2 of this Section will receive from the manager all the information and documents necessary to them.

[*30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 68.1 Rights of a Manager Licensed in a Member State to Terminate the Marketing of Investment Units of a Member State Fund in Latvia**

(1) A manager which has commenced the marketing of investment units of a Member State fund in Latvia is entitled to terminate the marketing of investment units of the fund, including investment certificates of all or some investment funds, in Latvia if the Commission has received a notification of the manager forwarded from the supervisory authority of the home country of the manager in which the information on terminating the marketing of investment units of the fund and on the fulfilment of all the following conditions has been indicated:

1) an offer to repurchase or redeem, free of any charges or deductions, all such investment units of funds (except for closed-ended funds and European long-term investment funds the operational provisions of which are governed by Regulation No 2015/760) which have been obtained by the investor in Latvia:

a) has been made;

b) has been publicly available for at least 30 working days;

c) has been addressed, directly or through financial intermediaries, individually to all investors in Latvia whose identity is known;

2) a notification regarding the intention to terminate the marketing of investment units and the taking of the measures necessary for ensuring marketing is made public, including by using electronic means of communication;

3) any liabilities arising from a contract with financial intermediaries or outsourced service providers are modified or terminated with effect from the date which is considered the day of terminating the marketing of investment units in order to prevent either direct or indirect start or continuation of the marketing of the investment units of the fund after terminating the marketing of investment units.

(2) From the day when the marketing of investment units is terminated, the manager is prohibited to directly or indirectly market investment units of the fund in Latvia.

(3) From the day when the marketing of investment units is terminated, the manager is prohibited to perform pre-marketing of investment units of the relevant investment fund for 36 months in Latvia, including to provide information or to notify of potential investment strategies or investment objects.

(4) The manager has the obligation to provide the information referred to in Section 58 of this Law to the investors in Latvia which shall retain the investment units of the fund after terminating the marketing of investment units. In providing the information, the manager is entitled to use any electronic means of communication.

(5) From the day when the Commission has received the notification referred to in Paragraph one of this Section of the manager forwarded by the supervisory authority of the home country of the manager, the Commission is not entitled to request that the manager proves that its activities conform to the requirements of this Law and the regulatory provisions of the Commission regarding marketing of investment units of the fund.

[*30 September 2021 /* *Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” and 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 19 of Transitional Provisions*]

**Section 69. Management of the Fund Founded in Another Member State or Provision of Services Performed by a Manager Licensed in Latvia**

(1) A manager licensed in Latvia has the right to manage the fund founded in another Member State or provide the services referred to in Section 5, Paragraphs seven and eight of this Law if the Commission has authorised the manager to implement such investment strategy of the fund selected by it or has granted an authorisation for the provision of the services referred to in Section 5, Paragraphs seven and eight of this Law.

(2) The manager that wishes to manage the fund founded in another Member State or provide the services referred to in Section 5, Paragraphs seven and eight of this Law without opening a branch shall submit a submission as well as the following documents and information to the Commission:

1) a description which provides a clear and fair presentation of the activities planned by the manager in the fund management and the provision of services;

2) information on the Member State in which the manager intends to perform fund management or provision of services;

3) an operational programme indicating services which the manager wishes to provide;

4) information on the fund which the manager wishes to manage.

(3) The manager that wishes to open a branch in another Member State shall, in addition to the information and documents referred to in Paragraph two of this Section, submit the following:

1) a description of the organisational structure and organisation of work of the branch;

2) information on address of the place of founding of the fund where documents regarding the fund are available;

3) the given name, surname, year and date of birth, and personal identity number (if such has been granted) of the manager of the branch;

4) address and contact details of the branch.

(4) The Commission shall examine the submission and documents and inform the supervisory authority of the relevant Member State and the relevant manager in writing of its decision within 30 days if the submission and documents have been submitted in the case referred to in Paragraph two of this Section or within 60 days if the submission and documents have been submitted in the case referred to in Paragraph three of this Section.

(5) Concurrently with the decision referred to in Paragraph four of this Section, the Commission shall send to the supervisory authority of the relevant host Member State the information and documents referred to in Paragraphs two and three of this Section, and also a confirmation that the manager has received a license in accordance with the procedures laid down in this Law.

(6) The Commission shall immediately notify the manager of informing the supervisory authority of the relevant host Member State. The manager may commence management of the fund founded in another Member State from the day when the abovementioned notification of the Commission has been received.

(7) The manager shall inform the Commission in writing of making of amendments to the information specified in Paragraphs two and three of this Section, and also of the intention to terminate activities of the branch no later than 30 days prior to the making of the amendments or the planned termination of activities of the branch.

(8) The Commission shall, within 15 working days, examine the information and documents which have been provided in accordance with Paragraph seven of this Section. If it is established during examination of the information and documents that, due to the planned amendments, the fund management performed by the manager or the manager itself will no longer conform to the requirements of this Law, the Commission shall notify the manager thereof.

(9) If, regardless of receipt of the notification of the Commission referred to in Paragraph eight of this Section, amendments to the information and documents referred to in Paragraphs two and three of this Section have been made and the fund management performed by the manager or the manager itself no longer conforms to the requirements of this Law due to them, the Commission shall impose the supervision measures referred to in Section 81, Paragraph seven of this Law and the sanctions referred to in this Law on the manager. The Commission shall, without delay, inform the supervisory authority of the host Member State of the manager of the supervision measures and sanctions imposed on the manager.

(10) The documents referred to in Paragraphs two and three of this Section shall be submitted to the Commission in the language which is used in the field of international finance.

(11) The directly applicable legal acts of the European Union shall determine the content of the information to be submitted in accordance with Paragraphs two and three of this Section.

[*8 October 2015; 21 June 2018; 30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 70. Management of the Fund Founded in Latvia which is Performed by a Manager Licensed in a Member State**

(1) A manager licensed in a Member State may manage the fund founded in Latvia with or without the opening of a branch if the Commission has received the decision by the supervisory authority of the manager licensed in the Member State to authorise the manager licensed in the Member State to commence fund management in Latvia with or without the opening of a branch.

(2) The following documents shall be appended to the decision referred to in Paragraph one of this Section:

1) the information and documents referred to in Section 69, Paragraph two or three of this Law;

2) a confirmation that the Member State manager has been licensed in accordance with the procedures laid down in the legal acts of the Member State.

(3) A manager licensed in a Member State may commence management of the fund founded in Latvia from the day the Commission has received the relevant notification.

**Chapter IX.1**

**Pre-marketing**

[*30 September 2021*]

**Section 70.1 Pre-marketing Performed in Latvia or Other Member States by a Manager Licensed in Latvia**

(1) A manager licensed in Latvia is entitled to perform pre-marketing in Latvia or in other Member States, except for cases when the information to be provided to potential professional investors is:

1) such information which may be used by the investor in order to undertake the liability to acquire investment units of a specific fund;

2) application forms for the purchase of investment certificates or similar documents, including draft documents;

3) documents of incorporation, prospectus, or offering documents of a not-yet-established fund.

(2) It is prohibited to include information which may be used by the investor for taking of the decision of making investments in a draft prospectus or an offer with which the potential investor is being familiarised. It shall be indicated in a draft prospectus or an offer that:

1) it does not constitute an offer or an invitation to subscribe for investment shares of the fund;

2) the information presented therein should not be relied upon because it is incomplete and may be subject to change.

(3) Prior to commencing pre-marketing, a manager licensed in Latvia does not have the obligation to notify the Commission of the content of pre-marketing materials or their addressees or fulfil any other conditions which are not referred to in this Chapter.

[*30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 70.2 Course of Pre-marketing**

(1) A manager licensed in Latvia shall ensure that it is not possible for investors in Latvia or in other Member States to acquire investment units of the fund in pre-marketing and that investors contacted as part of pre-marketing can only acquire investment units of the relevant fund if investment units of the fund are being marketed in accordance with the procedures laid down in Sections 66 and 67 of this Law.

(2) If, within 18 months after a fund manager licensed in Latvia has begun pre-marketing, professional investors subscribe to investment units of the fund for such fund which is indicated in the information provided during pre-marketing, or to investment units of the fund for such fund which has been established as a result of the pre-marketing, it shall be considered to be marketing in relation to which the requirements of Section 66, Paragraph three and Section 67, Paragraph three of this Law regarding the submission of a notification to the Commission should be conformed to.

(3) A manager licensed in Latvia shall, within fifteen days from the day when it has commenced pre-marketing, submit information to the Commission in paper form or by electronic means on the Member States in which pre-marketing is taking place or has taken place (indicating the relevant time periods) and a short description of pre-marketing, including information on the offered investment strategies, including a list of the fund and its sub-funds in relation to which pre-marketing is taking place or took place. The Commission shall, without delay, inform the supervisory authority of the relevant Member State in which the manager engages or has engaged in pre-marketing.

(4) If a manager licensed in a Member State engages or has engaged in pre-marketing of investment units of the fund of the Member State in Latvia, the Commission may request the supervisory authority of the manager licensed in the Member State to provide information on pre-marketing which is taking place or has taken place in Latvia.

[*30 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 70.3 Pre-marketing Performed by Third Parties**

Only such third party is entitled to perform pre-marketing on behalf of a manager licensed in Latvia which is an investment firm licensed in a Member State, a credit institution, an investment management company, a fund manager, or the tied agent within the meaning of the Financial Instrument Market Law. The provisions laid down in Sections 70.1 and 70.2 of this Law shall apply to the third party engaged in pre-marketing.

[*30 September 2021*]

**Section 70.4 Documentation of Pre-marketing**

A manager licensed in Latvia shall ensure that pre-marketing is adequately documented.

[*30 September 2021*]

**Chapter X**

**Operating Conditions for a Third Country Fund**

**Section 71. Management of a Third Country Fund**

(1) A manager licensed in Latvia may manage a third country fund the investment units of which are not marketed in Member States in conformity with the following conditions:

1) in respect of the management of the third country fund, the manager complies with the requirements of this Law, except for the requirements of Chapter VI and Section 56;

2) a cooperation agreement has been entered into by and between the Commission and the supervisory authority of the country where the fund has been founded for the exchange of information and the implementation of supervisory functions.

(2) The directly applicable legal acts of the European Union shall determine the content of the provisions for the exchange of information and the implementation of supervisory functions to be included in the cooperation agreement referred to in Paragraph one, Clause 2 of this Section.

**Section 72. Rights of a Manager Licensed in Latvia to Market Investment Units of a Third Country Fund in Member States**

(1) A manager licensed in Latvia, if it conforms to all requirements of this Law, except for the requirements laid down for the manager in Chapter IX, may market in Latvia and other Member States the investment units of a third country fund under the management thereof or of a Member State feeder fund the master fund of which is not a Member State fund under management of a Member State manager.

(2) In addition to Paragraph one of this Section, the following conditions shall be applicable to the supervisory authority of a third country fund and the country where the fund has been founded:

1) the Commission and the supervisory authority of the third country fund have entered into a cooperation agreement for the exchange of information and the implementation of supervisory functions in accordance with the directly applicable legal acts of the European Union;

2) the country where the fund has been founded has not been included in the list compiled by the Financial Action Task Force as a country and territory which do not cooperate;

3) the country where the fund has been founded has entered into a contract the terms and conditions of which are equivalent to the standards laid down in the Organisation for Economic Co-operation and Development Model Tax Convention on Income and on Capital, and also multilateral agreements in the field of taxes with Latvia and other Member States in which it is planned to market investment units of the third country fund.

(3) If a manager licensed in Latvia wishes to market in Latvia the investment units of the funds referred to in Paragraph one of this Section, it shall submit a notification to the Commission to which the documents referred to in Section 66, Paragraph three of this Law are appended.

(4) The Commission shall, within 20 working days after receipt of all documents prepared and submitted in accordance with the requirements of the laws and regulations, inform the manager and the European Securities and Markets Authority of an authorisation to market in Latvia the investment units of the fund indicated in the notification.

(5) The manager may commence marketing of investment units from the day when it has received an authorisation of the Commission.

(6) The Commission shall take the decision not to authorise in Latvia the marketing of investment units of the fund indicated in the notification if the fund management performed by the manager or activities of the manager itself do not conform to the requirements of this Law.

(7) If a manager licensed in Latvia wishes to market in other Member States, except for Latvia, the investment units of the funds referred to in Paragraph one of this Section, it shall submit a notification to the Commission to which information on the Member States is appended in which it is planned to market investment units, and also the documents referred to in Section 66, Paragraph three of this Law prepared in the language which is used in the field of international finance.

(8) The Commission shall, within 20 working days after receipt of all documents prepared in accordance with the requirements of the laws and regulations and submitted by using electronic media, send these documents to the supervisory authority of the Member State in which the manager wishes to market investment units. The Commission shall electronically forward the notification to the supervisory authority of the Member State if the fund management performed by the manager and the manager itself conform to the requirements of this Law. The Commission shall append a confirmation to the notification that the manager is authorised to manage the fund in accordance with the investment strategy indicated in the description of the activities thereof.

(9) The notification referred to in Paragraph three and the confirmation referred to in Paragraph eight of this Section shall be drawn up in the language which is used in the field of international finance.

(10) The Commission shall immediately inform the manager as well as the European Securities and Markets Authority of sending of the notification to the supervisory authority of a Member State.

(11) The manager may commence marketing of investment units of the fund in a host Member State from the day when a notification has been received. The manager shall ensure that investment units are only marketed to professional investors in accordance with the procedures laid down in the legal acts of a host Member State of the manager and marketing of such investment units is supervised by the supervisory authority of the host Member State.

(12) If amendments are expected to the information referred to in Paragraphs three and seven of this Section, they shall be communicated and examined in accordance with the procedures laid down in Section 66, Paragraphs seven, eight, and nine of this Law.

(13) The Commission shall inform the supervisory authority of a host state of the manager of any amendments to the information and documents referred to in Paragraphs three and seven of this Section, and also of any amendments the entry into effect of which has not been coordinated with the Commission but which do not affect the fund management activities of the manager.

**Section 73. Rights of a Manager Licensed in a Member State to Market Investment Units of a Third Country Fund in Latvia**

(1) A manager licensed in a Member State may market in Latvia the investment units of a third country fund or investment units of a third country fund under the management thereof or of a Member State feeder fund the master fund of which is not a Member State fund under management of a Member State manager if the Commission has received a notification of the supervisory authority of the manager licensed in the Member State to which the following documents have been appended:

1) the documents referred to in Section 66, Paragraph three of this Law;

2) the confirmation referred to in Section 72, Paragraph eight of this Law drawn up by the supervisory authority of the manager licensed in the Member State.

(2) The notification and the confirmation referred to in Paragraph one of this Section shall be submitted in the language which is used in the field of international finance. The documents referred to in Paragraph one, Clause 1 of this Section shall be submitted to the Commission in the official language or the language which is used in the field of international finance.

(3) A manager licensed in a Member State may commence marketing of investment units of the fund in Latvia from the day when the Commission has received a relevant notification.

(4) If the Commission as the supervisory authority of a host Member State of a manager licensed in a Member State considers that the relevant supervisory authority of a home Member State of the manager and the supervisory authority of a third country have not entered into such cooperation agreement for the exchange of information and the implementation of supervisory functions as specified in Section 72, Paragraph two, Clause 1 of this Law, and also the supervisory authority of the home Member State of the manager has failed to comply with the condition of Section 72, Paragraph two, Clause 2 of this Law, the Commission may appeal to the European Securities and Markets Authority for obtaining an opinion thereof.

(5) In the case referred to in Paragraph four of this Section, the Commission shall only authorise the manager to commence marketing of investment units of the fund in Latvia after receipt of the opinion of the European Securities and Markets Authority that the relevant supervisory authority of a home Member State of the manager and the supervisory authority of a third country have entered into such cooperation agreement for the exchange of information and the implementation of supervisory functions as specified in Section 72, Paragraph two, Clause 1 of this Law and that the supervisory authority of the home Member State of the manager has complied with the condition specified in Section 72, Paragraph two, Clause 2 of this Law.

**Chapter XI**

**Granting of a License to a Third Country Manager**

**Section 74. Provisions for the Issue of a License to a Third Country Manager**

(1) If a third country manager intends to manage a Member State fund or to market investment units of such fund in Member States in accordance with Sections 78 and 79 of this Law, it shall obtain a licence from the supervisory authority of a reference Member State for the activities of an alternative investment fund manager in accordance with the procedures laid down in this Chapter.

(2) A third country manager is entitled to receive the license referred to in Paragraph one of this Section, if it complies with all requirements of this Law, except for the requirements of Section 17, Paragraph five, Clause 8 and Chapter IX.

(3) A third country manager may depart from individual requirements of this Law applicable thereto, if it submits to the Commission the grounds for and the confirmation that:

1) compliance with the provisions of this Law is not compatible with the requirements of the legal acts of the country of the founding thereof which the manager follows in its activities or marketing of investment units of a third country fund under the management thereof in Member States;

2) the laws and regulations applicable to the activities of a third country manager or third country fund provide for equivalent regulatory objective and ensure such protection of fund investors which is equivalent to the legal acts of Member States;

3) a third country manager or third country fund complies in its activities with the laws and regulations equivalent to the legal acts of Member States referred to in Clause 2 of this Paragraph.

(4) A third country manager that wishes to receive a licence for the activities of an alternative investment fund manager shall have an authorised representative the place of founding of which is a reference Member State. The authorised representative shall ensure that it has sufficient resources and experience to comply with the requirements laid down for the authorised representative in this Law.

(5) The authorised representative referred to in Paragraph four of this Section shall be a point of contact of a third country manager in Member States. The exchange of information specified in this Law among the Commission, the supervisory authorities of other Member States, and the manager, and also Member State investors and manager of a third country fund shall occur through the authorised representative.

(6) The authorised representative and a third country manager shall be jointly responsible for the compliance with the provisions of this Law in the management of a third country fund or marketing of investment units of a third country fund under the management thereof.

(7) The Commission shall take the decision to issue a licence on the basis of documents submitted in accordance with the provisions of Chapter II of this Law. Additionally, a third country manager shall, together with the documents referred to in Section 10 of this Law, submit the following to the Commission:

1) the grounds for selecting Latvia as a reference Member State and the strategy for marketing investment units of the fund;

2) a list of the provisions of this Law the compliance with which is not compatible with the requirements of the legal acts of a third country which the third country manager follows in its activities or marketing of investment units of a third country fund under the management thereof in Member States, a confirmation that the legal acts applicable to the third country manager or third country fund provide for equivalent regulatory objective and ensure such protection of fund investors which is equivalent to the legal acts of Member States. The abovementioned confirmation shall be based on a legal opinion on the compliance of the regulatory objective of the legal acts of the third country and the existence of a protection framework equivalent to the legal acts of Member States of the fund investors;

3) the firm name and registered office of a legal person authorised by a third country manager or the given name, surname, and contact address of an authorised natural person.

(8) The information to be submitted in accordance with Section 10, Paragraph eight of this Law shall only refer to a fund founded in a Member State which a third country manager wishes to manage and to the fund under management of a third country manager the investment units of which a third country manager intends to market.

(9) The conditions referred to in Section 72, Paragraph two of this Law shall be applicable to the supervisory authority of a third country manager and to the country where it has been founded.

(10) In addition to the cases of refusal to issue a licence referred to in Section 17, Paragraph five of this Law, the Commission shall take the decision not to issue a licence to a third country manager if laws and other legislation of a third country, and also powers of the supervisory authority of a third country restrict the right of the Commission to perform the supervisory functions specified in this Law.

(11) The Commission shall immediately inform the European Securities and Markets Authority of the fact that it has examined a submission for the receipt of a licence, and also of the licences issued and withdrawn. If the Commission has taken a decision not to issue a licence to a third country manager, it shall inform the European Securities and Markets Authority of this third country manager and the reasons for refusal.

(12) If within two years after receiving a licence a third country manager fails to perform activities according to the strategy for marketing investment units of the fund submitted to the Commission, has provided false information on the strategy for marketing, or changes the strategy for marketing without informing the Commission of determination of a new reference Member State in accordance with the procedures laid down in the law, the Commission shall require the third country manager to name another reference Member State in accordance with the requirements of Section 77 of this Law.

(13) If within two years after receiving a licence a third country manager changes the strategy for marking investment units of the fund and the reference Member State respectively, it shall submit a submission to the Commission which it examines in accordance with the procedures laid down in Section 77 of this Law.

(14) If a third country manager fails to comply with the requirements of Paragraph twelve of this Section, the Commission shall withdraw the licence issued to the third country manager.

(15) Disputes between the Commission and a third country manager shall be examined in accordance with the laws and regulations of Latvia. Disputes between a third country manager or fund and investors of the relevant fund shall be examined in accordance with the legal acts of the relevant Member State.

**Section 75. Determination of a Reference Member State**

(1) If a third country manager intends to manage one or several Member State funds the place of founding of which is Latvia and does not intend to market the investment units thereof in Member States in accordance with Sections 78 and 79 of this Law, then the reference Member State of the manager shall be Latvia and the Commission shall be responsible for the issue of a licence for the activities of an alternative investment fund manager and for the supervision thereof.

(2) If a third country manager intends to manage several Member State funds the place of founding of which is in different Member States, including Latvia, and does not intend to market investment units of these funds in Member States in accordance with Sections 78 and 79 of this Law, then one of the following Member States shall be considered a reference Member State:

1) the Member State in which most funds have been founded;

2) the Member State in which the largest amount of fund assets is managed.

(3) If a third country manager intends to market investment units of the fund founded in Latvia only in one Member State, then Latvia or the Member State in which it is intended to market investment units of the fund shall be considered the reference Member State.

(4) If a third country manager intend to market investment units of only one third country fund in Latvia, then Latvia shall be considered the reference Member State.

(5) If a third country manager intends to market investment units of only one fund founded in Latvia in several Member States, then Latvia or the Member State in which the manager intends to develop active marketing of investment units shall be considered the reference Member State.

(6) If a third country manager intends to market investment units of only one third country fund in several Member States, including Latvia, then one of these Member States shall be considered the reference Member State, as chosen by the manager.

(7) If a third country manager intends to market investment units of several Member State funds in Member States, including Latvia, then one of the following Member States shall be considered the reference Member State:

1) Latvia if it is the Member State where all these funds have been founded, or a Member State in which it is intended to market investment units that form the majority of value of the funds;

2) the Member State in which it is intended to market investment units that form the majority of value of the funds if Latvia is not the only country where all the funds have been founded.

(8) In the case referred to in Paragraphs two, three, five, and six and Paragraph seven, Clause 1 of this Section, a third country manager that intends to only manage Member State funds or to market investment units of the fund under the management thereof in Member States in accordance with Sections 78 and 79 of this Law shall submit a submission for the determination of a reference Member State to all the supervisory authorities the countries of which the manager considers as possible reference Member States, including Latvia. The third country manager shall provide information in the submission on all the countries which it considers as possible reference Member States, and also give grounds for its selection.

(9) The supervisory authorities shall, within a month after receipt of the submission, take the decision to determine a reference Member State and immediately inform a third country manager thereof.

(10) If a third country manager is not informed of the decision of the supervisory authorities within seven days after taking of the decision or if the decision has not been taken, the third country manager shall select a reference Member State, taking into account the criteria referred to in Paragraphs two, three, five, and six and Paragraph seven, Clause 1 of this Section.

(11) A third country manager shall, upon request of the supervisory authority, submit the strategy for marketing investment units of the fund which justifies the intention of the third country manger to develop active marketing of investment units in the particular Member State.

**Section 76. Determination of Latvia as a Reference Member State**

(1) If a third country manager that, in accordance with Sections 78 and 79 of this Law, intends to only manage a Member State fund or to market investment units of the funds under the management thereof in Member States determines Latvia as a reference Member State, it shall submit a submission to the Commission asking to issue a license for the activities of an alternative investment fund manager.

(2) After receipt of the submission referred to in Paragraph one of this Section, the Commission shall evaluate whether the reference Member State of the third country manager has been determined in accordance with the requirements of Section 75 of this Law. If the reference Member State has not been determined in accordance with the requirements of Section 75 of this Law, the Commission shall, within a month after the day it has received the submission, take the decision not to issue a licence. If the reference Member State has been determined in accordance with the requirements of Section 75 of this Law, the Commission shall notify the European Securities and Markets Authority of the received submission and request an assessment in respect of the determination of an appropriate reference Member State. The Commission shall indicate in its notification to the European Securities and Markets Authority the grounds for the selection of the reference Member State provided by the third country manager and append information on the strategy for marketing investment units of the funds of the third country manager.

(3) The European Securities and Markets Authority shall, within a month after it has received the notification of the Commission, provide an assessment to the Commission in respect of the compliance of the selection of the reference Member State with the requirements of Section 75 of this Law.

(4) A time period by which the decision to issue a licence referred to in Section 17, Paragraph one of this Law is taken shall be suspended whilst the European Securities and Markets Authority examines the notification of the Commission.

(5) If the Commission takes the decision to issue a licence to a third country manager, contrary to the assessment of the European Securities and Markets Authority, it shall inform the European Securities and Markets Authority of its decision, indicating the grounds for taking it. The European Securities and Markets Authority may publish the grounds provided by the Commission, informing the Commission thereof in advance.

(6) If the Commission takes the decision to issue a licence to a third country manager that intends to market investment units of the fund under the management thereof in other Member States, except for Latvia, contrary to the assessment of the European Securities and Markets Authority, the Commission shall inform the supervisory authorities of the relevant Member States as well as the supervisory authority of the home country of the fund of its decision, indicating the grounds for taking it. If any of the supervisory authorities disagrees with the decision of the third country manager on determination of the reference Member State, it is entitled to appeal to the European Securities and Markets Authority for the settlement of disputes.

(7) The directly applicable legal acts of the European Union shall determine the procedures for selecting a reference Member State.

**Section 77. Change of a Reference Member State**

(1) If a third country manager changes the strategy for marketing investment units of the funds within two years after the first determination of a reference Member State and such change of the strategy affects the first selection of the reference Member State, the third country manager shall, prior to changing the strategy, immediately submit a submission to the Commission for the change of the reference Member State. The new strategy for marketing investment units of the funds, information on the new reference Member State, and also information on the authorised representative of the third country manager in the new reference Member State shall be appended to the submission.

(2) After receipt of the submission referred to in Paragraph one of this Section, the Commission shall evaluate whether the reference Member State of the third country manager has been determined in accordance with the requirements of Section 75 of this Law. The Commission shall notify the European Securities and Markets Authority of the received submission and request an assessment in respect of the determination of the relevant reference Member State. The Commission shall indicate in its notification to the European Securities and Markets Authority the grounds for the selection of the reference Member State provided by the third country manager and append information on the strategy for marketing investment units of the funds of the third country manager.

(3) The European Securities and Markets Authority shall, within a month after it has received the notification of the Commission, provide an assessment to the Commission in respect of the compliance of the selection of the reference Member State with the requirements of Section 75 of this Law.

(4) The Commission shall take the decision to determine a reference Member State and immediately inform the third country manager, its authorised representative, and the European Securities and Markets Authority thereof.

(5) The Commission shall send the decision to change a reference Member State, the decision to grant a licence, and also copies of documents contained in the supervision file of the third country manager to the supervisory authority of the new reference Member State.

(6) If the Commission takes the decision referred to in Paragraph four of this Section, contrary to the assessment of the European Securities and Markets Authority, further exchange of information on the decision taken shall occur in accordance with the procedures laid down in Section 76, Paragraphs five and six of this Law.

**Section 78. Rights of a Third Country Manager Licensed in Latvia to Market Investment Units of a Member State Fund**

(1) If a third country manager licensed in Latvia wishes to market in Latvia the investment units of the Member State fund under the management thereof, it shall submit a notification to the Commission, appending the documents referred to in Section 66, Paragraph three of this Law. The notification shall be examined in accordance with the procedures laid down in Section 66 of this Law.

(2) If a third country manager licensed in Latvia wishes to market the investment units of the Member State fund in another Member State, it shall submit a notification to the Commission, appending the documents referred to in Section 67, Paragraph three of this Law. The notification shall be examined in accordance with the procedures laid down in Section 67 of this Law.

**Section 79. Rights of a Third Country Manager Licensed in Latvia to Market Investment Units of a Third Country Fund in Member States**

(1) A third country manager licensed in Latvia shall ensure that it complies with all the requirements of this Law laid down for a Member State manager, and also the conditions referred to in Section 72, Paragraph two of this Law shall be additionally applicable to the Commission and the country where the third country fund has been founded.

(2) If a third country manager licensed in Latvia wishes to market in Latvia the investment units of the third country fund under the management thereof, it shall submit a notification to the Commission, appending the documents referred to in Section 66, Paragraph three of this Law. The notification shall be examined in accordance with the procedures laid down in Section 66 of this Law.

(3) If a third country manager licensed in Latvia wishes to market the investment units of the third country fund under the management thereof in another Member State, it shall submit a notification to the Commission, appending the documents referred to in Section 67, Paragraph three of this Law which have been prepared in the language which is used in the field of international finance. The notification shall be examined in accordance with the procedures laid down in Section 67 of this Law.

(4) A third country manager licensed in a Member State may market investment units of the third country fund in Latvia in accordance with Section 68 of this Law.

**Section 80. Management of the Fund Founded in Another Member State which is Performed by a Third Country Manager Licensed in Latvia**

(1) A third country manager licensed in Latvia may manage the fund founded in another Member State directly or through a branch if the Commission has authorised the manager to implement such investment strategy of the fund selected by it.

(2) A third country manager shall submit a submission and other documents in accordance with the requirements of Section 69 of this Law to the Commission and the Commission shall examine them in accordance with the procedures laid down in the abovementioned Section.

(3) The Commission shall inform the European Securities and Markets Authority of the decision taken to authorise the third country manager licensed in Latvia to manage the fund founded in another Member State.

(4) A third country manager licensed in another Member State may manage the fund founded in Latvia directly or through a branch in accordance with the procedures laid down in Section 70 of this Law.

**Chapter XII**

**Supervision and Rights and Obligations of the Commission**

**Section 81. General Provisions for the Supervision**

(1) The Commission shall be responsible for the supervision of the manager licensed by it, the manager that founds and manages a European venture capital fund in accordance with Regulation No 345/2013 or a European social entrepreneurship fund in accordance with Regulation No 346/2013, and a custodial bank in accordance with this Law and the directly applicable legal acts of the European Union. The Commission shall also be responsible for the supervision of marketing of investment units of a Member State fund or a third country fund under management of a licensed manager in Latvia.

(2) The purpose of supervision shall be to ensure that the founding and activities of managers conform to this Law and other laws and regulations issued in accordance with this Law, to restrict the rights of persons who carry out the activities governed by this Law without an appropriate authorisation, and to ensure orderly functioning of the fund market if activities of one or several funds in the market of one financial instrument may pose a threat to the orderly functioning of that market.

(3) The Commission, its employees and proxy holders shall not be liable for losses caused to the manager, fund, or third parties, moreover, the Commission, its employees and proxy holders may not be held liable for the acts which they have performed legally, precisely, justifiably, and in good faith, upon properly performing the supervisory functions in accordance with the procedures laid down in this Law and other laws and regulations.

(4) An administrative act of the Commission issued in accordance with this Law may be appealed to the Administrative Regional Court. The Court shall examine the case as the court of first instance. The case shall be examined in the composition of three judges. A judgement of the Administrative Regional Court may be appealed by submitting a cassation complaint.

(5) Legal appeal of an administrative act issued by the Commission shall not suspend the operation thereof if the administrative act issued by the Commission is a decision providing for the following:

1) to restrict activities of the manager or custodial bank;

2) to prohibit an official of the manager from carrying out his or her obligations;

3) to prohibit acquiring or increasing a qualifying holding in the manager;

4) to prohibit the exercising of the voting rights;

5) to prohibit the delegation of fund management services or non-core services;

6) to prohibit the transfer of the rights to manage the fund to another manager;

7) to withdraw a licence issued to the manager for the activities of an alternative investment fund manager;

8) to cancel the registration of the manager;

9) to remove such manager from the register of European venture capital funds which wishes to use the designation “European venture capital fund” in accordance with Regulation No 345/2013;

10) to remove such register from the register of European social entrepreneurship funds which wishes to use the designation “European social entrepreneurship fund” in accordance with Regulation No 346/2013;

11) to commence liquidation of the fund;

12) to prohibit the marketing of investment units.

(6) The Commission has the right to publish information on measures and sanctions taken against the manager, its officials, shareholders (stockholders),and a custodial bank in respect of violations of the laws and regulations, except for the case where disclosure of such information may lead to serious disturbances on the financial market, be detrimental to the interests of the investors, or cause disproportionate damage to the persons involved.

(7) In order to ensure supervision of activities of the manager, the Commission is entitled to:

1) arrive at the custodial bank of the manager to carry out an inspection (also without prior notice);

2) become acquainted freely with all documents and information which refer to activities of the manager and fund management;

3) temporarily withdraw documents by drawing up a statement thereon if during inspection any violations are detected in the activities of the manager, the custodial bank, or the fund;

4) make extracts from documents, request copies of documents prepared at the expense of the manager, certified copies of or extracts from the documents;

5) request information from any person on the activities thereof on the financial and capital market if the Commission has grounds to believe that the abovementioned person is related to a potential violation of the laws and regulations governing the financial and capital market or might have information at its disposal necessary for the clarification of circumstances of a violation;

6) request and receive in writing the information on activities of the manager and the fund from the manager, the custodial bank, the Bank of Latvia, a commercial register institution, a sworn auditor of the manager or the fund, officials of the manager, but in the case of liquidation proceedings of the manager or insolvency proceedings of a legal person – also from liquidators or administrators;

7) request in writing that the persons referred to in Clause 6 of this Section present the documents at their disposal regarding the manager and the fund;

8) if there are grounds to believe that a person is related to a potential violation of the laws and regulations governing activities of an alternative investment fund manager or might have information at its disposal necessary for the clarification of circumstances of a violation which is required for the Commission to supervise compliance with the requirements of this Law, request that this person:

a) provides documents and information at his or her disposal, including such that contains a commercial secret;

b) arrives at the Commission and provides information at his or her disposal in person;

9) set reasonable periods of time within which the person referred to in Clause 8 of this Section provides the requested information or arrives at the Commission to give explanations;

10) request and receive printouts of telephone conversations and data transmission records of other types from participants of the financial and capital market;

11) request that any person terminates his or her activities which are in contradiction with the requirements of this Law;

12) request that assets of the manager and the fund are frozen or restrict the right to act with them;

13) restrict the right of the manager to provide management services;

14) where necessary for the protection of interests of the investors or public, request that the issue, sale, repurchase, and redemption of investment units are suspended;

15) submit information to law enforcement authorities on activities on the financial and capital market which are in contradiction with the requirements of this Law;

16) withdraw the licence issued to the manager;

17) cancel the registration of the manager;

18) take the decision to commence liquidation of the fund;

19) give an order to the manager to change the custodial bank;

20) impose limits on the amount of the leverage;

21) prohibit the marketing of investment units;

22) prohibit the manager from managing the fund according to a specific investment strategy selected by the fund;

23) request that the manager draws up reports necessary for the performance of the supervisory functions, and determine the procedures for drawing up and submitting such reports;

24) take the necessary legal measures in order to ensure that the manager and the custodial bank continue to comply with the requirements of this Law, the directly applicable legal acts of the European Union, and the regulatory provisions of the Commission.

(71) The Commission is entitled, in accordance with Article 24 of Regulation No 1286/2014, to impose the following supervision measures for the violations of the Regulation:

1) to prohibit the marketing of the fund investment units;

2) to impose an obligation to suspend the marketing of the fund investment units;

3) to prohibit the provision of a key information document which does not conform to the requirements laid down in Article 6, 7, 8, or 10 of Regulation No 1286/2014, and is entitled to give an order to publish a new key information document conforming to this Regulation;

4) to impose an obligation upon the manager or a person marketing fund investment certificates or providing advice on the acquisition of fund investment units to inform an investor who is not a professional investor and whose rights and interests have been infringed of the sanction or supervision measure imposed upon the manager or the person marketing fund investment certificates or providing advice on the acquisition of fund investment units, of the fact where the investor may submit a complaint or appeal in order to initiate extrajudicial settlement of disputes, and also of his or her rights to bring a claim to the court.

(8) Taking into account the cross-border nature of activities of the manager, in order to ensure uniform application of the supervisory practices in all Member States, the Commission has the right to specify other requirements governing activities of the manager and the fund in the fields arising from the guidelines and recommendations adopted by the European Securities and Markets Authority in the supervision of activities of the managers and funds.

(9) The Commission shall carry out supervision of a registered manager that neither founds nor manages a European venture capital fund in accordance with Regulation No 345/2013 or a European social entrepreneurship fund in accordance with Regulation No 346/2013 in relation to the carrying out of obligations which include registration of the manager and provision of information to the Commission.

[*8 October 2015; 25 October 2018; 20 June 2019; 23 September 2021 /* *Amendment to the introductory part of Paragraph five regarding the replacement of the words “legal appeal” with the words “contesting and appeal", to Paragraph seven, Clause 6 regarding the deletion of the words “Latvijas Banka", and to Paragraph seven, Clauses 5, 10, and 15 regarding the replacement of the words “financial and capital market” with the words “financial market", amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka”, and 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 19 of Transitional Provisions*]

**Section 82. Payments for Financing the Activities of the Commission**

(1) The manager shall make payments for financing the activities of the Commission in the following amount:

1) a licensed manager – up to 0.033 per cent transferring from the average amount of assets of the funds under the management thereof per quarter, but not less than EUR 3557 a year;

2) a registered manager – EUR 900 a year;

3) a licensed external manager that is authorised to provide the investment services referred to in Section 5, Paragraphs seven and eight of this Law – up to one per cent of the gross revenues from the services provided by the manager per quarter, but not less than EUR 711 a year;

4) a registered manager that manages a European venture capital fund or European social entrepreneurship fund, in addition to the payment referred to in Paragraph one, Clause 2 of this Section – EUR 1900 a year.

(2) In addition to the payments referred to in Paragraph one of this Section, a licensed manager shall pay the following to the Commission:

1) for examination of the documents submitted for the registration of the fund – EUR 1422;

2) for examination of amendments to the operational rules or the document of incorporation of the fund submitted for registration – EUR 426.

(21) A registered manager shall pay to the Commission EUR 250 for examination of the documents submitted for the registration of the manager*.*

(3) A branch of a manager licensed in a Member State which has been registered in Latvia shall pay to the Commission for the supervision of activities of the branch in accordance with the following procedures:

1) up to one per cent of the gross revenues from the fund management services provided by the branch in Latvia per quarter, but not less than EUR 2134 a year;

2) up to one per cent of the gross revenues from the investment services referred to in Section 5, Paragraphs seven and eight of this Law and provided by the branch per quarter, but not less than EUR 711 a year.

(4) A Member State (except for Latvia) fund manager shall pay to the Commission a single fee in the amount of EUR 1209 for the marketing of investment units of each Member State fund or third country fund under the management thereof in Latvia.

(5) The Commission shall issue regulatory provisions for the procedures for calculating the payments referred to in Paragraphs one, three, and four of this Section and for submitting reports.

(6) The manager shall make the payments referred to in Paragraphs one, three, and four of this Section by the thirtieth day of the month following the relevant quarter.

(7) A licensed manager shall submit the documents confirming the payments and referred to in Paragraph two of this Section to the Commission together with the documents submitted for the registration of the fund or for the registration of amendments to the operational rules or the document of incorporation of the fund. A registered manager shall submit the documents confirming the payments and referred to in Paragraph 2.1 of this Section to the Commission together with the documents submitted for the registration of the manager.

(8) If the payments referred to in Paragraphs one, three, and four of this Section are transferred with delay or not transferred in full amount, late payment money amounting to 0.05 per cent of the unpaid amount shall be calculated for each delayed day.

(9) The payments referred to in this Section shall be transferred to the account of the Commission with the Bank of Latvia.

[*19 September 2013; 8 October 2015; 20 June 2019*]

**Section 83. Restrictions on the Rights to Act with the Assets of the Manager and of the Fund**

(1) If the provisions of the laws and regulations, the document of incorporation of the fund, the custodial bank agreement, or the operational rules of the fund have been violated, the Commission has the right to obtain information from credit institutions and investment brokerage companies on the cash flow and the balance of accounts of the manager or of the fund and to temporarily restrict the rights of the manager to act with the assets of the manager or the fund.

(2) The decision of the Commission to impose the restrictions referred to in Paragraph one of this Section shall be enforced immediately after receipt thereof.

(3) During validity of the decision, payments from the accounts to which the decision of the Commission to restrict the rights of the manager applies shall only be made under authorisation of the Commission.

**Section 84. Right of the Commission to Request Convening of a Meeting of Management Bodies**

(1) The Commission has the right to request convening of a meeting of the fund investors (shareholders or members), a meeting of the board or council, a meeting of the board or council of the manager, or a meeting of shareholders, and to specify the agenda thereof in advance.

(2) A representative of the Commission may participate in the meeting of the fund investors (shareholders or members), the meeting of the board or council, the meeting of the board or council of the manager, or the meeting of shareholders referred to in Paragraph one of this Section, and this representative has the right to express his or her opinion and submit proposals.

**Section 85. Restricted Access Information**

(1) The information on a manager, its clients, funds and their investors, the operation of a manager and funds and the transactions of clients of the manager and investors of the funds which has not been previously published in accordance with the procedures laid down by law or the disclosure of which is not determined by other laws, or on disclosure of which a decision has not been taken by the Commission, the information received in accordance with the procedures laid down in this Section from the competent authorities and persons of the Member States and foreign countries, and also the information obtained during inspections from the institutional units established by the Member States for the needs of supervision of the manager shall be considered restricted access information and shall be disclosed to the third parties only in the form of a report or a summary so that it would not be possible to identify any particular manager or its client, fund and its investor. Such information on a manager, its clients, funds and their investors, the operation of a manager and funds and the transactions of clients of the manager and investors of the funds shall have the status of restricted access information also if insolvency proceedings or liquidation have been initiated for the manager or its client, or an investor of the fund, or the manager or its client (legal person), or an investor of the fund (legal person) has been liquidated.

(2) A prohibition to disclose restricted access information shall not apply to the information:

1) which is related to court proceedings in a civil case if the insolvency proceedings of the manager have been declared or the liquidation of the manager or fund has been commenced and such information is not on the third parties which are involved in the activities for the improvement of the financial situation of the manager;

2) which the Commission has provided to the person directing the proceedings in a criminal case on the basis of the relevant request;

3) on a potential criminal offence detected by the Commission in the operation of the manager whereof it shall inform law enforcement institutions;

4) on persons who are responsible for uncovering the violations of laws and regulations and the investigation in the field of commercial activity if the following conditions are met:

a) the provision of information is necessary for uncovering and investigating the violations of the laws and regulations governing commercial activity;

b) a certification has been provided that the 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 Commission has obtained the necessary information from the supervisory authority of financial market participants of another country, it shall only be disclosed if a consent of the authority which provided the information has been received.

(3) The provisions of Paragraph one of this Section do not prohibit the Commission from exchanging restricted access information with the supervisory authorities of the 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, retaining the status of restricted access information for the information provided, and also from disclosing (publishing on its website) the results of stress tests carried out by the Commission.

(4) The Commission is entitled to use the information received in accordance with Paragraphs three, seven, eight, and nine of this Section only for the performance of its functions:

1) in order to verify the conformity with the laws and regulations governing the founding of a manager and the operation of a manager and a custodial bank;

2) in order to apply the administrative measures and sanctions specified in the law;

3) during court proceedings wherein the administrative acts issued by the Commission or its actual actions are being appealed.

(5) The Commission is entitled to request information from a manager on the basis of a request of the supervisory authority of managers or funds of another Member State and a request of such supervisory authority of foreign managers or funds with which an information exchange contract has been entered into. The supervisory authorities of managers or funds of another country are entitled to disclose such information only with a written consent of the Commission and it shall be permitted to use such information only for the purpose for which it was requested.

(6) The Commission is entitled to enter into information exchange contracts with the supervisory authorities of foreign managers or funds or the authorities of the relevant foreign country the functions of which are considered equivalent to the functions of the authorities referred to in Paragraphs seven, eight, and nine of this Section if the legal acts of the relevant foreign country provide for the protection of restricted access information equivalent to this Section and the requirements which are in force in Latvia in the field of personal data protection have been conformed to. Such information shall only be used to supervise the financial market participants or to perform the functions specified in the law for the relevant authorities.

(7) The provisions of Paragraphs one and four of this Section do not prohibit the Commission to exchange restricted access information with the following, while retaining the status of restricted access information:

1) the supervisory authorities of managers or funds of another Member State and the ministries of finance of such countries;

2) the authorities which are entrusted with the obligation to supervise the financial market or the financial market participants;

3) the authorities of the Member States, including the collegial authorities established by the Member States and the institutional units which have been entrusted with the obligation to maintain the stability of the financial system in Member States and which determine and implement the macro-supervision policy;

4) the authorities of the Member States which are responsible for the reorganisation of the financial market participants, including the collegial authorities established by the Member States and the institutional units, and also the State authorities the objective of which is to protect the stability of the financial system;

5) the competent authorities which are involved in insolvency, liquidation, and other similar procedures specified in legal acts of Member States of managers, funds, or persons involved in the provision of management services;

6) the persons who are responsible for the mandatory audits of financial statements of managers or funds;

7) the authorities of a Member State which manage investment and deposit compensation schemes if such information is necessary for the performance of their functions;

8) the authorities or persons which or who are responsible for the detection and investigation of violations of the laws and regulations in the field of commercial activity;

9) the authorities which are responsible for the supervision of financial market participants in the field of the prevention of money laundering and terrorism and proliferation financing, and the authorities similar to the Financial Intelligence Service.

(8) The provisions of this Section do not prohibit the Commission from exchanging restricted access information with the central banks of the Member States and other authorities of the Member States which are responsible for monitoring the payment systems if the provision of such information is necessary for the performance of the functions specified for them in the Law, and also with the European Systemic Risk Board.

(9) The provisions of this Section do not prohibit the Commission from providing restricted access information to the regulated market operator, the central securities depository, or institutions which ensure clearing and settlements for transactions in financial instruments in a Member State if the provision of such information is necessary for ensuring the relevant action of the abovementioned institutions, if the settlement or clearing system participants do not fulfil their liabilities or there are grounds for considering that they would not fulfil their liabilities.

(10) The information which has been received by the Commission in accordance with Paragraphs three and six of this Section from a Member State or the supervisory authority of foreign managers or funds for the performance of the supervisory functions may be disclosed to the third parties which require such information for the performance of the functions specified for them in the law only upon a prior written consent of the supervisory authority of the relevant Member State or foreign country and only for the purposes for which the relevant supervisory authority has agreed to disclose such information. The information which has been received by the supervisory authorities of the Member State or a foreign country in accordance with Paragraphs three and six of this Section from the Commission for the performance of the supervisory functions may be disclosed to the third parties which require such information for the performance of the functions specified in the law only upon a prior written consent of the Commission and only for the purposes for which the Commission has agreed to disclose such information.

(11) If an emergency situation, unfavourable events or state arise when unfavourable development is observed in financial markets which may significantly endanger adequate operation, liquidity, and integrity of the financial market and the stability of the financial system or its part in the European Union or any of the Member States, the Commission shall, without delay, provide information to the central banks of the Member States and to the European Systemic Risk Board upon a relevant request if such information is necessary for these authorities for the performance of the functions specified in the law (including for the implementation of the monetary policy and for ensuring liquidity related thereto, for the monitoring of payment, clearing and settlement systems and for ensuring the stability of the financial system).

(12) The provisions of this Section do not prohibit the Commission from providing restricted access information to the following international authorities in accordance with the procedures laid down in Paragraph fourteen of this Section:

1) the International Monetary Fund and the World Bank – for the performance of assessments intended for the programme for the evaluation of the financial sector;

2) the Bank for International Settlements – for the performance of quantitative impact studies;

3) the Financial Stability Board – for the performance of its functions.

(13) The Commission shall provide restricted access information to the authorities referred to in Paragraph twelve of this Section in conformity with the provisions laid down in Paragraph fourteen of this Section if a motivated request has been received and the following conditions are met:

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 and 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 that it does not exceed the scope of functions assigned to such authority in the laws and regulations governing its operation;

4) a certification has been provided that the information will be available only to such persons who are involved in the execution of the relevant task and that the requirements for the protection of information are binding on them.

(14) The authorities referred to in Paragraph twelve of this Section may become acquainted with restricted access information only in person in the premises of the Commission.

[*23 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 86. Responsibility for the Supervision of the Manager**

(1) The Commission shall be responsible for the supervision of a manager licensed in Latvia and a third country manager licensed in Latvia, irrespective of whether the manager manages funds or markets investment units of the fund in Latvia or another Member State. The Commission shall be responsible for the supervision of a manager licensed in a Member State in respect of the compliance with the requirements laid down in Section 22, Paragraph one and Section 23 of this Law which provides fund management services in Latvia through a branch.

(2) The supervisory authority of a Member State is entitled, upon its own initiative or upon request of the Commission, to verify compliance with the requirements laid down in Section 22, Paragraph one and Section 23 of this Law in a branch of a manager licensed in Latvia which operates in the territory of the relevant Member State.

(3) The Commission is entitled, upon its own initiative or upon request of the supervisory authority of a relevant Member State, to verify compliance with the requirements laid down in Section 22, Paragraph one and Section 23 of this Law in a branch of a manager licensed in a Member State which operates in Latvia.

(4) The Commission is entitled to request from a manager licensed in a Member State which provides fund management services in Latvia through a branch or without opening a branch all the information on activities of the manager which is necessary for the Commission to ensure supervision of the compliance with the requirements laid down in Section 22, Paragraph one and Section 23 of this Law.

(5) If the Commission detects that a manager licensed in a Member State which provides fund management services in Latvia through a branch or without opening a branch violates the requirements laid down in Section 22, Paragraph one or Section 23 of this Law, or who markets investment units of a Member State fund violates the requirements laid down in Section 82, Paragraphs four and six of this Law, it shall request that the relevant manager rectifies the detected violations, and shall inform the supervisory authority of the relevant Member State of such violations.

(6) If in the cases referred to in Paragraphs four and five of this Section a manager licensed in a Member State fails to provide information or fails to follow instructions of the Commission, the Commission shall inform the supervisory authority of the relevant Member State of the violations detected and ask to take the necessary measures in order to ensure that the manager rectifies them or provides the information requested by the Commission. The supervisory authority of the Member State shall inform the Commission of the measures taken, and also provide the Commission with the information requested by the Commission and received from the supervisory authority of a relevant third country which is necessary for the supervision of the manager.

(7) If, irrespective of the measures taken by the supervisory authority of a relevant Member State and the Commission, a manager licensed in a Member State continues violating this Law, the regulatory provisions issued by the Commission, and the directly applicable legal acts of the European Union, the Commission may, upon informing the supervisory authority of the Member State, take the measures provided for in this Law to ensure supervision in order to prevent future violations committed the relevant manager, or impose the sanctions and restrictions provided for in this Law. The Commission has the right to prohibit the relevant manager from managing the fund in Latvia in the future.

(8) If the Commission has information at its disposal that the manager violates the requirements of legal acts of the European Union in relation to fund management services the supervision of compliance with which is within the competence of the supervisory authority of a Member State, the Commission shall inform the supervisory authority of the relevant Member State thereof.

(9) If the Commission receives information from another supervisory authority of a Member State that a manager licensed in Latvia violates the requirements of the laws and regulations in relation to fund management services the supervision of compliance with which is within the competence of the Commission, the Commission shall, according to its competence, carry out the necessary activities in order to rectify the violations detected and inform the relevant supervisory authority of the Member State which has submitted the information of such activities.

(10) If, irrespective of the measures specified in Paragraph nine of this Section and taken by the supervisory authority of a home Member State of the manager, a manager licensed in a Member State continues its activities by violating the legitimate interests of the Latvian investors and jeopardising the stability and integrity of the Latvian financial market, the Commission has the right, upon informing the supervisory authority of the home Member State of the manager, to take the measures provided for in this Law to ensure supervision in order to protect the legitimate interests of the investors and the stability and integrity of the Latvian financial market. The Commission has the right to prohibit the relevant manager from marketing investment units of the fund in Latvia in the future.

(11) The Commission is entitled to apply the supervisory activities referred to in Paragraphs nine and ten of this Section also if it disagrees with the decision of a reference Member State to issue to a third country manager a licence for the activities of an alternative investment fund manager.

(12) If the Commission which is the supervisory authority of a reference Member State for a third country manager licensed in Latvia detects violations of the laws and regulations in the activities of such third country manager, it shall inform the European Securities and Markets Authority thereof by means of a reasoned notification.

(13) If the Commission disagrees with the measures and decisions of the supervisory authority of a Member State referred to in this Section, it has the right to appeal to the European Securities and Markets Authority.

(14) If due to activities performed by the manager proper operation and integrity of the financial market of the European Union or stability of the financial system or part thereof may be jeopardised, and also if the Commission has already taken all the necessary measures in order to prevent the threats related to the activities of the manager but they have not been properly prevented, the Commission shall, on the basis of a request of the European Securities and Markets Authority, take one of the following decisions:

1) prohibit a third country manager licensed in Latvia from marketing investment units of the fund under the management thereof if it has failed to comply with the requirements of Chapter XI, including those of Sections 78 and 79 of this Law, or a manager licensed in Latvia from marketing investment units of the third country fund under the management thereof if it has failed to comply with the requirements of Section 72 of this Law;

2) impose fund management restrictions upon a third country manager if excessive risk concentration has been detected in a particular segment of the market at cross-border level;

3) impose fund management restrictions upon a third country manager if the activities performed by it may pose a counterparty risk to a credit institution or other systemically relevant financial institutions.

(15) The type of restrictions and duration thereof which may not exceed three months shall be indicated in the decision to impose restrictions on the activities. The European Securities and Markets Authority shall, once every three months, evaluate the impact of the fund management restrictions imposed upon a third country manager on the operation, integrity, and stability of the financial market of the European Union, and the Commission shall, upon request of the European Securities and Markets Authority, decide on the need to extend the duration of the fund management restrictions.

(16) The Commission is entitled to take a decision to extend the duration of the fund management restrictions imposed upon the manager if the threats to proper operation and integrity of the financial market or stability of the financial system or part thereof are still present, the manager continues managing the fund in a Member State with a more favourable market surveillance framework, or activities of the fund continue having a detrimental effect on the efficiency of the financial markets by reducing liquidity thereof, or creating considerable uncertainty for the financial market operators in respect of the market situation.

[*8 October 2015*]

**Section 86.1 Reporting on Potential and Actual Violations of Legal Acts**

(1) Any person may report to the Commission on potential and actual violations of this Law, the regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014.

(2) The Commission shall create and maintain an efficient and credible reporting system which includes at least the following elements:

1) the procedures for receiving reports on the violations and for taking further action;

2) in accordance with the laws and regulations regarding personal data protection, the protection of personal data of such person who reports on the violation, and also the protection of such natural person who is suspected of committing the violation;

3) the provisions for ensuring confidentiality of such person who reports on the violation, except for the case where such disclosure is provided for in legal acts.

(3) The procedures for reporting on potential and actual violations of this Law, the regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014 and for processing the reports received by the Commission shall be determined in the regulatory provisions of the Commission.

(4) Reporting which, in accordance with Paragraph one of this Section, is performed by a person on the violations of this Law, the regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014 that have been committed at his or her place of employment shall not be considered a breach of the prohibition to disclose information specified in the contract and any law or regulation, and the person shall not be liable for such reporting. The person reporting on the violations of this Law, the regulatory provisions of the Commission issued on the basis of this Law, and Regulation No 1286/2014 that have been committed at his or her place of employment shall not be subject to discriminatory or other inequitable treatment.

(5) The manager that manages an alternative investment fund the investment units of which may also be marketed to such investor which is not a professional investor shall develop an internal procedure, stipulating the procedures by which employees report to it on violations of Regulation No 1286/2014 in the manager.

[*25 October 2018*]

**Chapter XIII**

**Exchange of Information**

**Section 87. Cooperation in the Field of Exchange of Information**

(1) The Commission shall be responsible for the cooperation with the supervisory authorities of Member States, the European Securities and Markets Authority, and the European Systemic Risk Board in order to ensure immediate exchange of information on provision and supervision of management services of a manager licensed in Latvia in the territory of all Member States.

(2) The Commission shall, on the basis of a reasoned request, provide the supervisory authorities of Member States or the European Securities and Markets Authority with the information on a manager licensed in Latvia which provides management services in the relevant Member State or which has close links with any manager licensed or to be licensed in a Member State, a member of the council or board thereof, or an owner (beneficial owner) thereof. The Commission has the right to indicate that the abovementioned information may only be disclosed to third parties who need it for the performance of the functions specified in the law with a written consent of the Commission.

(3) The Commission shall send to the supervisory authority of a host Member State of a relevant manager a copy of the agreement which the Commission, a third country manager, and the supervisory authority of the fund have entered into for cooperation in the field of the implementation of exchange of information and supervisory functions, and also send information on the relevant manager which has been received from the supervisory authority of the third country manager according to the abovementioned cooperation agreement. The Commission also has the right to provide information on activities of the third country manager in Latvia, taking into account the provisions referred to in Section 86, Paragraphs seven, eight, and nine of this Law.

(4) If the Commission considers that the cooperation agreement received from the supervisory authority of a host Member State of the relevant manager and referred to in Paragraph three of this Section does not conform to the technical standards adopted by the European Securities and Markets Authority regarding cooperation principles for the supervisory authorities, the Commission has the right to appeal to the European Securities and Markets Authority asking to evaluate this agreement.

(5) If the Commission has information at its disposal that the manager who is not under the supervision thereof performs activities which are in contradiction with the legal acts of the European Union in the field of activities of alternative investment fund managers, the Commission shall inform the European Securities and Markets Authority and the supervisory authorities of the home Member State and the host Member State of the manager thereof. The supervisory authorities of the home Member State and the host Member State of the manager shall take all necessary supervision measures and inform the European Securities and Markets Authority and the Commission of the results thereof.

**Section 88. Transfer and Storage of Personal Data**

(1) The Commission shall send information containing personal data to the supervisory authorities of other Member States or third country, taking into account the personal data protection requirements.

(2) The Commission shall provide the necessary information referred to in Paragraph one of this Section to the supervisory authorities of the relevant Member States, the European Systemic Risk Board, and the European Securities and Markets Authority if it is necessary to supervise the impact of activities of one or several managers in order to ensure the stability of systemically relevant financial institutions and the functioning of such markets on which the abovementioned manager or managers operate. The directly applicable legal acts of the European Union shall determine the content of the information to be provided.

(3) The Commission shall store the information referred to in Paragraph one of this Section for one year.

(4) After having evaluated a request sent by the supervisory authority of a third country, the Commission shall provide this supervisory authority with the requested information (personal data or data analysis), if such request is legally grounded, the data protection requirements have been complied in respect of the transfer of personal data to authorities of third countries, and also information (personal data or data analysis) is requested in order to prevent the potential negative impact of the risks associated with activities of the managers on the financial system. The Commission shall indicate in its response that the supervisory authority of a third country may disclose the relevant information to another supervisory authority in another third country for the performance of the necessary functions specified in the law of the relevant third country only with a prior written consent of the Commission and only for the purposes indicated in the written consent of the Commission.

(5) The Commission shall only send to the supervisory authority of a third country the information received from the supervisory authority of a Member State and referred to in Paragraph one of this Section if the relevant supervisory authority of the Member State has agreed in writing that the abovementioned information may be disclosed to the supervisory authorities of third countries which require it for the performance of the functions specified in the law, and only for the purposes specified in the written consent of the supervisory authority of the relevant Member State.

**Section 89. Cooperation in Carrying out Supervision**

(1) The Commission has the right, upon its own initiative or upon request of the supervisory authority of a home Member State of the manager, to carry out inspections in a branch of a manager licensed in another Member State which operates in Latvia. The supervisory authority of the home Member State of the manager’s branch has the right to carry out the inspection of the manger in Latvia by itself or authorise another person to carry out such inspection, notifying the Commission thereof in advance.

(2) Prior to carrying out an inspection in a branch of a manager licensed in Latvia which provides fund management services in the territory of another Member State, the Commission shall inform the supervisory authority of the relevant Member State thereof.

(3) If the Commission carries out an inspection in a Latvian branch of the manager in another Member State upon request of the supervisory authority of the Member State, the abovementioned supervisory authority of the Member State has the right to participate in this inspection, taking into account the instructions of the Commission.

(4) If an inspection in a Latvian branch of a manager licensed in another Member State is carried out by the supervisory authority of the relevant Member State, the Commission has the right to participate in this inspection.

(5) The Commission has the right to refuse in a reasoned decision the request of the supervisory authority of another Member State to carry out an inspection in the territory of Latvia, and also to refuse the request for participation of authorised representatives of the supervisory authority of another Member State in the inspection if:

1) such inspection or participation of authorised representatives of the supervisory authority of another Member State therein would adversely affect the State sovereignty, security, or policy of Latvia;

2) legal proceedings regarding the same violation and against the same persons have already been initiated in Latvia;

3) a court judgement regarding the same violation and the same persons has already entered into effect.

**Chapter XIV**

**Sanctions**

**Section 90. Liability**

(1) The Commission has the right to impose a sanction upon a licensed manager and a custodial bank – to impose a fine in the amount from EUR 14 200 to EUR 142 300 for the following violations:

1) for the failure to provide the documents and information provided for in this Law, the regulatory provisions of the Commission issued on the basis of this Law, and the directly applicable legal acts of the European Union, and also for the failure to submit amendments made to the submitted documents and information in accordance with the procedures laid down in laws and regulations and within the time periods stipulated by the Commission;

2) for the provision of false information to the Commission or public dissemination of such information;

3) for the violations of the provisions for the registration and storage of the fund property;

4) for the violations of the provisions for the issue, repurchase, and redemption of investment units;

5) for the violations of the procedures for liquidating the manager or the fund;

6) for the failure to ensure access to the information intended for the fund investors which is provided for in this Law, except for the information which is ensured in accordance with Regulation No 1286/2014.

(11) The Commission has the right to impose a sanction upon a registered manager – to impose a fine in the amount from EUR 14 200 to EUR 142 300 for the following violations:

1) for the failure to provide the information provided for in this Law, the regulatory provisions of the Commission issued on the basis of this Law, and the directly applicable legal acts of the European Union;

2) for the provision of false information to the Commission or public dissemination of such information.

(2) For the management of alternative investment funds without receiving a licence of the Commission or registration of the manager, the Commission has the right to impose a sanction – to impose a fine in the amount from EUR 14 200 to EUR 142 300.

(3) For the marketing of fund investment units without an authorisation of the Commission or for the violations of the provisions for the marketing of investment units, the Commission has the right to impose a sanction – to impose a fine in the amount from EUR 1400 to EUR 14 200.

(4) For the marketing of investment units to a person who is not an investor within the meaning of this Law, the Commission has the right to impose a sanction upon the marketer of investment units – to impose a fine in the amount from EUR 1400 to EUR 14 200.

(5) For the violations of the laws and regulations in the field of the prevention of money laundering and terrorism and proliferation financing, the Commission shall apply the sanctions specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

(6) The Commission has the right to impose a sanction upon a person – to impose a fine in the amount from EUR 14 200 to EUR 142 300, if the person has acquired or increased a qualifying holding in the manager prior to submitting to the Commission the notification referred to in Section 12, Paragraph two or four of this Law or during the examination thereof.

(7) If a person fails to provide information to the Commission or fails to arrive at the Commission and submit information in person upon request of the Commission referred to in Section 81, Paragraph seven, Clause 8 of this Law, the Commission has the right to impose sanctions upon such person – to issue a warning or to impose a fine in the amount of up to EUR 14 200.

(8) For the violations of Regulation No 345/2013, Regulation No 346/2013, and Regulation No 2017/1131, the Commission has the right to impose sanctions – to issue a warning upon the manager or to impose a fine in the amount from EUR 14 200 to EUR 142 300 – and to specify a time period during which the manager rectifies the violation detected.

(9) For the failure to conform to any other requirements of this Law, the Commission has the right to impose sanctions upon a person who has failed to fulfil his or her obligation – to issue a warning or to impose a fine in the amount of up to EUR 14 200.

(10) The Commission is entitled, in accordance with Article 24 of Regulation No 1286/2014, to impose the following sanctions for the violations of the Regulation:

1) to issue a warning indicating the person responsible for the violation and the nature of the violation;

2) to impose a fine upon a legal person in the amount of up to EUR 5 million or up to three per cent of the total annual turnover of the legal person on the basis of the last audited annual statement. If the legal person is a parent company or a subsidiary company of a parent company which prepares a consolidated annual statement in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or a consolidated annual statement in accordance with the requirements of the relevant legal acts of a home Member State, the relevant total annual turnover shall be consist of the total annual turnover or income of appropriate type in accordance with the relevant legal acts of the home Member State in the field of accounting, on the basis of the last audited consolidated annual statement;

3) to impose a fine of up to EUR 700 000 on the natural person who is responsible for the violation;

4) as an alternative to that laid down in Clause 2 or 3 of this Paragraph to impose a fine of up to double amount of the income gained or potential losses avoided as a result of the violation.

[*19 September 2013; 30 March 2017; 26 October 2017; 25 October 2018; 20 June 2019; 23 September 2021 /* *Amendment regarding the replacement of the words “Commission” with the words “Latvijas Banka” and 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 19 of Transitional Provisions*]

**Section 90.1 Publishing of Sanctions and Supervision Measures**

(1) The Commission shall post on its website the information on the sanctions referred to in Section 90, Paragraph ten of this Law and the supervision measures referred to in Section 81, Paragraph 7.1 of this Law which have been imposed on persons for the violations of Regulation No 1286/2014 in accordance with Article 29 of the abovementioned Regulation, indicating information on the person and the violation committed thereby, and also the information on contesting of the administrative act issued by the Commission and the ruling rendered.

(2) The information referred to in Paragraph one of this Section and posted on the website of the Commission shall be available for five years from the day of the posting thereof.

(3) The Commission shall inform the European Securities and Markets Authority of the sanctions and supervision measures applied in accordance with Article 29 of Regulation No 1286/20104.

[*30 March 2017; 23 September 2021 /* *Amendment regarding the replacement of the word “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 19 of Transitional Provisions*]

**Section 91. Collection of a Fine**

(1) A fine collected for violations regarding which it has been imposed in accordance with the provisions of Section 90 of this Law shall be transferred into the State budget.

(2) A person shall pay the fine imposed by the Commission not later than within a month from the day when the decision of the Commission to impose a fine has entered into effect.

(3) A bailiff shall conduct compulsory enforcement of the decision of the Commission not enforced voluntarily in accordance with the procedures laid down in the Civil Procedure Law.

**Transitional Provisions**

1. Section 16, Paragraph one of this Law regarding the determination of the initial capital shall come into force on 1 January 2014. Until 31 December 2013 the term “initial capital” used in this Law shall mean the capital consisting of the following:

a) the paid-up equity capital which is reduced by the value of cumulative preference shares;

b) the share or stock issue premium;

c) the reserves (except for revaluation reserves);

d) the profit or loss brought forward from previous years;

e) the profit of the current year of operation if there is a sworn auditor’s report on the existence of the profit and it has been calculated considering all the necessary provisions for reduction in the asset value, estimated tax payments and dividends, and the Commission has agreed to the inclusion of the profit of the current year of operation in the initial capital.

2. Section 16, Paragraph six of this Law regarding the determination of own funds and laying down the procedures for the calculation thereof shall come into force on 1 January 2014. Until 31 December 2013 the term “own funds” used in this Law shall mean the elements of capital, reserves, and liabilities reflected in the financial statements audited by the manager which are freely available to the manager for covering potential, but not yet identified, losses related to the operational risks of the manager, and the procedures for the calculation thereof shall be determined by the Commission.

3. Commercial companies which, on the day of coming into force of this Law, perform the activities specified in Section 5 of this Law shall, within a year from the day of coming into force of this Law, terminate such activities, conduct liquidation, register with the Commission, or receive a licence for the activities of an alternative investment fund manager.

4. The requirements of Chapter IX of this Law shall not be applicable to the marketing of fund investment units and the fund management if a public offer prospectus of the fund investment units has been prepared in accordance with the Financial Instrument Market Law and registered by the day of coming into force of this Law. The abovementioned requirements shall not be applicable while the prospectus is still valid.

5. The directly applicable legal acts of the European Union shall determine a time period for the coming into force of Sections 72, 73 and Chapter XI of this Law.

[*8 October 2015*]

6. An investor who does not conform to the characteristics referred to in Section 9, Paragraphs one and two and Section 41, Paragraphs seven, eight, and nine of this Law but who has, by the day of coming into force of this Law, invested in a closed-ended fund founded in accordance with the law On Investment Management Companies or invested or assumed obligations to invest in the fund which may be recognised as an alternative investment fund within the meaning of this Law and which has not been founded in accordance with the law On Investment Management Companies, may alienate or, without increasing the amount of holding, maintain its investment share in the relevant fund until expiry of the activities of the fund provided for in the document of incorporation of the fund, the prospectus, or the operational rules of the fund on the day of coming into force of this Law.

7. Commercial companies the closed-ended funds under management of which have been founded in accordance with the law On Investment Management Companies as on the day of coming into force of this Law shall, within a year from the day of coming into force of this Law, conduct liquidation or registration of the funds in accordance with this Law.

8. Commercial companies the funds under management of which may be recognised as alternative investment funds within the meaning of this Law and have not been founded in accordance with the law On Investment Management Companies shall, within a year from the day of coming into force of this Law, submit an application for the registration of the fund to the Commission.

9. Closed-ended investment funds which have been founded in accordance with the law On Investment Management Companies and for which accounting records are maintained and financial statements are prepared in accordance with the law On Investment Management Companies as on the day of coming into force of this Law shall be subject to the principles for maintaining accounting records and preparing financial statements specified in the law On Investment Management Companies until expiry of activities of the fund.

[*8 October 2015*]

10. After coming into force of this Law, the commercial companies referred to in Paragraphs 7 and 8 of these Transitional Provisions shall only market investment units of the funds referred to in these Paragraphs to the investors referred to in Section 41, Paragraphs seven, eight, and nine of this Law.

11. The managers referred to in Paragraphs 7 and 8 of these Transitional Provisions shall make payments for examination of the documents submitted for registration of the fund referred to in these Paragraphs or for examination of the amendments to the operational rules of the fund or the document of incorporation of the fund submitted for registration if such documents have been submitted to the Commission not within a year from the day of coming into force of this Law but later.

12. Commercial companies which manage closed-ended funds founded in accordance with the law On Investment Management Companies and intend to make amendments to the articles of association or prospectuses of management of the relevant funds after coming into force of this Law shall develop and submit to the Commission the fund management documents in accordance with the requirements of Section 10, Paragraph eight of this Law.

13. Until the day of introduction of euro specified in Section 3, Paragraph one of the Law on the Procedure for Introduction of Euro, the monetary amounts referred to in this Law which have been expressed in euro shall be considered equivalent to the amounts in lats recalculated according to the rate set by the Bank of Latvia.

14. Section 36.1 of this Law shall come into force on 1 January 2019.

[*25 October 2018*]

15. A licensed manager shall, by 1 November 2019, develop and publish an engagement policy if, on the day of the coming into force of Section 60.1 of this Law, the investment policy of the fund under management of the licensed manager provides for investing resources of the fund in the shares of such joint stock company the registered office of which is in a Member State and the shares of which are admitted on the regulated market of a Member State.

[*20 June 2019*]

16. A licensed manager shall publish the report referred to in Section 60.1, Paragraph four of this Law on the implementation of the engagement policy and the information referred to in Paragraph five starting from 2020.

[*20 June 2019*]

17. Amendments to Section 59, Paragraph one of this Law regarding the new wording of the Paragraph shall come into force on 1 January 2020.

[*20 June 2019*]

18. The fund of a registered manager the rules of operation of which provide for the use of leverage or the repurchase of investment shares within five years from the day when the first investment is made in the fund registered with the Commission until the day when amendments to Section 7, Paragraph one of this Law regarding the new wording of the Paragraph and to Section 9, Paragraph two, and the investment shares of which are marketed within a year after registration with the Commission shall continue operating until expiry of activities of the fund. The registered manager that manages the fund referred to in the first sentence of this Paragraph shall continue operating as a registered manager.

[*20 June 2019*]

19. Amendments to this Law regarding the replacement of the word “Commission” with the words “Latvijas Banka” throughout the Law, except for the name “European Commission” and Transitional Provisions, the replacement of the word “regulatory provisions” throughout the Law with the word “provisions”, the replacement of the words “financial and capital market” with the words “financial market” in Paragraph three, Clause 3 of Section 15, Paragraph two, Clause 4 of Section 54, and Paragraph seven, Clauses 5, 10, and 15 of Section 81, amendment regarding the rewording of Paragraph two of Section 6, amendments to Paragraph five and Paragraph six, Clause 6 of Section 81, and also amendment regarding the rewording of Section 82 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.*]

20. The regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law until the day of coming into force of the Law on Latvijas Banka shall be applicable until the day when the relevant provisions of Latvijas Banka come into force, but not longer than until 31 December 2024.

[*23 September 2021*]

21. The Enterprise Register shall, not later than within five working days, publish a notification regarding the documents referred to in Section 57, Paragraph six of this Law which have been received until the day when amendments to Section 57, Paragraph seven of this Law come into force in the official gazette *Latvijas Vēstnesis* that the relevant annual statements or consolidated annual statements, report of a sworn auditor, and copies of the documents appended thereto are available electronically in the Enterprise Register.

[*30 September 2021*]

**Informative Reference to European Union Directives**

[*8 October 2015; 20 June 2019; 30 September 2021*]

The Law contains norms arising from:

1) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;

2) Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings;

3) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (Text with EEA relevance);

4) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;

5) Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings.

The Law has been adopted by the *Saeima* on 9 July 2013.

President A. Bērziņš

Rīga, 24 July 2013