The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Securitisation Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) The terms “investor”, “originator”, “tranche”, “servicer”, “original lender”, “sponsor”, “securitisation”, and other terms related to securitisation correspond to the terms used in Article 2 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).

(2) The term “securitisation entity” (hereinafter also – the entity) corresponds to the term “securitisation special purpose entity” used in Article 2 of Regulation No 2017/2402.

(3) The term “assets” means the exposures underlying securitisation, including claims arising from civil law transactions.

**Section 2. Purpose of the Law**

The purpose of this Law is to facilitate access to additional financing for the development of commercial activities by creating legal preconditions for securitisation transactions in Latvia.

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

(1) This Law shall be applicable to securitisation that complies with Article 2(1) of Regulation No 2017/2402 and a securitisation entity that is registered in Latvia.

(2) The provisions of Section 8, Paragraph one of this Law shall be also applicable to a securitisation entity that is not registered in Latvia if the country of registration of such entity cannot be subject to Article 4 of Regulation No 2017/2402 and the exposure to be securitised is subject to the requirements of Latvian laws and regulations in the field of consumer crediting.

(3) The Insolvency Law shall be applicable to a securitisation entity and a servicer insofar as it is not provided for otherwise in this Law. The Insolvency Law shall be applicable to an originator insofar as it is not provided for otherwise in this Law and Regulation No 2017/2402.

**Chapter II**

**Establishment, Operation, and Termination of Operation of a Securitisation Entity**

**Section 4. Establishment of a Securitisation Entity in Latvia**

(1) A securitisation entity shall be established in Latvia as a capital company.

(2) Documents of incorporation of a securitisation entity shall not specify a time period for which this entity has been established or the fact that the operation thereof is terminated upon achieving the objectives specified in the articles of association.

**Section 5. Firm Name of a Securitisation Entity**

(1) The firm name of a securitisation entity shall include the indication “securitisation entity”.

(2) It is prohibited to use of the term “securitisation entity” in any conjugation, conjunction, or derivation in the firm name or self-promotion of a capital company other than a securitisation entity in a manner that creates a misleading impression that its operation complies with this Law and Regulation No 2017/2402.

**Section 6. Restrictions of the Operation of a Securitisation Entity**

(1) A securitisation entity shall carry out only such activities and enter into only such transactions which are necessary to enable its operation or to properly implement a securitisation transaction or scheme (hereinafter – the securitisation transaction) and which are not in contradiction to the purpose for which the entity was established. Transactions entered into by a securitisation entity which are in contradiction to the restrictions laid down in the first sentence of this Paragraph shall not be valid.

(2) A securitisation entity shall have no employees within the meaning of the Labour Law.

(3) A securitisation entity is entitled to enter into derivative contracts on the management of currency and interest rate risks, to alienate assets, and to provide collateral using assets only in accordance with the provisions on securitisation transaction documentation.

(4) A securitisation entity is entitled to implement only one securitisation transaction at a time.

**Section 7. Legal Protection Proceedings, Insolvency Proceedings, Liquidation and Reorganisation of a Securitisation Entity**

(1) Legal protection proceedings shall not be applicable to a securitisation entity.

(2) A securitisation entity may be liquidated on the basis of a resolution of a meeting of members or shareholders only after:

1) all claims of investors arising out of the securities issued by the securitisation entity and also the claims of other creditors have been settled in full;

2) the securitisation entity no longer holds assets, including in cases where payment obligations to investors arising from securities issued by the entity or obligations to other creditors are not met in full.

(3) A securitisation entity may not be reorganised by means of a merger or division.

(4) If the insolvency proceedings of a securitisation entity have been declared and the insolvency administrator concludes in accordance with Section 118, Paragraph six of the Insolvency Law that the funds of the securitisation entity are insufficient to fully settle all claims of creditors (investors and other creditors) referred to in Section 118, Paragraph five of the Insolvency Law, the respective claims shall be settled in accordance with the procedures laid down in Section 17 of this Law.

**Chapter III**

**Special Provisions Applicable to the Persons Involved in a Securitisation Transaction**

**Section 8. Permit (Licence) for the Provision of a Consumer Crediting Service and an Extrajudicial Recovery of Debt Service**

(1) A securitisation entity shall not require the special permit (licence) laid down in laws and regulations for the provision of a consumer crediting service and an extrajudicial recovery of debt service.

(2) A servicer shall not require the special permit (licence) laid down in laws and regulations for the provision of a consumer crediting service and an extrajudicial recovery of debt service only where this is specifically provided for in laws and regulations.

**Section 9. Transactions with Related Persons**

Securitisation transactions shall not be subject to the provisions of the Commercial Law on related person transactions.

**Section 10. Protection of Information and Data Processing**

(1) In order to exercise the rights and fulfil the obligations laid down in this Law, an originator or an original lender shall transfer to a securitisation entity the data of the natural person in respect of whom it acts as controller. The securitisation entity shall become the data controller in respect of the received personal data without the consent of the data subject.

(2) The provisions of Paragraph one of this Section shall also apply to non-disclosable information held by a credit institution where it is an originator or an original lender.

(3) Latvijas Banka is entitled to request that a securitisation entity, an originator, an initial lender, a sponsor, and audit service providers of the aforementioned persons and also any other persons involved in the securitisation, provide information necessary for the performance of supervisory functions laid down in this Law and Regulation No 2017/2402.

**Section 11. Inclusion of Information in the Credit Register and the Database of the Credit Bureau**

(1) If a Credit Register participant or a Credit Register participant with a restricted status is involved in a securitisation transaction, information on the assets of the securitisation entity shall be included in the Credit Register according to the procedures laid down in the Law on the Credit Register.

(2) If the relevant claim arises from a loan which has been provided according to a consumer credit agreement in accordance with the Consumer Rights Protection Law, the servicer as the user of credit information shall provide information on the debt to the credit bureau in accordance with the laws and regulations prescribing the provision of such information.

**Section 12. Transfer of the Collateral Related to Assets**

(1) The alienation of assets by an originator shall include the transfer of the collateral relating to those assets to a securitisation entity, except as provided in Paragraph five of this Section.

(2) Subsequent submission of such documents which provide for changes in relation to the registration of the collateral in public registers shall not, in accordance with this Law, affect the transfer of the collateral to a securitisation entity and the validity thereof. If the laws and regulations applicable to the collateral link the use of the collateral with changes in entries of the public registers in respect of the collateral taker, the securitisation entity shall use the collateral after the relevant changes in entries of the public register have been made.

(3) A consent of a debtor and a collateral provider for the registration of the collateral shall not be required.

(4) Claims related to the collateral shall be transferred to a securitisation entity concurrently with the collateral and to the same extent as they have arisen or would arise for an originator (hereinafter also – the alienor) in accordance with this Law if the assets were not alienated to the securitisation entity.

(5) After alienation of the assets to a securitisation entity, the alienor shall be the financial collateral taker. The securitisation entity has a pre-emptive right to the financial resources obtained by executing the financial collateral. The procedures for executing the financial collateral for claims transferred to a securitisation entity shall, in conformity with this pre-emptive right, be specified in the provisions on securitisation transaction documentation.

(6) The pre-emptive right referred to in Paragraph five of this Section shall also apply in the case of insolvency proceedings or liquidation, resolution, or reorganisation measures of the alienor, or transfer of a credit institution undertaking when the credit institution is the originator.

**Section 13. Rights Related to Assets**

(1) If the contracting parties do not agree otherwise in the disposal agreement, the assets shall be alienated and transferred to a securitisation entity together with all existing rights, claims, and fruits, including the right to insurance indemnity which the alienor is entitled to receive in relation to assets in accordance with laws and regulations or the concluded agreements.

(2) In cases where the alienated assets include the right to insurance indemnity upon occurrence of an insurance event, claims of the alienor for the disbursement of insurance indemnity shall be included in the assets, unless the contracting parties agree otherwise in the disposal agreement.

(3) The insurance indemnity referred to in Paragraph two of this Section shall be included in the assets to the extent provided for by the laws and regulations in the field of insurance or by the concluded agreements. A securitisation entity is entitled to allow the debtor or the collateral provider to use the insurance indemnity, either in full or in part, for the elimination of the consequences of the insurance event.

(4) A unilateral notification of a securitisation entity to the insurer that the insured assets have been transferred to the securitisation entity on the basis of the disposal agreement shall grant the right to such entity to receive the insurance indemnity related to this asset.

(5) The alienation of assets to a securitisation entity shall not form the grounds for the amendment or termination of an insurance contract.

**Section 14. Rights and Obligations of a Debtor and a Collateral Provider**

(1) An agreement between a debtor and an originator under which it is prohibited or restricted to alienate or transfer assets to another person shall not be valid if the assets are alienated by the originator to a securitisation entity.

(2) Informing or consent of a debtor and a collateral provider shall not be required for the alienation of assets.

(3) The alienation of assets to a securitisation entity shall not affect the rights and obligations of a debtor and a collateral provider which are provided for in the laws and regulations in the field of consumer protection.

**Section 15. Features of Insolvency Proceedings of an Originator**

In the insolvency proceedings of an originator, the invalidation of transactions provided for in Articles 20 and 24 of Regulation No 2017/2402 shall apply not only to simple, transparent, and standardised securitisations but to any securitisation that complies with Article 2(1) of Regulation No 2017/2402.

**Section 16. Isolation of Property of a Servicer**

Funds received by a servicer (including an originator if it performs the functions of a servicer) from a debtor and a collateral provider as a certain payment flow in relation to the underlying exposure of the securitisation shall not be part of the property of the servicer. In the event of legal protection proceedings, insolvency proceedings, or liquidation of the servicer or in the event of resolution or reorganisation measures, such funds shall not be used to settle the claims of creditors of the servicer, except to the extent that is set in accordance with the provisions on securitisation transaction documentation as the remuneration of the servicer for servicing the debts.

**Section 17. Procedures for the Settlement of Claims of Investors and Other Creditors of a Securitisation Entity**

(1) The claims of investors shall be settled in accordance with the order of seniority of the tranches of the securitisation positions in the particular securitisation transaction. The claims of investors in a tranche of a single securitisation position shall be of the same order.

(2) The claims of other creditors, including claims arising from derivative contracts, shall be settled in accordance with the provisions on securitisation transaction documentation, including the provisions governing the order in which the claims of investors and other creditors in a particular securitisation transaction are settled.

**Section 18. Bringing an Action against a Securitisation Entity**

Bringing an action against a securitisation company shall be governed by the provisions on securitisation transaction documentation, taking into consideration that the claimant shall not receive more in the event of a successful claim than it would be entitled to in the order of seniority of tranches and what it would actually be entitled to receive under the terms of the securitisation transaction documentation, compared to other investors and creditors. Actions of investors may only be brought through a trustee, if such has been appointed.

**Section 19. Representation of Interests of Investors**

(1) A securitisation entity shall convene a meeting of investors if this is foreseen in the provisions on securitisation transaction documentation in order to decide on the representation of the interests of investors, insofar as it is not in contradiction to this Law.

(2) The procedures for convening a meeting of investors, the quorum of the meeting, the majority of votes necessary for decision-making, the procedures for voting, including remote voting, and any other issues related to convening and conducting of the meeting shall be laid down in the provisions on securitisation transaction documentation.

(3) A securitisation entity shall cover all expenses related to the organisation of the meeting of investors and taking and communication of decisions.

**Section 20. Appointment of an Investor Trustee**

(1) The meeting of investors may decide that the joint interests of investors related to securitisation shall be represented by a trustee. The meeting of investors shall determine the rights, obligations of the trustee, the settlement, the procedures for covering expenses, and also any other issues.

(2) The authorisation referred to in Paragraph one of this Section shall not be affected by the declaration of insolvency proceedings or liquidation of an investor, or the application of the proceedings for the resolution or restructuring of liabilities.

(3) The meeting of investors may decide that a trustee shall represent all investors when performing the activities specified in the authorisation. An investor may not concurrently exercise independently his or her rights conferred on the trustee.

(4) In conformity with the powers and restrictions imposed on a trustee in a decision by the meeting of investors, the trustee is entitled to initiate proceedings on behalf of all investors and defend their common interests, including in legal proceedings, without the obligation to establish the identity of investors. In exercising such rights, it shall be sufficient if the trustee indicates that he or she acts as a trustee and attaches a decision by the meeting of investors certifying the powers of such person and the limits of the authorisation.

(5) A trustee is entitled to obtain information on insolvency proceedings or liquidation of a securitisation entity, insofar as it affects the settlement of the claims of investors brought in the insolvency proceedings or liquidation of the securitisation entity.

(6) If a trustee has been authorised to acquire assets in the name or on behalf of investors, those assets shall be held and accounted for separately from the personal assets of the trustee and from any other assets transferred under its management. Creditors of the trustee may not direct their claims against assets, including financial resources, which the trustee has received in the name or on behalf of investors upon fulfilment of the obligations of the trustee specified thereto.

**Chapter IV**

**Supervision**

**Section 21. General Supervision Requirements**

(1) Latvijas Banka shall be deemed to be the competent authority in Latvia within the meaning of Article 29(4) and (5) of Regulation No 2017/2402.

(2) Latvijas Banka shall supervise the activities of securitisation entities, originators, original lenders, sponsors, and third parties verifying the conformity of securitisation with the requirements of simplicity, transparency, and standardisation in accordance with the requirements laid down in Regulation No 2017/2402 and other directly applicable European Union legal acts in the field of securitisation.

(3) Latvijas Banka, when exercising supervision in the field of securitisation, has the rights of the competent authority referred to in Article 30(2), (3), (4), and (5) of Regulation No 2017/2402.

**Section 22. Authorisation for a Third Party to Verify the Conformity of Securitisation with the Requirements of Simplicity, Transparency, and Standardisation**

A one-off fee of EUR 5000 shall be payable to Latvijas Banka for the review of the submitted documents for the issuance of the authorisation referred to in Article 28(1) of Regulation No 2017/2402 to third parties verifying compliance of securitisation with the requirements of simplicity, transparency, and standardisation.

**Section 23. Opinion of Latvijas Banka**

(1) Persons who require this in order to perform their functions laid down in laws and regulations may request Latvijas Banka to provide an opinion on whether a company whose firm name includes the indication “securitisation entity” has carried out or is carrying out transactions that are defined as securitisation in accordance with Article 2(1) of Regulation No 2017/2402.

(2) Latvijas Banka has the right to request additional information or explanations from the parties to the particular transaction and any other person if this is necessary for the provision of an opinion.

(3) Latvijas Banka shall provide its opinion within 30 days from the date of receipt of the information necessary for the provision thereof.

**Chapter V**

**Liability**

**Section 24. Imposing of Sanctions and Administrative Measures**

Latvijas Banka is entitled to impose the sanctions and administrative measures referred to in this Law if it establishes the following:

1) an originator, a sponsor, or an original lender fails to conform to the risk-retention requirements laid down in Article 6 of Regulation No 2017/2402;

2) an originator, a sponsor, or a securitisation entity fails to conform to the requirements relating to transparency requirements for originators, sponsors, and securitisation entities laid down in Article 7 of Regulation No 2017/2402;

3) an originator, a sponsor, or an original lender fails to conform to the requirements relating to the criteria for credit-granting laid down in Article 9 of Regulation No 2017/2402;

4) an originator, a sponsor, or a securitisation entity fails to conform to the requirements relating to the use of the designation “simple, transparent, and standardised securitisation” laid down in Article 18 of Regulation No 2017/2402;

5) with regard to securitisation other than asset-backed commercial security securitisation, an originator, a sponsor, or a securitisation entity fails to conform to:

a) the requirements of simple, transparent, and standardised securitisation laid down in Article 19 of Regulation No 2017/2402;

b) the requirements relating to simplicity laid down in Article 20 of Regulation No 2017/2402;

c) the requirements relating to standardisation laid down in Article 21 of Regulation No 2017/2402;

d) the requirements relating to transparency laid down in Article 22 of Regulation No 2017/2402;

6) with regard to asset-backed commercial security securitisation, an originator, a sponsor, or a securitisation entity fails to conform to:

a) the requirements of simple, transparent, and standardised securitisation laid down in Article 23 of Regulation No 2017/2402;

b) the transaction-level requirements laid down in Article 24 of Regulation No 2017/2402;

c) the requirements for the sponsor of a programme laid down in Article 25 of Regulation No 2017/2402;

d) the programme-level requirements laid down in Article 26 of Regulation No 2017/2402;

7) with regard to simple, transparent, and standardised balance-sheet securitisation, an originator, a sponsor, or a securitisation entity fails to conform to:

a) the requirements of simple, transparent, and standardised securitisation laid down in Article 26(a) of Regulation No 2017/2402;

b) the requirements relating to simplicity laid down in Article 26(b) of Regulation No 2017/2402;

c) the requirements relating to standardisation laid down in Article 26(c) of Regulation No 2017/2402;

d) the requirements relating to transparency laid down in Article 26(d) of Regulation No 2017/2402;

e) the requirements relating to the credit protection agreement, the third-party verification agent, and the synthetic excess spread laid down in Article 26(e) of Regulation No 2017/2402;

8) an originator or a sponsor makes a misleading simplicity, transparency, and standardisation notification referred to in Article 27(1) of Regulation No 2017/2402;

9) an originator, a sponsor, or a securitisation entity fails to comply with the requirements relating to the notification on non-compliance of securitisation with the simplicity, transparency, and standardisation requirements laid down in Article 27(4) of Regulation No 2017/2402;

10) the third party that has received the authorisation provided for in Article 28 of Regulation No 2017/2402 to verify compliance of securitisation with simplicity, transparency, and standardisation requirements has not notified any material changes to the information specified in Article 28(1) of Regulation No 2017/2402 or any other changes that could reasonably be considered as such that affect the assessment of Latvijas Banka with regard to granting the authorisation.

**Section 25. Sanctions**

(1) When taking a decision on the violations referred to in Section 24 of this Law, Latvijas Banka is entitled to impose the following sanctions:

1) to make a public notice which indicates the natural or legal person who is responsible for the violation and the nature of the violation;

2) to impose a fine in the following amount:

a) on the natural person responsible for the violation – up to EUR 5 000 000;

b) on the legal person responsible for the violation – up to EUR 5 000 000 or up to 10 per cent of the total annual turnover of the legal person according to the latest available financial statement. If the legal person is a parent undertaking or a subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant laws and regulations in the field of accounting, taking into consideration the latest available consolidated financial statement of the ultimate parent undertaking;

c) on the natural person responsible for the violation – up to twice the amount of the benefit derived from the violation if such benefit can be established, even if it exceeds the amounts specified in Sub-clause “a” of this Clause;

d) on the legal person responsible for the violation – up to twice the amount of the benefit derived from the violation if such benefit can be established, even if it exceeds the amounts specified in Sub-clause “b” of this Clause.

(2) When taking a decision on the violation referred to in Section 24, Clause 10 of this Law, Latvijas Banka can impose a sanction which provides for the cancellation of the issued authorisation.

**Section 26. Administrative Measures**

(1) If Latvijas Banka establishes any of the violations referred to in Section 24 of this Law, it is entitled to impose the following administrative measures:

1) to request that the natural or legal person who is responsible for the violation immediately ceases the relevant activity;

2) to impose a temporary prohibition on a member of the board or council (if such has been created) of an originator, a sponsor, or a securitisation entity or the natural person responsible for the violation from performing the duties assigned thereto until the moment when the violation is eliminated, but not longer than two years.

(2) If Latvijas Banka establishes any of the violations referred to in Section 24, Clause 5, 6, 7, or 8 of this Law, it is entitled to impose a temporary prohibition on the originator and the sponsor to provide to the European Securities and Markets Authority the notice referred to in Article 27(1) of Regulation No 2017/2402.

(3) Latvijas Banka shall impose administrative measures independently of the sanctions provided for in Section 25 of this Law.

**Section 27. Decision of Latvijas Banka on Imposing of Sanctions and Administrative Measures**

Upon taking the decision to impose sanctions and administrative measures and on the amount of the fine, Latvijas Banka shall take into account the criteria referred to in Article 33(2) of Regulation No 2017/2402 and the Law on Latvijas Banka, and also the measures taken by the person to prevent the recurrence of the violation and to mitigate the possible systemic consequences of the violation and the extent of the damage caused to third parties thereby, and also assess the proportionality, effectiveness, and deterrent nature of the applicable sanctions and administrative measures.

**Section 28. Informing of the Sanctions and Administrative Measures Imposed**

(1) Latvijas Banka shall post the information on the imposed sanction and administrative measure on its website, indicating information on the person and the violation committed thereby, and also on appealing the decision taken by Latvijas Banka and the ruling made.

(2) If, after prior assessment, Latvijas Banka finds that the disclosure of data of such person on whom a sanction and administrative measure has been imposed is not commensurate or the disclosure of such data can endanger the stability of the financial market, examination of the relevant administrative case, or the course of the commenced criminal proceedings, or publication of such information is not commensurate with the committed violation, Latvijas Banka is entitled to carry out one of the following activities:

1) to suspend publishing of the information referred to in Paragraph one of this Section on the sanctions and administrative measures imposed on the person until the moment when circumstances for suspending the publishing cease to exist;

2) to publish the information referred to in Paragraph one of this Section without identifying the person;

3) to not publish the information referred to in Paragraph one of this Section.

(3) The information posted on the website of Latvijas Banka on the violation shall be available for five years from the day of posting thereof.

**Section 29. Statute of Limitation**

(1) Latvijas Banka is entitled to initiate proceedings within five years from the day when the violation is committed but in case of a continuous violation from the day of eliminating the violation.

(2) Counting of the statute of limitation for the initiation of a case specified in Paragraph one of this Section shall be stopped from the day of when the proceedings have been initiated.

(3) Latvijas Banka may take the decision on imposition of the sanctions and administrative measures specified in this Law within two years from the day when the proceedings have been initiated.

(4) Due to objective reasons, including if the case requires a protracted determination of facts, Latvijas Banka, by taking a decision, may extend the time period for taking the decision specified in Paragraph three of this Section for a time period not exceeding three years from the day when the proceedings have been initiated.

(5) Latvijas Banka shall terminate the case if the decision on imposing the sanctions and administrative measures has not been taken within the time period specified in Paragraph three or four of this Section.

**Section 30. Appeal of an Administrative Act Issued by Latvijas Banka**

(1) When appealing an administrative act issued by Latvijas Banka, the application shall be submitted to the Regional Administrative Court. The court shall examine the case as the court of first instance. The case shall be reviewed in the composition of three judges. A judgement of the Regional Administrative Court may be appealed by submitting a cassation complaint.

(2) The appeal of the administrative act referred to in Paragraph one of this Section, except for an administrative act on the imposition of a fine, a public notice, or cancellation of the authorisation, shall not suspend the operation of such act.

**Section 31. Obligation of Latvijas Banka to Provide Information to the European Securities and Markets Authority**

Latvijas Banka shall inform the European Securities and Markets Authority of the sanctions and administrative measures imposed for the violations of Regulation No 2017/2402 and other directly applicable European Union legal acts in the field of securitisation and also of the appeal of a decision of Latvijas Banka.

**Transitional Provision**

Section 14, Paragraph one of this Law shall also apply to an agreement between the debtor and the originator concluded before the date of entry into force of this Law if the originator itself performs the functions of a servicer after the alienation of assets to the securitisation entity.

This Law shall come into force on 15 July 2023.

This Law has been adopted by the *Saeima* on 8 June 2023.

President E. Levits

Adopted 20 June 2023