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

31 October 2002 [shall come into force on 4 December 2002];

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

18 March 2004 [shall come into force on 1 May 2004];

5 May 2005 [shall come into force on 1 June 2005];

28 September 2006 [shall come into force on 25 October 2006];

26 April 2007 [shall come into force on 30 May 2007];

25 September 2008 [shall come into force on 17 October 2008];

14 November 2008 [shall come into force on 1 January 2009];

23 April 2009 [shall come into force on 1 May 2009];

28 May 2009 [shall come into force on 1 July 2009];

20 December 2010 [shall come into force on 1 January 2011];

15 November 2012 [shall come into force on 1 January 2013];

9 July 2013 [shall come into force on 7 August 2013];

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

3 April 2014 [shall come into force on 29 April 2014];

4 February 2016 [shall come into force on 29 February 2016];

22 November 2017 [shall come into force on 1 January 2018];

11 October 2018 [shall come into force on 7 Novembe 2018];

2 April 2020 [shall come into force on 4 April 2020];

24 November 2020 [shall come into force on 1 January 2021];

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

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

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

The *Saeima* 1 has adopted and

the President has proclaimed the following law:

**Law on State Funded Pensions**

**Chapter I**

**General Provisions**

**Section 1. Purpose of the Law**

The Law prescribes the general principles for the establishment and operation of the State funded pension scheme (hereinafter – the funded pension scheme), the general provisions for the contribution, administration, management, investment, and disbursement of funds, and also State supervision of such activities.

**Section 2. Funded Pension Scheme**

(1) The State funded pension is part of the State old-age pension consisting of accrued funded pension capital.

(2) The funded pension scheme is a State organised set of measures for making contributions, administration of funds contributed, disbursement of pensions, and use of the funded pension capital which, without increasing the total amount of contributions for old-age pensions, provides an opportunity to acquire additional pension capital by investing part of the contributions for old-age pensions in financial instruments and other assets in accordance with the procedures laid down in Section 12 of this Law.

[*20 November 2003; 5 May 2005; 11 October 2018 /* *Amendment to Paragraph two shall come into force on 1 January 2020.* *See Paragraph 25 of Transitional Provisions*]

**Chapter II**

**Participation in the Funded Pension Scheme**

**Section 3. Persons Participating in the Funded Pension Scheme**

(1) All persons who are subject to the State funded pension insurance in accordance with the law On State Social Insurance and who have not reached 30 years of age on the day of coming into force of this Law shall be registered as participants of the funded pension scheme.

(2) Persons subject to the State funded pension insurance who are 30 to 49 years (including) of age on the day of coming into force of this Law may commence participation in the funded pension scheme voluntarily by submitting an appropriate application to the State Social Insurance Agency (hereinafter – the Agency).

(3) The registration of socially insured persons in the funded pension scheme shall be made in accordance with the procedures stipulated by the Cabinet.

(4) Participation in the funded pension scheme shall be suspended in the cases referred to in Sections 7 and 8 of this Law.

(5) Persons to which Regulation (EEC, Euratom, ECSC) No 259/68 of 29 February 1968 laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities (Staff Regulations) is applicable shall be registered as participants of the funded pension scheme, if:

1) they are returning to Latvia and the funded pension capital accrued in the funded pension scheme thereof has been received from a European Union pension scheme, to which it was transferred in related to the participation in the scheme;

2) they, prior to becoming participants of a European Union pension scheme, were not participants of the funded pension scheme, but have become such upon choosing to transfer the funded pension capital accrued in the European Union pension scheme to the State pension system of Latvia, in conformity with the procedures laid down in this Law.

(6) The procedures by which the funded pension capital accrued in a European Union pension scheme which has been transferred to the State pension system of Latvia shall be transferred to the funded pension scheme shall be stipulated by the Cabinet.

[*31 October 2002; 26 April 2007; 25 September 2008; 11 October 2018 /* *Amendments to Paragraphs one and two shall come into force on 1 January 2020.* *See Paragraph 25 of Transitional Provisions*]

**Section 3.1 Right of Choice of a Participant of the Funded Pension Scheme in the Use of the Funded Pension Capital if a Participant of the Funded Pension Scheme Dies before Claiming the Old-age Pension**

(1) A participant of the funded pension scheme has the right to choose how the funded pension capital thereof will be used if this participant dies before the day of claiming the old-age pension (including early retirement):

1) it shall be transferred into the State pension special budget;

2) it shall be added to the funded pension capital of a person nominated by the participant of the funded pension scheme;

3) it shall be inherited in accordance with the procedures specified in the Civil Law.

(2) In the case referred to in Paragraph one, Clause 2 of this Section, a participant of the funded pension scheme may nominate one person. A participant of the funded pension scheme may change the choice, including the nominated person, specified in Paragraph one of this Section.

(3) When applying Paragraph one, Clauses 2 and 3 of this Section, the funded pension capital of a participant of the funded pension scheme which has been accrued from the mandatory contributions for the period up to 31 December 2019 shall also be taken into account. In such case, 80 per cent of the accrued amount of the funded pension capital which has been registered on 31 December 2019 shall be allocated to the person nominated by the participant of the funded pension scheme or disbursed to heirs, but 20 per cent of the accrued amount of the funded pension capital shall be transferred into the State pension special budget.

(4) The Cabinet shall determine the procedures by which a participant of the funded pension scheme shall make a choice on the use of the funded pension capital and nominate the person referred to in Paragraph one, Clause 2 of this Section.

(5) If, after reaching the age necessary for granting the old-age pension, a participant of the funded pension scheme does not have the right to the old-age pension in accordance with the law On State Pensions and a State social security benefit has been granted to him or her in accordance with the Law on State Social Allowances, in case of his or her death the funded pension capital shall be transferred into the State pension special budget.

(6) If, after reaching the age necessary for granting the old-age pension, a participant of the funded pension scheme does not request the old-age pension in accordance with the law On State Pensions and continues to receive a disability pension, a survivor’s pension, a service pension, a compensation for the loss of the capacity for work, or a survivor’s compensation, in case of his or her death the funded pension capital shall be transferred into the State pension special budget.

[*11 October 2018; 21 January 2021*]

**Section 4. Contributions in the Funded Pension Scheme**

(1) Contributions in the funded pension scheme are a part of the contributions actually made for the State pension insurance, except for the mandatory contributions from the special budgets of social insurance and the State basic budget.

(2) The contribution rate in the funded pension scheme shall be six per cent of the contribution object laid down in the law On State Social Insurance and Solidarity Tax Law.

[*23 April 2009; 20 December 2010; 22 November 2017; 11 October 2018 /* *Amendments to Paragraph one regarding the supplementation of the Paragraph with words “except for the mandatory contributions from the special budgets of social insurance and the State basic budget” shall come into force on 1 January 2020.* *See Paragraph 26 of Transitional Provisions*]

**Section 5. Account of a Participant of the Funded Pension Scheme**

(1) The Agency shall ensure that the accrued funded pension capital for each participant of the funded pension scheme – funds accrued during a specific time period in accordance with this Law in favour of a participant of the funded pension scheme – is calculated and registered in an account of the participant of the funded pension scheme.

(2) The Cabinet shall determine the procedures for accounting of accounts of the funded pension scheme participants and for the calculation of the funded pension capital, and also the maximum amount of administration (administrative) expenses of the funded pension scheme.

**Section 6. Participation in the Funded Pension Scheme in Case of Disability**

[26 April 2007]

**Section 7. Disbursement of Funded Pension Capital**

(1) When claiming the old-age pension (including early retirement), a participant of the funded pension scheme shall choose one of the following options:

1) to add the accrued funded pension capital to the non-funded pension capital in order to calculate the old-age pension in accordance with the law On State Pensions;

2) to acquire a life assurance (lifetime pension) policy using the accrued funded pension capital.

(11) The procedures for the acquisition of a life assurance (lifetime pension) policy shall be determined by the Cabinet.

(12) A participant of the funded pension scheme shall use the accrued funded pension capital when he or she is granted the old-age pension in accordance with the law On State Pensions.

(2) If a participant of the funded pension scheme becomes a participant of a European Union pension scheme, the accrued funded pension capital thereof shall be transferred to the European Union pension scheme. The procedures by which the accrued funded pension capital shall be transferred to the European Union pension scheme shall be determined by the Cabinet.

[*31 October 2002; 25 September 2008; 11 October 2018; 21 January 2021 /* *Amendment to Section 7, Paragraph one, Clause 2 of this Law providing that the life assurance (lifetime pension) contract specifies the amount of the lifetime pension which is disbursed throughout the period of disbursement of the lifetime pension and the insurance company shall inform the Agency of its amount 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 30 of Transitional Provisions*]

**Section 8. Use of the Funded Pension Capital in the Case of the Death of a Participant of the Funded Pension Scheme**

(1) If a participant of the funded pension scheme has died before the day of granting the old-age pension (including early retirement), the funded pension capital shall be used according to the choice made in Section 3.1, Paragraph one of this Law (except for the cases referred to in Section 3.1, Paragraphs five and six of this Law) based on the following procedures:

1) before the use of the funded pension capital of the deceased participant of the funded pension scheme in accordance with that specified in Section 3.1, Paragraph one, Clauses 2 and 3 of this Law, liabilities of the deceased participant of the funded pension scheme and the person nominated thereby or the heirs thereof towards the special budget of the social insurance and the State basic budget arising from the overpayments of the social insurance services, State social benefits, and service pensions in accordance with the law On State Social Insurance shall be covered from the funded pension capital;

2) in the case referred to in Section 3.1, Paragraph one, Clause 1 of this Law, the account of the deceased participant of the funded pension scheme shall be closed immediately after the registration of the fact of death with the Agency, and the funded pension capital shall be transferred into the State pension special budget. If the participant of the funded pension scheme has dependants, the funded pension capital shall be taken into account when calculating the survivor’s pension for the members of the family that were dependant on the deceased participant of the funded pension scheme in accordance with the law On State Pensions;

3) in the case referred to in Section 3.1, Paragraph one, Clause 2 of this Law, the account of the deceased participant of the funded pension scheme shall be closed in six months after the registration of the fact of death with the Agency, and the funded pension capital shall be added to the funded pension capital of the person nominated by the participant of the funded pension scheme irrespective of the order of succession specified in the Civil Law;

4) if on the day when the Agency has registered the fact of death of the participant of the State funded pension scheme the person nominated in Section 3.1, Paragraph one, Clause 2 of this Law is deceased or does not have an account of a participant of the State funded pension scheme, Section 3.1, Paragraph one, Clause 3 of this Law shall be applied;

5) in the case referred to in Section 3.1, Paragraph one, Clause 3 of this Law, the Agency shall, upon receipt of an inheritance certificate from a sworn notary and application of an heir, close the account of the participant of the funded pension scheme and disburse to the heir his or her part of the funded pension capital in proportion to the shares of the estate indicated in the inheritance certificate. The Agency shall make the disbursement as a non-cash payment by transferring it into the current account indicated by the heir and covering the commission fees for the payment from the sum to be disbursed, except where the heir, concurrently with the receipt of the inheritance certificate, requests the funded pension capital due thereto to be added to his or her funded pension capital.

(2) If a participant of the funded pension scheme has not made a choice in accordance with Section 3.1, Paragraph one of this Law or on the day of death the funded pension capital of a participant of the funded pension scheme does not reach 35 per cent of the amount of the State social security benefit which has been specified for the persons referred to in Section 13, Paragraph one, Clause 1 the Law on State Social Allowances, the funded pension capital shall be transferred into the State pension special budget.

(3) If a participant of the State funded pension scheme has made a choice in accordance with Section 3.1, Paragraph one, Clause 3 of this Law, but the Agency has not received a claim from an heir to disburse the funded pension capital within 10 years after the day of death of the participant, the undisbursed funded pension capital shall be transferred into the State pension special budget.

(4) The Agency shall provide the sworn notary who conducts the inheritance case with information regarding the choice made by the participant of the funded pension scheme in accordance with Section 3.1, Paragraph one, Clause 3 of this Law and the amount of the funded pension capital on the day when the fact of death of the participant of the funded pension scheme has been registered with the Agency for the establishment of the entirety of the estate of the estate-leaver.

(5) The Cabinet shall determine the procedures by which the Agency shall exchange information with a sworn notary in an inheritance case regarding the deceased participant of the funded pension scheme who has made a choice on inheriting the funded pension capital in accordance with the Civil Law, the procedures by which a sworn notary shall send the relevant inheritance certificate and application of an heir to the Agency, and also the procedures by which the Agency shall administer adding of the funded pension capital of the deceased participant of the funded pension scheme to the funded pension capital of the person nominated thereby and disbursement thereof to heirs.

[*11 October 2018; 24 November 2020; 21 January 2021*]

**Chapter III**

**Supervision, Monitoring, Administration of Operation and Management of Funds of the Funded Pension Scheme**

**Section 9. Supervision of Operation of the Funded Pension Scheme**

(1) The Ministry of Welfare shall supervise the funded pension scheme.

(2) In accordance with this Law the Ministry of Welfare has the right:

1) to request and receive an annual report from the Agency on the operation of the funded pension scheme and reports submitted by the fund manager on the operation of the funded pension scheme;

2) to request and receive quarterly from insurers reports on life assurance (lifetime pension) services (provided in accordance with this Law), dynamics in the number of participants and the amounts of lifetime pensions.

(3) In order to ensure accounting of the old-age pension, the Ministry of Welfare has the right to receive and include in the Welfare Information System (*LabIS*) the data of natural persons in relation to life assurance (lifetime pension) agreements entered into by and between insurance companies and participants of the funded pension scheme, and the insurance companies have an obligation to provide such data to the Ministry of Welfare.

(4) The Cabinet shall determine the data to be included in the Welfare Information System (*LabIS*), their amount, time periods for the submission of data and procedures for processing thereof.

[*26 April 2007; 22 November 2017 / Paragraph three shall come into force on 1 July 2018. See Paragraph 24 of Transitional Provisions*]

**Section 10. Competence of the Agency**

(1) In accordance with this Law the Agency shall:

1) ensure the establishment and updating of accounts of participants of the funded pension scheme by registering contributions made and the funded pension capital accrued;

11) ensure the transfer of the contributions of the participants of the funded pension scheme to managers of funds, claiming the funded pension capital accrued from managers of funds, when the participants of the funded pension scheme change investment plan or terminate participation in the funded pension scheme, and transfer of the funded pension capital to managers of funds in the case of change of investment plans;

2) inform the person of the registration in the funded pension scheme and other significant changes in the operation of the funded pension scheme;

21) issue or send a statement of account of the participant of the funded pension scheme and information regarding the change of the fund manager or investment plan, upon attendance in person of the participant of the funded pension scheme, or upon submission of a written request;

3) conclude contracts with fund managers on the management of funds of the funded pension scheme and its conditions;

4) ensure fulfilment of the applications of the funded pension scheme participants on the selection and change of managers of the funded pension scheme funds and investment plans. The Agency is not entitled on its own initiative to decide on the change of a manager of the funded pension scheme funds and the investment plan, except in the cases provided for in Section 13, Paragraphs six and seven of this Law;

5) ensure compliance with Section 7 of this Law in accordance with the procedures laid stipulated the Cabinet;

6) each year in accordance with procedures stipulated by the Cabinet, prepare a report on the operation of the funded pension scheme which provides a true and clear representation of the management of the funded pension scheme, contributions made and fund transfers, and also of the compliance of the accounting of accounts of the funded pension scheme participants with the requirements of laws and regulations. The report on the operation of the funded pension scheme in accordance with international auditing standards shall be verified by a sworn auditor and approved by the Minister for Welfare;

7) ensure publication of the information on the funded pension scheme and the results of its operation.

(2) The expenses of the Agency for the administration of the funded pension scheme shall be covered in accordance with the procedures stipulated by the Cabinet.

(3) [22 November 2017]

(4) The tasks laid down in Paragraph one, Clauses 1 and 1.1 of this Section may be delegated to a private person in accordance with the State Administration Structure Law. In fulfilling these tasks, a private person shall be under functional subordination of the Agency.

[*31 October 2002; 26 April 2007; 14 November 2008; 4 February 2016; 22 November 2017*]

**Section 11. Manager of the Funded Pension Scheme Funds and Custodian**

(1) The manager of funds of the funded pension scheme shall perform the management of the contributions made in the funded pension scheme, further fruits (interest) and other assets (hereinafter – the funds). The funds of the funded pension scheme may be managed by an investment management company registered in Latvia or the branch in Latvia of an investment management company registered in a Member State of the European Union or a State of the European Economic Area (hereinafter – the Member State), which is entitled to provide investment management services (hereinafter – the Member State branch). The manager of funds of the funded pension scheme may only commence the management of funds of the funded pension scheme after registration in the Register of Managers of Funds of the Funded Pension Scheme maintained and updated by the Finance and Capital Market Commission (hereinafter – the Commission).

(11) The manager of funds of the funded pension scheme shall ensure that its minimum share capital is at least:

1) EUR 500 000 if it is planning to manage or is managing the funds of the funded pension scheme with a value no more than EUR 50 000 000;

2) EUR 1 000 000 if it is planning to manage or is managing the funds of the funded pension scheme with a value from EUR 50 000 001 to EUR 100 000 000;

3) EUR 2 000 000 if it is planning to manage or is managing the funds of the funded pension scheme with a value from EUR 100 000 001 to EUR 200 000 000;

4) EUR 3 000 000 if it is planning to manage or is managing the funds of the funded pension scheme with a value greater than EUR 200 000 000.

(2) The manager of funds of the funded pension scheme shall make transactions with funds of the funded pension scheme through intermediation of the custodian, entering into a custodian bank agreement therewith. The funds of the funded pension scheme may be held in a bank registered in Latvia, which in accordance with the procedures laid down in laws and regulations has commenced the provision of investment services and non-core services, including the keeping of financial instruments, or the branch in Latvia of a bank registered in a Member State, if the respective bank is entitled to provide investment services and non-core services, including the keeping of financial instruments. The selection of a custodian, the duties and liabilities thereof, and also the procedures for the entering into and fulfilment of a custodian bank agreement shall be laid down in this Law and the Law on Investment Management Companies.

(3) The provisions for the management of funds of the funded pension scheme, consequences and liability for non-compliance therewith shall be provided in a contract entered into by the Agency with a manager of funds of the funded pension scheme. A decision to enter into the contract with a manager of funds of the funded pension scheme, on any further amendments in such contract, and also on early termination of such contract shall be made by the director of the Agency. The Cabinet shall determine the contents, type, and procedures for the entering into of a contract.

(4) The manager of the funds of the funded pension scheme shall develop one or several plans for the investment of funds of the funded pension scheme – a systematic set of such provisions in accordance with which the management of funds of the funded pension scheme shall be carried out and which are presented in a prospectus of the relevant investment plan and basic information intended for the participants of the funded pension scheme. The prospectus of an investment plan and basic information intended for the participants of the funded pension scheme shall be an integral part of the contract entered into between the Agency and the manager of funds of the funded pension scheme. The manager of funds of the funded pension scheme is entitled to perform the management of funds of the funded pension scheme in conformity with an investment plan only following the registration of the prospectus of the relevant investment plan and basic information intended for the participants of the funded pension scheme with the Commission. If the prospectus of an investment plan or basic information intended for the participants of the funded pension scheme fail to comply with the requirements of laws and regulations governing the operation of the funded pension scheme, the Commission shall refuse the registration thereof.

(41) If amendments to the prospectus of the investment plan provide for changing the investment provisions of the investment plan or to increase the maximum amount of remuneration payments from the investment plan to the manager of funds, custodian or another person, the amendments to the prospectus of the investment plan shall enter into effect not earlier than six months after the agreement has been entered into on amendments to the contract between the Agency and the manager of funds of the funded pension scheme.

(42) The format and content of the basic information intended for the participants of the funded pension scheme, and also the procedures for preparing thereof shall be determined by the Commission.

(5) A manager of funds of the funded pension scheme shall ensure compliance with provisions in relation to the investments of funds of the funded pension scheme, provide orders to make payments with funds contributed in the funded pension scheme, as well as receive and transfer financial instruments and perform other transactions with the funds of the funded pension scheme in conformity with the requirements prescribed by the law and the terms and conditions of the contract concluded with the Agency.

(51) A fee of a manager of funds of the funded pension scheme for the management of the investment plan shall be comprised by:

1) the permanent part of the fee which includes payments to the manager of funds, custodian, and also payments to third parties which are made from the funds of the investment plan, except for the expenses which have been incurred, when making transactions with the sale of investment plan assets with repurchase, and which is determined depending on the total assets of the investment plans under the management of the manager:

a) up to 0.6 per cent per year – for the total part of assets which does not exceed EUR 300 million by calculating it as of 30 November of the previous year,

b) up to 0.4 per cent per year – for the total part of assets which exceeds EUR 300 million by calculating it as of 30 November of the previous year;

2) the variable part of the fee which is remuneration to the manager of the funds of the funded pension scheme for the investment plan performance result, and the amount thereof is dependent on the profitability of the pension plan above the reference index which is determined as the combination of indices of debt securities and capital securities. The Cabinet shall determine the applicable reference indices.

(52) The procedures for the calculation of the permanent and variable part of the fee for the management of the investment plan for the manager of funds, and also the procedures for accounting and deduction of the fee for the management of the investment plan shall be determined by the Cabinet.

(53) The manager of funds of the funded pension scheme shall ensure that the maximum amount of the fee for the management of the investment plan by including the permanent and variable part of the fee calculating it for the period of the last 12 months does not exceed:

1) 0.85 per cent of the average value of the investment plan assets in the investment plan prospectus of which the investments in the stocks of commercial companies, other capital securities and securities equivalent to them are not provided;

2) 1.1 per cent of the average value of the investment plan assets for the investment plans not referred to in Clause 1 of this Paragraph.

(54) The manager of funds of the funded pension scheme shall register the funds of the funded pension scheme under its management and manage them separately from any other property owned or managed by the manager of funds of the funded pension scheme. The manager of funds of the funded pension scheme shall manage part of the funds of the funded pension scheme which are managed in accordance with a specific investment plan (funds of investment plan) separately from other assets thereof and the funds of other investment plans.

(55) Management of funds of the funded pension scheme includes the following services:

1) management of investments of the investment plan funds;

2) administration of the investment plan funds, which includes:

a) handling legal and accounting matters,

b) provision of information regarding the performance of the investment plan,

c) calculation of the value of the investment plan and of an investment plan unit,

d) monitoring the regulatory compliance of the investment plan,

e) distribution of the income of the investment plan,

f) execution of the orders and notifications by the Agency in respect of dealing with the investment plan funds,

g) settlement under the contractual obligations,

h) keeping accounts on the transactions related to investment plan funds;

3) provision of information to existing and potential participants of the scheme on the investment plan, manager of funds, and custodian bank.

(56) In conformity with that laid down in Paragraph 5.1 of this Section, the permanent part of the fee calculated on 30 November of the previous year shall be applied to the assets value of the investment plan for the current calendar year from 1 January until 31 December.

(6) Each participant of the funded pension scheme has the right, in accordance with the procedures stipulated by the Cabinet, to select and change the manager of funds of his or her funded pension capital accrued or an investment plan if one manager of funds has two or more investment plans. It is permitted to change the manager of funds of the funded pension scheme not more frequently than once a year, but an investment plan of one and the same manager of funds of the funded pension scheme – not more frequently than twice a year, and also additionally when:

1) the Commission has cancelled the entry in the Register of Managers of Funds of the Funded Pension Scheme;

2) [28 May 2009];

3) reorganisation of the manager of funds of the funded pension scheme selected by the participant of the funded pension scheme has occurred;

4) the manager of funds of the funded pension scheme unifies an investment plan selected by the participant of the funded pension scheme with another investment plan (plans) and has registered with the Commission a prospectus of a new investment plan (new version of the investment plan prospectus) or append the selected investment plan to another investment plan managed by the same manager of the funds of the funded pension scheme;

5) the manager of funds of the funded pension scheme exercises the rights referred to in Paragraph nine of this Section.

(7) [28 May 2009]

(8) [18 March 2004]

(9) The manager of funds of the funded pension scheme is entitled to transfer the investment plan managed by him or her to another manager of funds of the funded pension scheme. The manager of funds shall enter into a contract regarding the transfer of the investment fund assets and shall make the relevant amendments in the contracts entered into with the Agency regarding the management of the funds of the State funded pension scheme. If the manager of funds within one year after taking over of the transferred investment plan makes amendments to the investment policies of the investment plan or increases the expenses of transactions which are associated with investment plan funds and investment management, or increases remuneration, such amendments shall enter into effect not earlier than six months after entering into of the relevant amended contract.

[*31 October 2002; 20 November 2003; 18 March 2004; 28 September 2006; 26 April 2007; 28 May 2009; 3 April 2014; 22 November 2017 / New wording of Paragraph 5.1, Clause 1 and amendments to Paragraph 5.3, Clauses 1 and 2 shall come into force on 1 January 2019. See Paragraphs 20 and 21 of Transitional Provisions*]

**Section 11.1 Advertising the Services of the Management of Funded Pension Scheme Funds and Offering the Investment Plans**

(1) Any public advertising (advertisement) of the management of funded pension scheme funds and the services associated thereof in any way may occur only in conformity the prospectus of the investment plan registered with the Commission.

(2) In placing an advertisement or publicly notifying the regulations of the investment plan, the investment plan advertisement shall indicate:

1) the name of the investment plan;

2) the name of the management company, legal address and the location of the executive institutions;

3) the name of the custodian;

4) the place of issuing of the prospectus of the investment plan;

5) a notice that the current yield does not guarantee a similar yield in the future(if in the advertisement is mentioned the yield of the investment plan).

(3) In placing an advertisement or publicly notifying the regulations of the investment plan, the investment plan advertisement shall in no way guarantee a profit or a specific level of yield.

(4) Persons which offer the investment plans have the obligation to individually inform the participants of the funded pension scheme of the fee for the management of the investment plan (the permanent and variable part of the fee) by familiarising them with the basic information document (current version) intended for the participants of the relevant investment plan.

(5) The persons who offer investment plans are prohibited:

1) to influence the decision of the participant to the funded pension scheme by additionally offering to acquire goods, receive services or other advantages;

2) to request the information from the participant to the funded pension scheme on the amount of the funded pension capital accrued;

3) to make difference in attitude among the participants of the funded pension scheme, including due to the selected investment plan or funded pension capital accrued;

4) to link or combine the participation in the investment plan with any other services, goods or advantages.

[*5 May 2005; 28 May 2009; 22 November 2017*]

**Section 11.2 Delegation of Funded Pension Scheme Managed Fund Services**

(1) If in the prospectus of the investment plan is provided information on separate services associated with the management of the funds of the State funded pension scheme, which the manager of funds of the funded pension scheme plans to transfer (delegate) to another person, the manager of funds of the funded pension scheme shall observe the procedures for the transfer (delegation) of investment management services laid down in the Investment Management Companies Law.

(2) For the purpose of applying Paragraph one of this Section, an investment plan shall be comparable to an investment fund, management of the funds of an investment plan shall be comparable to management of the funds of an investment fund, administration of the funds of an investment plan shall be comparable to administration of the funds of an investment fund, and marketing of an investment plan shall be comparable to marketing of an investment fund within the meaning of the Investment Management Companies Law.

[*26 April 2007; 3 April 2014*]

**Section 11.3 Registration of Managers of Funds of the Funded Pension Scheme**

(1) In order to register in the Register of Managers of Funds of the Funded Pension Scheme, an investment management company or the Member State branch shall submit an application to the Commission. The following documents shall be annexed thereto, which determine the operation of the investment management company in the management of funds of the funded pension scheme:

1) an activity plan for the next three years, in which it is described how it is planned to ensure the management of the funds of the funded pension scheme, and in which at least the following information is included:

a) the investment plans to be introduced,

b) an expenditure forecast and the sources for covering them,

c) the amount of those funds of the funded pension scheme which are planned to be managed;

2) a description of the internal control system, which includes:

a) the organisational structure with clearly specified tasks and duties of officials;

b) the accounting policy and the main principles of the organisation of registration;

c) the financial risk management policy;

d) a description of the management information system;

e) the provisions for the protection of the information system.

(2) After receipt of an application form by the Member State branch, the Commission shall send a request to the supervisory body of the respective Member State, requesting therein the notification of the following information:

1) the equity capital of the investment management company registered in a Member State complies with the requirements of Section 11, Paragraph 1.1 of this Law and during the year before lodging the registration application no violations of the capital requirements have been found;

2) that the investment management company licensed in the Member State follows the rules of internal control and within one year prior to submitting the application for registration no sanctions have been applied thereto for violations of the abovementioned rules;

3) that the supervisory body of the Member State does not object to the Member State branch commencing the management of funds of the funded pension scheme;

4) that the supervisory body of the Member State will, without delay, inform the Commission of any facts which endanger or may endanger the activities of the branch of the Member State in Latvia;

5) the supervisory body of the member State will immediately inform the Commission if the amount of the equity capital of the investment management company licensed in the Member State no longer complies with the requirements of Section 11, Paragraph 1.1 of this Law.

(3) The Commission shall examine the application and take the decision to make an entry in the Register of Managers of Funds of the Funded Pension Scheme or to refuse to make an entry within 60 days after receipt of the documents specified in Paragraphs one and two of this Section which have been drawn up in accordance with the requirements of the laws and regulations governing the procedures for drawing up of documents.

(4) The Commission shall take a decision to refuse to make an entry in the Register of Managers of Funds of the Funded Pension Scheme if:

1) the submitter of the application does not meet the requirements of Section 11, Clause 1.1 of this Law;

2) the submitter of the application has not submitted all the documents referred to in Paragraph one of this Section or has presented false or inaccurate information in the submitted documents;

3) the submitted documents have not been processed in accordance with the requirements of this Law and the laws and regulations governing the activities of the funded pension scheme, personal data protection and the procedures for drawing up documents;

4) within one year prior to submitting the application the investment management company has violated the capital requirements;

5) within one year prior to submitting the application the investment management company has violated the rules of internal control and sanctions have been applied thereto for the abovementioned violations;

6) the supervisory body of the Member State objects to the Member State branch commencing the management of funds of the funded pension scheme;

7) the supervisory body of the Member State has not agreed to inform the Commission of the facts which endanger or may endanger the activity of the Member State branch in Latvia, or of non-conformity of the amount of the equity capital of the investment management company licensed in the Member State with the requirements of Section 11, Paragraph 1.1 of this Law;

8) the Commission has not received the notification of the supervisory body referred to in Paragraph two of this Section.

(5) The Commission has the right to cancel an entry in the Register of Managers of Funds of the Funded Pension Scheme if:

1) any of the cases referred to in Paragraph four of this Section has been established;

2) the manager of funds of the funded pension scheme violates the requirements of the laws and regulations governing the activities of the funded pension scheme, as a result of which further operation of the manager of funds or the interests of the participants of the funded pension scheme may be adversely affected;

3) the manager of funds of the funded pension scheme violates the rules of the investment plan, in accordance with which he or she has undertaken to invest and manage the funds of the funded pension scheme;

4) the licence of the manager of funds of the funded pension scheme for the provision of investment management services is cancelled;

5) the manager of funds of the funded pension scheme, within one year from the day of registration thereof by the Commission in the Register of Managers of Funds of the Funded Pension Scheme, has not entered into a contract with the Agency regarding the management of funds of the State funded pension scheme;

6) the manager of funds of the funded pension scheme is reorganised or liquidated;

7) the manager of funds of the funded pension scheme withdraws from the management of funds of the funded pension scheme;

8) it is requested by the supervisory body of the branch of a Member State;

9) the supervisory body of the Member State branch informs the Commission of facts which endanger or may endanger the activity of the Member State branch in Latvia, or of non-conformity of the amount of the equity capital of the investment management company licensed in the Member State with the requirements of Section 11, Paragraph 1.1 of this Law;

10) the equity capital of the manager of the funded pension scheme funds fails to comply with the requirements of Section 11, Paragraph 1.1 of this Law.

(6) If the Commission has established the circumstances specified in Paragraph five of this Section which allow to take the decision to cancel an entry in the Register of Managers of Funds of the Funded Pension Scheme, it has the right not to cancel the entry but initially to take the decision to impose the following sanctions – to give a warning or to impose the fine referred to in Section 13, Paragraph 5.1 of this Law, and also to specify the time period for the elimination of the violations established. If, after expiry of the time period, the manager of funds of the funded pension scheme has not eliminated the violations established, the Commission shall cancel the entry in the Register of Managers of Funds of the Funded Pension Scheme.

(7) If an administrative act issued by the Commission regarding the cancellation of an entry in the Register of Managers of Funds of the Funded Pension Scheme is appealed, it shall not suspend the operation of the act.

[*28 May 2009; 3 April 2014; 23 September 2021 /* *Amendment regarding the supplementation of Paragraph seven after the word “is” with the words “contested and” and 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 34 of Transitional Provisions*]

**Section 12. Provisions for Investment of Funded Pension Scheme Funds**

(1) A manager of funds of the funded pension scheme, when investing the funds of the funded pension scheme, shall act as a conscientious and careful proprietor and solely in the interests of the participants of the investment plan, as well as observe precautionary principles which ensure the reduction of risk, security of investments, quality and liquidity in accordance with the rules of the investment plan, and shall implement such investment policy which is aimed towards the growth of the funds of the funded pension scheme of the participants of the investment plan. Funds of the funded pension scheme may be invested in the following financial instruments:

1) securities or money market instruments issued and guaranteed by the State and international financial authorities if such securities or money market instruments have been issued and guaranteed by:

a) [18 March 2004];

b) Latvia or another Member State;

c) a Member State of the Organisation for Economic Co-operation and Development the long-term credit rating of which in foreign currency according to the evaluation of international rating agencies conforms to the investment category (hereinafter – the Member State of the Organisation for Economic Co-operation and Development);

d) an international financial authority the member of which is one or several Member States;

11) securities or money market instruments issued or guaranteed by the State and international financial institutions which do not to conform to the requirements referred to in Clause 1 of this Paragraph but are marketed at the sales location registered in a Member State within the meaning of the Financial Instrument Market Law (hereinafter – the sales location) or which are not marketed at the sales location registered in a Member State but the long-term credit rating of which in a foreign currency according to the assessment data of international rating agencies conforms to the investment category and it is laid down in the issuance prospectus thereof that they will be included therein within a year from the day when the subscription for the receipt of the relevant instruments has commenced;

2) securities or money market instruments issued and guaranteed by local governments, if:

a) such securities or money market instruments have been issued or guaranteed by Latvia or another Member State, or a local government of a Member State of the Organisation for Economic Co-operation and Development,

b) such securities or money market instruments conform to the requirements specified in Paragraph one, Clause 3 of this Section;

3) the shares of commercial companies and other capital securities (hereinafter – the capital securities) or debt securities of commercial companies if such securities:

a) are included in the regulated market registered in Latvia or in another Member State or are marketed at another sales location of a Member State;

b) are included in the official listing or a listing comparable thereto of a stock exchange registered in a Member State of the Organisation for Economic Co-operation and Development and the abovementioned stock exchange is a full member of the World Federation of Exchanges;

c) are not included at the sales location referred to in Sub-clause “a” or “b”, but the issuance of securities regulations provide that the securities shall be included therein within a year from the day when the subscription for the receipt of such securities has commenced. If the abovementioned securities are not included at the sales location referred to in Sub-clause “a” or “b” within a year from the day when the subscription for the receipt of such securities has commenced, it shall be the duty of the manager of funds of the funded pension scheme to repurchase these securities for a price which conforms to the purchase value thereof;

4) investments in a credit institution which has obtained a licence for the activity of a credit institution in the Member State or country which is a member country to the Organisation for Economic Co-operation and Development and which in accordance with 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 (Text with EEA relevance) has been recognised as the country in which the supervision and activity regulating requirements which are equivalent to those applied in the European Union shall be applied to credit institutions;

5) investment funds registered in Latvia or in another Member State within the meaning of the Investment Management Companies Law (hereinafter – the investment fund);

51) alternative investment funds registered in Latvia or in another Member State within the meaning of the Law on Alternative Investment Funds and Fund Managers (hereinafter – the alternative investment fund);

6) derivative financial instruments, if:

a) such derived financial instruments are marketed at the sales location registered in a Member State or in the official listing or a listing comparable thereto of a stock exchange registered in a Member State of the Organisation for Economic Co-operation and Development and the abovementioned stock exchange is a full member of the World Federation of Exchanges;

b) a credit institution which has received a licence to operate the credit institution and to which it is permitted to provide financial services in Latvia or in another Member State has assumed obligations included in such a derivative financial instrument;

7) in a risk capital market – in a market which offers the financing of capital commercial companies registered in Latvia or in another Member State at the development stage thereof.

(2) Funds of the funded pension scheme shall be invested in compliance with the following investment restrictions:

1) the total amount of investments in securities or money market instruments issued or guaranteed by one state or an international financial institution may not exceed 35 per cent of the funds of the scheme that are managed and invested in accordance with a systematised set of provisions developed by the manager of funds of the funded pension scheme which is set out in a prospectus of the investment plan (hereinafter – the assets of investment plan). The abovementioned restriction may be exceeded when performing investments in the transferable securities issued by the state, and also if the assets of an investment plan have securities or money market instruments from six or more issues of one issuer and the value of securities or money market instruments of each individual issue does not exceed 20 per cent of the assets of the investment plan, as well as six months following the first contribution made in the relevant investment plan, if the value of the assets of the investment plan is less than EUR 150 000;

2) the total amount of investments in securities or money market instruments issued or guaranteed by one local government may not exceed 5 per cent of the assets of the investment plan. This restriction shall not apply to investments in the transferable securities issued by local governments of Latvia;

3) the investments in securities of one issuer may not exceed 5 per cent of the assets of the investment plan and concurrently 5 per cent of the equity capital and number of voting stocks of the relevant issuer;

4) investment in securities of one issuer may not exceed 10 per cent of the assets of the investment plan and concurrently 10 per cent of the debt securities of one issuer. The restrictions of this Clause shall not apply to the securities referred to in Paragraph two, Clause 1 of this Section. Investment in securities issued by one issuer may form up to 30 per cent of the issued debt securities if the issuer is not registered or the nationality of its beneficial owner at the moment of purchasing securities and during the period of investment is not increased risk jurisdiction (with the manager of funds verifying it at least once a year) which is determined in accordance with the risk increasing factors specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and also at least three of the following conditions are conformed to concurrently:

a) at the time of purchasing debt securities the issuer has been included in the In-depth Cooperation Programme in accordance with the law on Taxes and Duties;

b) each year after publishing the annual statement the issuer certifies to the manager of funds of the funded pension scheme that the former is taking into account the recommendations of the regulated market organiser, the organiser of the sales location registered in another Member State, or the stock exchange where such debt securities are marketed for the implementation of good corporate management;

c) the issuer has ensured that it has a valid collective agreement entered into with employees if at the moment of making an investment the annual statement of the issuer on the previous financial year certifies that the number of employees exceeds 50;

d) the issue is intended for any of the objectives which conforms to sustainable investment in accordance with Article 2(17) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability‐related disclosures in the financial services sector (hereinafter – Regulation No 2019/2088) and such objective has been specified in the issuance prospectus or the public offer document;

5) total amount of investments in securities referred to in Paragraph one, Clause 3, Sub-clause “c” of this Section may not exceed 20 per cent of the assets of the investment plan;

51) total amount of investments in securities referred to in Paragraph one, Clause 11 of this Section may not exceed 10 per cent of the assets of the investment plan;

6) deposits in one credit institution may not exceed 10 per cent of the assets of the investment plan. This restriction shall not apply to claims on the basis of claims against a Custodian bank;

7) the investments in one investment fund may not exceed 10 per cent of the assets of the investment plan and 30 per cent of net assets of such investment fund. The investment in one investment fund may be increased up to 25 per cent from the assets of the investment plan if its investment policy provides for the replication of the capital or debt security index;

71) the investments in one alternative investment fund may not exceed 10 per cent of the assets of the investment plan and 30 per cent of net assets of such alternative investment fund. The total amount of all investments in the alternative investment funds may not exceed 10 per cent of the assets of the investment plan. The total amount of all investments in the alternative investment funds may be increased up to 15 per cent from the assets of the investment plan by taking into account all the requirements as follows:

a) the managers of funds of the funded pension scheme shall comply with the diversification principle by ensuring that investments are made in different types of alternative investment funds which are indicated as predominant alternative investment fund types in 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 (Text with EEA relevance) (hereinafter – Regulation No 231/2013);

b) the manager of funds of the funded pension scheme shall indicate in the prospectus of the investment plan the maximum amount of the investment in each of the types of alternative investment funds which are indicated as predominant alternative investment fund types in Regulation No 231/2013;

72) total amount of all investments in the alternative investment funds referred to in Clause 7.1 of this Paragraph of Section may be increased up to 25 per cent of the assets of the investment plan, concurrently conforming to the requirements laid down in Clause 7.1, Sub-clauses “a” and “b” of this Paragraph of Section, if it is intended to invest this increase in such alternative investment fund the amount of investments of which in sustainable investments (within the meaning of Article 2(17) of Regulation No 2019/2088) according to the investment policy is more than 70 % and the investment policy is being carried out according to that provided for in the activity regulations of the fund, and conformity with at least two of the following conditions is being concurrently ensured for investment objects of the alternative investment fund:

a) a commercial company or a branch of a commercial company in Latvia registered in another state at the moment of making an investment is included in the In-depth Cooperation Programme in accordance with the law On Taxes and Duties;

b) the manager of the alternative investment fund certifies to the manager of funds of the funded pension scheme that the commercial company is not registered or the nationality of its ascertained beneficial owner at the moment of making an investment and during the period of investment is not increased risk jurisdiction (with the manager of the alternative investment fund verifying it at least once a year) which is determined in accordance with the risk increasing factors specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

c) from the following year after making of an investment, the manager of the alternative investment fund certifies to the manager of funds of the funded pension scheme that the commercial company complies with corporate management recommendations developed in the regulated market of its state of registration and a report on the corporate management and non-financial objectives of the commercial company which has been prepared by the commercial company and which includes at least information regarding the main non-financial objectives and indicators and also a reference as to which corporate management recommendations developed in the regulated market of the Member State are applied by the commercial company, and a description of policies which are implemented thereby in relation to the fields of corporate social responsibility and the results of its implementation is appended to the certification;

d) the commercial company has ensured that it has a valid collective agreement entered into with employees if at the moment of making an investment the annual statement of the commercial company on the previous financial year certifies that the number of employees exceeds 50;

8) the investments in financial instruments issued by commercial companies that are a part of one group by managers of funds of the funded pension scheme may be made only through intermediation of a stock exchange (regulated market), and investments in such securities may not exceed 5 per cent of the assets of the investment plan;

81) the investments in investment funds and alternative investment funds managed by commercial companies included in one group with the manager of funds of the funded pension scheme may not exceed 15 per cent of the assets of the investment plan;

82) total investment in investment funds and alternative investment funds under the management of the manager of funds of the funded pension scheme may not exceed 10 per cent of the assets of the investment plan;

9) the total amount of investments in securities or money market instruments issued by one commercial company or one group of commercial companies may not exceed 10 per cent of the assets of the investment plan;

10) deposits in one credit institution or in credit institutions contained in one group and investments in transferable financial instruments issued by the same credit institution or credit institutions contained in one group in total may not exceed 15 per cent of the assets of the investment plan. This restriction shall not apply to claims on the basis of claims against a custodian bank;

11) [21 January 2021];

12) investments in derived financial instruments may be performed only because in order to ensure against the risk of fluctuations in the value of the specified investment plan assets, which may be caused by changes in the price of assets or exchange rate, and only then if the manager of funds has submitted to the Commission regulations in which is described in detail the management policy and the derived financial instrument valuation methods;

13) the value of a single investment in risk capital market may not exceed 5 per cent of the investment plan assets, whereas the total investment value in risk capital market may not exceed 10 per cent of the investment plan assets. Investments in the capital of such capital company, which is in the stage of development, may not exceed 5 per cent of the fixed capital of the respective capital company and the number of voting stocks or shares, but the amount of an investment (capital) share of a capital company, which was founded with the purpose of financing capital companies in the stage of development, or investments in the capital of such capital companies, which were founded with the purpose of financing capital companies in the stage of development, may not exceed 30 per cent of the sum total of the investment (capital) or the capital of the respective capital company;

14) the total investment value in alternative investment funds and risk capital market may not exceed 25 per cent of the investment plan assets, following the restrictions laid down in Paragraph two, Clause 7.1 of this Section in respect of investing in alternative investment funds, and the restrictions laid down in Paragraph two, Clause 13 of this Section in respect of investing in risk capital market;

15) when using the assets of an investment plan in transactions with the sale of assets with repurchase, liabilities arising from such transactions may not exceed 50 per cent of the assets of the investment plan. Such transactions may only be performed for ensuring the short-term liquidation of the investment plan for a period of time up to three months.

(21) Commercial companies included in one group within the meaning of this Section are commercial companies the financial statements of which are consolidated in accordance with international accounting standards.

(3) Open position of foreign currencies of the investment plan may not exceed:

1) in a separate foreign currency – 10 per cent of the assets of the investment plan;

2) in total in all foreign currencies – 20 per cent of the assets of the investment plan.

(31) The Financial and Capital Market Commission shall determine the procedures for the calculation of the open position of foreign currency.

(4) The managers of funds of the funded pension scheme are prohibited from:

1) investing the funds of the funded pension scheme in immovable property, except for investments in alternative investment funds which may invest in immovable property;

2) lending the investment plan funds;

3) investing the funds of the funded pension scheme in financial instruments issued by the manager of funds of the funded pension scheme itself, except for the investment funds and alternative investment funds under its management, for buying or selling of certificates of which the manager of funds does not receive a commission payment from the funds of the investment plan;

4) borrowing money on the account of the investment plan, except for loans to provide short-term liquidity for a period of up to three months, and not exceeding 50 per cent of the investment plan asset value;

5) assuming any liabilities on the account of the investment plan that arise from a guarantee agreement;

6) exceeding 50 per cent of the investment plan assets when entering into the transactions referred to in Paragraph two, Clause 15 of this Section and Clause 4 of this Paragraph;

7) investing the funds of the investment plan in such alternative investment funds the activity regulations of which intend to use leverage the amount of which in accordance with the calculation laid down in Regulation No 231/2013:

a) exceeds the value of the net assets of the alternative investment fund more than twice if it intends to issue loans or involve in crediting transactions;

b) exceeds the value of the net assets of alternative investment fund for more than three times if it does not intend to issue loans or involve in crediting transactions;

8) to invest the funds of the investment plan in virtual currencies and such alternative investment funds the activity regulations of which intend to invest more than 10 per cent of the net asset of the fund in virtual currencies.

(5) [3 April 2014]

(6) [3 April 2014]

(7) [3 April 2014]

(8) Investments in financial instruments which are not marketed in the regulated market registered in a Member State or in the stock exchange referred to in Paragraph one, Clause 3, Sub-clause “b” of this Section but are marketed at the sales location in another Member State may not exceed 20 per cent of the assets of the investment plan.

[*31 October 2002; 20 November 2003; 18 March 2004; 5 May 2005; 26 April 2007; 28 May 2009; 9 July 2013; 12 September 2013; 3 April 2014; 4 February 2016; 22 November 2017; 21 January 2021 /* *See Paragraphs 31 and 32 of Transitional Provisions*]

**Section 12.1 Consequences of a Violation of the Investment Provisions for the Funded Pension Scheme Funds**

(1) A violation of the investment provisions prescribed in the investment plan prospectus shall not invalidate the respective transaction, whereas the manager of funds of the funded pension scheme has the obligation compensate for all damages incurred by participants of the investment plan as a result of such actions. The manager of funds has the obligation to design a procedure for laying down the procedures for evaluating the damages and compensating them.

(2) The manager of funds of the funded pension scheme shall, without delay, however no later than on the following working day notify the Commission in writing of a violation of the investment provisions, as well as of measures for the elimination of such violations, indicating the time period for the elimination of the violations.

(3) If, in order to eliminate violations of investment provisions, it becomes necessary for a manager of funds of the funded pension scheme to dispose of an investment in the investment plan, however, disposal of such investment (asset) is impossible in financial markets, the manager of funds has an obligation to redeem the investment concerned at its fair value. The fair value of an investment shall be determined in accordance with the Commission regulations prescribing the preparation of annual reports of investment plans of the funded pension scheme.

(31) The obligation referred to in Paragraph three of this Section in relation to the redeeming of investments shall be implemented within the following period of time:

1) for an investment which is marketed at the sales location or in the stock exchange referred to in Section 12, Paragraph one, Clause 3, Sub-clause “b” of this Law – not later than within three months from the day of the occurrence of a violation of investment provisions if the violation is not eliminated;

2) for an investment which is not marketed at the sales location or in the stock exchange referred to in Section 12, Paragraph one, Clause 3, Sub-clause “b” of this Law – not later than within three years from the day of the occurrence of a violation of investment provisions if the violation is not eliminated.

(4) After having eliminated investment violations, the manager of funds of the funded pension scheme has an obligation to evaluate without delay whether such actions have caused damages to the participants of the investment plan.

(5) If the manager of funds of the funded pension scheme establishes that the violation of investment provisions has resulted in damages to the participants of the investment plan, the manager of funds of the funded pension scheme has an obligation, no later than on the next day after elimination of the damages, to compensate for them in the specified amount by making a cash contribution to the account of the investment plan concerned.

(6) A custodian has an obligation to monitor the compliance with the investment provisions prescribed in the investment plan prospectus, and, when detecting a violation thereof, shall, without delay, notify in writing the manager of funds of the funded pension scheme and the Commission thereof.

(7) A custodian has an obligation to monitor the process of evaluation and compensation for damages, and also to supply the Commission with a statement that the evaluation of damages performed by the manager of funds of the funded pension scheme corresponds to the actual amount of damages, and with information that funds have been contributed to the account of the investment plan concerned towards indemnification for damages.

(8) It is permissible to exceed the investment restrictions prescribed by the investment plan if they have been caused by extraordinary and adverse developments in financial markets. The manager of funds of the funded pension scheme shall notify the Commission on having exceeded investment restrictions in accordance with the procedures laid down in Paragraph two of this Section.

[*3 April 2014; 21 January 2021*]

**Section 12.2 Ensuring of Cash Flow**

(1) The manager of funds of the funded pension scheme has the obligation to ensure cash flow in accordance with the signed contracts.

(2) If, in order to ensure cash flow, it becomes necessary for a manager of funds of the funded pension scheme to dispose of an investment in the investment plan, however, disposal of such investment (asset) is impossible in financial markets, the manager of funds has the obligation to redeem the investment concerned at its fair value. If such redemption of investment has incurred damages to the participants of the investment plan, the manager of funds of the funded pension scheme and the custodian shall act in accordance with the provisions of Section 12.1 of this Law, which specify the actions to be taken in the case of a violation of the investment provisions for the funded pension scheme.

[*3 April 2014*]

**Section 13. Monitoring of Operation of Managers and Custodians of Funds of the Funded Pension Scheme**

(1) The Commission shall monitor the operation of managers and custodians of the funds of the funded pension scheme.

(2) The Commission has an obligation:

1) to monitor that the managers of funds of the funded pension scheme, when managing the funds of the funded pension scheme, comply with the requirements of laws and regulations;

2) to monitor that the custodians of funds of the funded pension scheme, when keeping the funds of the funded pension scheme, comply with the requirements of laws and regulations;

3) to register a prospectus of an investment plan conforming to the requirements laid down in law.

(3) The Commission shall notify the Agency of the making of or annulment of an entry in the Register of Managers of Funds of the Funded Pension Scheme.

(4) The Commission and sworn auditors approved thereof have the right to perform inspections of the operation of managers of funds of the funded pension scheme and the holders of funds, and to request documents and information regarding the operation thereof and the management of funds of the funded pension scheme. Managers of funds and holders of funds have an obligation to provide all necessary information and to present all the documents during such inspections.

(5) The Commission on the basis of the reports submitted and inspections performed shall evaluate the stability of the financial standing and solvency of the manager of funds and the custodian and, if necessary, provide instructions regarding the improvement of the standing of the assets of the funded pension scheme, and also determine a time period for the implementation of the instructions.

(51) If the manager of funds or custodian violates the requirements of this Law, laws and regulations issued in accordance with this Law or provisions of the prospectus of the investment plan of funds of the funded pension scheme, the Commission has the right to impose a fine on the manager of funds or the custodian up to 400 minimum monthly salaries.

(52) If in supervising the manager of funds and custodian, the Commission finds that the custodian violates the requirements of this Law, laws and regulations issued in accordance with this Law or provisions of the prospectus of the investment plan of funds of the funded pension scheme or the financial stability or solvency of the custodian causes risks to the provision of continuous operation of the funded pension scheme, the Commission is entitled to request that the manager of funds changes the custodian. In the case referred to in this Paragraph the Commission, in taking the decision, is entitled to determine conditions for the manager of funds for the attraction of a new custodian.

(6) If the Commission cancels an entry in the Register of Managers of Funds of the Funded Pension Scheme, it shall immediately, but not later than on the following working day, notify the Agency thereof. The Agency shall transfer the funded pension scheme funds managed by the relevant manager in accordance with the procedures stipulated by the Cabinet to other managers of the funded pension scheme funds for management, and also perform other activities of substantiated necessity to prevent the reduction of value of the funded pension scheme funds managed by the relevant manager of the funded pension scheme funds.

(7) If the manager of the funded pension scheme funds has refused to manage the funded pension scheme funds and participants of the funded pension scheme whose pension capitals are managed by the relevant manager of the funded pension scheme funds, within two months of the day when the Agency has notified them on the refusal of such manager of the funded pensions scheme funds, have not submitted to the Agency a written application regarding the selection of a new manager of the funded pension scheme funds, in accordance with the procedures stipulated by the Cabinet the Agency shall transfer such funded pension capitals of the participants to the scheme for management to other managers of the funded pension scheme funds.

[*31 October 2002; 18 March 2004; 26 April 2007; 28 May 2009; 22 November 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 34 of Transitional Provisions*]

**Section 13.1 Restricted Access Information**

(1) The information on the manager of funds and the investment plans, the operation of the manager of funds and the investment plans 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 the disclosure of which the Commission has not taken a decision, the information received in accordance with the law On Investment Management Companies from the competent authorities and persons of Member States and foreign countries, and also from the institutional units established by Member States, and the information obtained during examinations for the supervisory needs of the manager of funds shall be considered restricted access information and it shall be disclosed to the third parties only in the form of a review or summary so that it would not be possible to identify any particular investment plan of the manager of funds and its participant. Such information on the manager of funds and its operation shall have the status of restricted access information also if insolvency proceedings have been initiated or liquidation has been commenced for the manager of funds or the manager of funds has been liquidated.

(2) The Commission is entitled to disclose the restricted access information referred to in Paragraph one of this Section, insofar as it applies to the management of the funds of the State funded pension scheme, to such legal entities and in such cases when the Commission is permitted to disclose restricted access information in accordance with the law On Investment Management Companies.

[*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 34 of Transitional Provisions*]

**Section 14. Reports on the Management of the Funded Pension Scheme Funds and Audit Thereof**

(1) The manager of funds of the funded pension scheme shall, in accordance with procedures stipulated by the Commission, prepare an annual report which provides a true and clear representation of the management of funds of the funded pension scheme, accounting of contributions made and investments. A sworn auditor approved by the board of an investment management company shall examine the report in accordance with international auditing standards.

(2) A sworn auditor has the obligation to notify in writing the manager of funds of the deficiencies found in the inspection and to send the copies of his or her notice to the Commission and the Agency. If the financial situation of the manager demands rapid action, the sworn auditor has an obligation to notify the Commission and Agency immediately thereof.

(3) In order to ensure monitoring, the Commission is entitled to request the manager of funds of the funded pension scheme to prepare other reports in accordance with the regulations issued by the Commission regarding the procedures for the preparation and submission of such reports.

[*31 October 2002; 18 March 2004; 28 September 2006; 28 May 2009*]

**Chapter IV**

**Final Provisions**

**Section 15. Procedures for the Settlement of Disputes**

(1) Administrative acts issued and actual acts by officials of the Agency may be disputed within one month from the day of the coming into effect of the administrative act by submitting a relevant complaint to the director of the Agency. The decisions of the director of the Agency may be appealed to a court within one month from the day of the entering into effect thereof.

(2) Administrative acts of the Commission, which have been issued in accordance with this Law, may be appealed to the Administrative Regional Court. The case shall be examined by a court of first instance. The case shall be examined in the composition of three judges. The judgment of the Administrative Regional Court may be appealed, by submitting a cassation complaint.

[*26 April 2007; 28 May 2009*]

**Section 16. Termination of the Operations of the Treasury in the Management of Funded Pension Scheme Funds**

(1) From 1 August 2007, participants of the funded pension scheme who select or change managers of funded pension capital funds shall not be given the possibility to select the Treasury as a manager.

(2) In order to terminate the operations of the Treasury in the management of funded pension scheme funds and to transfer the funded pension capital registered in the funded pension scheme funds participants accounts under Treasury management to other fund managers, a tendering procedure shall be announced. The regulations of the tendering procedure, procedures for the transfer of funds and time periods, and also the procedures by which the managers of funded pension scheme funds shall compensate the Agency the expenditure associated with the transfer of the capital shall be determined by the Cabinet. The tendering procedure shall be announced not earlier than 1 August 2007.

[*28 September 2006*]

**Transitional Provisions**

1. [28 September 2006]

2. The rate determined in Section 4, Paragraph two of this Law shall come into force on 1 January 2016.

[*25 September 2008; 23 April 2009; 20 December 2010; 15 November 2012*]

3. By coming into force of the rate determined in Section 4, Paragraph two of this Law the rate is:

1) as of 1 July 2001 not less than 2 per cent of the contribution object determined in law;

2) as of 1 January 2007 not less than 4 per cent of the contribution object determined in law;

3) as of 1 January 2008 not less than 8 per cent of the contribution object determined in law;

4) as of 1 May 2009 – 2 per cent of the contribution object determined in law. The rate shall be applied to contributions which are registered from 1 May 2009 in the account of a participant of the funded pension scheme, except adjusted contributions for the time period until 31 December 2008;

5) as of 1 January 2011 not less than 2 per cent of the contribution object determined in law;

6) as of 1 January 2013 – 4 per cent of the contribution object determined in law;

7) as of 1 January 2015 – 5 per cent of the contribution object determined in law.

[*25 September 2008; 23 April 2009; 20 December 2010; 15 November 2012*]

4. Until the establishment of the Finance and Capital Market Commission:

a) the Cabinet shall issue the regulations referred to in Section 12 of this Law regarding the investment of funds of the funded pension scheme;

b) the Securities Market Commission shall fulfil the functions of the Commission referred to in Sections 11, 13, and 14 of this Law.

[*20 November 2003*]

5. [28 September 2006]

6. [28 September 2006]

7. Investment companies, which have commenced the management of the funds of the State funded pension scheme until 30 April 2004, shall, by 31 December 2004, implement the necessary measures so that they would conform to the requirements laid down in this Law.

[*18 March 2004*]

8. [26 April 2007]

9. The Cabinet shall by 1 February 2007:

1) make the necessary amendments to Cabinet Regulation No. 272 of 27 May 2003, Regulations Regarding the Operation of the State Funded Pension Scheme;

2) issue the regulations referred to in Section 16, Paragraph two of this Law.

[*28 September 2006*]

10. Amendments to Sections 11 and 14 and the deletion of Paragraphs 1, 5, and 6 of these Transitional Provisions of this Law shall come into force on 1 November 2007.

[*28 September 2006*]

11. Amendments to Section 3 of this Law regarding the supplementation thereof with Paragraphs five and six, and amendments to Section 7 of this Law regarding the supplementation thereof with Paragraph two shall come into force on 1 January 2009.

[*25 September 2008*]

12. If investment management companies have received a licence for the management of funds of the State funded pension scheme, the Commission shall register the investment management company in the Register of Managers of Funds of the Funded Pension Scheme within one month after the day of the coming into force of the relevant amendments to the Law by which the registration of the managers of funds of the funded pension scheme are prescribed, without requesting additional documents.

[*28 May 2009*]

13. Amendments to the second sentence of Section 12, Paragraph one, Clause 3, Sub-clause “c” of this Law, in relation to the obligation to repurchase securities and the amendments to Section 13, Paragraph two in relation to the determination of additional restrictions shall not apply to investments which were made prior to the coming into force of the aforementioned amendments, and such transactions may be continued in accordance with those legal provisions which were prescribed by law until the day of the coming into force of these amendments, except in the cases where the amount of these investments is increased or other transaction rules are amended.

[*28 May 2009*]

14. Amendments to Section 12, Paragraph two of this Law in relation to the supplementation thereof with Clause 15 and amendments to Section 12, Paragraph four of this Law in relation to the new wording thereof shall come into force on 1 December 2009.

[*28 May 2009*]

15. The Cabinet shall, within six months after the date when after the end of the financial year when the annual revenues of the social insurance special budget have exceeded the expenditures, assess the reduction of the social insurance contribution rate to the State funded pension scheme in the years 2011–2015 and its impact on the old-age pension capital of a participant of the State funded pension scheme, and shall submit a respective report to the *Saeima*. The report shall also include an assessment of the possibility to compensate the State funded pension scheme for the reduction of the social insurance contribution rate.

[*15 November 2012*]

16. Any investments made before the Law on Alternative Investment Funds and Managers of Alternative Investment Funds effective date, however which, within the meaning of the abovementioned Law, are considered to be alternative investment funds, shall be subject to the restrictions laid down in this Law in respect of alternative investment funds.

[*3 April 2014*]

17. The minimum share capital referred to in Section 11, Paragraph 1.1 of this Law shall be ensured by the manager of funds of the funded pension scheme:

1) as of 1 January 2015 – in the amount of 50 per cent;

2) as of 1 January 2016 – in the amount of 100 per cent.

[*3 April 2014*]

18. The requirement laid down in Section 11, Paragraphs four and 4.2 of this Law concerning the obligation of the manager of funds of the funded pension scheme to draw up the document with key information designated for the participants of the funded pension scheme, Section 11, Paragraphs 5.1, 5.2, and 5.3 of this Law concerning the payments to the manager of funds of the funded pension scheme for the management of the investment plan, and amendments to Section 11.3 concerning the capital requirements set forth for the manager of funds of the funded pension scheme shall come into force on 1 January 2015.

[*3 April 2014*]

19. Managers of funds of the funded pension scheme shall ensure that, starting 1 January 2015, the investment plan rules are in compliance with the requirements laid down in Section 11, Paragraph 5.3 of this Law, which establish the maximum amount of payment for the management of an investment plan.

[*3 April 2014*]

20. Amendments to Section 11, Paragraph 5.1, Clause 1 of this Law in respect of the calculation of the permanent part of the fee of the manager of funds of the funded pension scheme up to 0.6 and up to 0.4 per cent shall come into force on 1 January 2019. During the time period from 1 January 2018 up to 31 December 2018 the permanent part of the fee laid down in Section 11, Paragraph 5.1, Clause 1 of this Law which includes payments to the manager of funds, custodian, and also payments to third parties which are made from the funds of the investment plan, except for the expenses which have been incurred, when performing transactions with the sale of investment plan assets with repurchase, and which is determined depending on the total assets of the investment plans under the management of the manager shall be as follows:

1) up to 0.8 per cent per year – for the total part of assets which does not exceed EUR 300 million by calculating it as of 30 November 2017;

2) up to 0.6 per cent per year – for the total part of assets which exceeds EUR 300 million by calculating it as of 30 November 2017.

[*22 November 2017*]

21. Amendments to Section 11, Paragraph 5.3, Clauses 1 and 2 of this Law in respect of determining the maximum amount of the fee for the management of the investment plan in the amount of 0.85 and 1.1 per cent shall come into force on 1 January 2019. During the time period from 1 January 2018 until 31 December 2018 a manager of funds of the funded pension scheme shall ensure that the maximum amount of the fee for the management of the investment plan, including the permanent and variable part of the payment by making calculation for the last 12 months does not exceed:

1) 1.05 per cent of the average value of the investment plan assets in the investment plan prospectus of which the investments in the stocks of commercial companies, other capital securities and securities equivalent to them are not provided;

2) 1.3 per cent of the average value of the investment plan assets for the investment plans not referred to in Sub-paragraph 1 of this Paragraph.

[*22 November 2017*]

22. Amendments to Section 12, Paragraph two, Clause 11 shall not be applied to the investment plan the prospectus of which have been registered with the Commission until 31 December 2017, and the investment restrictions providing that investments in capital securities, alternative investment funds or in such investment funds which may make investments in capital securities or other financial instruments equivalent to them in terms of risk may not exceed 50 per cent in total of the investment plan assets shall be followed in respect of them. In such case the investment restriction – 50 per cent of the investment plan assets – shall not be attributed to such alternative investment funds for which a Real Estate Fund has been indicated as the dominating type of the alternative investment fund in accordance with Regulation No 231/2013, if the leverage does not exceed 50 per cent of its net asset value, but the application of the requirements laid down in Section 12, Paragraph two, Clauses 7.1 and 7.2 of this Law shall continue in relation to investments in such alternative investment funds.

[*22 November 2017; 23 September 2021*]

23. The provisions of Section 12, Paragraph four, Clause 7 of this Law shall not be applicable to the investments in alternative investment funds which have been made until 31 December 2017 and the agreement entered into to make investments in the future if the agreement has been entered into until 31 December 2017.

[*22 November 2017*]

24. Section 9, Paragraph threeof this Law shall come into force on 1 July 2018.

[*22 November 2017*]

25. Amendments to Section 2, Paragraph two, Section 3, Paragraphs one and two of this Law, Section 3.1, amendments to Section 7, Paragraph one, Section 7, Paragraph 1.1, and the new wording of Section 8 shall come into force on 1 January 2020. In relation to the funded pension capital of such persons who have died before 1 January 2020, the legal norms that were in force on the day of the death of the respective person shall be applicable.

[*11 November 2018*]

26. Amendments to Section 4, Paragraph one of this Law in relation to supplementing this Paragraph with the words “except for the mandatory contributions from the special budgets of social insurance and the State basic budget” shall come into force concurrently with the coming into force of the respective amendments to the law On State Social Insurance, but not earlier than on 1 January 2020 and shall apply to the mandatory contributions from the special budgets of social insurance and the State basic budget for the period from 1 January 2020.

[*11 October 2018*]

27. The Agency shall, by 31 January 2020, gather information on the persons and inform the persons to whom the old-age pension (including early retirement) has already been granted or who have claimed an old-age pension and have not used the funded pension capital of a participant of the funded pension scheme which has been accrued for the period up to 31 December 2019. Such persons shall make a choice to add the accrued funded pension capital to the non-funded pension capital and to recalculate the old-age pension in accordance with the law On State Pensions or to acquire a life assurance (lifetime pension) policy and shall inform the Agency of the choice made by 30 November 2021. If the person has not made a choice within the specified time period, the Agency shall close the account of the funded pension scheme participant of the person starting from 1 January 2022, shall transfer the accrued funded pension capital into the State pension special budget and, in accordance with the law On State Pensions, shall recalculate the old-age pension of the person from 1 January 2022 in relation to the funded pension capital.

[*11 October 2018*]

28. The Cabinet shall, by 1 July 2019, assess the current legal framework for the disbursement (use) of the State funded pension capital and practice in relation to persons who do not have the right to an old-age pension, and shall submit a report to the *Saeima* regarding it, and also, where necessary, prepare the amendments to this Law, law On State Pensions and law On State Social Insurance and submit them to the *Saeima*.

[*11 October 2018*]

29. Upon claiming the old-age pension (including early retirement), a person who is a participant of the State funded pension scheme has the right to postpone the choice specified in Section 7, Paragraph one of this Law until 30 November 2021. If the person has not made a choice within the specified time period, the Agency shall close the account of the funded pension scheme participant of the person starting from 1 January 2022, shall transfer the accrued funded pension capital into the State pension special budget and, in accordance with the law On State Pensions, shall recalculate the old-age pension of the person from 1 January 2022 in relation to the funded pension capital. If the person dies before making the choice, the funded pension capital of the person shall be transferred into the State pension special budget.

[*2 April 2020*]

30. Amendment to Section 7, Paragraph one, Clause 2 of this Law providing that the life assurance (lifetime pension) contract specifies the amount of the lifetime pension which is disbursed throughout the period of disbursement of the lifetime pension and the insurance company shall inform the Agency of its amount shall come into force on 1 January 2023.

[*21 January 2021 /* *The abovementioned amendment shall be included in the wording of the Law as of 1 January 2023*]

31. [23 September 2021]

32. In relation to investment plans to which Paragraph 22 of these Transitional Provisions was applied until the day when amendment to this Law regarding the deletion of Section 12, Paragraph two, Clause 11 comes into force, compliance with the investment restrictions providing that investments in capital securities, alternative investment funds, or in such investment funds which may make investments in capital securities or other financial instruments equivalent to them in terms of risk may not exceed 50 per cent in total of the investment plan assets shall be continued. In such case the investment restriction – 50 per cent of the investment plan assets – shall not be attributed to such alternative investment funds for which a Real Estate Fund has been indicated as the dominating type of the alternative investment fund in accordance with Regulation No 231/2013, if the leverage does not exceed 50 per cent of its net asset value, but the application of the requirements laid down in Section 12, Paragraph two, Clauses 7.1 and 7.2 of this Law shall continue in relation to investments in such alternative investment funds.

[*21 January 2021; 23 September 2021*]

33. The Cabinet shall, by 31 December 2021, evaluate whether it is necessary to provide for additional possibilities for a participant of the funded pension scheme to obtain information online regarding his or her accrual and for the manager of funds of the funded pension scheme – the right to obtain information regarding the participants of the funded pension scheme the funds of which are managed thereby, and to submit a relevant draft law according to the evaluation to the *Saeima*.

[*21 January 2021*]

34. Amendment to this Law regarding the replacement of the word “Commission” with the words “Latvijas Banka” throughout the Law, except for the name “European Commission” in Section 12, Paragraph two, Clause 7.1, Sub-clause “a” and Transitional Provisions, amendment regarding the new wording of the third sentence of Section 11, Paragraph one, amendment to Section 11.3, Paragraph seven, amendment regarding the new wording of Section 12, Paragraph 3.1, and amendment to Section 14, Paragraph three 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*]

35. The regulatory provisions of the Financial and Capital Market Commission issued on the basis of this Law until the day of the 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*]

The Law shall come into force on 1 July 2001.

The Law has been adopted by the *Saeima* on 17 February 2000.

President V. Vīķe-Freiberga

Rīga, 8 March 2000