

Law "On the Bank of Latvia" [unofficial translation]

UNOFFICIAL TRANSLATION

Adopted on May 19, 1992.

In effect as of May 19, 1992.

With amendments passed by the Saeima of the Republic of Latvia on June 18, 1997 (in effect as of July 3, 1997) [1]

With amendments passed by the Saeima of the Republic of Latvia on October 29, 1998 (in effect as of November 18, 1998) [2]

With amendments passed by the Saeima of the Republic of Latvia on November 4, 1999 (in effect as of November 24, 1999) [3]

With amendments passed by the Saeima of the Republic of Latvia on June 1, 2000 (in effect as of July 1, 2001) [4]

With amendments passed by the Saeima of the Republic of Latvia on October 25, 2001 (in effect as of January 1, 2002) [5]

With amendments passed by the Saeima of the Republic of Latvia on June 20, 2002 (in effect as of July 12, 2002) [6]

With amendments passed by the Saeima of the Republic of Latvia on December 1, 2005 (in effect as of December 27, 2005) [7]

With amendments passed by the Saeima of the Republic of Latvia on June 15 2006 (in effect as of July 11, 2006) [8]

With amendments passed by the Saeima of the Republic of Latvia on October 8 2009 (in effect as of November 11, 2009) [9]

With amendments passed by the Saeima of the Republic of Latvia on April 19 2012 (in effect as of May 22, 2012) [10]

With amendments passed by the Saeima of the Republic of Latvia on January 10, 2013 (in effect as of February 6, 2013) [11]

With amendments passed by the Saeima of the Republic of Latvia on January 10, 2013 (in effect on the date when the Council of the European Union, pursuant to Article 140(2) of the Treaty on the Functioning of the European Union, has abrogated the derogation granted to the Republic of Latvia) [12]

Section I GENERAL PROVISIONS

Article 1. The Bank of Latvia is the central bank of the Republic of Latvia.

The Bank of Latvia shall enjoy the full rights of an autonomous state institution. It shall hold state property and have a stamp (seal) reproducing the large coat of arms of the Republic of Latvia and bearing the Bank's name "Latvijas Banka" (Bank of Latvia). The Bank of Latvia administration shall be located in Riga. [4]

Article 2. The Bank of Latvia shall be established by a resolution passed by the Supreme Council of the Republic of Latvia.

The Bank of Latvia is a member of the European System of Central Banks. [8]

In its operation the Bank of Latvia shall observe the laws, the Treaty on the Functioning of the European Union (hereinafter, the Treaty) as well as other legal acts and instruments regulating the functioning of the national central banks in accordance with the Treaty and Protocol (No 4) "The Statute of the European System of Central Banks and of the European Central Bank" (hereinafter, the Statute). [8] [11]

Article 3. The primary objective of the Bank of Latvia shall be to maintain price stability. Without prejudice to the primary objective, the Bank of Latvia shall support the general economic policies in the European Union in accordance with Article 127(1) of the Treaty. [7] [12]

The Bank of Latvia shall participate in the carrying out of the tasks of the European System of Central Banks in accordance with the Treaty and the Statute. [12]

Article 4. The Bank of Latvia, within the limits set by the Treaty, the Statute and this law, shall be entitled:

1. to grant and take loans;
 2. to accept and place deposits;
 3. to carry out transactions in financial instruments and precious metals as well as perform other operations in the financial markets;
 4. to open accounts, accept and execute payment orders, and ensure payment clearing;
 5. to issue euro banknotes and coins, process and exchange them, withdraw them from circulation, as well as distribute them to and accept them from credit institutions;
 6. to define requirements for the collection of statistical data and compilation and submission of statistical reports.
- [12]

Article 5. The Bank of Latvia shall hold and manage its foreign reserves, taking into account the provisions of the Statute. [12]

The government shall deposit its foreign exchange working balances with the Bank of Latvia. Upon receipt of specific authorisation from the government, the Bank of Latvia shall be entitled to act as the government's financial agent in banking transactions. [12]

Article 6. The Bank of Latvia shall advise the Saeima and the Cabinet of Ministers on monetary policy and other matters pertaining to the execution of the Bank of Latvia's tasks.

The Bank of Latvia shall be entitled to receive information necessary for the execution of its tasks from the Financial and Capital Market Commission and other public institutions and public administration authorities. [4]

Article 7. The Bank of Latvia shall cooperate with the European Central Bank, the European Union and foreign national central banks and other financial institutions. [12]

The Bank of Latvia may participate in international monetary institutions subject to the approval of the European Central Bank pursuant to Article 6.2 of the Statute. The Bank of Latvia may participate in the activities of other international financial institutions, provided that these activities conform to the objectives and tasks of the Bank of Latvia, in compliance with the provisions of the Treaty and the Statute. [12]

Article 8. *[Excluded 7]*

Article 9. The Bank of Latvia shall participate in promoting the smooth operation of payment systems in compliance with the provisions of the Treaty and the Statute. [12]

Article 10. The Bank of Latvia shall be entitled to inspect compliance with the regulations and regulatory instructions it has adopted. The inspection procedures shall be performed by persons authorised by the Bank and on its assignment. [4]

Article 11. The Bank of Latvia shall issue permits (licences) to legal persons registered with the Register of Enterprises of the Republic of Latvia, except credit institutions, for the purchase and sale of foreign currency as a commercial activity. [4]

The Bank of Latvia shall be entitled to revoke a permit (licence) it has issued where the procedure it has established for effecting foreign currency purchase and sales transactions has been violated. [4]

The amount of the state duty for issuing a permit (licence) for the purchase and sale of foreign currency as a commercial activity shall be established by the Cabinet of Ministers. [7]

Article 12. For the purpose of fulfilling its tasks, the Bank of Latvia may open accounts for the government of Latvia, credit institutions, international institutions, members of the European System of Central Banks and other financial market participants. [7]

On the accounts opened for the government, the Bank of Latvia shall keep the state budget resources and the resources of special funds, and shall effect the transfer of the budget resources free of charge.

The Ministry of Finance of the Republic of Latvia shall be entitled to receive information on state budget resources at any time and to control the utilisation of these resources.

Article 13. Neither the Bank of Latvia, nor its Governor, Deputy Governor nor any member of the Council shall seek or take instructions from the government of Latvia and other European Union Member States, European Union institutions and other national, foreign or international institutions, agencies, offices or bodies; the governments, institutions, agencies, offices or bodies referred to in this Article are not entitled to give instructions or otherwise seek to influence the Governor, Deputy Governor and members of the Council of the Bank of Latvia in the performance of their tasks in accordance with Article 130 of the Treaty. [1] [6] [11]

The Bank of Latvia shall be independent in the adoption of its decisions and in their practical implementation.

Article 14. The Bank of Latvia shall be entitled to have commercial companies, provided that they are essential for the execution of its tasks, improvement of employee qualifications, and ensuring its operation. [7]

The Bank of Latvia shall not participate in any commercial activity.

Article 15. The Bank of Latvia shall draw up its financial statements in accordance with the legal acts and instruments of the European Central bank on accounting and financial statements binding on the European System of Central Banks and the requirements stipulated by the Council of the Bank of Latvia. The financial statements shall be approved by the Board of the Bank of Latvia. [12]

The Council of the Bank of Latvia shall approve the annual report. [12]

Article 16. The fiscal year of the Bank of Latvia shall begin on 1 January and end on 31 December.

Article 17. [*Excluded* 11]

Section II

CAPITAL OF THE BANK OF LATVIA AND APPROPRIATION OF PROFIT

Article 18. The nominal capital of the Bank of Latvia shall be 100 million euro. [1] [12]

(Paragraph 2 has been excluded by the Law of 20 June 2002.)

Article 18.¹ Within 15 days following the approval of the annual report by the Council of the Bank of Latvia and after covering losses accumulated in the previous years, if any, the Bank of Latvia shall transfer to a state general budget account indicated by the Treasury:

- 1) a part of its profit earned during the reporting year, which shall be calculated by applying the tax rate established for residents by the Law "On Corporate Income Tax";
- 2) payments for the usage of state capital in the amount of 50 percent of the profit earned during the reporting year. [9]
[12]

Upon approval of the annual report, the Council of the Bank of Latvia may reduce the percentage share of the payment referred to in Clause 2 of Paragraph 1 of this Article where it is necessary for increasing the reserve capital of the Bank of Latvia in relation to the financial risks the Bank of Latvia is exposed to when executing its tasks. The Bank of Latvia shall immediately notify the Saeima and the Ministry of Finance of such a decision. [12]

Article 19. The profit remaining after making the deductions stipulated in Article 18¹ shall be transferred to the reserve capital. The reserve capital shall be formed to cover possible losses. Where the reserve capital is not sufficient to cover all losses, the remaining amount of losses shall be covered from the nominal capital. [6]

Article 20. [*Excluded* 6]

Section III ADMINISTRATION OF THE BANK OF LATVIA

Article 21. The Bank of Latvia shall be administered by the Council of the Bank of Latvia and the Board of the Bank of Latvia. The Council of the Bank of Latvia shall consist of eight persons: the Governor, the Deputy Governor and six members of the Council.

The Council of the Bank of Latvia shall be chaired by the Governor or the Deputy Governor.

Article 22. The Governor of the Bank of Latvia shall be appointed by the Saeima of the Republic of Latvia upon the recommendation of at least ten members of the Saeima. [1] [10]

The Deputy Governor of the Bank and members of the Council of the Bank of Latvia shall be appointed by the Saeima upon the recommendation of the Governor of the Bank of Latvia. [1] [10]

The Governor of the Bank of Latvia, the Deputy Governor and members of the Council shall hold office for six years. In case any member of the Council resigns or his/her office is otherwise terminated before his/her term of office has expired, a new member of the Council of the Bank of Latvia shall be appointed for a term of office of six years. [11]

The Governor of the Bank of Latvia, the Deputy Governor and members of the Council of the Bank of Latvia may be relieved from office by the Saeima before the term of office stipulated by Paragraph 3 of this Article only in the following cases:

- 1) he/she has submitted his/her resignation;
- 2) he/she has been guilty of serious misconduct pursuant to Article 14.2 of the Statute;
- 3) setting in of the other ground of dismissal stipulated by Article 14.2 of the Statute. [1] [6] [11]

In the case referred to in Clause 2 of Paragraph 4 of this Article, the Saeima may decide on relieving from the office of the Governor of the Bank of Latvia, the Deputy Governor and members of the Council of the Bank of Latvia after the court decision on finding him/her guilty has become effective. [11]

The Governor of the Bank of Latvia may refer the Saeima's decision regarding his/her relief from office to the Court prescribed by Article 14.2 of the Statute. The Deputy Governor or a member of the Council of the Bank of Latvia may refer the Saeima's decision regarding his/her relief from office to the Court prescribed by Administrative Procedure Law. [11]

Article 23. To execute the practical work and ensure efficient management of the Bank of Latvia, the Council of the Bank of Latvia shall establish a permanent Board of the Bank of Latvia consisting of six persons.

The Chairperson of the Board shall be confirmed in office by the Council of the Bank of Latvia upon the recommendation of the Governor of the Bank.

Other members of the Board shall be confirmed in office by the Council of the Bank of Latvia upon the recommendation of the Chairperson of the Board.

(Paragraph 4 has been excluded the Law of 20 June 2002.)

The members of the Board shall be drawn from the Bank's senior management. The members of the Board shall be dismissed from their positions following a decision of the Council of the Bank of Latvia.

Article 24. Meetings of the Council of the Bank of Latvia shall be valid if more than half of its members, including the Governor and the Deputy Governor, participate. The Council shall resolve all issues with a majority vote of those present. In the event of a tie, the chairperson of the meeting shall have the casting vote. The meetings of the Council of the Bank of Latvia shall be convened as required, but at least once a quarter.

Article 25. *[Excluded 6]*

Article 26. The Council of the Bank of Latvia shall make decisions on behalf of the Bank of Latvia that are necessary to ensure the implementation of the tasks of the Bank of Latvia, including the tasks of the European System of Central Banks. [12]

(Paragraph 2 has been excluded by the Law of 1 June 2000.)

The Council of the Bank of Latvia shall review and approve the annual budget of the Bank, stipulating that all expenses of the Bank shall be financed from the Bank's revenue. [4]

Article 27. The Board of the Bank of Latvia shall manage the Bank's operation, implementing the resolutions of the Council of the Bank of Latvia. [4] [8]

The meetings of the Board shall be convened as required, but at least once a month, and the meetings shall be valid if more than half of the Board members, including the Chairperson of the Board, participate. The Board of the Bank of Latvia shall make decisions following the same procedure as the Council of the Bank of Latvia does.

Article 28. The Governor of the Bank of Latvia shall chair the Council of the Bank of Latvia and shall be responsible for the successful organisation of the Council's work.

The Governor of the Bank shall approve the Bank of Latvia's organisational structure and shall have the power to hire and dismiss Bank of Latvia's employees.

The Governor of the Bank shall represent the Bank of Latvia in relations with other banks, public and local government institutions of Latvia as well as international financial organisations.

The Governor of the Bank of Latvia shall be entitled to participate in the meetings of the government of the Republic of Latvia.

If the Governor of the Bank of Latvia has been relieved from office or his/her term of office has expired, his/her duties shall be performed by the Deputy Governor until a new Governor of the Bank of Latvia is appointed. In the absence of the Governor of the Bank of Latvia, his/her duties shall be performed by the Deputy Governor. In the absence of the Governor and the Deputy Governor, the duties of the Governor of the Bank of Latvia shall be performed by a member of the Council of the Bank of Latvia appointed by the Governor; such member of the Council shall also, inter alia, chair the meetings of the Council of the Bank of Latvia. [11]

Article 29. The Chairperson of the Board of the Bank of Latvia shall organise and manage the Bank of Latvia's practical work by implementing the decisions adopted by the Council and the Board of the Bank of Latvia. The Chairperson of the Board of the Bank of Latvia shall be entitled to participate in the meetings of the Republic of Latvia government, when authorised by the Governor of the Bank or in the absence of the Governor, as well as to represent the Bank of Latvia interests.

Article 30. The remuneration of the Governor, members of the Council and the Board of the Bank of Latvia as well as Bank employees shall be determined by the Council of the Bank of Latvia. The Council also approves the staff numbers, positions and salaries.

Article 31. Restrictions on holding more than one position by the Governor, Deputy Governor, members of the Council and the Board of the Bank of Latvia and their responsibilities regarding the prevention of the conflict of interest shall be as laid down by the Law "On Prevention of Conflict of Interest in Activities of Public Officials". [6]

Article 32. Members of the Board of the Bank of Latvia and heads of the organisational units of the Bank of Latvia shall be prohibited from engaging, either directly or indirectly, in any commercial activity whatsoever.

Article 33. The Governor, Deputy Governor, members of the Council and the Board as well as employees of the Bank of Latvia shall have no right to disclose restricted information that has become known to them as a consequence of their service or function, to any person not qualified to have knowledge thereof. This prohibition shall be in effect also after the expiry of the term of office or the termination of employment relationship. [6]

Section IV

MONETARY POLICY INSTRUMENTS

Article 34. The Bank of Latvia shall issue euro banknotes in compliance with the provisions of the Statute and the legal acts and instruments of the European Central Bank. The Bank of Latvia shall organise and implement the designing, production, delivery of euro circulation coins as well as euro commemorative and collector coins, and issue them in compliance with the volume of euro coin issuance approved by the European Central Bank and the provisions of the European Union legislation. [12]

The Bank of Latvia shall process euro banknotes and coins, withdraw the damaged ones from circulation and substitute them with valid ones in compliance with the provisions of the European Union legislation, including the legal acts and instruments of the European Central Bank. [12]

The Bank of Latvia shall define the requirements for euro cash processing systems and the quality requirements for euro banknote processing, as well as the registration and reporting requirements for merchants engaged in cash processing and recycling, in compliance with the provisions of the European Union legislation. The Bank of Latvia shall be entitled to prohibit the merchant referred to in the first sentence of this paragraph from performing cash processing and recycling where it fails to comply with the legislative requirements for euro cash processing stipulated by the European Union, including the European Central Bank, and the Bank of Latvia. [12]

Article 35. The Bank of Latvia shall be entitled to operate in the financial markets of Latvia and the European Union Member States as well as in foreign financial markets by transacting in financial instruments and precious metals. [8]

Article 36. In order to achieve the objectives and carry out the tasks, the Bank of Latvia shall be entitled to conduct credit operations, based on adequate collateral, with credit institutions and other financial market participants. The Bank of Latvia shall not be entitled to grant any type of credit facilities and purchase debt instruments in accordance with Article 123 of the Treaty and Article 21 of the Statute. [11]

Article 37. [*Excluded* 11]

Article 38. Financial market participants who are subject to the minimum reserve requirement stipulated by the European Central Bank shall hold the required minimum reserves on the account with the Bank of Latvia in compliance with the provisions of the Statute as well as in the amount of and in line with the procedure stipulated by the European Central Bank. [1] [8] [12]

Pursuant to the provisions of the Statute and the legal acts and instruments of the European Central Bank, the Bank of Latvia shall pay remuneration to the financial market participants for holding the minimum reserves on the account with the Bank of Latvia, follow the compliance with the minimum reserve requirement and take measures, inter alia fulfil decisions or perform other activities related to the imposition of sanctions, to ensure the compliance with the minimum reserve requirement. [12]

Section V

STATISTICS AND ANALYTICAL TASKS

Article 39. The Bank of Latvia shall collect, store and process statistical data as well as develop, compile, analyse and distribute statistics to ensure the fulfilment of its tasks, including assisting the European Central Bank in compiling the statistics required for the execution of the tasks of the European System of Central Banks in accordance with the requirements of the legislation of the European Union and legal acts and instruments of the European Central Bank. [2] [12]

The Bank of Latvia shall establish the procedure for compiling and submission of statistical reports, the submission deadline as well as the persons in charge of the submission of statistical reports for the purpose of monetary and financial statistics, banknote statistics, payment and payment system statistics, financial stability statistics, balance of payments and international investment position statistics as well as other statistics required for carrying out the tasks referred to in Paragraph 1 of this Article. [12]

Article 40. The Bank of Latvia shall distribute statistical information collected exclusively for statistical purposes in a manner to prevent the identification, direct or indirect, of the person who has submitted the statistical report or any other natural or legal person. [12]

Taking due account of the requirements of the legislation of the European Union and legal acts and instruments of the European Central Bank, the Bank of Latvia shall be entitled to exchange confidential statistical information with the following institutions:

1. the European Central Bank and the national central banks of the Member States of the European Union where such information is required for carrying out the tasks of the European System of Central Banks;
2. the European Systemic Risk Board and other European Union institutions where such information is required for carrying out their tasks and a reasoned request has been received;
3. the Financial and Capital Market Commission where such information is required for carrying out the tasks of the Bank of Latvia, the European System of Central Banks or the Financial and Capital Market Commission;
4. the Central Statistical Bureau of Latvia and national central statistical authorities of the European Union Member States where such information is required for compiling the statistics within the competence of the European System of Central Banks or Eurostat, the statistical bureau of the European Union, in compliance with the requirements for the exchange of confidential statistical information as stipulated by the European System of Central Banks and Eurostat, the statistical bureau of the European Union. [12]

Article 41. In accordance with Article 127(5) of the Treaty and Article 3.3 of the Statute, the Bank of Latvia shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system. [12]

In order to achieve the objectives and to carry out the tasks, the Bank of Latvia shall research and analyse the financial market and economic development in Latvia, other European Union Member States and abroad. [2] [11]

Article 42. Regulations and regulatory instructions on the requirements regulating the operation of credit institutions and on the procedures for calculating credit institution performance indicators and drafting and submission of business reports of commercial companies, approved by the Bank of Latvia, shall be published in the official journal "Latvijas Vēstnesis" and shall take effect on the day after the publication unless a different deadline for their becoming effective has been established therein. [4] [11]

Section VI

CONTROL AND SUPERVISION OF THE BANK OF LATVIA

Article 43. The Saeima of the Republic of Latvia shall supervise the Bank of Latvia. [1]

The annual financial statements of the Bank of Latvia shall be audited by independent external auditors recommended by the Governing Council of the European Central Bank and approved by the Council of the European Union. The State Audit Office shall carry out compliance and performance audits of the Bank of Latvia, adhering to the provisions of Article 13 herein and without prejudice to the audit performed by the independent external auditors referred to in this Article. The State Audit Office shall not carry out audits of the European System of Central Banks tasks. [1] [12]

Transitional provisions

1. In order to ensure legal integration of the Bank of Latvia into the Eurosystem, amendments to Articles 3, 4, 5, 7, 9 and 15, Paragraph 1 of Article 18, Article 18¹, Paragraph 1 of Article 26, Articles 34, 38, 39, 40 Paragraph 1 of Article

41 and Paragraph 2 of Article 43 herein shall take effect on the date when the Council of the European Union, pursuant to Article 140(2) of the Treaty, has abrogated the derogation granted to the Republic of Latvia.

2. Within three business days following the date when the Council of the European Union, pursuant to Article 140(2) of the Treaty, has abrogated the derogation granted to the Republic of Latvia, the Bank of Latvia shall transfer part of its reserve capital into its nominal capital, raising it to the amount stipulated in Paragraph 1 of Article 18 herein.

A. Gorbunovs, Chairman, Supreme Council of the Republic of Latvia

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

Riga, 19 May 1992