

On the Bank of Latvia

Chapter I General regulations

Article 1

The Bank of Latvia is the central bank of the Republic of Latvia. The Bank of Latvia is a legal entity. It possesses its own stamp (seal) which reproduces the complete Republic of Latvia State Emblem and bears the bank's name "Bank of Latvia". The Bank of Latvia administration is located in Riga.

Article 2

The Bank of Latvia is established by a Republic of Latvia Supreme Council resolution.

Article 3

The main objective of the Bank of Latvia is to realize monetary policy, to regulate the amount of money in circulation, in order to maintain price stability in the State. The Bank of Latvia facilitates free competition, effective allotment of assets and their circulation, and the stability, coordination and supervision of the financial system.

Article 4

The Bank of Latvia possesses the monopoly rights to issue the national currency, banknotes and coins as the only legal tender in the State. The Bank of Latvia determines the official exchange rate of the national monetary unit against foreign currency.

Article 5

The Bank of Latvia possesses its own reserves of freely convertible foreign currency, gold and securities in order to ensure the stability of the national currency. The Government maintains foreign currency (gold) reserves in the Bank of Latvia. The Bank of Latvia, on receiving concrete authorization from the Government, may act as the Government's financial agent in banking transactions.

Article 6

The Bank of Latvia is the Republic of Latvia Government and Supreme Council consultant in monetary and banking operation policies.

Article 7

The Bank of Latvia is the Republic of Latvia representative in foreign central banks and international monetary institutions. The Bank of Latvia may participate in the activities of

other international financial and credit organizations, which correspond with its goals and assignments.

Article 8

The Bank of Latvia performs foreign currency exchange operations at its discretion. If agreements are signed with foreign countries on currency exchange quotas and terms, the Bank of Latvia may regulate account settlements with its foreign correspondents.

Article 9

The Bank of Latvia organizes and ensures the operation of account and payment systems in Latvia.

Account settlements between banks in the Republic of Latvia are accomplished by using these banks' correspondent accounts in the Bank of Latvia.

The Bank of Latvia determines the account settlement and payment forms used in the Republic of Latvia.

Article 10

The Bank of Latvia performs the supervision and auditing of commercial banks and other credit institutions. The Bank of Latvia ensures that its issued compulsory regulations are executed. The audits are performed by the Bank's own audit service or, with the Bank's authorization, by external auditors in accordance with the Republic of Latvia Law "On Banks".

Article 11

The Bank of Latvia issues licenses for the purchase and sale of foreign currency through entrepreneurial activities to commercial banks, credit institutions and other legal entities which are listed in the Republic of Latvia Register of Enterprises.

The Bank of Latvia issues licenses for banking and credit operations with precious metals and their manufactured articles to commercial banks and other credit institutions. The Bank of Latvia has the right to revoke the issued licenses, if the Bank of Latvia's determined general procedures for purchases and sales or for the fulfillment of operations are violated.

Article 12

In accordance with the tasks included in Article 3-11 of this Law, the Bank of Latvia may open accounts only for the Government of Latvia, foreign banks, international monetary, financial and credit institutions, Latvia's commercial banks and other credit institutions.

The Bank of Latvia keeps State budget and special capital resources in accounts opened for the Government and performs transfers of budget resources without charge.

The Republic of Latvia Ministry of Finance has the right to receive information on State budget resources at any time, as well as to inspect their expenditure.

Article 13

While fulfilling its tasks and accomplishing supervision in accordance with both the Republic of Latvia Law "On Banks" and this Law, the Bank of Latvia is not subject to the decisions and regulations adopted by the Government or its institutions.

The Bank of Latvia is independent in the adoption of its own decisions and in their practical implementation.

Article 14

The Bank of Latvia may have its own enterprises and organizations which are essential for the execution of its tasks, and the improvement of employee qualifications and ensuring its activities.

The Bank of Latvia cannot participate in entrepreneurial activities.

Article 15

The Bank of Latvia issues monthly and annual balance sheets corresponding to the forms used by the world's central banks.

Article 16

The Bank of Latvia's fiscal year begins on January 1 and ends on December 31.

Article 17

The Bank of Latvia is liquidated with a Republic of Latvia Supreme Council resolution which regulates the settlement of bank liabilities with the Republic of Latvia and foreign correspondents, as well as regulates the further utilization of Bank of Latvia property.

Chapter II The bank of Latvia capital

Article 18

The nominal capital of the Bank of Latvia is 500 million roubles. The nominal capital is composed of the State allotted resources and the annual Bank of Latvia profit deductions which must not be less than 25% of the Bank's profit.

The nominal capital cannot be utilized in Bank of Latvia financial activities.

Article 19

The reserve capital is established to cover possible losses by annually deducting 10% from the bank profit until it reaches one-fourth of the nominal capital. If the reserve capital is not sufficient to cover losses, then they are covered from the nominal capital.

Article 20

Retained earnings are generated from the Bank's net profit after deductions mentioned in this Chapter. The Bank can use retained earnings to satisfy its employees' social needs and to acquire fixed assets according to the confirmed estimates of the Bank Council. Net profit should be included in the nominal capital until the amount defined by Article 18 of this Law is reached. After this condition is met, the net profit is included in the State revenue.

Chapter III The bank of Latvia Administration

Article 21

The Bank of Latvia is administered by the Bank Council and Board. The Bank Council consists of 8 persons: the Bank President, his/her Deputy and 6 Council members.

The Bank Council is led by the President or his/her Deputy.

Article 22

The Bank of Latvia President is appointed by the Republic of Latvia Supreme Council upon the recommendation of the Republic of Latvia Supreme Council Chairperson.

The Bank Vice-President and Council members are appointed to their positions by the Republic of Latvia Supreme Council upon the Bank of Latvia President's recommendation.

The authorized term for the Bank of Latvia President, his/her Deputy and Council members is 6 years. If any of the Council members resigns before the term expires, a new Council member is appointed.

Article 23

The Bank Council sets up a permanent Board consisting of 6 persons to accomplish the practical work and efficient management of the Bank of Latvia.

The Board Chairperson is confirmed by the Bank Council upon the recommendation of the Bank President.

The other Board members are confirmed by the Bank Council upon the recommendation of the Board Chairperson.

During the Chairperson's absence, the official duties of the Board Chairperson are performed by the Bank President or by any other Board member authorized by the President.

The Board members are the Bank central staff employees. The Board members are dismissed from their positions upon the Bank Council's decision.

Article 24

The Bank Council meetings are competent, if no less than half of the Council members participate, including the Bank President and his/her Deputy. The Council resolves all issues with a majority vote of those present. If the number of votes is equal, the Chairperson's vote is the deciding vote. The Council meetings are convened as needed, but no less than once each quarter.

Article 25

The Republic of Latvia Minister of Finance may participate at the Bank Council meetings but without voting rights. If the Minister of Finance does not agree with a Bank Council decision, he/she has the right to request that the execution of the decision be postponed for 10 days. However, if the Bank Council does not change its decision during this period, the decision is executed.

Article 26

The Bank of Latvia Council makes decisions on behalf of the Bank of Latvia. The Council determines the general monetary policy, interest rates for Bank of Latvia asset and liability operations and makes all decisions which are necessary to ensure the practical implementation of monetary policy in accordance with this Law.

The Bank Council reviews foreign bank applications to open their departments, subsidiaries and representations in the Republic of Latvia and decides whether to issue licenses for the activity of these credit institutions in Latvia.

The Bank Council reviews and approves the annual budget of the Bank, determining that all the Bank's expenses are covered from its revenue.

Article 27

The Bank of Latvia Board performs the management of the Bank's practical activities, implements the Bank Council directives concerning monetary circulation and the supervision of credit institutions, prepares issues which are to be discussed at meetings, and prepares draft decisions for the Bank Council.

The Board meetings are convened as needed, but no less than once a month and they are competent, if more than half of the Board members, including the Board Chairperson, participate. The Board makes decisions by the same procedure as the Bank Council.

Article 28

The Bank of Latvia President directs the Bank Council and is responsible for the successful organization of its work.

The Bank President confirms the Bank of Latvia structure and hires and dismisses Bank of Latvia employees.

The Bank President represents the Bank of Latvia in relations with other banks, State and local government institutions in Latvia, as well as with international financial and credit organizations.

The Bank of Latvia President may participate in the Republic of Latvia Government meetings.

During the Bank of Latvia President's absence, his/her rights and obligations are fulfilled by his/her Deputy or by the person who is appointed by a specific order.

Article 29

The Bank of Latvia Board Chairperson organizes and directs the Bank of Latvia's work by implementing the execution of adopted Council and Board decisions. The Bank of Latvia Board Chairperson has the right to participate at Republic of Latvia Government meetings with the authority of the Bank President or during his/her absence, and he/she has the right to represent Bank of Latvia interests.

Article 30

The salaries of the Bank of Latvia President, Council and Board members, as well as employees, are determined by the Council. The Council also confirms the list of employees and their salaries.

Article 31

The Bank President, Council and Board members are prohibited to hold more than one paid position simultaneously.

The Bank branch managers may hold other paid positions with the Bank President's permission.

Article 32

Bank of Latvia Board members and branch managers are prohibited from engaging either directly, or indirectly in any forms of entrepreneurial activities.

Article 33

Bank of Latvia officials are responsible, in accordance with the Republic of Latvia laws, for violations which have been permitted during the execution of their official duties.

Chapter IV Monetary policy instruments

Article 34

The national monetary unit for the Republic of Latvia is the lat which is comprised of 100 santims. The lat is the only legal tender in Latvia. The description, serial numbering, registration and monetary cover of the banknotes are determined by the Bank of Latvia Council.

The Bank of Latvia Council also determines the procedure for the withdrawal of banknotes from circulation and the substitution of damaged banknotes with valid ones.

The Bank of Latvia has the right to issue jubilee and commemorative coins, as well as coins with precious metal content into circulation.

Article 35

The Bank of Latvia has the right to operate in the financial markets; to buy and sell foreign currency and precious metals in its institutions, in the stock exchange and abroad; to set up a currency reserve fund; to accept foreign currency and other valuables for deposits; and to perform any kind of banking operations and transactions with foreign countries, their central banks, financial institutions and international organizations.

Article 36

The Bank of Latvia has the right to grant credit institutions short-term loans against collateral and to accomplish pawnbroker functions. The Bank of Latvia has the right to grant short-term credits to the Government, which do not exceed one-twelfth of the current budget year revenue. The Bank of Latvia does not grant long-terms loans.

Article 37

The Bank of Latvia has the right to make transactions with Latvia's State, foreign central bank or international credit institution securities, as well as to accept such securities as a guarantee.

Article 38

All commercial banks and other credit institutions must deposit a certain percentage of their total fixed liability resources. Each type of credit institution has its own reserve percentage. The same reserve percentage exists for all credit institutions of the same type.

The mandatory reserve percentage is determined by the Bank of Latvia Council and must be published in the press. Changes in reserve percentages take effect three days after their publication in the press.

The manager of a commercial bank or other credit institution is personally responsible for his/her credit institution's reserve account.

If the minimum reserve balance falls below the required level, the Bank of Latvia has the right to deduct a certain percentage from the unpaid sum. This interest rate is determined by the Bank of Latvia, but it must not be higher than 10 times the short-term credit interest rate of the Bank of Latvia.

Chapter V

Analytical tasks

Article 39

The Bank of Latvia approves commercial banks' and other credit institutions' statistical survey forms and approves the procedures for submitting such forms.

Article 40

The Bank of Latvia Macroeconomic Analysis Service collects, processes and publishes statistical data on banking and financial operations in the Republic of Latvia. The Service also follows economic and financial developments abroad and analyzes their influences on the Republic of Latvia.

Article 41

Based upon relevant statistical data, the Macroeconomic Analysis Service, in cooperation with the Bank of Latvia audit service, follows the activities of commercial banks and other credit institutions in order to forecast possible adverse deviations in their operation and to provide the Bank of Latvia Council with current information on the financial and credit conditions in Latvia.

Article 42

The Bank of Latvia Board prepares official reference books detailing all banking procedures and ensures the accessibility of these reference books to the employees of all commercial banks and other credit institutions of Latvia.

Chapter VI

The control and supervision of banking operations

Article 43

The Republic of Latvia Supreme Council accomplishes the supervision of the Bank of Latvia. The Audit Commission, its members being confirmed by the Republic of Latvia State Control, accomplishes the inspection and audit of documents and the economic activity of the Bank of Latvia. After the audit results are reviewed, the Bank of Latvia Council confirms the Bank's annual report and the report is published for public knowledge together with the annual balance sheet.

Chairman, Supreme Council
Republic of Latvia
Secretary, Supreme Council
Republic of Latvia

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The authenticity of the translation is confirmed by Secretary of the Supreme Council of the Republic of Latvia. For purposes of interpretation, the original Latvian text is to be regarded as official.

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