
The *Saeima*¹ has adopted and
the President has proclaimed the following law:

Law on Latvijas Banka

Division A Basic Provisions for the Operation of Latvijas Banka

Chapter I General Provisions

Section 1. The purpose of this Law is to ensure lawful, efficient, continuous, and independent operation of Latvijas Banka.

Section 2. (1) Latvijas Banka is the central bank of Latvia.

(2) Latvijas Banka is a participant of the European System of Central Banks.

(3) Latvijas Banka has its own property.

Section 3. (1) Latvijas Banka is a derived public entity. It is independent in taking and implementation of its decisions and also is not institutionally and functionally subordinate to State and local government authorities.

(2) In implementing the powers granted in legal acts and in performing the tasks and obligations entrusted, Latvijas Banka, members of the Council of Latvijas Banka, and members of the committees established by the Council of Latvijas Banka shall not seek or take instructions from the legal entities referred to in Article 130 of the Treaty on the Functioning of the European Union and Article 7 of Protocol No 4 on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty on the Functioning of the European Union (hereinafter - the Statute), and such legal entities are not entitled to give instructions to Latvijas Banka, members of the Council of Latvijas Banka, and members of the committees established by the Council of Latvijas Banka or try otherwise influence them in relation to the performance of the office duties.

Section 4. (1) In accordance with the Treaty on the Functioning of the European Union, the primary objective of the operation of Latvijas Banka is to maintain price stability.

(2) Without prejudice to the primary objective, Latvijas Banka shall, in accordance with Article 127(1) of the Treaty on the Functioning of the European Union, support the general economic policies of the European Union and also contribute to the overall stability of Latvia's financial system.

Section 5. (1) Latvijas Banka shall participate in the performance of the tasks of the European System of Central Banks and perform other tasks which are not in contradiction with the objectives of Latvijas Banka specified in Section 4 of this Law and the performance of the tasks of the European System of Central Banks, including:

- 1) participate in the definition of the monetary policy and implement it;
- 2) perform macroeconomic analysis and research;
- 3) determine and implement the macroprudential policy;
- 4) regulate and supervise the operation of the financial market and its participants;

5) perform the tasks of a resolution authority, including the preparation of resolution plans, in accordance with the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms (hereinafter - the application of resolution tools);

6) ensure the operation of the Deposit Guarantee Fund, the operation of the Fund for the Protection of the Insured, and the disbursement of compensations to investors (hereinafter - the provision of compensation disbursement schemes);

7) conduct foreign exchange operations;

8) hold and manage foreign reserves and other assets;

9) promote smooth operation of the payment and financial instrument settlement systems, including ensure efficient and safe operation and development of the payment system of Latvijas Banka;

10) store the funds kept at the Treasury, including in foreign currency;

11) issue euro banknotes and coins and also promote their availability in Latvia;

12) register and control legal entities which carry out the handling of euro banknotes and coins and putting back thereof into circulation (hereinafter - the cash handler);

13) perform the functions of the National Analysis Centre and the Coin National Analysis Centre;

14) ensure statistical information, inter alia assist the European Central Bank in production of statistical information necessary for the performance of the tasks of the European System of Central Banks;

15) maintain the Credit Register in accordance with the Law on the Credit Register;

16) consult the *Saeima* and the Cabinet on monetary policy issues and other issues related to the performance of the tasks of Latvijas Banka, including on issues of economic and fiscal policy which affect the effectiveness of monetary policy implementation;

17) promote financial literacy of and acquisition of economic knowledge by the public.

(2) Latvijas Banka shall operationally separate the performance of the task referred to in Paragraph one, Clause 1 of this Section, the performance of the task referred to in Paragraph one, Clause 4 of this Section, and the performance of the task referred to in Paragraph one, Clause 5 of this Section, including:

1) determine the restrictions on and protection measures for circulation of the information necessary for the performance of such tasks;

2) establish an adequate internal control system;

3) in accordance with Section 50 of this Law, establish a committee authorised to take decisions in the field of supervision of the financial market and its participants and, in accordance with Section 54 of this Law, establish a committee authorised to take decisions which are necessary in relation to the application of resolution tools and the provision of compensation disbursement schemes.

(3) The tasks referred to in Paragraph one, Clauses 4 and 5 of this Section shall be performed without prejudice to the tasks of Latvijas Banka in relation to the definition and implementation of the monetary policy.

Section 6. Latvijas Banka is prohibited to perform monetary financing in accordance with Article 123 of the Treaty on the Functioning of the European Union and Article 21 of the Statute.

Section 7. (1) Latvijas Banka shall cooperate with the European Central Bank, the Single Resolution Board, the European Systemic Risk Board, and other authorities of the European Union, central banks of the European Union Member States and of third countries, and international, European Union, and foreign financial authorities and the institutional units established thereby, and also with such authorities of the European Union Member States and third countries, including the institutional units which are established thereby and whose area of competence is the supervision of the financial market participants, of the financial market and the infrastructure, the application of resolution tools, the provision of compensation disbursement schemes, the contribution to the stability of the financial system, the prevention of money laundering and terrorism and proliferation financing, or the control of the conformity with the international or national sanctions regime.

(2) Latvijas Banka may participate in the work of international financial market supervision authorities and also, upon receipt of a consent of the European Central Bank, participate in the international monetary institutions within the meaning of Article 6.2 of the Statute.

(3) Latvijas Banka may participate in the operation of other international and regional authorities which conforms to its objectives and tasks.

Section 8. (1) Latvijas Banka shall issue external regulatory enactments, i.e. regulations, according to the authorisation specified in this Law and in other laws.

(2) The regulations of Latvijas Banka shall enter into effect on the following day after their publishing in the official gazette *Latvijas Vēstnesis* unless another time period for entering into effect has been specified therein.

(3) The regulations and internal regulatory enactments of Latvijas Banka shall be approved by the Council of Latvijas Banka.

(4) Latvijas Banka is entitled to examine the implementation of its regulations and decisions on site and remotely.

Section 9. Latvijas Banka is entitled to conduct the following activities on the markets of Latvia, the European Union, and third countries:

- 1) to take and grant loans against an eligible collateral;
- 2) to accept and place deposits;
- 3) to perform other transactions, including to pledge assets;
- 4) to make payments.

Section 10. Latvijas Banka is entitled to:

1) request and receive, free of charge, the information necessary for the performance of its tasks, including statistical data:

- a) from financial market participants the operation of which is regulated and supervised by Latvijas Banka (hereinafter - the financial market participants supervised by Latvijas Banka) and from the cash handlers;
- b) from persons having the obligation to submit statistical data to Latvijas Banka in accordance with Division E of this Law;
- c) from other persons if there are grounds for considering that they are linked to a violation of legal acts or that they might have information necessary for ascertaining the circumstances of a violation;
- d) from public entities, including the Commercial Register Office, and from private persons to whom State administration tasks have been delegated or transferred via an authorisation;

2) receive and compile the information and data on the development of national economy and financial system necessary for the performance of its tasks, and also to publish such information and data in conformity with the requirements for the protection of information.

Chapter II Management of Latvijas Banka

Section 11. (1) Latvijas Banka shall be managed by the Council of Latvijas Banka.

(2) The Council of Latvijas Banka shall consist of seven members of the Council of Latvijas Banka (including the Governor of Latvijas Banka and his or her two Deputy Governors).

Section 12. (1) The Governor of Latvijas Banka shall be elected to the office by the *Saeima* upon recommendation of at least 10 members of the *Saeima*.

(2) Other members of the Council of Latvijas Banka shall be elected to the office by the *Saeima* upon recommendation of the Governor of Latvijas Banka.

(3) The following person may be the Governor of Latvijas Banka:

- 1) who is a citizen of the Republic of Latvia;
- 2) who has acquired at least a master's degree or a degree equivalent thereto;
- 3) who has adequate experience in the office of the head of an organisation or in direct subordination thereto;
- 4) who is competent in the issues of macroeconomics and financial market analysis;
- 5) who has an impeccable reputation;
- 6) who, in accordance with the requirements of the law, is entitled to receive the first level personnel security clearance for access to an official secret.

(4) The following person may be a member of the Council of Latvijas Banka:

- 1) who is a citizen of the Republic of Latvia;
- 2) who has acquired at least a master's degree or a degree equivalent thereto;
- 3) who has an impeccable reputation;
- 4) who has accumulated adequate experience for the office;
- 5) who, in accordance with the requirements of the law, is entitled to receive the first level personnel security clearance for access to an official secret.

Section 13. (1) The term of office of a member of the Council of Latvijas Banka shall be five years.

(2) If a member of the Council of Latvijas Banka leaves the office before expiry of the term of office, the *Saeima* shall elect a new member of the Council of Latvijas Banka in his or her place for a five-year term of office.

(3) The same person may be a member of the Council of Latvijas Banka for no more than two successive terms.

Section 14. (1) The *Saeima* may remove a member of the Council of Latvijas Banka from the office prior to the time period specified in Section 13, Paragraph one of this Law only if:

- 1) his or her personal submission regarding resignation from the office has been received;
- 2) he or she no longer conforms to the conditions necessary for the fulfilment of the office within the meaning of Article 14.2 of the Statute;
- 3) he or she has committed a serious misconduct within the meaning of Article 14.2 of the Statute.

(2) The Governor of Latvijas Banka may appeal the decision of the *Saeima* on the removal from the office in accordance with the procedures laid down in Article 14.2 of the Statute. Another member of the Council of Latvijas Banka may appeal the decision of the *Saeima* on the removal from the office to a court in accordance with the procedures laid down in the Administrative Procedure Law.

Section 15. (1) Meetings of the Council of Latvijas Banka shall be convened and chaired by the Governor of Latvijas Banka.

(2) Each member of the Council of Latvijas Banka has the right to request convening of a meeting of the Council of Latvijas Banka.

(3) Meetings of the Council of Latvijas Banka shall be organised on site, remotely, or according to the survey procedure by communicating electronically, using video conference call, or other information technology tools. Individual members of the Council of Latvijas Banka may participate in the meeting in a way that is different from other members of the Council of Latvijas Banka.

(4) The Council of Latvijas Banka may declare that a meeting or a part thereof is closed.

(5) Representatives of the associations of financial market participants supervised by Latvijas Banka may participate at a meeting or a part of the meeting of the Council of Latvijas Banka which has not been declared as closed and in which issues related to the regulation and supervision of the operation of the financial market and its participants, the application of resolution tools, or the provision of compensation disbursement schemes are being examined.

(6) Latvijas Banka shall issue regulations prescribing the procedures for convening and organising the meetings of the Council of Latvijas Banka and the course thereof.

(7) The Council of Latvijas Banka shall have a quorum if more than one half of the members of the Council of Latvijas Banka is present at its meeting.

(8) The Council of Latvijas Banka shall take decisions by majority vote of the participants of the meeting. In the event of a tied vote, the chairperson of the meeting shall have a casting vote.

Section 16. (1) The Governor of Latvijas Banka shall manage the Council of Latvijas Banka and shall be responsible for the organisation of the work thereof.

(2) The Governor of Latvijas Banka shall manage the administrative work of Latvijas Banka and shall represent Latvijas Banka without special authorisation. The Governor of Latvijas Banka may assign the implementation of the management issues of the administrative work of Latvijas Banka to a member of the Council or an employee of Latvijas Banka.

(3) The Governor of Latvijas Banka or a member of the Council of Latvijas Banka designated by him or her shall hire and dismiss from work employees of Latvijas Banka in conformity with the structure and remuneration system of

Latvijas Banka determined by the Council of Latvijas Banka.

(4) The Governor of Latvijas Banka and also a member of the Council or an employee of Latvijas Banka designated by him or her may participate in the meetings of the Cabinet.

Section 17. (1) In the absence of the Governor of Latvijas Banka, the duties of the Governor of Latvijas Banka shall be performed by a Deputy Governor of Latvijas Banka designated by him or her. In the absence of the Governor of Latvijas Banka and both his or her Deputy Governors, the duties of the Governor of Latvijas Banka shall be performed by a member of the Council of Latvijas Banka designated by the Governor of Latvijas Banka.

(2) If the *Saeima* dismisses the Governor of Latvijas Banka from the office in accordance with Section 14, Paragraph one of this Law or his or her term of office expires, the duties of the Governor of Latvijas Banka (except for the duties of a member of the Governing Council of the European Central Bank in accordance with the Treaty on the Functioning of the European Union and the Statute) shall, until the beginning of the term of office of a new Governor of Latvijas Banka, be performed by a Deputy Governor of Latvijas Banka holding the office and designated by the *Saeima* but in his or her absence - a member of the Council of Latvijas Banka designated by the Deputy Governor of Latvijas Banka designated by the *Saeima*.

(3) The procedures for the performance of the duties of the Governor of Latvijas Banka specified in Paragraphs one and two of this Section shall also be applicable to the case when a member of the Council of Latvijas Banka is in a situation of a conflict of interests.

Section 18. (1) The preparation of financial statements of Latvijas Banka, the operation of the internal control system of Latvijas Banka, the operation of internal audit of Latvijas Banka and of external auditors of Latvijas Banka shall be monitored by an audit committee in the composition of at least three members, and the majority of abovementioned members shall be independent in the performance of their professional duties. Members of the audit committee shall be approved by the Council of Latvijas Banka.

(2) The Council of Latvijas Banka shall approve the internal regulatory enactment in which the organisation of work of the audit committee is determined.

Section 19. (1) The Council of Latvijas Banka shall determine the remuneration system of members of the Council of Latvijas Banka and employees of Latvijas Banka.

(2) The monthly salary of members of the Council of Latvijas Banka shall be determined by applying the following coefficients to the amount of the average monthly gross remuneration of the previous calendar year of the persons working in the field of finances and insurance as published in the official statistical notification of the Central Statistical Bureau:

- 1) to the salary of the Governor of Latvijas Banka - 5.44;
- 2) to the salary of the Deputy Governor of Latvijas Banka - 4.91;
- 3) to the salary of a member of the Council of Latvijas Banka - 4.05.

(3) In accordance with Paragraph two of this Section, the monthly salary of a member of the Council of Latvijas Banka shall be determined once a year for the time period from 1 April of the current year to 31 March of the following year.

(4) The Labour Law and the Labour Protection Law shall be applied to the disbursement of remuneration of members of the Council of Latvijas Banka, the reimbursement of expenditures, the deductions from remuneration and their restrictions, the working hours and leisure time, and also labour protection measures insofar as it has not been laid down otherwise in this Law.

(5) Taking into account the restrictions on commercial activity laid down in the law On Prevention of Conflict of Interest in Activities of Public Officials, upon expiry of the term of office of a member of the Council of Latvijas Banka specified in Section 13, Paragraph one of this Law, Latvijas Banka shall disburse a severance pay to the member of the Council of Latvijas Banka in the amount of 50 per cent of the amount of his or her annual monthly wage if the member of the Council of Latvijas Banka is not re-elected in the office of a member of the Council of Latvijas Banka or does not continue employment relationship with Latvijas Banka.

Chapter III

Finances of Latvijas Banka

Section 20. The capital of Latvijas Banka is 100 million euros.

Section 21. (1) Latvijas Banka has its own budget to be approved by the Council of Latvijas Banka.

(2) Latvijas Banka shall determine the price list of paid services provided by it.

Section 22. (1) The fiscal year of Latvijas Banka shall start on 1 January and end on 31 December.

(2) Latvijas Banka shall prepare financial statements in accordance with the legal acts on accounting and financial statements of the European Central Bank binding on the European System of Central Banks. Latvijas Banka shall, in conformity with the legal acts of the European Central Bank, issue an internal regulatory enactment determining additional requirements for the preparation of financial statements. Financial statements and annual reports shall be approved by the Council of Latvijas Banka.

Section 23. (1) Latvijas Banka shall, within three working days after the Council of Latvijas Banka has approved the annual report, transfer the following into the State basic budget:

1) the part of the profit earned in the reporting year which has been calculated by multiplying the profit earned in the reporting year which has remained after covering the losses (if any) accumulated in the previous years by the rate of the enterprise income tax laid down in the Enterprise Income Tax Law, without applying the coefficient increasing the taxable base laid down in the abovementioned Law;

2) payments for the use of the State capital in the amount of 50 per cent of the profit earned in the reporting year which has remained after covering the losses (if any) accumulated in the previous years.

(2) When approving the annual report, the Council of Latvijas Banka has the right to take the decision on reduction of the percentage amount specified in Paragraph one, Clause 2 of this Section if it is necessary for increasing the reserve capital of Latvijas Banka in relation to financial risks to which Latvijas Banka is subjected in the performance of the tasks laid down in this Law. Latvijas Banka shall, without delay, inform the *Saeima* and the Minister for Finance of such decision.

(3) After carrying out the deductions referred to in this Section, the remainder of the profit of Latvijas Banka shall be transferred to the reserve capital. The reserve capital shall be formed for the covering of the potential losses. Such part of the losses for the covering of which there is not enough reserve capital shall be covered from the profit of the subsequent periods of Latvijas Banka in accordance with the procedures specified in Paragraph one of this Section.

Section 24. (1) The financial market participant supervised by Latvijas Banka shall, in accordance with the law governing the operation of the relevant financial market participant, make payments to Latvijas Banka in order to cover expenditures of Latvijas Banka which are directly or indirectly related to the regulation and supervision of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes.

(2) Latvijas Banka shall determine the amount of payments of the financial market participants supervised by Latvijas Banka and also the procedures for the calculation and making of such payments.

(3) For a late or incomplete payment, the relevant financial market participant supervised by Latvijas Banka shall pay late payment charge to Latvijas Banka for each late payment day in the amount of 0.05 per cent of the sum unpaid.

Section 25. (1) If the amount of the payments for the relevant year of the financial market participants supervised by Latvijas Banka exceeds expenditures of Latvijas Banka for the regulation and supervision of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes, the relevant expenditures of financial market participants supervised by Latvijas Banka to be covered in the subsequent year are reduced by the amount in excess.

(2) If the amount of the payments for the relevant year of the financial market participants supervised by Latvijas Banka is not sufficient to cover expenditures of Latvijas Banka for the regulation and supervision of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes, the relevant expenditures of financial market participants supervised by Latvijas Banka to be covered in the subsequent years are increased by the deficit amount.

Section 26. (1) Latvijas Banka shall be responsible for the losses which have been caused to a third party by an action of a member of the Council, an employee, or an authorised representative of Latvijas Banka in the performance of his or her official (work) duties only if the illegal action of the member of the Council, the employee, or the authorised representative of Latvijas Banka has been intentional or he or she committed gross negligence.

(2) Assets managed by Latvijas Banka shall not be subjected to enforcement activities, including shall not be pledged, and recovery neither in the form of judicial, nor extrajudicial procedures may be directed against them, claims arising in relation to the performance of the tasks referred to in Division D of this Law may also not be directed against them.

Chapter IV Consultative Financial Market Council

Section 27. (1) In order to promote the involvement of the financial market participants supervised by Latvijas Banka in the field of the regulation and supervision of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes, Latvijas Banka shall establish a consultative body - the Consultative Financial Market Council. The Consultative Financial Market Council shall have the tasks to provide:

1) proposals for such draft regulations of Latvijas Banka which Latvijas Banka shall issue in performing the tasks referred to in Chapter VIII of this Law;

2) an opinion on the planned expenditures of Latvijas Banka in the subsequent year for the regulation and supervision of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes;

3) an evaluation regarding the results of accumulation of funds of the compensation disbursement schemes and the disbursements of compensations made from them.

(2) Latvijas Banka is also entitled to consult with the Consultative Financial Market Council on other issues related to the performance of the tasks of Latvijas Banka.

Section 28. (1) The Consultative Financial Market Council shall consist of the delegated representatives of all financial market participants supervised by Latvijas Banka and three representatives of Latvijas Banka. The composition of the Consultative Financial Market Council shall be approved by the Governor of Latvijas Banka.

(2) Meetings of the Consultative Financial Market Council shall be convened as necessary but not less than once in six months. A meeting of the Consultative Financial Market Council shall take place if at least half of the council members participate therein or answers from at least half of the members of the Consultative Financial Market Council have been received according to the survey procedure.

(3) Meetings of the Consultative Financial Market Council shall be organised on site, remotely, or according to the survey procedure by communicating electronically, using video conference call, or other information technology tools. A member of the Consultative Financial Market Council who is not able to participate in the meeting on site may participate in it remotely if he or she has the possibility of becoming acquainted with the documents to be examined at the meeting.

(4) Latvijas Banka shall issue regulations prescribing the procedures for convening and organising the meetings of the Consultative Financial Market Council and the course thereof.

(5) Meetings of the Consultative Financial Market Council shall be chaired by a representative of Latvijas Banka designated by the Governor of Latvijas Banka.

(6) The record-keeping of the Consultative Financial Market Council shall be ensured by Latvijas Banka.

Division B

Tasks of Latvijas Banka as the Central Bank

Chapter V

Monetary Policy and Macroeconomic Analysis

Section 29. (1) Latvijas Banka shall participate in the definition of the monetary policy and implement it in conformity with the Statute and the legal acts of the European Central Bank.

(2) A financial market participant is entitled to participate in Eurosystem monetary policy operations in accordance with the legal framework of the European Central Bank and in conformity with the conditions brought forward by Latvijas Banka for participation in Eurosystem monetary policy operations which should be included in the contract. Without prejudice to the rights of the European Central Bank, the Council of Latvijas Banka may authorise a member of the Council or an employee of Latvijas Banka to take decisions in relation to the participation of a financial market participant in Eurosystem monetary policy operations.

Section 30. Latvijas Banka shall conduct macroeconomic analysis by researching and analysing the development of the financial market and national economy in Latvia, other European Union Member States, and third countries, and also perform scientific and research activities in the field of economics and finances.

Section 31. (1) Financial market participants to whom the minimum reserve requirements determined by the European Central Bank apply shall hold the minimum reserves at Latvijas Banka in accordance with the norms of the Statute and the amount and procedures determined by the European Central Bank.

(2) In accordance with the Statute and the legal acts of the European Central Bank, Latvijas Banka shall remunerate financial market participants for holding the minimum reserves at Latvijas Banka, follow the fulfilment of the minimum reserve requirements, and implement measures which are necessary for ensuring the fulfilment of the minimum reserve requirements, including execute decisions on the application of sanctions or perform other activities related to the application of sanctions.

Chapter VI

Foreign Reserves, Payment and Financial Instrument Settlement Systems, and Financial Transactions

Section 32. (1) Latvijas Banka shall hold and manage foreign reserves and other assets in conformity with the Statute and the legal acts of the European Central Bank.

(2) Foreign reserves may be:

- 1) gold;
- 2) foreign currency;
- 3) special drawing rights and reserve position in the International Monetary Fund;
- 4) other assets of foreign reserves.

(3) Latvijas Banka is entitled to transfer part of foreign reserves and other assets for management purposes to a financial market participant of Latvia, another European Union Member State, third country, and an international financial market participant in conformity with the conditions brought forward by Latvijas Banka to be included in the contract.

Section 33. (1) In facilitating smooth operation of the payment and financial instrument settlement systems, Latvijas Banka shall:

- 1) participate in ensuring efficient and safe operation of the Eurosystem payment system and also its development;
- 2) ensure efficient and safe operation of the payment system of Latvijas Banka and also its development;
- 3) oversee the payment and financial instrument settlement systems in order to evaluate the efficiency and security of such systems, including is entitled to request and receive, free of charge, information on the operation of the systems from the operators of the payment and financial instrument settlement systems;
- 4) promote the development of the means of payment.

(2) A participant of the payment system is entitled to participate in the payment systems of Eurosystem and Latvijas Banka in accordance with the legal framework of the European Central Bank and in conformity with the conditions brought forward by Latvijas Banka for participation in the payment systems of Eurosystem and Latvijas Banka which should be included in the contract. Without prejudice to the rights of the European Central Bank, the Council of Latvijas Banka may authorise a member of the Council or an employee of Latvijas Banka to take decisions in relation to the participation of a participant of the payment system in the payment systems of Eurosystem and Latvijas Banka.

Section 34. In special cases Latvijas Banka is entitled, against an eligible collateral, to grant an emergency liquidity loan to a solvent financial market participant supervised by the European Central Bank and Latvijas Banka with short-term liquidity problems in order to preclude a chain reaction to other financial market participants or substantial shocks in the financial market.

Section 35. Latvijas Banka is entitled to operate as the fiscal agent of the legal entities referred to in Article 123 of the Treaty on the Functioning of the European Union and Article 21 of the Statute.

Section 36. Latvijas Banka shall perform transfers of euro funds held at the Treasury without charge.

Section 37. Funds and financial instruments of financial market participants which are held by such participants at Latvijas Banka shall not be subject to enforcement activities either in the form of judicial or extrajudicial procedures.

Chapter VII

Issue and Circulation of Banknotes and Coins

Section 38. (1) In accordance with the Statute and the legal acts of the European Central Bank, Latvijas Banka

shall organise the manufacturing and supply of banknotes and also issue euro banknotes.

(2) Latvijas Banka shall organise the designing, manufacturing, and supply of euro circulation coins, including euro commemorative coins, and collector coins, and also issue them in conformity with the legal acts of the European Union and a quantity for the issuing of euro coins approved by the European Central Bank. Latvijas Banka shall inform the public of euro coins issued thereby, publishing the information on the website of Latvijas Banka.

(3) Latvijas Banka shall handle, replace, and withdraw euro banknotes and coins from circulation in accordance with the legal acts of the European Union, including those of the European Central Bank.

(4) Latvijas Banka shall issue euro banknotes and coins to credit institutions and accept euro banknotes and coins from credit institutions and provide other related services in accordance with the legal acts of the European Union, including those of the European Central Bank, and in conformity with the conditions of Latvijas Banka to be included in the contract. The Council of Latvijas Banka may authorise a member of the Council or an employee of Latvijas Banka to take a decision in relation to the issuing and acceptance of euro banknotes and coins and the provision of other related services to credit institutions.

(5) In promoting availability of euro cash in Latvia, Latvijas Banka shall:

1) monitor, analyse, and forecast the circulation of cash in Latvia;

2) once a year, prepare a report on the circulation and availability of cash in Latvia;

3) in cooperation with the legal entities involved in the circulation of cash in Latvia, develop and implement measures for ensuring sufficient circulation of euro cash in Latvia.

Section 39. (1) Latvijas Banka shall withdraw from circulation such euro banknotes and coins unfit for circulation which have been submitted to Latvijas Banka and replace them with fit euro banknotes and coins. Latvijas Banka shall not replace such unfit euro banknotes or coins submitted to Latvijas Banka which display signs of damage and the appearance of which, as recognised by Latvijas Banka, has been altered intentionally or as a result of such process which, in making a reasonable assumption, may cause changes in the appearance of euro banknotes and coins, except for the cases specified in the legal acts of the European Union, including those of the European Central Bank, when Latvijas Banka is entitled to decide on replacement of such unfit euro banknotes and coins which display the signs of damage. Experts of coins and banknotes approved by the Governor of Latvijas Banka shall identify euro and lats banknotes and coins with the signs of damage and provide an opinion of the competent authority within the meaning of the Criminal Procedure Law.

(2) Latvijas Banka shall not reimburse losses to persons which have arisen due to banknotes or coins not complying with the replacement requirements.

(3) Latvijas Banka shall determine:

1) the requirements to which banknotes and coins unfit for circulation, displaying signs of damage, must conform in order to accept them for identification and recognise as fit for replacement;

2) the requirements in relation to the documents and information which a person shall submit to Latvijas Banka when submitting for replacement such banknotes and coins unfit for circulation which display signs of damage;

3) the procedures by which a person shall submit and Latvijas Banka shall accept, identify, and replace such banknote and coin unfit for circulation which displays the signs of damage.

(4) The decision on replacement of a banknote or coin accepted for identification, unfit for circulation, displaying signs of damage, shall, in the cases determined by Latvijas Banka, be accepted by the committee the composition of which shall be determined by the Council of Latvijas Banka. The abovementioned committee shall have a quorum if more than one half of the members of the committee are present at its meeting. Decisions shall be taken by majority vote of the participants of the meeting. In the event of a tied vote, the chairperson of the meeting shall have a casting vote. Latvijas Banka shall determine the organisation of work of the abovementioned committee.

(5) The following time periods shall not be included in the deadline for taking the decision of the committee referred to in Paragraph four of this Section:

1) from the day when Latvijas Banka has informed the investigating institution of the potential association of the banknotes or coins submitted for replacement with a criminal offence until the day when the investigating institution has notified Latvijas Banka of initiating criminal proceedings or refusal to initiate criminal proceedings;

2) during which criminal proceedings are conducted in relation to the banknotes or coins submitted for replacement.

(6) The decision of the committee referred to in Paragraph four of this Section may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law.

Section 40. (1) Latvijas Banka shall withdraw counterfeit banknotes and coins and unlawful reproductions of euro banknotes and coins submitted to Latvijas Banka from circulation in conformity with the legal acts of the European Union, including those of the European Central Bank.

(2) In cases which are specified in the legal acts of the European Union, including those of the European Central Bank, determining the provisions for reproducing euro banknotes and coins, Latvijas Banka shall, upon request of a person, provide a written confirmation regarding the lawfulness of reproduction of euro coins or a consent for determining an exemption for the reproduction of such euro banknote which has been manufactured only in the territory of the Republic of Latvia. The decision on the lawfulness of reproduction of a euro coin and a consent for determining an exemption for the reproduction of a euro banknote shall be taken by the committee referred to in Section 39, Paragraph four of this Law. The decision of the committee may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law.

(3) Latvijas Banka shall not reimburse losses to persons which have arisen due to counterfeit banknotes or coins or unlawful reproduction of euro banknotes or coins.

(4) Latvijas Banka shall determine:

1) the requirements in relation to the documents and information which a person shall provide to Latvijas Banka when submitting banknotes and coins with the signs of counterfeit;

2) the procedures by which a person shall submit and Latvijas Banka shall accept and identify banknotes and coins with the signs of counterfeit.

(5) Latvijas Banka is the competent authority which performs the functions of the National Analysis Centre and the Coin National Analysis Centre specified in Articles 4 and 5 of Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting (hereinafter - Regulation No 1338/2001) in the Republic of Latvia.

(6) Experts of coins and banknotes approved by the Governor of Latvijas Banka shall identify banknotes and coins with the signs of counterfeit and provide an opinion of the competent authority within the meaning of the Criminal Procedure Law.

Section 41. (1) Latvijas Banka shall replace euro banknotes and coins fit for circulation.

(2) Latvijas Banka shall determine:

1) the requirements to which euro banknotes and coins fit for circulation must conform in order to accept them for identification and replacement;

2) the requirements in relation to the documents and information which a person shall provide to Latvijas Banka when submitting euro banknotes and coins fit for circulation for replacement;

3) the types of and conditions for the replacement of euro banknotes and coins fit for circulation;

4) the procedures by which a person shall submit and Latvijas Banka shall accept and replace euro banknotes and coins fit for circulation.

Section 42. (1) In conformity with the legal acts of the European Union, Latvijas Banka is entitled to distribute euro collector coins and euro circulation coins, including euro commemorative coins, for a price which exceeds their nominal value.

(2) Latvijas Banka shall replace a euro collector coin issued thereby for which a manufacturing defect has been detected with the same euro collector coin without a defect. If it is not possible, Latvijas Banka shall reimburse the acquisition value of a euro collector coin according to the document issued by Latvijas Banka and certifying the acquisition of the relevant euro collector coin or, if there is none, according to the last price of the relevant euro collector coin determined by Latvijas Banka.

(3) In other cases Latvijas Banka shall accept euro collector coins of Latvijas Banka and replace them according to their nominal value.

(4) Latvijas Banka shall determine:

1) the requirements to which euro collector coin of Latvijas Banka must conform in order to accept it for identification and replacement;

2) the requirements in relation to the documents and information which a person shall provide to Latvijas Banka when submitting a euro collector coin of Latvijas Banka for replacement;

3) the procedures by which a person shall submit and Latvijas Banka shall identify, assess, and replace the euro collector coin of Latvijas Banka submitted by the person.

Section 43. (1) The legal entity referred to in Article 6(1) of Regulation No 1338/2001 may be the cash handler. Prior to commencing the handling and putting of euro banknotes and coins back into circulation, the legal entity referred to in this Section shall register with Latvijas Banka.

(2) Latvijas Banka shall determine:

- 1) the requirements for handling euro banknotes and coins and putting back thereof into circulation;
- 2) the requirements in relation to the documents and information to be provided to Latvijas Banka when registering the cash handler;
- 3) the procedures by which the documents and information necessary for the registration of the cash handler shall be submitted and also the procedures by which the cash handler shall be registered and registration of the cash handler shall be revoked;
- 4) the procedures by which control of the operation of cash handlers shall be performed;
- 5) the requirements for the preparation of reports on the handling machines of euro banknotes and coins used and the amount of euro banknotes and coins handled thereby and the procedures by which the abovementioned reports shall be submitted to Latvijas Banka.

(3) Registration, revocation of registration, and control of cash handlers shall be performed and decisions on the restrictions on the operation referred to in Paragraph four of this Section and the sanctions referred to in Paragraph five of this Section shall be taken by the committee referred to in Section 39, Paragraph four of this Law. The decision of the committee may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law. Contesting or appeal of the decision of the committee on the application of the restrictions on the operation referred to in Paragraph four of this Section shall not suspend its validity.

(4) If the facts at the disposal of Latvijas Banka provide grounds for considering that the cash handler is violating the requirements of the laws and regulations regarding handling of euro banknotes and coins and putting back thereof into circulation, Latvijas Banka may, for a time period until completion of examination and taking of a decision, suspend handling of euro banknotes and coins and putting back thereof into circulation performed by the cash handler. If Latvijas Banka detects that the cash handler is violating the requirements of the laws and regulations regarding handling of euro banknotes and coins and putting back thereof into circulation, Latvijas Banka may restrict or prohibit the cash handler from the use of the handling machine of euro banknotes and coins or to prohibit the performance of handling of euro banknotes and coins and putting back thereof into circulation for the time period until such requirements of the laws and regulations are fulfilled for the non-fulfilment of which a violation has been detected.

(5) In accordance with Article 6(2) of Regulation No 1338/2001 and Article 13 of Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation, Latvijas Banka may apply a sanction to the cash handler - a warning or a fine from EUR 1000 to EUR 10 000 - for the violation of the requirements of the laws and regulations regarding handling of euro banknotes and coins and putting back thereof into circulation, the requirements for the registration of cash handlers, or the requirements regarding the submission of reports on the handling machines of euro banknotes and coins used and the amount of euro banknotes and coins handled with them.

(6) An administrative case may be initiated not later than within a year from the day of committing the violation, but if the violation has been continuous - from the day of discontinuation of the violation.

(7) When taking the decision on imposing the sanctions referred to in Paragraph five of this Section, Latvijas Banka shall take into account the criteria referred to in Section 62, Paragraph three, Clauses 1, 2, 3, 4, 5, 6, 8, and 10 of this Law, and also the experience of the person and the violations previously committed by the person in the field of cash handling. The Council of Latvijas Banka shall issue recommendations for the determination of the sanctions referred to in Paragraph five of this Section and publish such recommendations on the website of Latvijas Banka.

(8) The restrictions on the operation referred to in Paragraph four and the sanctions referred to in Paragraph five of this Section shall be applicable not later than within six months after the day of initiating the administrative case. The fine shall be transferred to the State basic budget.

(9) Imposing of a sanction shall not exempt the cash handler from the fulfilment of the requirements for the non-fulfilment of which the sanction has been imposed.

Division C

Macprudential Policy

Section 44. The ultimate objective of the macroprudential policy shall be to contribute to the overall stability of the financial system, including strengthening the resilience of the financial system to shocks and restricting the build-up

of systemic risks, thus ensuring sustainable contribution of the financial system to national economy.

Section 45. Latvijas Banka shall determine and implement the macroprudential policy.

Section 46. (1) In determining and implementing the macroprudential policy, Latvijas Banka shall:

1) analyse and assess the overall stability of Latvia's financial system, and also identify, monitor, and assess the systemic risks posing threats thereto;

2) prepare a report on the financial stability which includes an assessment of the financial system stability;

3) apply the measures of the macroprudential policy provided for in the legal acts of the European Union and the laws and regulations of Latvia and is entitled to apply the requirements governing the operation of the financial market and its participants to reduction of systemic risks and strengthening the resilience of the financial system of Latvia to shocks.

(2) In determining and implementing the macroprudential policy, Latvijas Banka may issue recommendations in relation to the measures necessary in order to strengthen the resilience of the financial system to shocks and to limit the build-up of systemic risks.

(3) In order to limit the build-up of systemic risks and to strengthen resilience of the financial system to shocks, Latvijas Banka may determine measures promoting sustainability of the financial system with respect to financial market participants.

Section 47. Latvijas Banka shall determine and implement the macroprudential policy in cooperation with the Ministry of Finance of the Republic of Latvia, the European Systemic Risk Board, the European Central Bank, and other authorities of the European Union, European Union Member States, and third countries, including the collegial authorities and institutional units established thereby which determine and implement the macroprudential policy and also other authorities the operation of which has a substantial impact on the financial stability.

Division D

Supervision of the Financial Market

Chapter VIII

Regulation and Supervision of the Operation of the Financial Market and its Participants

Section 48. (1) Regulation and supervision of the operation of the financial market and its participants are performed in the public interest in order to promote the protection of the interests of investors, depositors, and insured persons, the sustainable development and stability of the financial market, and the prevention of money laundering and terrorism and proliferation financing, and also the application of international and national sanctions.

(2) Latvijas Banka shall perform regulation and supervision of the operation of the financial market and its participants for the purpose of identifying, in a timely manner, the current and potential risks and their potential impact in order to reduce or prevent the risks and their impact, directing activities against risks with high probability of setting in and the most substantial negative impact on a priority basis, and also taking into account the type of activity of the market participant and the impact thereof on the financial market, its structure, and complexity of the service provided, thus ensuring conformity with the principle of proportionality.

(3) Latvijas Banka shall govern and supervise the operation of the financial market and its participants (except for the case when these tasks are performed by the European Central Bank in accordance with Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (hereinafter - Regulation No 1024/2013)) and also implement the functions of the national competent authority in accordance with Regulation No 1024/2013.

(4) In accordance with Article 124 of the Treaty on the Functioning of the European Union, Latvijas Banka is prohibited from taking measures of privileged access.

Section 49. (1) Latvijas Banka shall regulate and supervise the operation of the financial market and its participants in accordance with the authorisation and tasks laid down in the legal acts governing the operation of the financial market and its participants in conformity with the requirements of this Law. Latvijas Banka shall supervise that the financial market participants supervised by Latvijas Banka comply with the requirements of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and also the Law on International Sanctions and National Sanctions of the Republic of Latvia in relation to financial restrictions.

(2) In accordance with the laws governing the operation of the financial market participants supervised by Latvijas Banka, Latvijas Banka shall register and issue a special permit (licence) for operating in financial market, suspend

and renew the operation of the special permit (licence) issued, and also revoke the special permit (licence) issued and exclude the financial market participants supervised by Latvijas Banka from the register.

Section 50. (1) The Council of Latvijas Banka shall establish a committee which shall be authorised to take the decisions specified in the laws governing the operation of the financial market and the financial market participants supervised by Latvijas Banka, including decisions on the application of sanctions and decisions on restrictions on the rights, fulfilment of liabilities, and operation of the financial market participants supervised by Latvijas Banka.

(2) The Council of Latvijas Banka shall determine the composition of the committee referred to in Paragraph one of this Section. The committee shall be chaired by a member of the Council of Latvijas Banka designated by the Council of Latvijas Banka. A member of the committee referred to in Section 54 of this Law and also an employee of Latvijas Banka who ensures the performance of a task of Latvijas Banka in relation to the definition and implementation of the monetary policy may not be a member of the abovementioned committee.

(3) The committee referred to in Paragraph one of this Section shall have a quorum if more than one half of the members of the committee are present at its meeting. Decisions shall be taken by majority vote of the participants of the meeting. In the event of a tied vote, the chairperson of the meeting shall have a casting vote.

(4) Latvijas Banka shall determine the tasks of the committee referred to in Paragraph one of this Section in the field referred to in Paragraph one of this Section and also the organisation of its work.

(5) The decision of the committee referred to in Paragraph one of this Section may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law.

Section 51. (1) Latvijas Banka shall, once a quarter, publish on its website a summary of the financial market developments in the previous quarter.

(2) Latvijas Banka shall, without delay, inform the Minister for Finance in writing of the probability of insolvency or of actual insolvency of a credit institution and also of the liquidity problems of a systemically important credit institution.

Chapter IX

Resolution and Compensation Disbursement Schemes

Section 52. Latvijas Banka shall apply resolution (except for the case when, in accordance with Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (hereinafter - Regulation No 806/2014), such tasks are performed by the Single Resolution Board) and also implement the functions of the national resolution authority in accordance with Regulation No 806/2014.

Section 53. In implementing the provision of compensation disbursement schemes, Latvijas Banka shall ensure:

1) the accumulation and management of the assets of the Deposit Guarantee Fund and the Fund for the Protection of the Insured and also the disbursement of remunerations from such funds in accordance with the Deposit Guarantee Law and the Insurance and Reinsurance Law;

2) the disbursement of compensations to investors in accordance with the Investor Protection Law.

Section 54. (1) The Council of Latvijas Banka shall establish a committee which shall be authorised to take the decisions specified in the laws governing the application of resolution tools and the provision of compensation disbursement schemes.

(2) The Council of Latvijas Banka shall determine the composition of the committee referred to in Paragraph one of this Section. The committee shall be chaired by a member of the Council of Latvijas Banka designated by the Council of Latvijas Banka. A member of the committee referred to in Section 50 of this Law and also an employee of Latvijas Banka who ensures the performance of a task of Latvijas Banka in relation to the definition and implementation of the monetary policy may not be a member of the abovementioned committee.

(3) The committee referred to in Paragraph one of this Section shall have a quorum if more than one half of the members of the committee are present at its meeting. Decisions shall be taken by majority vote of the participants of the meeting. In the event of a tied vote, the chairperson of the meeting shall have a casting vote.

(4) Latvijas Banka shall determine the tasks of the committee referred to in Paragraph one of this Section in the fields referred to in Paragraph one of this Section and also the organisation of its work.

(5) The decision of the committee referred to in Paragraph one of this Section may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law.

Chapter X

Inspection, Search, and Survey Actions and also Restrictions and Liability

Section 55. (1) In performing the tasks specified in Chapters VIII and IX of this Law, Latvijas Banka is entitled:

1) to perform inspections at any financial market participant supervised by Latvijas Banka, including on site and without prior notice;

2) to participate in the general meeting of the financial market participant supervised by Latvijas Banka, to propose the convening of a meeting of the management authority of such financial market participant, and to determine the issue to be examined at the meeting, and also to participate in such meeting;

3) to request and receive, free of charge, information from the financial market participant supervised by Latvijas Banka necessary for the performance of the tasks thereof, including printouts of telephone conversations and data transmission recordings of other types;

4) on the basis of a decision of the judge or with the consent of the data subject, to request and receive traffic data at the disposal of the electronic communications merchant which may have a role in the administrative case initiated by Latvijas Banka;

5) on the basis of a decision of the judge, to visit another person (including without prior notice) to carry out an inspection if there is a reason to believe that this person is linked to a possible violation of the requirements of legal acts or the person may have information at his or her disposal necessary for the clarification of the circumstances of the violation in the administrative case initiated by Latvijas Banka;

6) on the basis of a decision of the judge, in the presence of the State Police and such person who is subject to search and inspection, enter without prior notice the non-residential premises, vehicles, apartments, buildings, and other movable and immovable property owned, managed, or used by the financial market participant supervised by Latvijas Banka, its officials and employees, by opening them and the repositories within them (hereinafter - the searchable property), to perform a forced search of searchable property and inspect the belongings and documents thereof, including inspection of the messages (data) saved in the electronic information system - computers and information data carriers. If the person who is subject to search refuses to open the searchable property, such property is opened without inflicting significant damage to it;

7) on the basis of a decision of the judge, if there are reasonable suspicions that the documents or items which could serve as evidence for the violation of the laws and regulations governing the financial market are stored in the searchable property owned, managed, or used by another person, perform the actions referred to in Clause 5 and 6 of this Paragraph against these persons in the presence of the State Police.

(2) In commencing the actions referred to in Paragraph one, Clauses 4, 5, 6, and 7 of this Section, a member of the Council, an employee, or an authorised representative of Latvijas Banka shall issue a copy of the decision of the judge to the person subjected to such actions.

(3) In commencing the actions referred to in Paragraph one, Clauses 6 and 7 of this Section, a member of the Council, an employee, or an authorised representative of Latvijas Banka shall inform the relevant financial market participant or another person who is subject to such actions of its rights.

Section 56. (1) A judge of the district (city) court corresponding to the legal address of Latvijas Banka shall decide on the permission to carry out the actions referred to in Section 55, Paragraph one, Clauses 4, 5, 6, and 7 of this Law.

(2) Latvijas Banka shall indicate the legal justification and the amount of data to be retained or non-disclosable information in the submission regarding the permission to carry out the actions referred to in Section 55, Paragraph one, Clause 4 of this Law. Latvijas Banka shall indicate in the submission regarding the permission to carry out the actions referred to in Section 55, Paragraph one, Clauses 5, 6, and 7 of this Law with which financial market participant or person the relevant action should be carried out, the subject-matter and objective of the carrying out of such actions (the objects, information, or documents to be searched for).

(3) The judge shall, within 72 hours from the moment of submitting the submission of Latvijas Banka, examine the abovementioned submission and other documents justifying the need to carry out the relevant actions, hear the member of the Council, employee, or authorised representative of Latvijas Banka, and take the decision to permit such actions or to refuse to carry out such actions.

(4) The decision on the search and survey shall indicate the person subject to the search and survey, the site where the search and survey will be carried out, and the reference to the administrative case within the scope of which the search and survey will be carried out, the subject-matter and objective of the actions (the objects, information or documents to be searched for), and the time period for the enforcement of procedural actions. A judge shall indicate the person regarding whom information is to be requested and the amount of such information in the decision on

permission on the action referred to in Section 55, Paragraph one, Clause 4 of this Law.

(5) The decision of the judge shall be sent to Latvijas Banka within 24 hours from the moment when the decision was taken.

(6) The person subjected to survey and search actions may submit a complaint on the decision of the judge to the Court President within 10 days from the day when a copy of the decision referred to in Section 55, Paragraph two was received. Submission of a complaint shall not suspend the carrying out of the actions referred to in Section 55, Paragraph one, Clauses 4, 5, 6, and 7 of this Law.

(7) The Court President shall examine the complaint within 10 days. The complaint of Latvijas Banka regarding the decision of a judge shall be examined in the presence of a representative of Latvijas Banka. The complaint of a person regarding the decision of the judge shall be examined in the presence of a representative of Latvijas Banka and the interested party or his or her representative. A decision of the Court President is final and not subject to appeal. By satisfying the complaint, the Court President may completely or partially revoke or amend the contested decision.

(8) The evidence obtained on the basis of the contested decision which is fully or partly revoked or amended may not be used to the extent in which the unlawfulness of the decision is recognised.

(9) A financial market participant and a person in relation to whom a decision in accordance with Paragraphs three and four of this Section has been taken has the right, after enforcement of the search and survey actions, to become acquainted with the case materials of the court.

Section 57. (1) During the search and survey actions referred to in Section 55, Paragraph one, Clauses 6 and 7 of this Law upon a lawful request of Latvijas Banka, the financial market participant supervised by Latvijas Banka, its official and employee, and also another person, if there are reasons to believe that such person is linked to a possible violation of legal acts or the person may have information at his or her disposal necessary for the clarification of the circumstances of the violation in the administrative case initiated by Latvijas Banka, have a duty to:

- 1) provide access to any searchable property owned, possessed, or used by them, by opening such property or the repositories in it;
- 2) provide access to a document prepared or stored in any manner and form and also to messages (data) saved in the electronic information system;
- 3) within the time period determined by Latvijas Banka, provide full and truthful requested information;
- 4) issue the requested documents or its derivative;
- 5) confirm the authenticity of the printouts of messages (data) saved in the electronic information system or records made in electronic data carriers;
- 6) to fulfil other lawful requirements of a member of the Council, employee, and authorised representative of Latvijas Banka.

(2) Latvijas Banka shall impose a sanction for the non-performance of the duties referred to in Paragraph one of this Section - a fine up to EUR 700 for a natural person and from EUR 1400 to EUR 15 000 for a legal person.

Section 58. During the search and survey actions referred to in Section 55, Paragraph one, Clauses 6 and 7 of this Law, a member of the Council, employee, and authorised representative of Latvijas Banka have the right to:

- 1) prohibit the persons present at the search and survey site to leave that place, move and communicate with each other without permission until the end of the search and survey;
- 2) become acquainted with the information included in the documents and the electronic information system;
- 3) extract the discovered items and documents that may be relevant to the administrative case initiated by Latvijas Banka;
- 4) request and receive, free of charge, certified derivatives of documents;
- 5) print out the messages (data) saved in the electronic information system or record them in electronic data carriers;
- 6) request and receive written or oral explanations from the officials and employees of the financial market participant supervised by Latvijas Banka;
- 7) for a time period not exceeding 72 hours, seal the searchable property and repositories within it in order to ensure the preservation of evidence.

Section 59. (1) A financial market participant and another person who is subject to the search and survey actions referred to in Section 55, Paragraph one, Clauses 6 and 7 of this Law have the right to:

- 1) be present during the entire time of search and survey actions, express remarks and requests;
- 2) use a lawyer or legal assistance of other forms when providing explanations;
- 3) suggest that the information to be provided or any part thereof is determined a status of restricted access information;
- 4) become acquainted with the procedural action minutes and the documents appended thereto, to submit corrections and supplementations;
- 5) submit a complaint to Latvijas Banka regarding action of a member of the Council, employee, or authorised representative of Latvijas Banka.

(2) If it is necessary to wait for a lawyer or another provider of legal assistance, the provision of explanations referred to in Paragraph one, Clause 2 of this Section shall be postponed for a period not exceeding one hour from the moment when the lawyer or provider of legal assistance has agreed to provide legal assistance.

Section 60. (1) The inspection, search, and survey actions referred to in Section 55, Paragraph one, Clauses 5, 6, and 7 of this Law shall be recorded in the procedural action minutes by Latvijas Banka. The following shall be indicated in the minutes:

- 1) the location and date of the procedural action;
- 2) the legal basis for the performance of the action;
- 3) the time when the action was started and finished;
- 4) the position, given name, and surname of the performer of the action;
- 5) the position, given name, and surname of the rapporteur;
- 6) the position, given name, and surname of the persons involved;
- 7) the course of the action and the established facts;
- 8) the items and documents acquired during procedural action.

(2) A member of the Council, employee, or authorised representative of Latvijas Banka shall make the involved person acquainted with the content of and annexes to the procedural action minutes. Corrections and additions expressed by the person shall be recorded in the minutes.

(3) The minutes as a whole and each page individually shall be signed by the performer of the procedural action, the rapporteur, and all the persons involved. If the person refuses to sign, it shall be recorded in minutes, stating the reason for refusal.

Section 61. (1) When taking a decision, Latvijas Banka is entitled to request that the financial market participant supervised by Latvijas Banka submits an opinion of an independent verifier regarding the conformity of the operation of the financial market participant with the legal acts governing the financial market or the decisions of Latvijas Banka (hereinafter - the decision on requesting an opinion of an independent verifier) if Latvijas Banka has justified suspicions of non-conformity of the relevant financial market participant with the legal acts governing the financial market or decisions of Latvijas Banka.

(2) Latvijas Banka shall, in the decision on requesting an opinion of an independent verifier, justify the necessity for an inspection of the operation of the financial market participant to be performed for the preparation of such opinion, determine the amount, procedures, tasks, and time periods of an inspection, the requirements in relation to the selection of an independent verifier, and also the issues to be included in the contract of the financial market participant with an independent verifier. Contesting or appeal of the decision on requesting an opinion of an independent verifier shall not suspend its validity.

(3) The financial market participant shall select an independent verifier in conformity with the requirements laid down in the decision on requesting an opinion of an independent verifier and shall pay for the preparation of the opinion, including cover the costs of the inspection to be performed for the preparation thereof. The financial market participant shall coordinate the draft contract with an independent verifier with Latvijas Banka.

Section 62. (1) In performing the tasks specified in Chapters VIII and IX of this Law, Latvijas Banka is entitled, in the cases provided for in the laws and regulations governing the financial market, to determine restrictions on the rights, fulfilment of liabilities, and operation of the financial market participant supervised by Latvijas Banka.

(2) Latvijas Banka is entitled to impose sanctions for violations of laws and regulations specified in the laws and regulations governing the financial market on the financial market participant supervised by Latvijas Banka and its official. Latvijas Banka is entitled to impose the sanctions specified in the laws and regulations governing the financial market also on other persons if they are responsible for violations of the laws and regulations governing the financial market.

(3) When taking a decision to impose sanctions against persons who have violated the laws and regulations governing the financial market, Latvijas Banka shall take into account:

- 1) gravity of the violation;
- 2) duration of the violation;
- 3) the level of guilt of the person;
- 4) the income gained by the person as a result of the violation;
- 5) voluntary compensation of harm caused as a result of the violation;
- 6) collaboration of the person in inspection of the violation;
- 7) experience of the person in the financial market;
- 8) the financial status of the person;
- 9) the previous violations committed by the person in the financial market;
- 10) the measures taken by the person to preclude repeating of the violation.

(4) The Council of Latvijas Banka shall issue recommendations for the determination of the sanctions referred to in Paragraph two of this Section and publish such recommendations on the website of Latvijas Banka.

Division E Statistics

Chapter XI Ensuring of Statistics and Protection of Statistical Data and Statistical Information

Section 63. (1) Latvijas Banka shall collect, store, and process statistical data, develop, compile, analyse, and disseminate statistical information in order to ensure the performance of the tasks of Latvijas Banka specified in this Law, inter alia assisting the European Central Bank in the production of statistical information necessary for the performance of the tasks of the European System of Central Banks and for the supervision of credit institutions and assisting the authorities of the European Union, including the collegial authorities and institutional units established thereby, in the production of statistical information necessary for the fulfilment of their tasks where their area of competence is the supervision of the financial market participants, the financial markets and infrastructure, the application of resolution tools, and provision of compensation disbursement schemes, or the contribution to the stability of the financial system.

(2) Latvijas Banka shall determine the requirements and procedures for the production and submission of statistical data, the submission deadline thereof as well as the persons having the obligation to submit statistical data (hereinafter - the reporting agent) in relation to the monetary and financial statistics, banknotes and coins statistics, payments and payment systems statistics, external statistics, including balance of payments and international investment position, financial accounts statistics, resolution and compensation disbursement schemes statistics, financial stability statistics, and supervisory statistics as well as other statistics which are necessary for ensuring the performance of the tasks of Latvijas Banka specified in this Law.

Section 64. Latvijas Banka shall inform the public of the plans in the field of statistics by publishing a statistics programme.

Section 65. Latvijas Banka shall obtain statistical data directly from the reporting agents or indirectly from administrative data sources (registers, databases, information systems, and other sources of information).

Section 66. (1) Reporting agents have the obligation to produce and provide true statistical data to Latvijas Banka in accordance with the requirements and procedures of Section 63, Paragraph two of this Law or upon a justified request of Latvijas Banka.

(2) In the request for statistical data, Latvijas Banka shall indicate the legal basis for the request, the amount of statistical data, the form of provision, and the requirements for the protection of statistical data and statistical information laid down in this Law.

(3) A reporting agent has the right to address a justified request to Latvijas Banka and to become acquainted with the statistical data which have been collected regarding them and are stored in the information systems of Latvijas Banka as well as to request that the data are corrected.

Section 67. (1) A holder of an administrative data source has the obligation to provide statistical data to Latvijas Banka upon a justified request of Latvijas Banka. Statistical data from administrative data sources of public entities, including from those of the Commercial Register Office, and from administrative data sources of the private persons to whom State administration tasks have been delegated or transferred by an authorisation shall be provided to Latvijas Banka free of charge.

(2) In the request for the provision of statistical data from an administrative data source, Latvijas Banka shall indicate the legal basis for the request, the amount of statistical data, the form of provision, and the requirements for the protection of statistical data and statistical information laid down in this Law.

Section 68. (1) Latvijas Banka shall use statistical data only for ensuring the performance of the tasks of Latvijas Banka specified in this Law.

(2) Latvijas Banka shall anonymise data of natural persons immediately after receipt, verification, and combining thereof with other statistical data (except for cases when data of natural persons are still necessary for ensuring the statistical information required for the performance of the tasks of Latvijas Banka) and shall store the identification data separately from anonymised statistical data.

(3) Latvijas Banka shall determine the duration for storing statistical data.

(4) Latvijas Banka shall take measures in order to preclude unauthorised access to statistical data, corruption or dissemination thereof as well as accidental or unauthorised destruction thereof.

(5) Latvijas Banka is entitled to act as follows in relation to statistical data which allow for direct or indirect identification of the reporting agent or any other person:

1) to disclose those statistical data upon a written consent of the relevant person;

2) to hand over those statistical data to the person directing the criminal proceedings or a court in relation to a possible infringement of the requirements or procedures for the production or submission of statistical data, the submission deadline thereof, or the requirements for the protection of statistical data or statistical information laid down in this Law.

(6) Protection of statistical data shall also continue if insolvency or liquidation proceedings have been initiated in relation to the reporting agent or the reporting agent has been liquidated.

Section 69. (1) In conformity with the legal acts of the European Union, including those of the European Central Bank, Latvijas Banka is entitled to exchange statistical data, which have been collected in accordance with Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (hereinafter - Regulation No 2016/867) and allow for direct or indirect identification of the person regarding whom statistical data have been provided, with the reporting agents specified in Regulation No 2016/867, establishing the feedback loop provided for in Article 10(1) and Article 11 of Regulation No 2016/867.

(2) Latvijas Banka shall determine the requirements for the receipt of the statistical data referred to in Paragraph one of this Section and the procedures by which Latvijas Banka and reporting agents shall exchange the statistical data referred to in Paragraph one of this Section.

Section 70. (1) Statistical data which allow for indirect identification of the reporting agent or any other person may be used for research work directed towards a case study, analysis, development of conceptual proposals, or impact assessment.

(2) Latvijas Banka shall determine the requirements for the receipt and use of the statistical data referred to in Paragraph one of this Section for research work and the procedures by which it shall ensure or refuse access to statistical data which allow for indirect identification of the reporting agent or any other person for the needs of research work.

(3) Persons who have received the statistical data specified in Paragraph one of this Section are prohibited from disclosing them to third parties or using them contrary to the objective for which such statistical data have been requested and provided.

Section 71. (1) Latvijas Banka shall disseminate statistical information in a way which precludes direct or indirect identification of the reporting agent or any other person.

(2) In conformity with the legal acts of the European Union, including those of the European Central Bank and the Single Resolution Board, Latvijas Banka is entitled to provide statistical information which allows for direct or indirect identification of the reporting agent or any other person to the following authorities, including collegial authorities and institutional units:

1) the European Central Bank and the central banks of the European Union Member States if such statistical information is necessary for the performance of the tasks of the European System of Central Banks;

2) the authorities of the European Union and the European Union Member States, including the collegial authorities and institutional units which are established by the European Union and the European Union Member States and whose area of competence is the supervision of the financial market participants, the financial markets and infrastructure, the application of resolution tools, the provision of compensation disbursement schemes, or the contribution to the stability of the financial system, and the European Stability Mechanism if such statistical information is necessary for the performance of their tasks;

3) the Central Statistical Bureau and the central statistical authorities of the European Union Member States if such statistical information is necessary for the production of European statistics within the competence of the European System of Central Banks or Eurostat, the statistical office of the European Union, in conformity with the requirements of the European System of Central Banks or Eurostat, the statistical office of the European Union, for the exchange of confidential statistical information;

4) the Financial Intelligence Unit or financial investigation authorities or institutional units of the European Union Member States equivalent thereto if such statistical information is necessary for the prevention of money laundering or terrorism or proliferation financing.

(3) Latvijas Banka is entitled to provide statistical information which allows for indirect identification of the reporting agent or any other person to international organisations if such statistical information is necessary for the performance of their tasks and a justified request has been received.

(4) Protection of statistical information shall also continue if insolvency or liquidation proceedings have been initiated in relation to the reporting agent or the reporting agent has been liquidated.

Chapter XII

Liability for Infringements in the Field of Statistics

Section 72. (1) Without prejudice to the rights of the European Central Bank to impose the sanctions which are specified in the directly applicable legal acts of the European Union, including those of the European Central Bank, on the reporting agent, Latvijas Banka may impose a sanction on the reporting agent - a warning or a fine of up to EUR 700 - for an infringement of the requirements or procedures for the production or submission of statistical data or the submission deadline where liability for such infringement is not provided for in the laws governing the operation of the reporting agent.

(2) Where statistical data received for research work have been disclosed or used contrary to the objective for which they were requested and provided, Latvijas Banka may impose a sanction - a warning or a fine of up to EUR 700.

(3) An administrative case may be initiated not later than within a year from the day of committing the infringement, but if the infringement has been continuous - from the day of discontinuation of the infringement.

(4) When taking a decision on imposing of the sanctions referred to in Paragraphs one and two of this Section, Latvijas Banka shall take into account the criteria referred to in Section 62, Paragraph three, Clauses 1, 2, 3, 4, 5, 6, 8, and 10 of this Law, and also the infringements previously committed by the person in the field of statistics. The Council of Latvijas Banka shall issue recommendations for the determination of the sanctions referred to in Paragraphs one and two of this Section and publish such recommendations on the website of Latvijas Banka.

(5) A sanction shall be imposed not later than within six months after the day of initiating an administrative case. The fine shall be transferred to the State basic budget.

(6) Imposing of a sanction shall not exempt from the fulfilment of such obligation for the non-fulfilment of which the sanction has been imposed.

Section 73. (1) The Council of Latvijas Banka may establish a committee which shall take decisions on imposing of the sanctions referred to in Section 72 of this Law. The Council of Latvijas Banka shall determine the composition of the abovementioned committee. The committee shall have a quorum if more than one half of the members of the committee are present at its meeting. Decisions shall be taken by majority vote of the participants of the meeting. In the event of a tied vote, the chairperson of the meeting shall have a casting vote. Latvijas Banka shall determine the organisation of work of the abovementioned committee.

(2) The decision of the committee referred to in Paragraph one of this Section may be contested to the Council of Latvijas Banka in accordance with the procedures laid down in the Administrative Procedure Law. An administrative act issued by the Council of Latvijas Banka may be appealed to the Regional Administrative Court. The court in the composition of three judges shall examine the case as the court of first instance. A judgement of the Regional Administrative Court may be appealed by submitting a cassation complaint.

Division F

Protection of Information and Physical Security

Chapter XIII

Protection of Information

Section 74. (1) A member of the Council and an employee, an authorised representative, an auditor of Latvijas Banka, an invited expert, and other persons who are involved in the performance of the tasks specified in this Law do not have the right to disclose information which is restricted access information, and also statistical data and statistical information which have been obtained by them, in performing official or work duties or assigned tasks, for purposes other than the performance of their official (work) duties or performance of specific tasks.

(2) The prohibition referred to in Paragraph one of this Section shall also be in effect after the end of the term of office, employment relationship, or other legal relationship.

Section 75. (1) In performing the tasks specified in this Law, Latvijas Banka shall perform processing of data of natural persons for the achievement of the objectives and the performance of the tasks specified in this Law in the public interest.

(2) In performing the tasks specified in this Law, Latvijas Banka is entitled to:

1) use audio recording, video recording, and other technical data recording systems, make and store recordings in order to ensure:

a) safe and continuous performance of the tasks of Latvijas Banka specified in this Law;

b) efficiency of the regulation and supervision of the operation of the financial market and its participants implemented by Latvijas Banka in accordance with the objectives specified in this Law and the laws governing the operation of the financial market participants;

2) make, store, and publish audio recordings and video recordings of conferences, seminars, and other events for the promotion of financial literacy and education of the public in other fields in accordance with the tasks specified in the law;

3) process information identifying a natural person, including data of a personal identity document, and information related to payments.

(3) Latvijas Banka as the data controller shall not provide information (except for publicly available data) on the data processing performed in the field of the regulation and supervision of the operation of the financial market and its participants.

Section 76. (1) In addition to that specified in other laws and regulations, the following information shall be considered restricted access information if it has not been previously made public or the disclosure thereof is not determined by other laws:

1) which has been obtained by Latvijas Banka in performing the tasks referred to in Division D of this Law and also other information which allows for direct or indirect identification of the cash handler, the financial market participant or its client;

2) on the circulation, including storage, transportation, recording, handling, and destruction, of banknotes, coins, and other material values;

3) on the management of the foreign reserves and other assets of Latvijas Banka;

4) on the conditions for granting an emergency liquidity loan;

5) which is related to the risk management of Latvijas Banka, including ensuring of continuity and security of the operation of Latvijas Banka;

6) on employees of Latvijas Banka who ensure physical security of the property of Latvijas Banka and also on persons who are involved in the circulation of banknotes and coins.

(2) The status of restricted access for the information referred to in Paragraph one of this Section shall also apply to the information on the cash handler, the financial market participant and its client, and also the operation of the cash handler, the financial market participant and its client if insolvency proceedings have been initiated or liquidation has been commenced for the cash handler or the financial market participant or it has been liquidated.

Section 77. (1) The restricted access information referred to in Section 76, Paragraph one of this Law shall be distributed only in the form of a report or summary which precludes direct or indirect identification of the cash handler, the financial market participant, its clients, or other persons or obtaining of information on internal procedures and measures which are being implemented for ensuring the performance of the relevant tasks of Latvijas Banka. Latvijas Banka is entitled to provide information on the conditions for granting an emergency liquidity loan to a financial market participant who is requesting to be granted an emergency liquidity loan.

(2) Latvijas Banka is entitled to disclose the information which has been obtained thereby in performing the tasks referred to in Division D of this Law and also other information which allows to identify the financial market participant or its client to the legal entities specified in the laws governing the operation of the financial market participants in the cases and in accordance with the procedures laid down in these laws.

(3) Latvijas Banka is entitled to provide other restricted access information referred to in Section 76, Paragraph one of this Law in the form which allows for direct or indirect identification of the cash handler, the financial market participant, its client, or another person or obtaining of information on internal procedures and measures which are being implemented for ensuring the performance of the relevant tasks of Latvijas Banka in the following cases:

1) to a court - in the insolvency or liquidation case of the cash handler or the financial market participant after declaration of insolvency or liquidation of the cash handler or the financial market participant;

2) to an investigating institution, the Office of the Prosecutor, and a court - if such information is necessary in a criminal case;

3) to a body performing operational activities - in accordance with the Operational Activities Law;

4) to the State Revenue Service - if such information is necessary for the performance of its tasks;

5) to the Financial Intelligence Unit - if such information is necessary for the performance of its tasks;

6) to the parliamentary investigatory committee - if such information is necessary for its operation;

7) to the European Central Bank and the central banks of the European Union Member States - if such information is necessary for the performance of the tasks of the European System of Central Banks;

8) to the authorities of the European Union and the European Union Member States, including the collegial authorities and institutional units which are established by the European Union and the European Union Member States and whose area of competence is the supervision of the financial market participants, the financial markets and infrastructure or the contribution to the stability of the financial system, and the European Stability Mechanism - if such information is necessary for the performance of their tasks;

9) to the authority or an institutional unit of a European Union Member State which is responsible for the payment systems oversight - if such information is necessary for the performance of their tasks;

10) to international organisations - if such information is necessary for the performance of their tasks;

11) to the audit institutions - if such information is necessary for the performance of the tasks referred to in Section 84 of this Law;

12) to other legal entities - if a written consent of the provider of information has been received.

(4) Latvijas Banka is entitled to disclose the restricted access information referred to in Section 76, Paragraph one of this Law if it is necessary for the performance of the tasks of Latvijas Banka. The decision on issuing of such restricted access information shall be taken by the Council of Latvijas Banka.

Section 78. If the situation described in Article 18 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC arises, Latvijas Banka is entitled to hand over restricted access information which has been obtained thereby in performing the tasks referred to in Division D of this Law and also other information which allows to identify the financial market participant or its client:

1) to the central bank of another European Union Member State if such information is essential in order for the central bank of the relevant European Union Member State to be able to perform the tasks specified in the legal acts, including the implementation of the monetary policy and the provision of liquidity related thereto, the payment systems oversight and the ensuring of the stability of the financial system;

2) to the European Systemic Risk Board if such information is important for the abovementioned Board to be able

to perform the tasks specified for it in the legal acts.

Chapter XIV

Physical Security of Latvijas Banka

Section 79. (1) Latvijas Banka shall ensure physical security of the property and resources of Latvijas Banka.

(2) Property and resources of Latvijas Banka are the movable property of Latvijas Banka and banknotes and coins, the immovable property, a member of the Council, an employee of Latvijas Banka, and the natural person present in the immovable property of Latvijas Banka, and also another natural person and property and resources whose protection against physical threats must be ensured within the scope of an event organised or a cash transportation performed by Latvijas Banka.

(3) In order to ensure physical security of the property and resources of Latvijas Banka, Latvijas Banka is entitled to acquire, store, alienate, and apply and use weapons in its operation, including firearms of all categories, high-energy pneumatic weapons, their ammunition, and also special means.

Section 80. (1) In order to ensure physical security of the property and resources of Latvijas Banka, the employee of Latvijas Banka who ensures physical security is entitled, in performing work duties according to the competence:

1) to check personal identity documents of persons who wish to access or are present in a property of Latvijas Banka and also to request that a natural person present in a property of Latvijas Banka voluntarily presents personal belongings, a vehicle, or a cargo and the documents certifying its conformity;

2) to request that a natural person complies with the procedures determined in a property of Latvijas Banka and stops an unlawful activity or other action which endangers security of the property and resources of Latvijas Banka or hinders the employee who ensures physical security from the performance of his or her duties, or, depending on the activities carried out by a natural person, to request the relevant natural person to leave the property of Latvijas Banka or to expel from the property of Latvijas Banka if the natural person does not comply with the request and continues violating the procedures determined in the property of Latvijas Banka;

3) to detain a natural person suspected of committing a violation of the law and to hand him or her over to the State Police without delay;

4) to possess and carry the special means issued for the performance of the work duties;

5) to use physical force and to apply and use the special means issued for the performance of the work duties in accordance with the law On Police;

6) to possess service firearms;

7) to apply and use service firearms in accordance with the law On Police;

8) to perform forced landing or destruction of an unmanned aircraft or such airship of other type which does not qualify as an aircraft, applying firearms not affecting the users of the air space which have been loaded with such elements that are not intended for causing lethal consequences (for example, with rubber bullets) or special means and taking measures to the extent possible in order to reduce a possible threat to persons.

(2) Latvijas Banka shall issue an internal regulatory enactment which shall determine the procedures for the storage, possession, transportation, forwarding, practice shooting, and repair of the weapons, ammunition, and special means in possession of Latvijas Banka.

Section 81. In order to ensure physical security of the property and resources of Latvijas Banka and to preclude harm to the national defence and national security interests, a member of the Council or an employee of Latvijas Banka designated by the Council of Latvijas Banka shall:

1) coordinate such activities the performance of which in the protection zone around the immovable property of Latvijas Banka which has been determined as the national defence object is prohibited without coordination with Latvijas Banka;

2) take the decision on permitting a flight of an unmanned aircraft or such airship of other type which does not qualify as an aircraft above the immovable property of Latvijas Banka and in its vicinity if such flight is not permitted without coordination with Latvijas Banka;

3) take the decision on forced landing or destruction of an unmanned aircraft or such airship of other type which does not qualify as an aircraft if the relevant flight has been conducted in violation of the procedures laid down in laws and regulations for the conducting of flights above the immovable property of Latvijas Banka which is used as the cash storage facility or in its vicinity.

Section 82. (1) A natural person who conforms to the following requirements may apply for an office of an employee of Latvijas Banka who ensures physical security and may be employed in such office:

1) is a citizen of the Republic of Latvia, has attained the age of 21 years, and his or her education, professional experience, knowledge, skills, including proficiency in the official language, physical fitness, health condition, and social competences conform to the professional qualification requirements for the relevant office determined by Latvijas Banka and the work duties to be performed;

2) the prohibitions for the issuance of an authorisation for a weapon specified in Section 23, Clauses 1-12 of the Law on the Handling of Weapons do not apply to him or her if it is intended to issue a firearm, high-energy pneumatic weapon, or their ammunition for the performance of the relevant official duties.

(2) In order to verify whether a natural person who is applying for the office of such employee of Latvijas Banka who ensures physical security or holds such office conforms to the requirements of Paragraph one, Clause 2 of this Section, Latvijas Banka is entitled to request information from the Punishment Register, the Register of Weapons, the State Police, and State security institutions.

(3) If an employee of Latvijas Banka who ensures physical security and to whom it is intended to issue a firearm, high-energy pneumatic weapon, or their ammunition for the performance of the duties does not conform to the requirements of Paragraph one, Clause 2 of this Section, Latvijas Banka shall suspend such employee from work. If, upon expiry of the maximum time period specified in the Labour Law for which a person can be suspended from work, the relevant employee of Latvijas Banka still does not conform to the requirements of Paragraph one, Clause 2 of this Section, Latvijas Banka shall, without delay, terminate employment relationship with such employee in accordance with Section 115, Paragraph five of the Labour Law.

Division G

Supervision of the Operation of Latvijas Banka

Section 83. Supervision of the operation of Latvijas Banka shall be performed by the *Saeima*:

1) Latvijas Banka shall submit the annual report of Latvijas Banka to the *Saeima* within three working days after approval thereof;

2) Latvijas Banka shall, not less than twice a year, provide information to the responsible committee of the *Saeima* on the operation of Latvijas Banka;

3) the Governor of Latvijas Banka shall provide answers to questions of members of the *Saeima* in accordance with the procedures laid down in the Rules of Order of *Saeima*. An answer to a question of members of the *Saeima* which is addressed to the Governor of Latvijas Banka may be provided by the Deputy Governor of Latvijas Banka according to his or her authorisation.

Section 84. (1) The audit of financial statements of Latvijas Banka shall be performed by independent external auditors recommended by the Governing Council of the European Central Bank and approved by the Council of the European Union.

(2) Other audits at Latvijas Banka shall be performed by the State Audit Office in conformity with that specified in Section 3 of this Law and Paragraph one of this Section.

(3) The State Audit Office shall not perform an audit of the tasks of the European System of Central Banks and also shall not restrict an audit by the independent external auditors referred to in this Section at Latvijas Banka.

Transitional Provisions

1. With the coming into force of this Law, the law On Latvijas Banka (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992, No. 22/23; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1997, No. 15; 1998, No. 23; 1999, No. 23; 2000, No. 13; 2001, No. 22; 2002, No. 14; 2006, Nos. 1, 14; 2009, No. 22; *Latvijas Vēstnesis*, 2012, No. 70; 2013, No. 16; 2017, No. 5; 2019, No. 248.A; 2021, No. 71) and the Law on the Financial and Capital Market Commission (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2000, No. 13; 2001, No. 24; 2009, Nos. 2, 6; *Latvijas Vēstnesis*, 2009, No. 196; 2010, No. 205; 2011, No. 169; 2012, No. 186; 2013, Nos. 183, 243; 2015, No. 122; 2016, No. 108; 2019, No. 129) are repealed.

2. Until making of the relevant amendments to other laws and regulations:

1) the title used therein "Financial and Capital Market Commission" shall be deemed equivalent to the title used in this Law "Latvijas Banka";

2) the competence of the Financial and Capital Market Commission specified therein to issue the regulatory

provisions shall be considered the competence of Latvijas Banka to issue regulations;

3) the title used therein "Security Department of Latvijas Banka" shall be deemed equivalent to the concept used in this Law "employee of Latvijas Banka who ensures physical security".

3. The external regulatory enactments, guidelines, and recommendations issued by Latvijas Banka and the Financial and Capital Market Commission until the day of the coming into force of this Law shall be applicable until the day when the relevant external regulatory enactments, guidelines, or recommendations of Latvijas Banka enter into effect but not longer than until 31 December 2024.

4. Latvijas Banka is the successor of the property, financial resources, rights, and liabilities of the Financial and Capital Market Commission according to the plan approved by the Council of Latvijas Banka for incorporation of the Financial and Capital Market Commission in Latvijas Banka.

5. The difference between the assets and liabilities of the Financial and Capital Market Commission - net assets existing at the moment when the Financial and Capital Market Commission is incorporated in Latvijas Banka - shall be used as follows in accordance with the procedures and in the amount determined by the Council of Latvijas Banka:

1) if net assets are positive, a reserve for the reimbursement of the possible losses shall be established in relation to court proceedings and claims against the Financial and Capital Market Commission prior to incorporation thereof in Latvijas Banka;

2) the remaining net assets, if they are positive after establishment of the reserve referred to in Sub-paragraph 1 of this Paragraph, shall be used in order to henceforth reduce the expenditures of Latvijas Banka to be covered by the financial market participants supervised by Latvijas Banka in relation to the regulation and supervision of the operation of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes;

3) if net assets are negative or become negative after establishment of the reserve referred to in Sub-paragraph 1 of this Paragraph, they shall be covered by henceforth increasing the expenditures of Latvijas Banka to be covered by the financial market participants supervised by Latvijas Banka in relation to the regulation and supervision of the operation of the financial market and its participants, the application of resolution tools, and the provision of compensation disbursement schemes accordingly.

6. Reimbursement for such losses in relation to claims relating to decisions and action of the Financial and Capital Market Commission prior to its incorporation in Latvijas Banka which have been discovered or have occurred after incorporation of the Financial and Capital Market Commission in Latvijas Banka and for which the reserve referred to in Paragraph 5, Sub-paragraph 1 of Transitional Provisions of this Law has not been established shall be disbursed from the State budget.

7. The financial statements and the annual report of the Financial and Capital Market Commission for 2022 shall be approved by the Council of Latvijas Banka.

8. The restriction on regulations included in Section 13, Paragraph three of this Law in relation to re-election of members of the Council of Latvijas Banka to the office - the same person may be a member of the Council of Latvijas Banka for not more than two successive terms - shall be applied to such members of the Council of Latvijas Banka who are elected by the *Saeima* to the office after coming into force of this Law.

9. For such officials and employees of the Financial and Capital Market Commission who have a valid personnel security clearance for access to an official secret as on 31 December 2022 and who are transferred for work in Latvijas Banka from 1 January 2023, the relevant personnel security clearance for access to an official secret shall remain in effect until the time period indicated therein but not longer than until 31 December 2023.

The Law shall come into force on 1 January 2023.

The Law has been adopted by the *Saeima* on 23 September 2021.

President E. Levits

Rīga, 6 October 2021

¹The Parliament of the Republic of Latvia

