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

14 April 2005 [shall come into force on 13 May 2005];

9 June 2005 [shall come into force on 12 July 2005];

15 June 2006 [shall come into force on 13 July 2006];

29 March 2007 [shall come into force on 1 May 2007];

4 October 2007 [shall come into force on 8 November 2007];

22 May 2008 [shall come into force on 25 June 2008];

29 May 2008 [shall come into force on 1 July 2008];

23 October 2008 [shall come into force on 1 January 2009];

26 February 2009 [shall come into force on 25 March 2009];

15 October 2009 [shall come into force on 1 January 2010];

13 January 2011 [shall come into force on 11 February 2011];

22 March 2012 [shall come into force on 25 April 2012];

14 June 2012 [shall come into force on 10 July 2012];

8 November 2012 [shall come into force on 1 December 2012];

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

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

24 April 2014 [shall come into force on 28 May 2014];

11 June 2015 [shall come into force on 14 July 2015];

29 October 2015 [shall come into force on 1 January 2016];

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

26 May 2016 [shall come into force on 29 June 2016];

15 December 2016 [shall come into force on 1 January 2017];

14 September 2017 [shall come into force on 17 October 2017];

21 September 2017 [shall come into force on 4 October 2017];

26 October 2017 [shall come into force on 9 November 2017];

21 June 2018 [shall come into force on 18 July 2018];

28 February 2019 [shall come into force on 28 March 2019];

20 June 2019 [shall come into force on 16 July 2019];

12 December 2019 [shall come into force on 6 January 2020];

17 June 2020 [shall come into force on 3 July 2020];

29 April 2021 [shall come into force on 19 May 2021];

27 May 2021 [shall come into force on 23 June 2021].

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

The *Saeima*1 has adopted

and the President has proclaimed the following Law:

**Financial Instrument Market Law**

**Division A**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) The following terms are used in this Law:

1) **category** – financial instruments of the same type strengthening rights of the same type with uniform rules for the exercising of such rights;

2) **investment brokerage company** – a capital company that provides investment services on a regular and professional basis;

3) **Member State** – a European Union Member State or a country of the European Economic Area;

4) **home Member State** – a Member State in accordance with the requirements of Section 3.1 of this Law;

5) **supervisory authority of a Member State** – an authority to which a Member State has delegated the supervisory function of the provision of investment services, irrespective of whether this authority has been established on the basis of a law or the performance of such function has been delegated thereto by a State administration institution, if the relevant Member State has notified the European Commission of such authority and its rights and obligations;

6) **regulated market** – a multilateral system which is operated or managed by a regulated market operator and which, according to the rules of a multilateral system in conformity with equivalent conditions, brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in entering into a transaction in respect of the financial instruments admitted to trading under the rules of a multilateral system, and which is authorised and functions regularly in accordance with Division D, Chapter I of this Law;

7) **regulated market operator** – a capital company that organises or manages a regulated market;

8) **official list** – such regulated market for which the regulated market operator has determined the highest requirements compared to other regulated markets organised thereby and the activities of which are performed in accordance with the minimum requirements laid down in this Law;

9) **public circulation** – entering into transactions with financial instruments admitted to trading on a regulated market;

10) **issuer** – a person whose transferable securities are admitted to trading on a regulated market, and also a person on whose behalf transferable securities or other financial instruments are issued or intended to be issued for admission to trading on a regulated market. In relation to the depository receipts to be admitted to trading on a regulated market the issuer of such securities shall be deemed an issuer the rights to which have been corroborated in the depository receipt regardless of whether such securities are or are not admitted to trading on a regulated market;

11) **initial placement** – an offer of securities to the public made by an issuer or a person authorised thereby to acquire transferable securities or other financial instruments and the first placement thereof;

12) [12 December 2019];

13) **prospectus** – a document that includes detailed information on the issuer and any transferable securities issued thereby regarding which the offeror wishes to make an offer of securities to the public or which the person asking admission of transferable securities on a regulated market wishes to admit on the regulated market;

14) **target company** – a joint stock company the shares of which are in public circulation and for the shares of which a buy-back offer has been made;

15) **offeror** – a person or a group of persons which makes a mandatory or voluntary share buy-back offer or performs the final share buy-back or which has an obligation to make a mandatory share buy-back offer;

16) **central securities depository** – a capital company within the meaning of Article 2(1)(1) of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (hereinafter – Regulation No 909/2014);

17) **central securities depository participant** – a participant within the meaning of Section 1, Paragraph one, Clause 6 of the law On the Settlement Finality in Payment and Financial Instrument Settlement Systems;

18) **financial instrument market participants** – credit institutions providing investment services or ancillary investment services, investment brokerage companies, issuers, investors, companies entitled under the law to administer collective investment undertakings, regulated market operators, central securities depositories, data reporting services providers, foreign investment brokerage companies providing investment services or ancillary investment services, and other persons performing activities governed by this Law;

19) **qualifying holding** – a holding acquired directly or indirectly by one or several persons which are acting in concert on the basis of an agreement and representing 10 per cent and more of the share capital or of the voting rights of shares or stocks of a commercial company or making it possible to exercise a significant influence over the management of the financial and operational policy of the commercial company;

20) **control** – a person has control over a commercial company, if:

a) this person has decisive influence in the commercial company on the basis of participation;

b) this person has decisive influence in the commercial company on the basis of a group of companies agreement;

c) other relationships between this person and the commercial company exist – analogous to the relationships referred to in Sub-clause “a” or “b” of this Clause;

21) **major holding** – a holding acquired directly or indirectly, which comprises five and more per cent of the voting capital of the issuer;

22) **European Union parent investment brokerage company** – an investment brokerage company which is a European Union parent institution within the meaning of Article 4(1)(29) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter – Regulation No 575/2013);

23) **parent investment brokerage company in the Republic of Latvia** – an investment brokerage company registered in the Republic of Latvia which has a subsidiary – an investment brokerage company, other financial institution or credit institution – or which has a holding in an investment brokerage company, other financial institution or credit institution, but which itself is not a subsidiary of another licensed investment brokerage company or a credit institution registered in the Republic of Latvia or a subsidiary of the financial holding company registered in the Republic of Latvia;

24) **parent financial holding company in the Republic of Latvia** – a financial holding company registered in the Republic of Latvia which is not a subsidiary of and investment brokerage company or a credit institution registered in the Republic of Latvia or a subsidiary of another financial holding company registered in the Republic of Latvia;

25) **close links** – a mutual link of two or more persons:

a) by participation – a person owns directly or by way of control 20 per cent or more of the voting rights in a commercial company or a person directly or by way of control has acquired a holding which comprises 20 per cent or more of the share capital of the commercial company;

b) by control;

c) if they are linked with one and the same person by a relationship of control;

26) **initial capital** – capital which is constituted by one or several elements conforming to the requirements of Regulation No 575/2013 for elements of Common Equity Tier 1:

a) shares, and also other capital instruments and premium accounts thereof;

b) profit or loss brought forward from previous years;

c) accumulated other income indicated in the total income statement;

d) other reserves;

e) profit of the current year;

27) **initial register** – a list which contains persons who own financial instruments issued by one or several issuers (hereinafter also – the owners of financial instruments) and who have acquired the financial instruments as a result of initial placement or, after putting of the financial instruments into public circulation, have not moved accounting of financial instruments owned thereby from the initial register to the financial instrument account owned thereby;

28) [12 December 2019];

29) **depositary receipts** – transferable securities which are negotiable on the capital market and which represent ownership of the securities of a non-domiciled issuer while being able to be admitted to trading on a regulated market and traded independently of the securities of the non-domiciled issuer;

30) **transferable securities** – securities which are negotiable on the capital market, except for instruments of payment, such as:

a) capital securities;

b) debt securities;

c) other securities giving the right to acquire or alienate transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;

31) [12 December 2019];

32) [12 December 2019];

33) [12 December 2019];

34) [12 December 2019];

35) **host Member State** – the state which is not the home Member State and where an offer of securities to the public is made or admission of the transferable securities on a regulated market is sought, or the state where an investment brokerage company or credit institution has a branch or it provides investment services or ancillary investment services, or the state where the regulated market operator carries out corresponding measures in order to promote access by market participants existing in such state to trading in its system from distance, when different from the home Member State;

36) **qualified investors** – investors which are specified as such in Section 124.1, Paragraph two of this Law or meet the requirements and criteria referred to in Paragraph two or five of this Section, and also persons who in accordance with the provisions of Section 124.2 of this Law have been recognised as eligible counterparties;

37) [12 December 2019];

38) **foreign country** – a country which is not a Member State of the European Union or of the European Economic Area;

39) **competent authority** – an authority to which a Member State has delegated the function to supervise the procedures for drawing up, registering, and distributing prospects and which carries out the duties related to international cooperation with competent authorities of other Member States;

40) **affiliated company** – holding in an undertaking where group undertakings, directly or indirectly (via subsidiaries), own 20 or more per cent of the voting rights of shares (stocks) or holding which gives the right to exercise significant influence, but not to control the taking of the decisions related to the financial and operating policy;

41) **buy-back offer** – an offer publicly expressed by the offeror which is not an offer expressed by the target company itself to other shareholders of the target company to acquire all shares or part of shares from them in accordance with the procedures laid down in Division D, Chapter V of this Law;

42) **persons acting in concert** – offeror and persons who cooperate with the offeror or a target company according to the agreement in order to obtain control in the target company or destroy successful offer;

43) **debt securities** – bonds or other forms of transferable securitised debts, and also depositary receipts in relation to such securities;

44) **controlled commercial company** – a commercial company which meets at least one of the following conditions:

a) a person has majority of voting rights in a commercial company;

b) a person has the right to directly or indirectly elect or revoke majority of the members of the board or council, and such person concurrently is a shareholder (member) of the commercial company;

c) a shareholder (member) of a commercial company is a person who solely controls majority of the voting rights of shareholders or members according to the agreement which such person has entered into with other shareholders or members of the relevant commercial company;

d) a person has control over a commercial company and such person actually uses or may use it;

45) **regulated information** – all types of information which is disclosed by an issuer or a person who has requested admission of transferable securities to trading on a regulated market in accordance with the requirements laid down in Sections 3.1, 54, Division D, Chapters III, IV of this Law and Articles 7 and 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter – Regulation No 596/2014);

46) **electronic means** – electronic equipment for data processing, storage, and transmission, by using cables, radio waves, optical technologies, or other electromagnetic means;

47) **market maker** – a person who continuously ensures trade (liquidity) of one or several financial instrument assets during a trade day, by purchasing and selling financial instruments within the limits of price specified by itself and at its own funds;

48) **trade day** – a day or time period during the relevant day when, in accordance with the provisions of a regulated market operator, it is possible to perform transactions with financial instruments in the relevant regulated market;

49) **multilateral trading facility** (hereinafter also – the MT facility) – a system operated by an investment brokerage company, a credit institution, or a regulated market operator and that, in conformity with equivalent conditions, brings together third party instructions for buying and selling financial instruments in a way that results in a contract;

50) **operator of a multilateral trading facility** – an investment brokerage company, a credit institution, or a regulated market operator that ensures the operation of the MT facility in accordance with the rules of the system;

51) **tied agent** – a natural or legal person who, on behalf of one investment brokerage company or credit institution, advertises or otherwise promotes the use of investment services or ancillary investment services to clients or prospective clients, provided by the investment brokerage company or credit institution, receives and transmits instructions or orders from the clients in respect of investment services or financial instruments, places financial instruments or provides investment advice to clients or prospective clients in respect of the abovementioned financial instruments or services;

52) **responsible person of the tied agent** – a self-employed person, a member of the executive body of the tied agent, or other person who in conformity with the competence is responsible for the professional activity of the tied agent on the management level of the tied agent;

53) **systematic internaliser** – an investment brokerage company or credit institution which, ion an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MT facility, or an organised trading facility without operating a multilateral system. The frequent and systematic basis of the systematic internaliser shall be measured by the number of over-the-counter trades in the financial instruments carried out by the investment brokerage company or credit institution on own account when executing client orders. The substantial basis shall be measured either by the size of the over-the-counter trading carried out by the investment brokerage company or credit institution in relation to the total trading of the investment brokerage company or credit institution in a specific financial instrument or by the size of the over-the-counter trading carried out by the investment brokerage company or credit institution in relation to the total trading in the European Union in a specific financial instrument;

54) **limit order** – an order to acquire or sell certain amount of financial instruments for a specially determined price or for a better price;

55) **investment advice** – the provision of a personal recommendation to a client, either upon its request or at the initiative of the investment brokerage company or credit institution, in respect of one or more transactions relating to financial instruments;

56) **execution of orders on behalf of clients** – acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment brokerage company or a credit institution at the moment of their issuance;

57) **dealing on own account** – trading against proprietary capital (funds) resulting in the conclusion of transactions in one or more financial instruments;

58) **portfolio management** – managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments;

59) **client** – any natural or legal person to whom an investment brokerage company or credit institution provides investment services or ancillary investment services;

60) **professional client** – a client who has the relevant experience, knowledge, and competence in order to take independently investment decision and duly assess the risks undertaken by him or her;

61) **retail client** – a client other than professional client;

62) **financial analyst** – an employee of an investment brokerage company or credit institution who develops investment research content;

63) **corporate governance** – a set of measures for the achievement of objectives of the activities of a commercial company and control of the activities of a commercial company, and also assessment and management of the risks related to activities of a commercial company;

64) **record date** – a date of such working day after which there are five more working days until the meeting of shareholders and at the end of which shareholders of the relevant joint stock company and the number of shares owned by them are registered for participation in the relevant meeting of shareholders, or a date stipulated by an issuer or offerer on which the rights to benefits to be obtained as a result of corporate actions of financial instruments are specified;

65) **free capital** – the value of assets belonging to a person which is reduced by the value of liabilities of such person and by the value of those assets which are regarded as long-term investments;

66) [12 December 2019];

67) [12 December 2019];

68) **holding of financial instruments** – the holding and administration of financial instruments on behalf of clients, including holding of the funds necessary for ensuring the transactions to be made with financial instruments and provision of other services related to holding or administration of financial instruments, except for maintaining securities accounts at the top tier level;

69) **formal understanding** – a contract which is binding in accordance with that laid down in laws and regulations and provides for the right to the person to obtain the shares with voting rights of the issuer in the joint stock company on the day of exercising the rights arising from financial instruments;

70) **long position in financial instruments** – financial instruments which belong to a person, or financial instruments which give the right to or impose a duty on the person to acquire financial instruments;

71) **short position in financial instruments** – liabilities of a person which must be carried out in financial instruments, or financial instruments which give the right to or impose a duty on the person to dispose of financial instruments;

72) **corporate action of financial instruments** – any fact or circumstance affecting the nominal value of financial instruments or other characteristics, and also action of an issuer upon carrying out of liabilities against a person who has the right to benefits as a result of corporate action events (disbursement of dividends, disbursement of interest, division of issue, joining of issue, and other similar facts or circumstances);

73) **small and medium-sized enterprises growth market** – a multilateral trading facility to which the status of a small and medium-sized enterprises growth market has been granted in accordance with Section 133.11 of this Law;

74) **energy derivative contracts** – options, futures, swaps, and any other derivative contracts referred to in Section 3, Paragraph two, Clause 6 of this Law and relating to coal or oil that are traded on an organised trading facility and must be physically settled;

75) **multilateral system** – a system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system;

76) **organised trading facility** (hereinafter also – the OT facility) – a multilateral system which is not a regulated market or a multilateral trading facility and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances, or derivatives are able to interact in the system in a way that results in a transaction;

77) **trading venue** – a regulated market, a multilateral trading facility, or an organised trading facility;

78) **liquid market** – a market for a financial instrument or a category of financial instruments where there always is a market participant who is ready and willing to sell and who has been assessed in accordance with the following criteria, taking into consideration the specific market structures of the particular financial instrument or of the particular category of financial instruments:

a) the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the category of the financial instrument;

b) the number and type of market participants, including the ratio of market participants to traded instruments in a particular product;

c) the average size of spreads between buying and selling interests, where available;

79) **group** – a parent undertaking and all its subsidiaries;

80) **matched principal trading** – a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction;

81) **algorithmic trading** – trading in financial instruments where a computer algorithm automatically determines individual parameters of orders, including – whether to initiate the order, the timing, price, or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;

82) **high-frequency algorithmic trading technique** – an algorithmic trading technique characterised by:

a) infrastructure intended to minimise network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location at the same data centre of the algorithmic trading system of a client and the transaction processing system, proximity hosting of the algorithmic trading system of a client and the transaction processing system at different data centres which are interconnected with a connection that is fast and with low delay, or the systems are interconnected with high-speed direct electronic access;

b) system-determination of order initiation, generation, routing or execution without human intervention for individual trades or orders;

c) high message intraday rates which constitute orders, quotes or cancellations;

83) **direct electronic access** – an opportunity for a person to electronically transmit orders relating to a financial instrument directly to the trading venue, using trading code of the member, participant, or client of the trading venue and using the infrastructure of the member, participant, or client or any connecting system of the member, participant, or client (direct market access) or without using such infrastructure (sponsored access);

84) **cross-selling practice** – the offering of an investment service together with another service or product as part of a package or one or several products or services is as a condition for another product or agreement or a package thereof;

85) **structured deposit** – a deposit as defined in Section 1, Paragraph one, Clause 1 of the Investment Guarantee Law and which is fully repayable at maturity on terms under which any interest or a premium is calculated according to a formula involving factors such as:

a) an index or combination of indices, except for variable rate deposits whose return is directly linked to an interest rate index, including Euribor or Libor;

b) a financial instrument or combination of financial instruments;

c) a commodity or combination of commodities or other physical or non-physical non-fungible assets;

d) a foreign exchange rate or combination of foreign exchange rates;

86) **exchange-traded fund** – a fund at least one unit or share category of which is traded throughout the day on at least one trading venue and with at least one market operator which implements measures to ensure that the price of its units or shares on the trading venue does not significantly vary from its net asset value and, where applicable, from its indicative net asset value;

87) **certificates** – securities as defined in Article 2(1)(27) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (hereinafter – Regulation No 600/2014);

88) **structured finance products** – securities as defined in Article 2(1)(28) of Regulation No 600/2014;

89) **derivatives** – derivatives as defined in Clause 30, Sub-clause c” of this Paragraph and Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law;

90) **commodity derivatives** – commodity derivatives as defined:

a) in Clause 30, Sub-clause c” of this Paragraph and are related to the commodity or the base asset referred to in Section 3, Paragraph two, Clause 10 of this Law;

b) in Section 3, Paragraph two, Clauses 5, 6, 7, and 10 of this Law;

91) **central counterparty** – a person as defined in Article 2(1) of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter – Regulation No 648/2012);

92) **approved publication arrangement** – a person authorised in accordance with this Law to provide the service of publishing trade reports on behalf of investment brokerage companies and credit institutions in accordance with Articles 20 and 21 of Regulation No 600/2014;

93) **consolidated tape provider** (hereinafter also – the CT provider) – a person authorised in accordance with this Law to provide the service of collecting trade reports for financial instruments listed in Articles 6, 7, 10, 12, 13, 20, and 21 of Regulation No 600/2014 from regulated markets, MT facilities, OT facilities and approved publication arrangements and consolidating them into a continuous electronic live (hereinafter – real time) data stream providing price and volume data per financial instrument;

94) **approved reporting mechanism** – a person authorised in accordance with this Law to provide reports on transaction details to the Financial and Capital Market Commission and the European Securities and Markets Authority on behalf of investment brokerage companies and credit institutions;

95) **third-country firm** – a firm that would be a credit institution providing investment services or performing investment activities or an investment brokerage company if its head office of such firm were located within the European Union;

96) **wholesale energy products** – wholesale energy products as defined Article 2(4) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (hereinafter – Regulation No 1227/2011);

97) **agricultural commodity derivatives** – derivative contracts relating to products listed in Article 1 of, and Annex I, Parts I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX, XX and Part XXIV/1 to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (hereinafter – Regulation No 1308/2013);

98) **sovereign issuer** – any of the following issuers that issue debt instruments:

a) the European Union;

b) a Member State, including a government department, an agency, or a special purpose vehicle of the relevant Member State;

c) in the case of a federal Member State – a member of the federation;

d) a special purpose vehicle for several Member States;

e) an international financial institution established by two or more Member States which has the purpose of mobilising funding and providing financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems;

f) the European Investment Bank;

99) **sovereign debt** – a debt instrument issued by a sovereign issuer;

100) **durable medium** – any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference and for a period of time adequate for the purposes of the information and allows the unchanged reproduction of the information stored;

101) **data reporting services provider** – an approved reporting arrangement, a CT provider, or an approved reporting mechanism;

102) **money market instruments** – financial instruments which are normally dealt in on the money market: treasury bills, certificates of deposit, and commercial papers, except for instruments of payment;

103) **senior management** – those persons (employees) whose position provides them with an opportunity to significantly affect the progress of the operation of the institution, however, who are not members of the council or board;

104) **branch of a credit institution** – a territorially or otherwise separated structural unit of an investment brokerage company or credit institution which does not have the status of a legal person and which acts in the name of the investment brokerage company or credit institution. All structural units which have been established in one Member State by an investment brokerage company or credit institution located in another Member State shall be considered as one branch;

105) **securities financing transaction** – a transaction as defined in Article 3(11) of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (hereinafter – Regulation No 2015/2365);

106) **proxy advisor** – a legal person that, within the scope of its economic activity, performs research and provides advices and recommendations in relation to exercising of the voting rights in a joint stock company registered in a Member State the stock of which have been admitted to trading on a regulated market of the Member State.

(2) The following terms conform to the terms used in Regulation No 575/2013:

1) **parent undertaking** – to the term “parent undertaking” within the meaning of Article 4(1)(15) of Regulation No 575/2013;

2) **subsidiary** – to the term “subsidiary” within the meaning of Article 4(1)(16) of Regulation No 575/2013;

3) **mixed holding company** – to the term “mixed activity holding company” within the meaning of Article 4(1)(22) of Regulation No 75/2013.

(3) In addition to the terms referred to in Paragraphs one and two of this Section within the meaning of Regulation No 575/2013 and Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (hereinafter – Regulation No 2017/1129) the following terms are used:

1) **financial institution** – a financial institution within the meaning of Article 4(1)(26) of Regulation No 575/2013;

2) **mixed holding company** – a financial holding company within the meaning of Article 4(1)(20) of Regulation No 575/2013;

3) **parent financial holding company in a Member State** – a parent financial holding company in a Member State within the meaning of Article 4(1)(30) of Regulation No 575/2013;

4) **European Union parent financial holding company** – a European Union parent financial holding company within the meaning of Article 4(1)(31) of Regulation No 575/2013;

5) **own funds** – own funds within the meaning of Article 4(1)(118) of Regulation No 575/2013;

6) **equity securities** – securities of own funds within the meaning of Article 2(b) of Regulation No 2017/1129;

7) **offer of securities to the public** – an offer of securities to the public within the meaning of Article 2(d) of Regulation No 2017/1129;

8) **offeror** – an offeror within the meaning of Article 2(i) of Regulation No 2017/1129.

(4) The term “related party” used in this Law conforms to the term used in IAS 24 “Related party disclosures” referred to in Annex to Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

(5) Upon applying the legal norms of this Law which include the terms referred to in Paragraph one of this Section, Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter – Regulation No 2017/565) and Commission Delegated Regulation (EU) 2017/2294 of 28 August 2017 amending Delegated Regulation (EU) 2017/565 as regards the specification of the definition of systematic internalisers for the purposes of Directive 2014/65/EU shall be conformed to.

[*21 June 2018; 20 June 2019; 12 December 2019*]

**Section 2. Purpose of this Law**

The purpose of this Law is to ensure the functioning of the financial instrument market by facilitating:

1) protection of the interests of investors;

2) the stability and reliability of the financial instrument market;

3) accessibility of information and equal opportunities for all participants of the financial instrument market.

**Section 3. Application of this Law**

(1) This Law governs the procedures for making an offer of securities to the public of financial instruments, for the public circulation of financial instruments, for the provision of investment services and ancillary investment services, for the provision of data reporting services, and the procedures for the licensing, activity, and supervision of financial instrument market participants, the procedures for the cooperation of competent authorities, prescribes the rights and obligations of financial instrument market participants and persons referred to in Section 4.1, Paragraphs three and four of this Law, and also the liability for failure to comply with the requirements provided for in this Law.

(11) The Financial and Capital Market Commission shall be regarded the competent authority within the meaning of the following directly applicable legal acts of the European Union:

1) Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments (hereinafter – European Commission Regulation No 2273/2003);

2) Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereinafter – European Commission Regulation No 809/2004);

3) Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (hereinafter – European Commission Regulation No 1287/2006);

4) Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (hereinafter – Regulation No 1060/2009);

5) Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (hereinafter – Regulation No 236/2012);

6) Regulation No 648/2012;

7) Regulation No 575/2013;

8) Regulation No 596/2014;

9) Regulation No 909/2014;

10) Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (hereinafter – Regulation No 537/2014) in the cases specified in Section 37.5 of the Audit Services Law;

11) Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (hereinafter – Regulation No 1286/2014);

12) Regulation No 2015/2365;

13) Regulation No 600/2014;

14) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (hereinafter – Regulation No 2016/1011);

15) Regulation No 2017/1129.

(2) This Law shall apply to the following financial instruments which are as follows within the meaning of this Law:

1) transferable securities;

2) money market instruments;

3) certificates (units) of investment funds and alternative investment funds and other transferable securities which certify holding in such funds or in equivalent collective investment undertakings;

4) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

5) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties otherwise than by reason of termination of a contract due to failure to fulfil the liabilities or other termination of contractual relationships;

6) options, futures, swaps, and any other derivative contracts in accordance with Regulation No 2017/565 relating to commodities that can be physically settled provided that they are traded on a regulated market, the MT facility, or the OT facility, except for wholesale energy products which are traded on the OT facility and which may be settled in physically;

7) options, futures, swaps, forwards and any other derivative contracts in accordance with Regulation No 2017/565 relating to commodities, that can be physically settled not otherwise mentioned in Clause 6 of this Paragraph and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

8) derivative instruments for the transfer of credit risk;

9) financial contracts for differences;

10) options, futures, swaps, forward rate agreements and any other derivative contracts in accordance with Regulation No 2017/565 relating to climatic variables, freight rates, inflation rates, or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties otherwise than by reason of termination of a contract due to failure to fulfil the liabilities or other termination of contractual relationships, and also any other derivative contracts relating to assets, rights, obligations, indices, and measures not otherwise mentioned in this Paragraph, which have the characteristics of other derivative financial instruments, if these instruments are traded on a regulated market, the MT facility, or the OT facility;

11) emission allowances consisting of emission units recognised for compliance with the requirements laid down in the field of emission allowance trading (Emissions Trading Scheme).

(3) [13 January 2011]

(4) This Law shall apply to investment services and activities (hereinafter – the investment services) which are as follows within the meaning of this Law:

1) reception and transmission of orders in relation to one or more financial instruments;

2) execution of orders on behalf of clients;

3) dealing on own account;

4) portfolio management;

5) investment advice;

6) underwriting of financial instruments or placing of financial instruments on a firm commitment basis;

7) placing of financial instruments without a firm commitment basis;

8) organising of an MT facility;

9) operating of the OT facility.

(5) This Law shall apply to ancillary investment services which are as follows within the meaning of this Law:

1) the holding of financial instruments;

2) the granting of credits or loans to an investor for performing transactions in financial instruments where the commercial company granting the credit or loan is involved in the transaction in financial instruments;

3) the provision of advice regarding capital structure, industrial strategy and related matters, and also the provision of advice and services regarding mergers of commercial companies and the acquisition of undertakings;

4) foreign exchange services provided that they are related to the provision of investment services;

5) the provision of investment research, financial analysis, or other general recommendation in relation to transactions with financial instruments;

6) the provision of services related to the initial allocation of financial instruments;

7) the provision of investment services and ancillary investment services referred to in relation to the base asset of the derivatives referred to in Paragraph two, Clauses 5, 6, 7, and 10 of this Section, if it is related to the provision of investment services or ancillary investment services.

(51) Holding of positions of non-trading portfolio financial instruments in order to invest own funds of a credit institution or a brokerage company shall not be considered the execution of transactions involving financial instruments at the cost of the credit institution or brokerage company.

(52) This Law shall apply to data reporting services which are as follows within the meaning of this Law:

1) operating an approved publishing arrangement;

2) operating a CT provider;

3) operating an approved reporting mechanism.

(6) This Law shall not restrict the rights of consumers specified in other laws.

(7) [12 December 2019]

(8) The requirements of Section 54 and Division D, Chapters III and IV of this Law shall not apply to investment fund units and opened alternative investment funds or securities equivalent thereto which certify holding in such funds or in equivalent collective investment undertakings.

(9) The requirements of Section 54, Paragraphs three, eight, and nine of this Law shall not apply to transferable securities which are admitted to trading on a regulated market and which have been issued by a Member State or by a local government, institution or agency of a Member State.

(10) The requirements of Section 54, Paragraphs one, two, and nine of this Law shall not apply to shares issued by central banks of the Member States which are admitted to trading on a regulated market, if a decision to admit the shares on the regulated market is taken by 20 January 2005 and such exception is intended by the legal acts of the relevant Member State governing the procedures for issuing of the shares of central banks.

(11) [11 June 2015]

(12) Section 103.2, Section 124, Paragraph one, Clauses 4, 9, 13, 14, 15, 16, and 17 and Paragraph two, Clauses 1 and 6, Section 124.2, Section 126, Paragraph one, Section 126.2, Paragraphs one, 1.1, ten, eleven, twelve, sixteen, and seventeen, Section 127, Paragraphs one, seven, 7.1, 7.2, and eleven, Section 128 and Section 128.1, Paragraphs one, 1.1, three, four, 4.1, eight, nine, and ten, Section 137.1, Section 138, Section 148, Paragraphs eight and 8.1, Section 150, Paragraphs one, two, three, four, nine, and ten of this Law shall also be applied to investment brokerage companies and credit institutions which sell structured deposits or consult clients on them.

(13) The requirements laid down in Sections 125.1, 125.2, 125.3, 129, 129.1, 129.2, 131.1, 133.16, 133.17, 133.18, 133.19, and 133.20 of this Law in relation to the protection of financial instruments and funds of clients shall also be applied to:

1) investment management companies and managers of alternative investment funds;

2) credit institutions which do not provide investment services or ancillary investment services, however, offer structured deposits.

(14) The requirements laid down in Section 132.1, Paragraphs one, two, three, four, five, six, seven, eight, nine, ten, eleven, twelve, thirteen, and fourteen of this Law shall be also be applied to the persons referred to in Section 101, Paragraph seven, Clauses 1, 5, 12, 15, and 16 of this Law who are members or participants of a regulated market or the MT facility.

(15) The multilateral system of financial instruments shall operate either as the MT facility or OT facility, or a regulated market in accordance with the provisions of this Law.

(16) In cases when an issuer expresses an offer of securities to the public for transferable securities issued thereby, the expressing of the offer of securities to the public shall not be considered an investment service within the meaning of this Law and the provisions of Division F of this Law shall not apply to it if all of the following provisions are fulfilled concurrently:

1) the issuer has the characteristics of a small or medium-sized enterprise;

2) the total payment calculated for transferable securities in 36 months does not exceed EUR 3 000 000;

3) the issuer expresses not more than two offers of securities to the public in a period of 36 months;

4) the offer is expressed for capital or debt securities.

[*9 June 2005; 15 June 2006; 29 March 2007; 4 October 2007; 26 February 2009; 13 January 2011; 22 March 2012; 8 November 2012; 9 July 2013; 19 September 2013; 24 April 2014; 11 June 2015; 26 May 2016; 15 December 2016; 21 September 2017; 14 September 2017; 21 June 2018; 20 June 2019; 12 December 2019*]

**Section 3.1 Determination of a Home Member State**

(1) For investment brokerage companies a home Member State is a Member State where the investment brokerage company is registered and has obtained a licence for provision of investment services.

(2) [12 December 2019]

(21) The sample form to be used for notices on the home Member State shall be approved by the Financial and Capital Market Commission.

(3) [12 December 2019]

(4) In respect to share issuers and issuers of such debt securities the denomination per unit of debt securities of which is less than EUR 1000 and the obligation of which is to provide regulated information, the home Member State is:

1) a Member State where the issuer has its registered office, if it is registered in the Member State;

2) a Member State which has been chosen by the issuer as the home Member State from such Member States on regulated markets of which transferable securities of the issuer are admitted to trading, if the issuer is registered in a foreign country. An issuer registered in a foreign country has the right to change the home Member State in accordance with Paragraph four, Clause 3 of this Section, informing the competent supervisory authorities thereof in accordance with Paragraph 7.1 of this Section without delay;

3) a Member State on the regulated market of which transferable securities of the issuer are admitted to trading or in which the registered office of the issuer is located, if transferable securities of the issuer are excluded from the regulated market in the home Member State initially chosen by the issuer which was specified in accordance with Clause 2 of this Paragraph or Paragraph six of this Section, but which are still included in other Member States in the regulated market.

(5) Paragraph four of this Section shall be applied also to such issuer the debt securities of which are issued in a currency other than euro, if the denomination per unit of debt security on the day of issue is less than the equivalent of EUR 1000 in the relevant currency and it is not equal to EUR 1000 and the obligation of which is to provide regulated information.

(6) If Paragraph four of this Section does not apply to the issuer, the home Member State of the issuer at the choice thereof is the Member State where it has its registered office or in one of those Member States where transferable securities of the issuer are admitted to trading on regulated markets.

(7) The issuer referred to in Paragraph six of this Section may choose only one home Member State and may not change it for three years, unless transferable securities of such issuer are excluded from the regulated market in such Member State or, within the abovementioned three years, specification of a Member State may not be attributed to the issuer in accordance with Paragraph four of this Section.

(71) The issuer shall, without delay, notify information on his home Member State of choice in accordance with the procedures for distributing and access to the regulated information laid down in Section 64.2 of this Law:

1) to the Financial and Capital Market Commission, if it is the competent authority of the home Member State of the issuer and the registered office of the issuer is in Latvia, and to the competent authorities of host Member States;

2) to the Financial and Capital Market Commission, if the registered office of the issuer is in Latvia, to the competent authority of the home Member State, and to the competent authorities of host Member States.

(72) If the issuer that determines a home Member State in accordance with Paragraph four, Clause 2 of this Section or Paragraph six of this Section, does not notify the relevant competent authorities of the choice of the home Member State within three months since its transferable securities have been admitted to trading on a regulated market for the first time, the Member State in which transferable securities of the issuer are admitted to trading on a regulated market, shall be deemed the home Member State of such issuer. If transferable securities of the issuer are admitted to trading on a regulated market in several Member States, then all the abovementioned Member States shall be deemed the home Member State until the day when the issuer chooses one home Member State from them and notifies the competent authorities thereof without delay.

(73) The issuer whose transferable securities are admitted to trading on a regulated market, whose home Member State is determined in accordance with Paragraph four, Clause 2 of this Section or Paragraph six of this Section, and who has informed the competent authorities of his home Member State of choice by 27 November 2015, need not inform the competent authorities in accordance with Paragraph 7.1 of this Section, unless he chooses another home Member State by 27 November 2015.

(8) In respect of a regulated market, a home Member State is a Member State in which the regulated market has been registered or, if in accordance with the legal acts of the relevant Member State it does not have a registered office, – a Member State in which the head office of the regulated market is located.

(9) In respect of an approved publishing arrangement, the home Member State of CT providers or approved reporting mechanisms shall be:

1) if an approved publishing arrangement, CT provider, or approved publishing mechanism is a natural person – the Member State in which its head office is located;

2) if an approved publishing arrangement, CT provider, or approved publishing mechanism is a legal person – the Member State in which its registered office is located;

3) if an approved publishing arrangement, CT provider, or approved publishing mechanism does not have a registered office in accordance with the legal acts of its country – the Member State in which its head office is located.

[*9 June 2005; 15 June 2006; 29 March 2007; 4 October 2007; 13 January 2011; 22 March 2012; 19 September 2013; 26 May 2016; 21 September 2017; 21 June 2018; 12 December 2019*]

**Section 3.2 Recognition of a Person as Qualified Investor**

[22 March 2012]

**Section 3.3 Determination of Additional Requirements for an Issuer for whom the Republic of Latvia is not a Home Member State**

For the issuer for whom the Republic of Latvia is not a home Member State, more stringent requirements may not be determined for the content of regulated information than the requirements laid down in the legal acts of the home Member State of the issuer.

[*29 March 2007; 21 September 2017*]

**Section 3.4 Law Applicable to Financial Instruments**

(1) The law of such country shall be applied to points of law in relation to financial instruments to be transferred to an account or register of financial instruments by an entry (record) in which the operator of the relevant account or register of financial instruments has been registered. A reference to the law of the relevant country shall mean the application of such legal norms of the country which are not rules of international private law.

(2) If the operator of the account or register of financial instruments has a branch in another country with the intermediation of which the account of financial instruments is being maintained, the relevant branch shall be considered as the operator of the account or register of financial instruments within the meaning of Paragraph one of this Section.

(3) If financial instruments are kept with the intermediation of several operators of the accounts or registers of financial instruments, the law applicable to points of law in relation to such financial instruments shall be determined individually for each account or register of financial instruments in which such financial instruments have been recorded.

(4) Within the meaning of this Section, a credit institution, an investment brokerage company, and another person who provides services of operating the account or register of financial instruments and keeping of financial instruments, and also the central securities depository shall be considered the operator of the account or register of financial instruments.

(5) Within the meaning of this Law, a person on whose behalf an account of financial instruments has been opened shall be considered the holder of the account of financial instruments.

(6) The procedures referred to in Paragraph one of this Section shall be applied to the following points of law:

1) legal status and belonging of financial instruments;

2) acquisition and alienation of financial instruments, and also validity of acquisition and alienation;

3) the rights of the alienor or acquirer to dividends or other income in case of buy-back, maturity of financial instruments or in another case;

4) mutual priority of the rights of several persons to financial instruments, including ascertaining of good faith of the acquirer of financial instruments;

5) obligations of the operator of the account or register of financial instruments against a person who is not the holder of the account of financial instruments and who concurrently with the holder of the account of financial instruments or another person is requesting to recognise his or her rights to the financial instruments recorded on the account of financial instruments;

6) the provisions for the use of the security (except for a financial security);

7) the rights to financial instruments if liquidation, insolvency, reorganisation proceedings of the operator of the account or register of financial instruments or proceedings similar thereto in accordance with the law of the relevant country have been initiated.

[*14 September 2017*]

**Section 4. Issue and Disputation of Administrative Acts**

(1) In the cases specified in this Law the Financial and Capital Market Commission (hereinafter – the Commission) shall issue administrative acts. The laws and regulations governing the issue of administrative acts shall determine the procedures by which the Commission shall issue administrative acts.

(2) An administrative act of the Commission which has been issued in accordance with this Law may be appealed to the Administrative District Court. The court shall adjudicate the matter as the court of first instance. The case shall be reviewed in the composition of three judges. A judgement of the Administrative District Court may be appealed by submitting a cassation complaint.

(3) If documents are re-examined in the Commission, the Commission shall not indicate deficiencies or inaccuracies in information which it has already been examined and where no deficiencies or inaccuracies have been noted in a previous examination of the documents, except for cases where new information is provided in relation to such information.

(4) An appeal to a court of the administrative acts issued by the Commission shall not suspend the execution of such administrative acts if the administrative act issued by the Commission is a decision to:

1) restrict the right of an investment brokerage company or a credit institution to provide investment services or to hold financial instruments;

2) cancel licences issued to an investment brokerage company for the provision of investment services and ancillary investment services;

3) cancel a licence for organising a regulated market;

4) suspend or prohibit trading in financial instruments;

41) exclude transferable securities from the regulated market;

5) request that any influence is immediately terminated of persons having acquired a qualifying holding in a regulated market operator or an investment brokerage company;

51) limit the rights of the central securities depository to provide services;

52) cancel the permit issued to the central securities depository;

53) request that the influence of persons who have acquired control in the central securities depository is discontinued without delay;

6) request the recall of the board or council or of a member of the board or council of the regulated market operator, the central securities depository, or an investment brokerage company;

7) prohibit to exercise the voting rights to a person who has acquired qualifying holding in a regulated market operator or an investment brokerage company, violating the norms of this Law;

71) prohibit to exercise the voting rights to a person who has acquired control in the central securities depository;

8) impose an obligation upon an investment brokerage company to maintain the same own funds requirements as exceeds the minimum own funds requirements laid down in Article 92 of Regulation No 575/2013;

9) impose an obligation upon an investment brokerage company to review procedures in order to strengthen measures introduced thereby for implementation of the requirements of Section 123.1 and Section 124, Paragraph one, Clause 11 of this Law;

10) request an investment brokerage company to apply special provision policy or policy for the recognition of assets in relation to own funds;

11) determine a temporary prohibition for a member of the board or council of an investment brokerage company and the central securities depository or for another natural person responsible for the violation to fulfil the obligations imposed on him or her in the investment brokerage company or central securities depository;

12) request that the investment brokerage company or the person responsible for the violation immediately discontinues the activities referred to in Section 148, Paragraph fifteen of this Law;

121) request that the central securities depository or the person responsible for the violation immediately discontinues the violation referred to in Article 63(1) of Regulation No 909/2014;

13) present a public notification which indicates the natural or legal person responsible for the violation and the essence of the violation.

(5) When taking a decision to impose sanctions on persons that have violated the laws and regulations governing financial and capital market, the Commission shall take into consideration any potential systemic consequences of the violation.

[*29 March 2007; 29 May 2008; 23 October 2008; 22 March 2012; 24 April 2014; 26 May 2016; 14 September 2017*]

**Section 4.1 Right to Request Information and Obligation to Provide It**

(1) The Commission, when supervising fulfilment of the requirements of this Law, has the right to request information and documents from the financial instrument market participants on the activities thereof.

(2) The financial instrument market participants shall submit the requested information within the time periods stipulated by the Commission. The fulfilment of the abovementioned requirements may not be refused, including by excusing it as a commercial secret.

(3) The Commission has the right, when supervising fulfilment of the requirements of this Law, to request any person, if there are grounds for considering that he or she is related to possible violation of the requirements of laws or regulations or information necessary for finding out circumstances of the violation could be at the disposal thereof:

1) to provide documents and information at the disposal of such person, including such containing a commercial secret;

2) to arrive at the Commission and provide information at the disposal of such person in presence.

(4) The Commission has the right to request information from any person on the beneficial owners thereof, until information on natural persons is acquired, if there are grounds for considering that information necessary for the Commission in order to supervise the fulfilment of the requirements of this Law could be at the disposal of such persons. In order to identify the abovementioned natural persons, the relevant persons have an obligation to submit the requested information to the Commission, if such information is not available for the Commission in public registers. Natural persons shall provide information on themselves or indicate who else is regarded as a beneficial owner.

(5) The Commission shall determine reasonable time periods for the persons referred to in Paragraphs three and four of this Section within which they shall submit the requested information or arrive for the provision of information at the Commission in presence. If the persons referred to in Paragraphs three and four of this Section cannot submit the requested information or arrive for the provision of information at the Commission in presence due to objective reasons within the time period stipulated by the Commission, they shall notify the Commission thereof in writing, indicating such reasons and the date when information will be submitted or the person will arrive for provision of information at the Commission.

[*22 March 2012; 8 November 2012*]

**Section 4.2 Right to Issue Regulatory Provisions Governing the Financial Instrument Market**

Taking into account the transboundary nature of activities of the European financial supervisory system, in order to ensure a single, efficient, and constructive practice of supervision in Member States and uniform and consistent application of the directly applicable legal acts of the European Union, the Commission has the right to lay down the requirements governing the financial instrument market in the fields arising from the decisions, guidelines, and recommendations adopted by the European Securities and Markets Authority, the European Central Bank, or the European Banking Authority.

[*26 May 2016; 21 June 2018*]

**Section 5. Legal Guarantees**

The Commission, employees and authorised persons thereof shall not be liable for losses caused to financial instrument market participants or to third parties, and they may not be held liable for the acts they have performed legally, precisely, justifiably and in good faith, properly performing the supervisory functions in accordance with the procedures laid down in this Law and other laws and regulations.

**Section 6. Liability**

[9 June 2005]

**Division B**

**Qualifying Holding**

**Section 7. Rights to Acquire a Qualifying Holding**

(1) Only a person or several persons operating on the basis of an agreement in a coordinated manner (hereinafter in this Division – the person) complying with the requirements laid down in this Law for shareholders or members of a regulated market operator or an investment brokerage company and ensuring meeting the criteria laid down in Section 10, Paragraph one of this Law is entitled to acquire a direct or indirect qualifying holding in a regulated market operator and an investment brokerage company.

(2) The Commission has the right to request the information on the persons who apply for a qualifying holding (the actual acquirers of the qualifying holding or persons suspected of having acquired such a holding), including the owners of legal (registered) persons (beneficial owners) who are natural persons in order to assess the conformity of such persons with the criteria laid down in Section 10, Paragraph one of this Law.

(3) The Commission has the right to identify founders (shareholders or members) and owners (beneficial owners) of legal (registered) persons who apply for a qualifying holding (the actual acquirers of the qualifying holding or persons suspected of having acquired such a holding) until information is acquired on the owners (beneficial owners) – natural persons. In order to identify such persons, the abovementioned legal persons have an obligation to provide information to the Commission requested thereby if such information is not available on the public registers from which the Commission is entitled to receive such information.

(4) If persons who are suspected of acquiring a qualifying holding in a regulated market operator or an investment brokerage company fail to provide or refuse to provide the information referred to in Paragraph two or three of this Section and holding thereof in total represents 10 per cent and more of the share capital or of the voting rights of shares or stocks of the regulated market operator or an investment brokerage company, such shareholders or members may not exercise the voting rights of all shares belonging to them. The Commission shall, without delay, notify such fact to the relevant shareholders or members and the regulated market operator or the investment brokerage company.

(5) Investment funds and alternative investment funds and foundations equivalent thereto are not entitled to obtain a qualifying holding in a regulated market operator and an investment brokerage company.

[*26 February 2009; 9 July 2013; 14 September 2017; 21 June 2018*]

**Section 8. Holding Acquired Indirectly**

In determining the amount of holdings acquired by a person indirectly, the following acquired voting rights of such person (hereinafter – the specific person) shall be taken into account:

1) voting rights which may be exercised by a third party with whom the specific person has entered into an agreement, imposing as obligation to coordinate the exercising of the voting rights and action policy in long-term in relation to the management of the specific issuer;

2) voting rights which may be exercised by a third party in accordance with an agreement that has been entered into with the specific person and provides for temporary transfer of the voting rights;

3) voting rights which arise from shares which the specific person has received as security, if he or she may exercise the voting rights and has expressed his or her intention to exercise them;

4) voting rights which may be exercised by the specific person for an unlimited period of time;

5) voting rights which may be exercised by a commercial company controlled by the specific person or which may be exercised by such commercial company in accordance with the provisions of Clauses 1, 2, 3, and 4 of this Section;

6) voting rights which arise from shares transferred to and held by the specific person and which the person may exercise upon his or her own initiative, if special instructions have not been received;

7) voting rights which arise from shares held in the name of third parties and for the benefit of the specific person;

8) voting rights which may be exercised by the specific person as an authorised person, when he or she is entitled to exercise the voting rights upon his or her own initiative if special instructions have not been received.

[*29 March 2007*]

**Section 9. Obligation to Notify in Event of Acquisition and Increase of a Qualifying Holding**

(1) Any person, if he or she proposes to acquire a qualifying holding in a regulated market operator or an investment brokerage company, shall notify the Commission thereof in writing in advance. The amount of the qualifying holdings to be acquired as a percentage of the share capital of the relevant capital company or the number of the shares with voting rights or stocks shall be indicated in the notification, and information provided for in the regulatory provisions of the Commission which is necessary in order to assess the conformity of the person with the criteria laid down in Section 10, Paragraph one of this Law shall be appended thereto. The list of information to be appended to the notification shall be published on the website of the Commission.

(2) If a person wishes to increase the qualifying holding so that it would reach or exceed 20, 33, or 50 per cent of the share capital or number of shares with voting rights (stocks) in the regulated market operator or an investment brokerage company, or if the relevant capital company becomes a subsidiary of this person, such person shall notify the Commission in writing thereof in advance. The amount of the qualifying holdings to be acquired as a percentage of the share capital of the relevant capital company or the number of the shares with voting rights or stocks shall be indicated in the notification, and information provided for in the regulatory provisions of the Commission which is necessary in order to assess the conformity of the person with the criteria laid down in Section 10, Paragraph one of this Law shall be appended thereto. The list of information to be appended to the notification shall be published on the website of the Commission.

(3) The Commission shall, within two working days from the day when the notification referred to in Paragraph one or two of this Section was received, or within two working days after receipt, in writing, of the additional information requested by the Commission, inform the person of receipt of the notification or additional information and the deadline for the assessment period.

(4) The Commission, during the assessment period specified in Section 10, Paragraph one of this Law but not later than on the 50th working day of the assessment period, has the right to request additional information on the persons referred to in this Section in order to assess the compliance of such persons with the criteria laid down in Section 10, Paragraph one of this Law.

[*26 February 2009; 14 September 2017*]

**Section 10. Rights and Obligations of the Commission**

(1) The Commission shall, not later than within 60 working days, when the information referred to in Section 9, Paragraph three of this Law on receipt of the notification is sent to a person, assess the adequacy of free capital of the person in the amount of all shares or stocks of a regulated market operator or an investment brokerage company to be acquired, the financial stability and financial substantiation for the acquiring of planned holding in order to ensure sustainable and careful management of a regulated market operator or an investment brokerage company where it is planned to acquire the holding, and also possible influence of a person on the management and activity of the regulated market operator or the investment brokerage company. During the assessment process the Commission shall also take into account the following criteria:

1) the impeccable reputation and conformity of the person with the requirements laid down for the shareholders or members of a regulated market operator or an investment brokerage company;

2) the impeccable reputation and professional experience of such person who, as a result of the acquisition of the planned holding, will administer the activities of the regulated market operator or the investment brokerage company;

21) conformity of the knowledge and professional experience of the council, if such has been established, board and senior management which, as a result of the acquisition of the planned holding, will administer the activities of the investment brokerage company with the requirements of this Law, and also impeccable reputation;

3) financial stability of the person, in particular in relation to the type of the performed or planned economic activity in a regulated market operator or an investment brokerage company where the acquisition of the holding is planned;

4) whether a regulated market operator or an investment brokerage company will be able to meet the regulatory requirements laid down in this Law and in other laws and regulations, and whether the structure of such group of undertakings where a regulated market operator or an investment brokerage company is going to be incorporated, is not restricting the possibilities of the Commission to perform the supervisory functions thereof laid down in the law, to ensure effective exchange of information between the supervisory authorities, and to determine the allocation of the supervisory powers between the supervisory authorities;

5) there are no reasonable doubts that, in relation to the planned acquisition of the holding, laundering of the proceeds from crime and terrorist financing has been carried out or attempts to carry out such activities have been made, or that the planned acquisition of the holding could increase such a risk.

(11) Upon determining whether the criteria referred to in Paragraph one of this Section have been met, the Commission need not take into account such voting shares or capital shares which may be held by investment brokerage companies or credit institutions because they have signed up for the issued financial instruments or their offer, providing the service referred to in Section 3, Paragraph four, Clause 6 of this Law, provided that the voting rights are not implemented or otherwise exercised in order to become involved in the management of the issuer that, within one year after acquisition of holding, the investment brokerage company or credit institution alienates such voting shares or capital shares.

(12) If the Commission has suspended the assessment period in accordance with Paragraphs two and 2.1 of this Section, such suspension time shall not be included in the assessment period.

(2) When requesting the additional information referred to in Section 9, Paragraph four of this Law, the Commission has the right to suspend the assessment period once until the day when such information is received but not more than for 20 working days. The Commission has the right to extend the abovementioned time for the suspension of assessment period for up to 30 working days, if the person who wishes to acquire, has acquired, wishes to increase or has increased the qualifying holding thereof in a regulated market operator or an investment brokerage company is not subject to the supervision of activities of investment brokerage companies, credit institutions, insurance companies, reinsurance companies, managers of alternative investment funds or investment management companies, or the place of residence (registration) of the person is located in a foreign country.

(21) If a person who wishes to acquire a qualifying holding is concurrently being assessed in another Member State in accordance with provisions similar to Section 111.1 of this Law in relation to granting a permit, the Commission has the right to suspend the assessment period until the day when the relevant authority exercising the consolidated supervision completes the assessment.

(3) The Commission shall take a decision within the time period specified in Paragraph one of this Section by which it prohibits a person to acquire or increase a qualifying holding in a regulated market operator or an investment brokerage company, if:

1) the person does not conform to the criteria laid down in Paragraph one of this Section;

2) the person does not submit or refuses to submit to the Commission the information laid down in this Law or the additional information requested by the Commission;

3) due to circumstances beyond the control of the person, he or she is unable to provide the information laid down in this Law or the additional information requested by the Commission.

(4) The Commission shall, within two working days without exceeding the assessment period specified in Paragraph one of this Section, after taking the decision specified in Paragraph three of this Section, send it to the person who is prohibited to acquire or increase the qualifying holding thereof in a regulated market operator or an investment brokerage company.

(5) If the Commission does not send a decision to a person within the time period referred to in Paragraph one of this Section by which it prohibits such person to acquire or increase qualifying holding in a regulated market operator or an investment brokerage company, it shall be regarded that it agrees with acquiring or increasing of qualifying holding by the person in the regulated market operator or the investment brokerage company.

(6) The provisions of Paragraph three, Clause 3 of this Section shall not be applicable to a legal (registered) person if the shares thereof are listed in any regulated market of a Member State or in the regulated market registered in a Member State of Organisation for Economic Co-operation and Development, and such legal (registered) person submits information to the Commission on the shareholders thereof who own a qualifying holding therein.

(7) If the Commission has agreed that a person acquires or increases a qualifying holding in a regulated market operator or an investment brokerage company, such person shall acquire or increase the qualifying holding thereof in the regulated market operator or the investment brokerage company within six months from the day when the information referred to in Paragraph three of this Section on receipt of the notification or additional information referred to in Section 9, Paragraph three of this Law is sent. If until the end of the abovementioned time period the person has not acquired or increased a qualifying holding in the regulated market operator or the investment brokerage company, the consent of the Commission for the acquiring or increasing of the qualifying holding thereof in the regulated market operator or the investment brokerage company loses its effect. Upon a motivated request of the person in writing, the Commission has the right to decide on extending the abovementioned time period.

(8) When assessing the notifications referred to in Section 9, Paragraphs one and two of this Law, the Commission shall consult with supervisory authorities of the relevant Member State if the acquirer of a qualifying holding in an investment brokerage company is the investment brokerage company, credit institution, alternative investment fund manager, investment management company, insurance company or reinsurance company registered in another Member State, a parent undertaking of the investment brokerage company, credit institution, alternative investment fund manager, investment management company, insurance company or reinsurance company registered in another Member State, or a person who controls an investment brokerage company, credit institution, alternative investment fund manager, investment management company, insurance company or reinsurance company registered in another Member State, and if, upon acquiring or increasing the qualifying holding by the relevant person, the investment brokerage company becomes a subsidiary of such person or comes under its control.

(81) The Commission shall indicate in its assessment every opinion expressed by the supervisory authority of the responsible Member State on the potential acquirer of a holding referred to in Paragraph eight of this Section or an objection against it.

(9) If the influence of persons who have acquired a qualifying holding in a regulated market operator or an investment brokerage company endangers or could endanger the sound and prudent administration and activities thereof in conformity with the laws and regulations, the Commission shall require that such influence be terminated without delay, and also, if necessary, that the board or council, or a member of the board or council of the relevant capital company be recalled or prohibit such persons who have acquired the qualifying holding from exercising the voting rights in all of the shares or stocks owned thereby.

(10) Appeal of the administrative acts issued by the Commission referred to in Paragraphs three and nine of this Section shall not suspend the execution thereof.

(11) Sample forms and templates for the submission of the information specified in Section 9 of this Law, and also the advisory procedures of the supervisory authorities of Member States referred to in Paragraph eight of this Section shall be governed by Commission Implementing Regulation (EU) 2017/1944 of 13 June 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for the consultation process between relevant competent authorities in relation to the notification of a proposed acquisition of a qualifying holding in an investment firm in accordance with Directives 2004/39/EC and 2014/65/EU of the European Parliament and of the Council.

(12) If the Commission has received notifications regarding acquisition or increasing of a qualifying holding in the central securities depository, in the same regulated market operator or investment brokerage company from two or more potential acquirers of a holding, such notifications shall be examined in a non-discriminatory manner.

[*26 February 2009; 15 October 2009; 9 July 2013; 24 April 2014; 14 September 2017; 21 June 2018; 20 June 2019; 12 December 2019; 29 April 2021*]

**Section 11. Obligation to Notify in Event of Reduction and Termination of a Qualifying Holding**

(1) If a person proposes to terminate a qualifying holding in a regulated market operator or an investment brokerage company, it shall notify the Commission of such decision in writing in advance. The person shall specify in the notification the share capital shares of the relevant capital company or the proportion of shares with voting rights (stocks) remaining therewith.

(2) If a person wishes to reduce the qualifying holding so that it falls below 20, 33, or 50 per cent of the share capital or number of shares with voting rights (stocks) in the regulated market operator or an investment brokerage company, or if the relevant capital company ceases to be a subsidiary of this person, such person shall notify the Commission in writing of such decision in advance.

[*14 September 2017*]

**Section 12. Obligations of a Capital Company**

(1) A regulated market operator and an investment brokerage company shall, without delay, notify the Commission in writing of any acquisition, increase, or reduction of a qualifying holding by any person, upon such becoming known. The notification shall specify the proportion of the holding in the share capital or the number of shares with voting rights (stocks) held, or information on the termination of a qualifying holding by the relevant person.

(2) A regulated market operator and an investment brokerage company shall, by 31 January each year, submit a list of those shareholders (members) to the Commission which on 31 December of the previous year have had a qualifying holding in the relevant capital company, by indicating the information on shareholders (members) and mutually related groups of shareholders (members) and amount of holding as percentage of the share capital or number of shares with voting rights (stocks) of the relevant capital company.

[*9 June 2005; 14 September 2017*]

**Section 13. Consequences of Failure to Give Notice**

(1) If a person has failed to comply with the requirements laid down in Section 9 of this Law, the Commission shall apply restrictions on the rights referred to in Section 7, Paragraph four of this Law.

(2) If a person, in disregard of a prohibition by the Commission, acquires or increases a qualifying holding, such person has no right to exercise all the voting rights of the shares (stocks) owned thereby, but the decisions of the meeting of shareholders (members) taken through the exercise of the voting rights in these shares (stocks) shall be null and void from the moment of the taking thereof, and no records in the commercial register and any other public registers may be requested to be made on the basis of such decisions.

[*9 June 2005*]

**Division C**

**Making an Offer of Securities to the Public**

[*9 June 2005*]

**Section 14. Permit to Make an Offer of Securities to the Public**

(1) [12 December 2019];

(2) In order to receive a permit to make an offer of securities to the public, the issuer or person making offer shall submit a submission to the Commission appended by:

1) two originals of the prospectus and the text of the prospectus in electronic form;

2) a decision of the person making an offer on issue of the relevant transferable securities and offer of securities to the public, if the person making an offer is a legal person.

(3) The submission shall specify the following:

1) the registration number, place and institution, firm name, registered office, telephone number, and also e-mail address (if any) of the issuer;

2) the class, category, total amount of transferable securities and the denomination of one transferable security;

3) the expected starting date of sale or distribution;

4) countries where the issuer or person making an offer wishes to offer transferable securities to the public.

(4) [12 December 2019]

(5) [12 December 2019]

(6) [12 December 2019]

(7) The Commission shall take a decision on refusal to issue a permit, if the information included in the documents submitted:

1) fails to comply with the requirements of other law and regulations;

2) indicates that the issue does not conform to the requirements of laws and regulations;

3) indicates that issue may infringe the interests of investors.

(8) A decision on refusal to issue a permit shall be issued to the issuer or person making an offer who has submitted a submission to the Commission regarding permission to make an offer of securities to the public.

(9) [12 December 2019]

(10) [12 December 2019]

(11) The procedures for the preparation, approval, publishing, and distribution of prospectuses shall be determined by Regulation No 2017/1129.

(12) If an offer of securities to the public is to be made only in Latvia, the prospectus shall be prepared in the official language.

(13) The base prospectus shall be registered with the Commission in accordance with the requirements of this Section.

[*15 June 2006; 22 March 2102; 26 May 2016; 12 December 2019*]

**Section 15. Obligation of Publishing of an Issuing Prospectus**

[12 December 2019]

**Section 16. Derogations from the Obligation to Prepare an Issue Prospectus**

[12 December 2019]

**Section 16.1 Exemption from the Obligation to Prepare a Prospectus**

If an offer of securities to the public is expressed for transferable securities for which the total calculated payment in the European Union in a period of 12 months is from EUR 1 000 000 to 8 000 000 and notification in accordance with Article 25 of Regulation No 2017/1129 is not requested, the offeror need not prepare the prospectus referred to in Regulation No 2017/1129. In such case the offeror shall prepare and publish an offer document in accordance with the regulatory provisions of the Commission.

[*12 December 2019*]

**Section 17. Contents of a Prospectus**

(1) [12 December 2019]

(2) [12 December 2019]

(3) [12 December 2019]

(4) Detailed information to be included in the prospectus and content of the prospectus shall be determined by the directly applicable legal acts of the European Union regarding the content of the prospectus.

(5) [12 December 2019]

(6) [12 December 2019]

(7) [12 December 2019]

(8) If the issuer or offeror has taken the decision to perform an initial placement of transferable securities through a regulated market operator or to submit a submission regarding the admission of the relevant transferable securities on the regulated market immediately after completion of the initial placement, it shall prepare one prospectus, taking into consideration the requirements of this Law, Regulation No 2017/1129, and other directly applicable legal acts of the European Union in relation to the content of the prospectus.

(9) [26 May 2016]

[*4 October 2007; 22 March 2012; 8 November 2012; 26 May 2016; 20 June 2019; 12 December 2019*]

**Section 17.1 Content of a Base Prospectus**

[12 December 2019]

**Section 17.2 Incorporation of Information by Reference**

[12 December 2019]

**Section 17.3 Issue Prospectus Consisting of Separate Documents**

[12 December 2019]

**Section 18. Supplements to an Issue Prospectus**

[12 December 2019]

**Section 19. Derogation from the Obligation to Include Specific Information in an Issue Prospectus**

[12 December 2019]

**Section 20. Approval of a Prospectus and Responsibility for the Information Included Therein**

(1) A prospectus shall be approved by the meeting of shareholders (members) of the issuer or by an authorised administrative body or its official.

(2) An administrative body of the issuer, a person making an offer, and a guarantor (if any) shall be responsible for the content of the issue prospectus.

(3) The given name, surname, and position of responsible persons or the name, registered office, and registration number of legal persons responsible for the veracity of the information included in such prospectus shall be indicated in the prospectus. The prospectus shall also include a notification by such person stating that, according to the information available to this person, the information included in the prospectus conforms to actual circumstances, and also that no facts have been concealed which may affect the meaning of the information included in the prospectus.

(4) If a person is not responsible for all of the information included in a prospectus, the prospectus shall specify the part for which the relevant person is responsible.

(5) By bringing an action in court in accordance with general procedures, an investor may request compensation for losses from the persons specified in the prospectus who are responsible for the veracity of the information included in the prospectus, if he or she has suffered losses due to false or incomplete information having been included in the prospectus.

(6) An investor may not request compensation for losses from the responsible persons indicated in the prospectus, if he or she has made his or her choice only on the basis of a summary note or translation thereof, except for cases when the summary note is misleading or in contradiction with other parts of the prospectus or if it together with other parts of the prospectus does not provide key information which allows for the investor to decide on acquisition of securities.

[*22 March 2012; 12 December 2019*]

**Section 20.1 Validity of an Issue Prospectus, a Base Prospectus, and a Registration Document**

[12 December 2019]

**Section 21. Procedures for the Publication of an Issue Prospectus**

[12 December 2019]

**Section 22. Procedures for the Mutual Recognition and Notification of Issue Prospectuses**

[12 December 2019]

**Section 22.1 Use of Languages**

[12 December 2019]

**Section 23. Recognition of an Issue Prospectus Drawn up by an Issuer Registered in Foreign Countries**

[12 December 2019]

**Section 24. Advertising of an Offer of Securities to the Public**

[12 December 2019]

**Section 24.1 Rights of the Commission**

(1) In order to ensure compliance with the provisions of this Chapter, in addition to the rights laid down in the Finance and Capital Market Commission Law and in this Law, the Commission has the following rights:

1) to justifiably require an issuer or offeror to include supplementary information in the prospectus, if necessary for investor protection;

2) to justifiably require an issuer or person making an offer and persons that control them or are controlled by them, in order for the information and documents necessary for the performance of the functions of the Commission are provided;

3) to justifiably require auditors and managers of an issuer or offeror, and also also financial intermediaries commissioned to carry out the offer of securities to the public in order for the information and documents necessary for the performance of the functions of the Commission are provided;

4) to suspend an offer of securities to the public of any issuer or offeror for a period of up to 10 working days, if the Commission has lawful basis to consider that the requirements of Division C of this Law are or would be infringed;

5) to prohibit or suspend advertisements for a time period up to 10 working days, if the Commission has the basis to consider that the requirements of Division C of this Law have been infringed;

6) to prohibit an offer of securities to the public, if the Commission establishes that the requirements of Division C of this Law have been infringed, or the Commission has the basis to consider that they would be infringed;

7) to make public the fact that an issuer is failing to comply with its obligations and liabilities;

8) to suspend examination of the prospectus submitted for approval or to suspend or restrict the offer of securities to the public, if the Commission is exercising the powers to impose a prohibition or restriction in conformity with Article 42 of Regulation No 600/2014 until revocation of such prohibition or restriction;

9) to refuse to approve any prospectus for a period of up to five years which has been approved by a particular issuer or offeror, if the abovementioned issuer or offeror has repeatedly and significantly violated the provisions of this Law and Regulation No 2017/1129.

(2) [12 December 2019]

(3) [12 December 2019]

(4) The Commission has the right to make public the information on the measures implemented and sanctions adopted against an issuer or offeror for the violation of the requirements of Division C of this Law, except when disclosure of such information may cause serious disorders in the financial market or cause incommensurate damage to the persons involved.

[*22 March 2012; 12 December 2019*]

**Division D**

**Public Circulation of Financial Instruments**

**Chapter I**

**Activities of a Regulated Market Operator**

**Section 25. Regulated Market Operator**

(1) A regulated market operator shall act in accordance with the Law, the regulatory provisions of the Commission, and also his or her own articles of association and regulations.

(2) Only a regulated market operator has the right to use a combination of the words “*regulētā tirgus organizētājs*” [regulated market operator] or “*fondu birža*” [stock exchange] in the firm name.

(3) A regulated market operator may organise one or several regulated markets. A regulated market operator also has the right to operate multilateral trading facility.

(4) The Commission shall establish and conduct a list of all regulated markets organised by its licensed regulated market operators and send this list and any changes in the list to the European Securities and Markets Authority and the supervisory authorities of the Member States. Only regulated markets conforming to the requirements of this Law shall be included by the Commission in the list.

(5) If a regulated market operator fails to comply with the requirements of this Law or the regulated market does not conform to the provisions of this Law, the Commission shall exclude the relevant regulated market from the list of regulated markets and notify the European Securities and Markets Authority and the supervisory authorities of the Member States thereof.

[*4 October 2007; 22 March 2012; 21 June 2018*]

**Section 26. Minimum Paid up Share Capital by a Regulated Market Operator**

(1) The minimum paid up share capital by a regulated market operator shall be at least EUR 730 000.

(2) Own funds of a regulated market operator may not be less than the minimum paid up share capital.

[*19 September 2013; 21 June 2018*]

**Section 27. Rights and Obligations of a Regulated Market Operator**

(1) A regulated market operator in conformity with the law, the regulatory provisions of the Commission, and also his own articles of association and regulations shall organise a regulated market and provide services related to the public circulation of financial instruments.

(2) A regulated market operator shall be an organisation open and accessible to all members of the financial instrument market, which shall ensure the openness of each regulated market operated thereby and activity conforming to the principles of sound management.

(21) A regulated market operator shall carry out the necessary measures in order to:

1) identify and manage the possible conflict of interest between interests of the regulated market operator or its shareholders and an obligation to ensure stable performance of the regulated market, and also in order to prevent adverse effect of such conflict of interest on performance of the regulated market or interests of its members or participants, especially if such conflict of interest can endanger the rights of the regulated market operator to perform the market supervision function;

2) identify risks to which he is subjected to, and to manage such risks correspondingly, introducing efficient measures for the mitigation of such risks;

3) ensure due control of technical operation of the system, including to develop action plan for malfunction risk control of the system in case of an emergency situation;

31) introduce transparent and binding provisions and procedures which provide for fair and arranged trade and determine objective criteria for efficient enforcement of orders;

4) ensure efficient and timely completion of transactions performed in its systems;

5) ensure sufficient financial resources at the moment of granting a licence and henceforth in order to promote corresponding activity of a regulated market, taking into account the type and scope of such transactions which have been entered into in a market, and the scope and level of such risks to which it is subjected;

6) facilitate access of members or participants of a regulated market operator to information which, in accordance with this Law and directly applicable legal acts of the European Union, is published by issuers whose transferable securities are admitted to trading on a regulated market.

(3) A regulated market operator shall ensure:

1) the fair and open inclusion of financial instruments in a regulated market and the process of trading, and also equal treatment for all persons of the same status;

2) the supervision of issuers of the financial instruments included on regulated markets in relation to disclosing of information in accordance with the requirements of this Law and the directly applicable legal acts of the European Union;

3) the concentration of supply and demand of financial instruments admitted to trading on regulated markets for the setting of prices for financial instruments;

4) the security of entering into transactions;

5) the dissemination of consistent information which would make it possible for the value of financial instruments admitted to trading on regulated markets to be determined;

6) the organisation of payments related to transactions performed and the security of account operations.

(4) A regulated market operator shall organise one regulated market wherein such financial instruments are admitted for which no quantitative requirements (such as minimum paid up share capital, number of shareholders, amount of capitalisation, profitability or the proportion of shares in public circulation) are imposed on issuers thereof for inclusion in such regulated market, but all requirements specified in this Law in relation to the openness of information are binding.

(5) A regulated market operator has the right to organise a guarantee fund from the contributions of members or participants thereof in order to ensure the execution of transactions entered into in a regulated market.

(6) A regulated market operator shall keep funds of a guarantee fund owned by members or participants of a regulated market operator separately from its own funds. The regulated market operator shall keep the funds of a guarantee fund in the account of the central bank of a Member State or foreign country, if it is providing such service, or in a credit institution, informing the relevant institution that the funds in the account are the funds of the guarantee fund.

(7) Funds of a Guarantee Fund may not be used for satisfaction of creditors’ claims of a regulated market operator. This requirement shall also apply to the cases when the regulated market operator has been declared insolvent in accordance with the procedures laid down in law.

(8) A regulated market operator, in conformity with the procedures laid down in Division F.1of this Law, has the right to delegate the provision of the following services (hereinafter – the outsourced services) to one or several persons:

1) conducting of accounting;

2) management or development of information technologies or systems;

3) organising internal control;

4) other activities (the outsourced service) necessary for ensuring the operation of the regulated market operator and provision of services related to public circulation of financial instruments.

(9) A regulated market operator may delegate the obligations of an internal audit service as the outsourced service only to a sworn auditor or a commercial company of sworn auditors.

(10) A regulated market operator may not:

1) delegate the obligations of its administrative bodies which are specified in accordance with the laws and regulations or the articles or association;

2) to transfer completely the performance of the set of functions granted in a licence for organising of the regulated market to providers of outsourced services.

(11) A regulated market operator shall place the list of those shareholders or members on its website which have a qualifying holding in the capital of the regulated market operator, and shall update such list on a regular basis.

(12) A regulated market operator shall, within first three working days of each calendar year, publish a calendar for trading days of financial instruments of the relevant calendar year on its website.

(13) A regulated market operator may not execute an order of a client by performing a transaction on its own behalf or engage in matched principal trading in any of regulated markets which are operated thereby.

(14) More detailed requirements for the application of this Section are determined by Commission Delegated Regulation (EU) 2017/568 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the admission of financial instruments to trading on regulated markets.

(15) If a regulated market is a legal person which is managed or operated by a regulated market operator which itself is not a regulated market, the division of obligations specified in this Law between these subjects shall be determined by the Commission on a case-by-case basis.

[*9 June 2005; 4 October 2007; 22 May 2008; 14 September 2017; 21 June 2018; 20 June 2019*]

**Section 28. Regulations of a Regulated Market Operator**

(1) Regulations of a regulated market operator are documents laying down the requirements that must be complied with by the members or participants thereof and issuers whose financial instruments are admitted to trading on any of the regulated markets organised by the regulated market operator.

(11) A regulated market operator shall introduce, implement, and maintain transparent and non-discriminatory regulations which are based on objective criteria and by which access to the regulated market or participation therein is governed.

(2) A regulated market operator shall prepare draft regulations and submit them to the Commission. The Commission shall evaluate the conformity of the draft regulations (including amendments to the regulations where required) with the requirements of laws, other regulatory enactments and successful fulfilment of the obligations of the regulated market operator and, within 30 days from the date of the submitting the draft, prepare an opinion thereon. If the opinion does not contain objections, the regulated market operator is entitled to decide as to the approval of the regulations.

(3) A regulated market operator shall place the regulations and amendments to such regulations on its website immediately after approval thereof by the board of the regulated market operator. The regulations of a regulated market operator and amendments to such regulations shall enter into effect on the day following their publication on the website of the regulated market operator, unless another time period for entering into effect has been specified in the regulations. The regulated market operator shall, without delay, inform the Commission of approval of the regulations.

(4) The regulations of a regulated market operator which bring forward the requirements for activities of regulated markets included in the list of regulated markets drawn up by the Commission, after approval, shall be sent by the Commission to the European Commission and the supervisory authorities of the Member States.

(5) A regulated market operator shall govern in the regulations:

1) the procedures by which financial instruments are admitted to trading on a regulated market or removed therefrom;

2) the structure and management of the regulated market;

3) the obligations of issuers of financial instruments admitted to trading on a regulated market and the procedures for the supervision of issuers;

4) the procedures for the trade in and quotation of financial instruments;

5) the procedures for clearing and settling accounts of financial instruments and money transactions;

6) the procedures for the admission and exclusion of members or participants of a regulated market operator, the rights and obligations of members or participants, and also the procedures for suspending the status of the member or participant and professional requirements for employees of the company in the status of a member or participant performing transactions on the regulated market;

7) the procedures for identifying and preventing transactions which are performing using inside information and market manipulation;

8) the procedures for operating the Guarantee Fund;

9) other relations related to the activities of the regulated market and the public circulation of financial instruments.

(6) [21 June 2018]

[*9 June 2005; 15 June 2006; 4 October 2007; 24 April 2014; 21 June 2018*]

**Section 29. Licence to Operate a Regulated Market**

(1) A regulated market operator is entitled to commence activities only after receipt of a licence from the Commission.

(2) A licence for operating a regulated market (hereinafter in this Chapter – the licence) shall be issued for an indefinite time period.

(3) The licence shall be issued to a capital company registered in the Republic of Latvia:

1) of which the minimum paid up share capital, and also own funds conform to the requirements of Section 26 of this Law;

2) of which the organisational structure and regulations for operation ensure the protection of the interests of investors and the successful performance of the obligations referred to in Section 27 of this Law;

3) members of the board and council of which meet the requirements of this Law;

4) in which the shareholders (members) possessing a qualifying holding comply with the requirements of this Law.

[*21 June 2018*]

**Section 30. Documents to be Submitted for Receiving the Licence**

(1) In order to receive the licence, a regulated market operator shall submit to the Commission a submission which shall be accompanied by:

1) documents containing information on members of the board and council of the regulated market operator:

a) a notification containing the information referred to in Paragraph two of this Section;

b) a copy of the page of the passport or other personal identification document determined by law which specifies data identifying a person [given name, surname, citizenship, personal identity number (if any) or year and date of birth];

c) copies of documents certifying education;

2) information on shareholders (members) possessing a qualifying holding in the regulated market operator:

a) for natural persons – a copy of the page of a passport or other personal identification document specified by law which indicates data identifying a person [given name, surname, citizenship, personal identity number (if any) or year and date of birth];

b) for legal persons – the firm name, registered office, registration number and place. Legal persons registered in foreign countries and other Member States shall also submit copies of registration documents;

3) a description of the organisational structure of the regulated market operator which clearly sets out the rights, obligations, and authorisation of the council and board, and also lays down and assigns precisely the tasks of constituent bodies of the regulated market operator, and obligations and authorisation of the heads and members of the board of such constituent bodies;

4) a description of the main principles of the accounting policies and accounting organisation;

5) a description of the management information system;

6) regulations for the protection of the information system;

7) a description of the internal audit system;

8) the procedures for the identification of unusual and suspicious financial transactions;

9) a business plan for at least the next three years of operation which reflects in detail the strategy, financial forecasts (balance sheet, profit and loss account of the regulated market operator), market research plans, and other information considered essential by the regulated market operator and which provides additional information for the acquisition of a true and fair view of the planned activities;

10) the draft regulations referred to in Section 28 of this Law regarding each regulated market the market operator is planning to organise.

(2) The notification referred to in Paragraph one, Clause 1, Sub-clause “a” of this Section shall be completed by each member of the board and council of a regulated market operator. The notification shall specify the following information:

1) the firm name of the regulated market operator;

2) the given name, surname, citizenship, personal identity number (if any) or year and date of birth;

3) the position;

4) citizenship;

5) education (academic degree);

6) information on advanced vocational training;

7) whether the relevant person has ever been convicted;

8) whether the relevant person has been the head of a commercial company which has been declared insolvent;

9) whether the relevant person has been deprived of the right to perform any commercial activities;

10) previous working places within 10 years and a description of the duties of employment.

(3) The Commission has the right to request the capital company to clarify the documents and information submitted.

(4) If, pending a decision on the issue of a licence, changes in the information indicated in Paragraph one of this Section occur or amendments to the documents are made, the capital company has a duty to submit without delay to the Commission the new information or the full text of the relevant documents with the amendments made.

(5) After receipt of a licence a regulated market operator shall submit any amendments to the documents submitted for the receipt of the licence to the Commission not later than within seven days after the date of adopting the amendments or after the date the relevant information became known to him or her.

(6) The Commission has the right to refuse to approve the amendments to the documents, if the anticipated changes threaten financially stable, prudent activity of the regulated market operator, conforming to the laws and regulations.

[*4 October 2007; 21 June 2018*]

**Section 31. Requirements for Members of the Board and Council of a Regulated Market Operator**

(1) Such person may be a member of the board and council of a regulated market operator:

1) who is sufficiently competent in the field for which he or she will be responsible;

2) who has the required education and not less than three years of relevant work experience in a commercial company, organisation, or institution;

3) who has an impeccable reputation;

4) who has not been deprived of the right to perform commercial activities.

(2) Such person may not be a member of the board and council of the regulated market operator:

1) who has been convicted of committing an intentional criminal offence (including for bankruptcy in bad faith);

2) who has been convicted of committing an intentional criminal offence, even if he or she has been released from serving the sentence because of the limitation period, clemency, or amnesty;

3) against whom a criminal matter for the committing of an intentional criminal offence has been discontinued because of the expiry of the limitation period or amnesty;

4) who has been charged for a crime, but the criminal proceedings against whom have been terminated for reasons other than exoneration;

5) who has knowingly provided false information to the Commission on himself or herself by submitting documents to obtain a licence for the performance of any activities in the finance and capital market.

(3) If a person already performs the obligations of a member of the administrative body for other regulated market operator which has received a licence to organise a regulated market in accordance with the procedures of this Law or legal act of the Member State, it shall be regarded as complying with the requirements of Paragraph one of this Section.

(4) The Commission shall determine the requirements for members of the board and council of a regulated market operator in relation to their functions in the field of the internal control system.

[*4 October 2007; 21 June 2018*]

**Section 31.1 Provisions Regarding the Total Number of Positions of a Member of the Board and Council to be Held by a Member the Board and Council of a Regulated Market Operator**

(1) Upon determining the number of positions of a member of the council or board that a member of the council or the board of a regulated market operator may simultaneously hold, individual circumstances, and also the type, scope, and complexity of the operation of the regulated market operator shall be considered.

(2) A member of the board and council of a regulated market operator which is important in terms of its size, internal organisation and the nature, scope, and complexity of activities, may, except for the cases when he or she is authorised to represent the Republic of Latvia, simultaneously hold no more than:

1) one position of a member of the board and two positions of a member of the council;

2) four positions of a member of the council.

(3) Within the meaning of this Section one position of a member of the board or council is considered to be those positions of a member of the board or council:

1) within the framework of one consolidation group;

2) in companies (including those that are not financial institutions) in which a regulated market operator has a qualifying holding.

(4) The Commission may permit a member of the board or council of a regulated market organiser to additionally hold one position of a member of the council.

(5) The Commission shall regularly provide the European Securities and Markets Authority with information on the permits referred to in Paragraph four of this Section.

(6) Within the meaning of this Section positions of a member of the board or council in associations, foundations, and other organisations whose activities are not aimed at generating profit shall not be considered a position of a member of the board or council.

[*21 June 2008*]

**Section 32. Procedures for the Granting of a Licence**

(1) The Commission shall examine the submission of a capital company for obtaining a licence and, within three months, take a decision after the documents prepared and drawn up in accordance with all the requirements of laws and regulations laid down in this Law have been received.

(2) The Commission shall not issue a licence, if:

1) while establishing a regulated market operator, the laws and other laws and regulations have not been complied with;

2) the documents submitted by a regulated market operator contain false information;

3) the members of the board and council of a regulated market operator do not conform to the requirements included in this Law and the regulatory provisions of the Commission, and also if the Commission has not been able to ascertain to a satisfactory extent that members of the board and council of a regulated market operator have impeccable reputation, sufficient knowledge, skills, and experience and that they dedicate sufficient amount of time for the fulfilment of the duties, or if there is an objective and arguable reason to assume that the board and council of a regulated market operator may endanger its efficient, correct, and prudent management, and also the integrity of market;

4) it is impossible to verify the identity, reputation, or adequacy of free capital of the persons who have a qualifying holding in a regulated market operator;

5) the information included in the documents submitted indicates that a regulated market operator will not be able to ensure the fulfilment of the obligations specified in Section 27, Paragraphs two, three, and four of this Law;

6) the information included in the documents submitted indicates that the regulated market which is planned to be organised by a regulated market operator does not conform to the requirements of this Law;

7) the Commission detects that the financial resources invested in the share capital of a regulated market operator or which are intended to be used in commercial activity of a regulated market operator have been acquired through unusual or suspicious financial transactions or the lawfulness of the acquisition of these financial resources has not been proven by documentary evidence;

8) the activities of a regulated market operator are not economically substantiated.

(3) The Commission shall consult the supervisory authority of the relevant Member State before issuing a licence to such regulated market operator:

1) which is a subsidiary of a credit institution or insurance company licensed in a Member State;

2) which is a subsidiary of such a parent undertaking another subsidiary of which is a credit institution or insurance company licensed in a Member State;

3) which is controlled by a person who also controls another credit institution or insurance company licensed in a Member State.

(4) The Commission shall, before issuing a licence, and also during the course of supervision of a regulated market operator, request and assess information from the supervisory authority of the relevant Member State on suitability of shareholders of the regulated market operator and reputation and experience of members of the board or council, if such persons are involved in the management of other commercial companies of such group in which the relevant regulated market operator will be included.

(5) The sample forms, templates, and procedures necessary for exchange of information referred to in Paragraphs three and four of this Section shall be provided for by Commission Implementing Regulation (EU) 2017/981 of 7 June 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for the consultation of other competent authorities prior to granting an authorisation in accordance with Directive 2014/65/EU of the European Parliament and of the Council (hereinafter – Regulation No 2017/981).

[*13 January 2011; 21 June 2018; 20 June 2019*]

**Section 33. Re-registration of a Licence**

(1) The Commission shall re-register a licence if the firm name of a regulated market operator is changed.

(2) A regulated market operator shall submit to the Commission a submission for the re-registration of a licence not later than within five working days after re-registration of the firm name.

(3) The Commission shall re-register a licence not later than within five working days after receipt of the submission.

(4) [21 June 2018]

(5) [21 June 2018]

[*21 June 2018*]

**Section 34. Procedures for Cancellation of the Licence**

(1) The Commission shall cancel a licence issued to a capital company for operating a regulated market, if:

1) it is detected that the regulated market operator has provided false information in order to receive the licence;

2) the regulated market operator systematically fails to comply with the requirements of this Law, Regulation No 600/2014, and other laws and regulations;

3) the regulated market operator has failed to rectify the violations of laws and regulations detected by the Commission within the time period stipulated by the Commission;

4) the regulated market operator has initiated liquidation proceedings;

5) the bankruptcy procedure of the regulated market operator has been initiated in accordance with the procedures laid down in law;

6) the regulated market operator has submitted a written submission for the cancellation of the licence;

7) the regulated market operator has not commenced activities within 12 months from the day when the licence was issued;

8) the regulated market operator has not performed the activity indicated in the licence for more than six months;

9) it is detected that the regulated market operator fails to comply with the requirements laid down in this Law for the receipt of a licence;

10) it is detected that the prohibition to exercise the voting right of shares belonging to shareholders of the regulated market operator with a qualifying holding has set it and it lasts for more than six months.

(2) The Commission shall inform the European Securities and Market Authority that a licence to operate a regulated market has been cancelled.

[*4 October 2007; 13 January 2011; 22 March 2012; 21 June 2018*]

**Section 35. Obligations of Administrative Bodies of a Regulated Market Operator**

(1) The board of a regulated market operator shall:

1) decide on inclusion of financial instruments in any of the regulated markets organised by the regulated market operator or the exclusion therefrom;

2) decide on suspension of trade in financial instruments;

3) decide on admission and exclusion of members or participants of the regulated market operator, and also on suspension of the status of a member or participant of the regulated market operator;

4) approve the regulations of the regulated market operator and ensure conformity with the requirements referred to therein;

5) ensure that the information to be published by the regulated market operator in accordance with this Law, other laws and regulations, and the regulations of the regulated market operator is published in a timely manner.

(2) If the the board cannot be convened due to objective reasons, a specially delegated member of the board is entitled to decide on suspension of trade in financial instruments and suspension of activities of members or participants of a regulated market operator.

(3) [15 June 2006]

(4) The relevant administrative body of a regulated market operator has an obligation, upon its own initiative or upon request of the Commission, to recall members of the board or council from the office without delay if they do not conform to the requirements of this Law.

(5) A regulated market operator may delegate the obligations of the board specified in Paragraph one, Clauses 1, 2, and 3 of this Section to a committee of independent experts approved by the council of the regulated market operator, the activity of which is governed by the by-laws approved by the council of the market operator.

[*15 June 2006; 29 September 2007; 21 June 2018*]

**Section 35.1 Systems Resilience, Circuit Breakers and Electronic Trading**

(1) A regulated market operator shall introduce effective facilities and procedures and develop arrangements to ensure that its trading facilities are resilient, have sufficient capacity to deal with peak order and message volumes, are able to ensure orderly trading under conditions of market stress, are fully tested to ensure meeting of such conditions and they have effective business continuity arrangements to ensure continuity of its services if there is any unforeseen failure of its trading facilities.

(2) A regulated market operator shall ensure that it has:

1) written agreements with all investment brokerage companies and credit institutions pursuing a market making strategy on the regulated market;

2) schemes to ensure that a sufficient number of investment brokerage companies or credit institutions with which agreements have been concluded for the performance of the functions of the market maker on the regulated market operated thereby which require them to post firm quotes at competitive prices with the result of providing liquidity to the market on a regular and predictable basis, if such a requirement is appropriate to the nature and scale of the trading on the relevant regulated market.

(3) At least the following information shall be indicated in the agreements referred to in Paragraph two of this Section:

1) the obligations of the market maker in relation to the provision of liquidity and, where applicable, any other obligation arising from participation in the scheme referred to in Paragraph two, Clause 2 of this Section;

2) any remuneration, rebate, or any other incentives offered by the regulated market to the market maker so as to provide liquidity to the market on a regular and predictable basis and, where applicable, any other rights accruing to the market maker as a result of participation in the scheme referred to in Paragraph two, Clause 2 of this Section.

(4) A regulated market operator shall monitor and enforce compliance by the market maker with the requirements of the agreements referred to in Paragraph two, Clause 1 of this Section.

(5) A regulated market operator shall inform the Commission of the content of the agreements referred to in Paragraph two of this Section and shall, upon request, submit all the information necessary to the Commission to enable the Commission to satisfy itself of compliance by the regulated market operator with that specified in Paragraph four of this Section.

(6) A regulated market operator shall establish effective internal control systems, procedures, and arrangements to reject such orders on the regulated market operated thereby which exceed the pre-determined volume and price thresholds stipulated by the regulated market operator or which are clearly erroneous.

(7) A regulated market operator shall ensure that it is able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on the regulated market operated thereby or a related market during a short period and, in exceptional cases, to be able to cancel, vary, or correct any transaction concluded on the regulated market operated thereby. The regulated market operator shall ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity of different asset classes and sub-classes, the nature of the market model and types of users and they are sufficient to avoid significant disruptions to the orderliness of trading.

(8) A regulated market operator shall notify the Commission of the parameters for halting trading stipulated thereby and shall inform the Commission in a consistent and comparable manner of any material changes in such parameters. The Commission shall notify the European Securities and Markets Authority of the abovementioned parameters and changes therein. The regulated market operator which is material in terms of liquidity in that financial instrument shall ensure that the necessary systems and procedures have been established for it in order to inform the Commission of halting of trading so that the Commission could coordinate a market-wide response and determine whether it is appropriate to halt trading on other trading venues on which the relevant financial instrument is traded until trading resumes on the original market.

(9) A regulated market operator shall introduce effective internal control systems, procedures, and arrangements, including requiring members or participants of the operated regulated market to carry out appropriate testing of algorithms, concurrently providing environments to promote and facilitate testing of the abovementioned algorithms in order to ensure that algorithmic trading facilities cannot create or contribute to disorderly trading conditions on the market and to manage any disorderly trading conditions which do arise from such algorithmic trading facilities, including facilities to limit the ratio of unexecuted orders to transactions that may be entered into the facility by a member or participant, to be able to slow down the flow of orders if there is a risk of its facility capacity being reached and to limit and enforce the minimum tick size that may be executed on the market.

(10) A regulated market operator that permits direct electronic access to the regulated market operated thereby shall have in place effective internal control systems, procedures, and measures to ensure that such service may be provided to its clients only by such members or participants of the regulated market which are investment brokerage companies or credit institutions which have the right to provide investment services in a Member State and that criteria are set in relation to the suitability of such person to whom such direct electronic access may be offered, and that a member or participant of the regulated market retains responsibility for orders and transactions which have been submitted or concluded by using such service. The regulated market operator shall also determine appropriate standards regarding risk controls and thresholds on trading through such access, and also is able to distinguish and to stop orders or trading by a person using direct electronic access separately from other orders or trading by the member or participant. The regulated market operator shall introduce corresponding measures to suspend or terminate the rights of the particular member or participant to offer direct electronic access for clients to the regulated market, if the provisions of this Paragraph are not conformed to.

(11) A regulated market operator shall ensure that its rules on co-location services are transparent, fair, and non-discriminatory.

(12) A regulated market operator shall ensure that its service fees including execution fees, ancillary fees and any rebates are transparent, fair, and non-discriminatory and that they do not create incentives to place, modify, or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse. The regulated market operator shall grant rebates for the maintenance of market in relation to individual shares or to a basket of shares. The regulated market operator may adjust the amount of its fees for cancelled orders according to the length of time for which the order was maintained on the trading facility and to calibrate the fees to each financial instrument to which they apply. The regulated market operator may impose a higher fee for placing orders that are subsequently cancelled than orders which are executed and to impose a higher fee on members or participants placing a high ratio of cancelled orders to executed orders, and also on those members or participants operating a high-frequency algorithmic trading technique in order to reflect the additional burden on system capacity.

(13) A regulated market operator shall be able to identify, by means of flagging from members or participants, orders generated by algorithmic trading, the different algorithms used for the creation of orders, and the relevant persons initiating those orders. The abovementioned information shall be submitted by the regulated market operator to the Commission upon the request thereof.

(14) Upon request by the Commission, a regulated market operator the home Member State of which is the Republic of Latvia shall make available to the Commission data relating to the order submitted on the regulated market (the order register or book) or give the Commission access to such data so that it is able to monitor trading.

(15) More detailed requirements for the application of this Section shall be determined by the following directly applicable legal acts of the European Union:

1) Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues (hereinafter – Regulation No 2017/584);

2) Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes (hereinafter – Regulation No 2017/578);

3) Commission Delegated Regulation (EU) 2017/566 of 18 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions;

4) Commission Delegated Regulation (EU) 2017/573 of 6 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on requirements to ensure fair and non-discriminatory co-location services and fee structures (hereinafter – Regulation No 2017/573);

5) Commission Delegated Regulation (EU) 2017/570 of 26 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the determination of a material market in terms of liquidity in relation to notifications of a temporary halt in trading.

[*21 June 2018; 20 June 2019*]

**Section 35.2 Tick Size of Financial Instruments**

(1) A regulated market operator shall determine tick size regimes in the regulated markets operated thereby in relation to shares, depositary receipts, exchange‐traded funds, certificates, and other similar financial instruments which are specified in Commission Delegated Regulation (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds (hereinafter – Regulation No 2017/588).

(2) Tick size regimes which are referred to in Paragraph one of this Section shall be determined:

1) to reflect the liquidity profile of one financial instrument in different markets and the average bid-ask spread, taking into account the desirability of enabling reasonably stable prices without unduly constraining further narrowing of spreads;

2) adapting the tick size for each financial instrument appropriately.

(3) Regulation No 2017/588 shall determine more detailed requirements for the application of this Section.

(4) A regulated market operator may pool large-scale orders within the meaning of Article 4 of Regulation No 600/2014 for a price which conforms to the buying and selling mid-price at the pooling moment by derogation from the requirement laid down in this Section regarding application of tick size regimes.

[*21 June 2018; 20 June 2019; 17 June 2020*]

**Section 35.3 Synchronisation of Clocks**

(1) Trading venues and their members or participants shall synchronise their clocks which they use to record the date and time of any reportable event that has occurred at the trading venue.

(2) The level of accuracy to which clocks are to be synchronised in accordance with international standards shall be determined by Commission Delegated Regulation (EU) 2017/574 of 7 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the level of accuracy of business clocks.

[*21 June 2018; 20 June 2019*]

**Section 36. Members or Participants of a Regulated Market Operator**

(1) A member or participant of a regulated market operator shall be a person who is entitled to perform transactions on the regulated markets operated by the regulated market operator. The regulated market operator shall ensure that a member or participant of the regulated market operator has a possibility to become a member or participant of the regulated market operator with direct access or remote access.

(2) Such investment brokerage company may become a member or participant of a regulated market operator to which the Commission has issued a licence to provide investment services, or a credit institution to which the Commission has issued a licence to operate a credit institution and which has commenced the provision of investment services in accordance with the procedures laid down in this Law.

(3) An investment brokerage company or a credit institution of another Member State may become a member or participant of a regulated market operator, which in its country of registration has obtained a licence for the provision of investment services.

(4) An investment brokerage company or credit institution registered in another Member State may become a member or participant of a regulated market operator:

1) with direct access, by opening a branch;

2) with remote access without opening a branch if transactions may be performed from a distance on the markets regulated by the regulated market operator.

(5) A company registered in a foreign country which is providing investment services may become a member or participant of a regulated market operator only after it has been registered with the Commission in accordance with the procedures laid down in this Law.

(6) Before the investment brokerage company referred to in Paragraphs three and five of this Section becomes a member or participant of a regulated market operator, the regulated market operator shall verify that it fulfils and complies with the capital adequacy requirements laid down in this Law.

(7) A regulated market operator is entitled to grant the status of a member or participant also to a person other than referred to in Paragraphs two and three of this Section but who according to the criteria approved by the regulated market operator is appropriate and conforming, who has sufficient level of skills and competence in respect of trading on the regulated market and who has sufficient resources and organisational structure in order to perform the obligations of the member or participant of the regulated market operator and to guarantee due settlements for transactions.

(8) A regulated market operator shall ensure equal rights for all members or participants of the regulated market operator. Members or participants of the regulated market operator, upon entering into mutual transactions on the regulated market, need not conform to the requirements referred to in Sections 126, 126.**1**, 126.2, 128, 128.1, 128.2, and 128.3 of this Law. Members or participants of the regulated market operator shall apply the requirements of Sections of this Law referred to in the second sentence of this Paragraph in relation to their clients if, upon acting on behalf of clients, their orders on the regulated market are executed.

(9) A regulated market operator shall submit the list of members or participants of the regulated market operator to the Commission and, without delay, inform the Commission of amendments and supplements made in the list.

(10) A regulated market operator shall intend the right for members or participants of the market operator to choose other settlement system other than offered by the regulated market operator for entering into transactions on the regulated market.

(11) The right referred to in Paragraph ten of this Section shall apply to cases when:

1) there is such link or mechanism between the financial instrument settlement system offered by the regulated market operator and selected settlement system, which ensures effective and economic settlements;

2) technical conditions for the settlements of the transaction which is entered into on the regulated market, using the settlement system other than offered by the regulated market operator, ensures due operation of the financial market.

[*9 June 2005; 4 October 2007; 21 June 2108*]

**Section 37. Provision and Storing of Information on Transactions with Financial Instruments Admitted to Trading on Regulated Markets**

[4 October 2007]

**Section 38. Disclosure of Information on Transactions with Financial Instruments**

[21 June 2018]

**Section 39. Right of a Regulated Market Operator to Conduct Supervision**

(1) A regulated market operator shall supervise the activities of each regulated market organised thereby in accordance with the procedures governed by this Law and the regulations of the regulated market operator.

(2) A regulated market operator shall supervise the pricing of financial instruments in regulated markets organised thereby, and also trading procedures in order to identify violations of the regulations of the regulated market operator, non-conforming trading circumstances or action which is prohibited in accordance with Regulation No 596/2014, or disruptions to a system in relation to a financial instrument, and other violations of this Law and other laws and regulations.

(3) A regulated market operator is entitled to request and receive from its members or participants any information and documents necessary in order to decide on the conformity thereof with the status of a member or participant in the regulated market operator.

(4) [15 October 2009]

(5) A regulated market operator shall supervise the conformity of activities of issuers of financial instruments admitted to trading on regulated markets organised thereby with the requirements of the regulations governing activities on the regulated market approved by the regulated market operator.

(6) [15 October 2009]

(7) A regulated market operator shall, without delay, inform the Commission of any violations of this Law, other laws and regulations, and regulations of the regulated market operator, non-conforming trading circumstances or action which is prohibited in accordance with Regulation No 596/2014, or disruptions to a system in relation to a financial instrument detected by the regulated market operator, and also of any decisions taken in connection with these violations.

(71) The Commission shall notify the information which has been received in accordance with Paragraph seven of this Section to the European Securities and Markets Authority and the competent authorities of other Member States. The Commission shall notify the European Securities and Markets Authority and the competent authorities of other Member States of action which is prohibited in accordance with Regulation No 596/2014, if it has ascertained that such action has been performed or is being performed.

(72) Regulation No 2017/565 shall determine the circumstances in which the requirement for the provision of information referred to in Paragraphs seven and 7.1 of this Section is applicable.

(73) A regulated market organiser shall provide the information necessary to the Commission or the relevant law enforcement institutions for the ascertaining of all such facts and circumstances which are related to potential violations of Regulation No 596/2014.

(8) A regulated market operator is entitled to request and members or participants of the regulated market operator have an obligation to provide information requested thereby after receipt of such request regarding the clients of members or participants of the regulated market operator (natural persons and legal persons), their financial instrument accounts and money accounts related to settlements of financial instruments and transactions performed with financial instruments admitted to trading on a regulated market, if such information is necessary for the regulated market operator in order to ensure the performance of the supervisory functions granted for the prevention of the use of inside information and market manipulation. The regulated market operator is entitled to use the submitted information only for the purpose for which it was requested.

(9) Members of the council, board of a regulated market operator and employees thereof shall be held criminally liable in accordance with the procedures laid down in the law for intentional or non-intentional disclosure of information obtained in accordance with the procedures of Paragraph eight of this Section.

[*9 June 2005; 29 March 2007; 15 October 2009; 21 June 2018*]

**Section 39.1 Activity of a Regulated Market Operator in the Republic of Latvia which is Licensed in Another Member State**

(1) A regulated market operator registered in another Member State which has received a licence to organise a regulated market is entitled to carry out activity in the Republic of Latvia in order to promote access by investment brokerage companies and credit institutions registered in the Republic of Latvia to this regulated market.

(2) A regulated market operator registered in another Member State is entitled to commence the activity referred to in Paragraph one of this Section in the Republic of Latvia after the Commission has received the relevant notification from the supervisory authority of the home Member State of the regulated market operator.

(3) The Commission is entitled to request identifying data from the supervisory authority of the home Member State of the regulated market operator on that investment brokerage company and credit institution or other person registered in the Republic of Latvia, which are members or participants of the regulated market operator licensed in such country.

(4) [21 June 2018]

[*4 October 2007; 21 June 2018*]

**Section 39.2 Activity of a Regulated Market Operator in Another Member State which is Licensed in the Republic of Latvia**

(1) A regulated market operator registered in the Republic of Latvia which has received a licence to organise a regulated market is entitled to carry out activity in another Member State in order to promote access by investment brokerage companies and credit institutions registered in such Member State to this regulated market.

(2) A regulated market operator registered in the Republic of Latvia who wishes to commence activity in any of the Member States shall submit a submission to the Commission where he or she shall indicate such Member State.

(3) The Commission shall examine the submission regarding commencement of activity in another Member State within 30 days from the day of receipt of the submission and inform the regulated market operator and the supervisory authority of the relevant Member State of its decision. The regulated market operator may commence activity when the Commission has informed the supervisory authority of the relevant Member State.

(4) The Commission, upon request of the supervisory authority of the relevant Member State, shall send identification data regarding such investment brokerage company and credit institution or another person which are registered in this Member State and which are members or participants of a regulated market operator licensed in the Republic of Latvia.

(5) In order to ensure settlements regarding transactions on the regulated market, the regulated market operator has the right to enter into an agreement regarding access to clearing centre, central transaction intermediary, or settlement system in another Member State. The Commission may restrict entering into such agreements only in case when it can prove that these measures hinder due operation of the regulated market. The Commission shall take into account system control and supervision carried out by other control or supervisory authorities of clearing and settlement systems.[*4 October 2007; 21 June 2018*]

[*4 October 2007; 21 June 2018*]

**Section 39.3 Cooperation with Central Counterparties in Relation to the Clearing and Settlement Procedures**

(1) In order to ensure settlements for transactions on the regulated market regardless of that specified in Title III, IV, or V of Regulation No 648/2012, the regulated market operator has the right to enter into agreements for access to clearing centre, central counterparty, or settlement system in another Member State.

(2) Regardless of that specified in Title III, IV, or V of Regulation No 648/2012, the Commission may restrict entering into such agreements only if it proves that such measures are hindering proper functioning of the regulated market, taking into account the conditions of Section 133.12, Paragraph two of this Law in relation to settlement systems. The Commission shall take into account system control and supervision carried out by other control or supervisory authorities of clearing and settlement systems.

[*21 June 2008*]

**Section 40. Supervision of a Regulated Market Operator**

(1) A regulated market operator shall provide the Commission (upon its request) with information from the trading facility thereof, with information submitted by members or participants of the regulated market operator and issuers of financial instruments admitted to trading on a regulated market, and also with any other information required for the Commission for the purposes of supervision.

(2) The Commission has the right to inspect the activity of a regulated market operator, including to perform internal controls of a regulated market operator. The Commission has the right to become acquainted with all documents, account books, and databases of a regulated market operator, and also to take statements therefrom, make true copies (copies).

(3) A regulated market operator shall, upon a motivated written request of the Commission, submit to the Commission true copies (copies) of documents or other information related to the activities of the regulated market operator.

(4) The Commission has the right to participate in meetings of shareholders (members) of a regulated market operator, to propose the convening of sessions of the administrative bodies of the regulated market operator, and to determine the matters to be discussed therein, and also to participate in these meetings without voting rights.

(5) The Commission has the right to revoke in full or in part the decisions of the administrative bodies of a regulated market operator which are related to the fulfilment of the obligations specified in Section 27 of this Law, or the appointment of members of the board or council of a regulated market operator if such decisions do not conform to the laws, other regulatory enactments, or articles of association, regulations, or internal acts of the regulated market operator, or which may substantially affect the financial condition of the regulated market operator.

(6) The Commission shall be responsible for cooperation with the supervisory authorities of other Member States in order to ensure supervision of the regulated market operators.

[*4 October 2007; 21 June 2018*]

**Section 40.1 Supervision of a Regulated Market Operator Licensed in Another Member State**

(1) If a regulated market operator registered in another Member State which operates in the Republic of Latvia undertakes activities which are in contradiction with the applicable laws and regulations of the Republic of Latvia governing financial instrument market, the Commission shall, without delay, inform the supervisory authority of the home Member State thereof and ask to remedy the established violations, and also inform it of the implemented measures.

(2) If a regulated market operator registered in another Member State which operates in the Republic of Latvia continues activities which are in contradiction with the applicable laws and regulations of the Republic of Latvia governing financial instrument market, or if the measures implemented by the supervisory authority of the Member State turn out ineffective, the Commission shall inform the supervisory authority of the home Member State and implement measures to remedy such violations. Within the scope of such activities the Commission is entitled to prohibit the relevant regulated market operator from continuing activities in the Republic of Latvia until such violations are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority of the measures carried out in accordance with the requirements of Section 147 of this Law.

(3) The Commission is entitled to address a request to the European Securities and Markets Authority to examine the violation of a market operator registered in another Member State.

(4) The Commission shall inform the relevant regulated market operator of the measures implemented in Paragraph two of this Section or the prohibition imposed.

[*4 October 2007; 22 March 2012; 21 June 2018*]

**Chapter II**

**Admission of Financial Instruments to Trading on Regulated Markets**

[*9 June 2005*]

**Section 41. General Requirements for Admission of Financial Instruments to Trading on Regulated Markets**

(1) Financial instruments the disposal of which is not restricted may be admitted to trading on regulated markets.

(2) [26 May 2016]

(3) In order for transferable securities to be admitted to trading on a regulated market, the issuer or a person asking the admission of the transferable securities to trading on a regulated market shall append a prospectus to the submission which is prepared in accordance with the requirements of this Law, Regulation No 2017/1129, and other directly applicable legal acts of the European Union, and also registered with the Commission.

(4) [12 December 2019]

(5) The requirements for admission of other financial instruments to trading on a regulated market shall be determined by the relevant regulated market operator. The requirements in relation to admission of derivatives and commodity derivatives to trading on a regulated market shall be such to ensure that the provisions of an agreement on derivative allow precise determination of the price and effective settlement conditions.

(6) The decision to admit a financial instrument to trading on regulated markets shall be taken by the board of the regulated market operator, on the basis of the submission of the issuer or the person requesting the admission of the transferable securities to trading on a regulated market.

(7) A transferable security which is admitted to trading on one regulated market may be admitted to trading on other regulated market without a consent by the issuer. The operator of that regulated market in which the transferable security is admitted without a consent by the issuer shall inform the issuer thereof. In such case the issuer is exempted from the obligation to provide information in accordance with the requirements of Division D, Chapters II and III of this Law to such regulated market operator on the regulated market of which the transferable security is admitted without a consent by the issuer.

(8) If a transferable security which is admitted to trading on a regulated market is being traded without a consent by the issuer in a multilateral trading facility, the issuer is exempted from the obligation to disclose information in the multilateral trading facility, if the system operator has determined the requirements for disclosure of information.

(9) If admission of transferable securities on the regulated market is requested in Latvia, the prospectus shall be prepared in the official language.

(10) The procedures for the preparation, approval, publishing, and distribution of prospectuses shall be determined by Regulation No 2017/1129.

(11) After the decision to admit transferable securities to trading on the regulated market has been taken, the regulated market operator shall, without delay, post the decision and the text of the prospectus on its website.

[*4 October 2007; 26 May 2016; 21 June 2018; 12 December 2019*]

**Section 42. Requirements for Inclusion of Shares and Transferable Securities Equivalent Thereto which Ensure Holding in the Capital of a Commercial Company on the Official List**

(1) Shares and transferable securities equivalent thereto which ensure holding in the capital of a commercial company (hereinafter – the shares) shall be included on the official list, if:

1) forecast market capitalisation of the shares to be included therein on the day when a regulated market operator takes the decision to include the shares on the official list is at least EUR 1 000 000. If forecasting of market capitalisation of the shares to be included on the official list is impossible, the inclusion of shares in this list shall be permissible, provided that the share capital paid by the joint stock company and reserves (including profit or loss) within the time period of the last reporting year amounts to at least EUR 1 000 000;

2) the joint stock company has made accessible to the public its annual statements for at least the last three reporting years;

3) the submission for all shares of the relevant category has been submitted for inclusion on the official list.

(2) If inclusion on the official list of the regulated market takes place after the offer of securities to the public, trading in the relevant shares may be commenced only after the end date of the initial placement.

(3) If the public share offering does not take place with the intermediation of the regulated market, the shares may be included on the official list only if at least 25 per cent of the subscribed capital share represented by the shares of the relevant category are applied for inclusion on this list.

(4) If the public share offering takes place with the intermediation of the regulated market operator, the shares may be included on the official list if at least 25 per cent of the subscribed capital share represented by the shares of the relevant category are applied for inclusion on the list, or if the regulated market operator has grounds to believe that the market of such shares will operate with sufficient activity after their inclusion on the official list even at a lower relative percentage.

(5) The regulated market operator has the right to specify additional requirements and stricter criteria for the inclusion of the shares on the official list.

[*15 June 2006; 13 January 2011; 19 September 2013; 21 June 2018*]

**Section 43. Requirements for Inclusion of Bonds and Other Debt Securities on the Official List**

(1) Bonds and other debt securities may be included on the official list if the total amount of the loan is not less than EUR 200 000. This requirement shall not be applied in the case of an ongoing issue, if the amount of the loan has not been determined.

(2) The regulated market operator may take the decision to include debt securities which do not conform to the requirements of Paragraph one of this Section on the official list after it is convinced that trade in the relevant debt securities will be sufficiently active.

(3) Convertible or interchangeable bonds, and also any debt securities with additional rights to obtain shares may be included on the official list only if the shares related to the abovementioned bonds or securities have been included on the official list of the same or another regulated market operator.

(4) Debt securities may be included on the official list, if the submission regarding inclusion thereof is related to all debt securities of the relevant issue. It is allowed not to apply this requirement in respect of the debt securities issued by the Republic of Latvia.

(5) If inclusion on the official list is performed on the basis of an offer of securities to the public, trading in the relevant debt securities may be commenced only after the final day of the initial placement. This rule shall not be applied in case of an issue of covered bonds and in tap issues if the final day of the initial placement is not fixed.

(6) The regulated market operator has the right to specify additional requirements and more stringent criteria for the inclusion of bonds and other debt securities on the official list.

[*15 June 2006; 13 January 2011; 19 September 2013; 21 June 2018; 27 May 2021*]

**Section 44. Content of a Prospectus**

[12 December 2019]

**Section 44.1 Preparation and Registration of a Base Prospectus**

(1) [12 December 2019]

(2) The base prospectus shall be registered with the Commission in accordance with the requirements of Section 48 of this Law.

(3) [12 December 2019]

(4) [12 December 2019]

[*11 June 2015; 12 December 2019*]

**Section 44.2 Incorporation of Information by Reference**

[12 December 2019]

**Section 44.3 Prospectus Consisting of Separate Documents**

[12 December 2019]

**Section 45. Supplements to a Prospectus**

[12 December 2019]

**Section 46. Liability for Information Included in a Prospectus**

(1) A prospectus shall be approved by the meeting of shareholders (members) of the issuer or by an authorised administrative body or its official.

(2) The administrative body of the issuer or a person asking for the admission of the transferable securities on the regulated market and a guarantor (if any) shall be responsible for the content of the prospectus.

(3) The given name, surname, and position of persons responsible for veracity of the information included in the prospectus or the name, registered office, and registration number of legal persons shall be indicated in the prospectus. The prospectus shall also include a notification by such person stating that, according to the information available to this person, the information included in the prospectus conforms to actual circumstances, and also that no facts have been concealed which may affect the meaning of the information included in the prospectus.

(4) If a person is not responsible for all of the information included in a prospectus, the prospectus shall specify the part for which the relevant person is responsible.

(5) By bringing an action to a court according to general procedures, the investor may claim for damages from the persons indicated in the prospectus who are responsible for veracity of the information included therein, provided that the issuer has incurred losses due to false or incomplete information having been included in the prospectus.

(6) An investor may not request compensation for losses from the persons indicated in the prospectus, if he or she has made his or her choice on the basis of a summary note or translation thereof, except for the case when the summary note is misleading, in contradiction with other parts of the issue prospectus or together with other parts of the issue prospectus does not provide key information which allows for the investor to decide on acquisition of securities.

[*22 March 2012*]

**Section 47. Derogations from the Obligation of Preparing a Prospectus**

[12 December 2019]

**Section 48. Registration of a Prospectus**

(1) The Commission shall register a prospectus. In order to register a prospectus, an issuer or a person asking for the admission of transferable securities to trading on the regulated market shall submit a submission to the Commission to which the following shall be appended:

1) two originals of the prospectus and the text of the prospectus in electronic form;

2) the decision of an administrative body authorised by the issuer to admit the relevant transferable securities to trading on the regulated market;

3) [22 March 2012].

(11) [26 May 2016]

(2) The submission shall specify:

1) the registration number, place and institution, firm name, registered office, telephone number, and also e-mail address (if any) of the issuer;

2) the class, category, and total amount of transferable securities to be admitted for trading on the regulated market and the denomination of one transferable security;

3) the firm name, registered office, telephone number, and also e-mail address (if any) and the name of the regulated market in which the issuer or a person asking for admission of transferable securities to trading on a regulated market wishes to admit transferable securities;

4) countries where transferable securities will be admitted to trading on a regulated market.

(3) [12 December 2019]

(4) [12 December 2019]

(5) [12 December 2019]

(6) The decision to register a prospectus or to refuse to register it shall be issued to the issuer or to a person who is asking for the admission of transferable securities to trading on the regulated market and has submitted a submission to the Commission regarding registration of the prospectus.

(7) [12 December 2019]

[*4 October 2007; 22 March 2012; 26 May 2016; 21 June 2018; 12 December 2019*]

**Section 48.1 Validity of a Prospectus, Base Prospectus, and Registration Document**

[12 December 2019]

**Section 49. Procedures for the Mutual Recognition and Notification of a Prospectus**

[12 December 2019]

**Section 49.1 Use of Languages**

[12 December 2019]

**Section 49.2 Recognition of Prospectuses Prepared by Issuers Registered in Foreign Countries**

[12 December 2019]

**Section 50. Examination of a Submission Regarding Admission of Financial Instruments to Trading on a Regulated Market**

(1) An issuer or a person asking the admission of transferable securities to trading on a regulated market shall submit a submission to the relevant regulated market operator regarding admission of financial instruments to trading on a regulated market not later than three months after registration of the prospectus with the Commission.

(2) The regulated market operator shall take the decision to admit the financial instruments to trading on a regulated market within 10 days from the day on which the issuer or a person asking the admission of transferable securities to trading on the regulated market submits a submission. Within the abovementioned time period, the regulated market operator has the right to require from the issuer or a person asking the admission of the transferable securities to trading on a regulated market additional information in conformity with the provisions regarding activities of the relevant regulated market. In such case the 10-day time period shall be calculated from the day on which the additional information is submitted to the regulated market operator.

(3) The regulated market operator shall take the decision to include the transferable securities of an issuer registered in a Member State to trading on a regulated market only after the prospectus has been registered with the Commission or the regulated market operator has received a certification of the supervisory authority of the relevant Member State or regulated market operator regarding registration of the prospectus.

(4) The decision of the regulated market operator to refuse to admit the financial instruments to trading on a regulated market may be appealed to the Commission within 30 days from the date of receipt of the decision.

(5) A regulated market operator shall provide the following information in the decision to admit a financial instrument (except for investment fund units or alternative investment funds) to trading on a regulated market:

1) the date on which a prospectus is registered with the Commission (if in accordance with the law an issuer or a person asking admission of transferable securities to trading on a regulated market has an obligation to draw up a prospectus);

2) the firm name and registered office of the issuer;

3) the place of registration and number of the issuer;

4) the class, category, denomination of financial instruments and amount of issue.

(6) The following information shall be provided in the decision to admit an investment fund units or alternative investment funds to trading on a regulated market:

1) the date on which the investment fund or alternative investment fund is registered with the Commission;

2) the type and name of the investment fund or alternative investment fund;

3) the firm name and registered office of the company managing investment funds or of the manager of alternative investment funds;

4) the number of investment fund units issued by the investment fund or alternative investment fund, the value of the share of the investment fund (for opened funds), or the denomination (for a closed fund) on the day of taking of the decision.

(7) The decision to admit transferable securities of an issuer registered in another Member State to trading on a regulated market shall, in addition, specify the firm name, registered office, telephone number, and address of the website of the responsible institution or the regulated market operator which has taken the decision to register the prospectus.

(8) The regulated market operator shall, without delay, send the decision to admit financial instruments to trading on a regulated market to the issuer or person asking for the admission of transferable securities to trading on a regulated market, and the central securities depository which ensures settlement for the transactions concluded on the regulated market.

[*9 July 2013; 26 May 2016; 14 September 2017; 21 June 2018*]

**Section 51. Procedures for the Distribution of a Prospectus**

[12 December 2019]

**Section 52. Advertising of Transferable Securities to be Admitted to Trading on a Regulated Market**

[12 December 2019]

**Section 53. Commencement of Trade in Financial Instruments**

(1) Trade in transferable securities in a regulated market may be commenced not sooner than three days following the placing of the prospectus on the website of the relevant regulated market operator.

(2) Trade in financial instruments in a regulated market may be commenced only following the entry thereof in the accounts of the central securities depository.

(3) [14 September 2017]

[*14 September 2017; 21 June 2018*]

**Section 54. Obligations of a Capital Company Transferable Securities of which are Admitted to Trading on a Regulated Market**

(1) The administrative bodies of a capital company shall ensure equal treatment of all persons possessing transferable securities of the same class and category.

(11) Paragraphs two, 2.1, six, ten, eleven, twelve, and thirteen of this Section shall apply to a capital company shares of which are admitted to trading on a regulated market.

(12) Sections 54.2, 54.3, 54.4, 54.5, and 54.6 of this Law shall apply to a joint stock company the shares of which are admitted to trading on a regulated market, and to its shareholders.

(2) In order for shareholders to exercise their rights, the board of the joint stock company shall ensure that all information is available to shareholders of such company and the data provided are true. The board of the joint stock company shall ensure at least the following information on:

1) place, time, and agenda of the meeting of shareholders, the total number of shares with voting rights, and the right of shareholders to participate in the meeting of shareholders. The board of the joint stock company shall provide to shareholders a form of the power of attorney together with a notification on convening the meeting of shareholders;

2) granting and payment of dividends;

3) issue of new shares, including information on the procedures for granting of shares, subscribing for these shares, conversion of shares, and also for waiving these shares, if the provisions of issue provide for the possibilities of exercising the pre-emptive rights;

4) the selected depository or an institution comparable thereto through the intermediation of which persons owning the shares may exercise their rights;

5) any changes in rights included in the different categories of shares of such company, including derivative financial instruments which ensure access to the issuer’s shares. The information referred to in this Clause shall be provided immediately.

(21) A notification regarding convening of a meeting of shareholders shall be distributed not later than on the thirtieth day before the day of the meeting.

(22) In order to take a decision to increase share capital, the meeting of the shareholders of the credit institution or investment brokerage company may decide by majority of votes of two thirds of the present shareholders that a notification regarding convening of a meeting of the shareholders is distributed later than within the time limit indicated in Paragraph 2.1 of this Section, or may decide on amendments to the articles of association providing for that a notification regarding convening of a meeting of shareholders is distributed later than indicated within the time limit of Paragraph 2.1 of this Section, if concurrently the following conditions exist:

1) the relevant meeting of shareholders takes place not earlier than on the tenth calendar day after convening thereof;

2) early intervention measures indicated in the Law on Recovery and Resolution of Credit Institutions and Investment Brokerage Companies are carried out or an authorised person is appointed for a credit institution or investment brokerage company;

3) increase of share capital is necessary in order for resolution conditions not to set in.

(3) In order for persons who own debt securities to be able to exercise their rights, the board of the capital company debt securities of which are admitted to trading on a regulated market, shall ensure that all information is available in the home Member State of the company and the data provided are true. The board of the capital company shall provide at least the following information on:

1) the place, time, and agenda of the meeting of those persons who own debt securities, and on the rights of such persons to participate in the meeting. The board of the capital company shall provide to each person who owns debt securities and who is entitled to vote in the meeting of such persons a form of the power of attorney (in printed form or, if possible, in electronic form) together with a notification on the meeting, and also ensure that the form of the power of attorney is available also after the notification on the meeting is provided;

2) payments of interest;

3) any issue of new debt securities, including information on the procedures for subscribing for the newly issued debt securities, and also the procedures for waiving these securities, if the provisions of the issue provide for the possibilities of exercising the pre-emptive rights;

4) provisions regarding the conversion and exchange, and also repayment of debt securities;

5) the selected depository or institution comparable thereto through which persons owning debt securities may exercise their rights;

6) any changes in rights included in the different categories of debt securities of such capital company, including changes in the provisions which can indirectly affect the abovementioned rights, especially those arising from the changes in loan provisions or interest rates.

(4) A regulated market operator is entitled to determine additional requirements to be taken into account by a capital company the transferable securities of which are admitted on the official list of a regulated market operator or in other market regulated by the regulated market operator, taking into account the requirements of Section 3.3 of this Law.

(5) The board of a capital company shall distribute the information specified in Paragraphs two, 2.1 and three of this Section in accordance with the requirements of Section 64.2 of this Law. The board of the capital company the shares of which are admitted to trading on a regulated market is exempted from the obligation specified in the Commercial Law to publish a notification on convening the meeting of shareholders in accordance with the procedures laid down in the Commercial Law.

(6) At least 14 days before the meeting of shareholders the board of the capital company or the person who, in accordance with the law, is entitled to convene and who convenes the meeting, shall in accordance with the procedures laid down in Section 64.2 of this Law send draft decisions to be taken in the agenda issues of the meeting of shareholders, including draft decisions submitted by shareholders, to the official centralised storage system of regulated information (hereinafter – the official storage system).

(7) The capital company debt securities of which are admitted to trading on a regulated market shall, without delay, disclose the information on issue of new debt securities and guarantees or securities related thereto. The requirements of this Paragraph shall not apply to a body governed by public law the member of which is at least one Member State.

(8) A capital company may send the information referred to in Paragraphs two and three of this Section to shareholders or persons owning debt securities, by using electronic means, if a decision thereon is taken at the meeting of shareholders and the following requirements are met:

1) such electronic means are used, which may be used by shareholders or persons who have indirectly obtained holding in the capital company, or persons owning debt securities, regardless of their country of registration or place of residence;

2) the procedures are laid down by which a capital company shall ensure that information is received by shareholders or persons who are entitled to exercise the voting rights, or by persons owning debt securities;

3) a written request is sent to shareholders or persons who have indirectly obtained holding in the capital company, who have the right to obtain, dispose of or exercise voting rights, and to persons owning debt securities, in order to receive a consent of such persons in respect of the use of electronic means for sending of information. If the capital company does not receive refusal within 30 days, it is regarded that the abovementioned persons have agreed. A consent does not prohibit a shareholder to request at any time that information is sent in writing;

4) expenses of sending information through electronic means are shared equally by all persons owning transferable securities of one class and category.

(9) In cases when only such persons owning transferable securities the denomination of one unit of which is at least EUR 100 000, or, if the value of transferable securities is expressed in another currency, other than euro, the denomination of one unit of which is an equivalent of EUR 100 000, are invited to the meeting, the issuer has the right to select any Member State as the place of the meeting provided that all the necessary information is available in the Member State to persons owning debt securities.

(91) The provisions of Paragraph nine of this Section regarding selection of the place of the meeting of shareholders shall apply also to those persons owning transferable securities the denomination of one unit of which is at least EUR 50 000, or, if the value of debt securities is expressed in another currency, other than euro, the denomination of one unit of which is an equivalent of at least EUR 50 000, and such securities are admitted to trading on a regulated market in the European Union before 31 December 2010 until the day when such securities are deleted. Such provisions shall be in effect, if all the necessary information is available in the Member State selected by the issuer to persons owning the abovementioned debt securities.

(10) The following shall be provided in a notification distributed in accordance with the procedures laid down in Section 64.2 of this Law regarding convening of a meeting of shareholders in addition to the information laid down in the Commercial Law:

1) the procedures that must be taken into account by shareholders in order to participate and vote at the meeting of shareholders, including information on:

a) the rights of shareholders to include the issues in the agenda of the meeting of shareholders, to submit a draft decision for consideration and to ask questions regarding the issues of the agenda of the meeting of shareholders, and also the time period for exercising the rights specified in the laws and regulations. Only the time period for exercising the rights of shareholders may be indicated in the notification regarding convening of a meeting of shareholders, if more detailed information on such rights is available on the website indicated by the joint stock company a reference to which is given in the notification,

b) the procedures for voting on the basis of the power of attorney, especially – regarding forms to be used for voting and the procedures by which a shareholder, taking into account the Electronic Documents Law, may submit an electronic notification to the joint stock company regarding appointing of his or her representative, if documenting of appointing of a representative, using electronic means, is laid down in the articles of association of the capital company,

c) the procedures for voting via mail or by using electronic means, if such types of voting are provided for in the articles of association of the joint stock company;

2) the record date and explanation that only persons who on the record date are shareholders, are entitled to participate in the meeting of shareholders;

3) the place and type in which shareholders may receive the documents referred to in Paragraph eleven, Clauses 3 and 4 of this Section;

4) the address where the information referred to in Paragraph eleven of this Section is available on the website.

(11) Within the time periods specified in the law, within 30 days before the meeting of shareholders and on the day of the meeting of shareholders on the website of the joint stock company which is indicated in the notification regarding convening of a meeting of shareholders, access to at least the following shall be ensured for shareholders:

1) information on a notification regarding convening of a meeting of shareholders;

2) information on the total number of shares of the joint stock company and the total number of shares with voting rights on the day of distributing the notification. If the share capital of the company consists of shares of several categories, then information on the number of the shares of each category shall also be indicated;

3) draft decisions at the disposal of the company or explanations of the body convening meeting of shareholders regarding those issues of the agenda of the meeting in which taking of decisions is not intended;

4) forms used in order to vote on the basis of a power of attorney. If it is not possible to post a form on the website due to technical reasons, the joint stock company shall indicate the way in which the shareholder may obtain it. The joint stock company shall ensure that forms are available free of charge to any shareholder requesting them.

(12) The joint stock company shall, immediately after the meeting of the shareholders in accordance with the procedures laid down in Section 64.2 of this Law, distribute information on the decisions taken at the meeting of shareholders.

(13) Within 14 days after the meeting of shareholders, the joint stock company shall post information on the website indicated in the notification regarding convening of a meeting of shareholders regarding the voting results to such extent which certifies that each decision is taken with the required majority of votes. Upon request of a shareholder the company shall also provide information comprised in the results of voting on the total number of participating shares with voting rights, the number of votes given for each decision in conformity with the number of shares with voting rights and a part of the voting share capital represented in the meeting of shareholders by votes given, and also the number of votes given “for” and “against” regarding each decision on the indicated website.

[*29 March 2007; 22 May 2008; 26 February 2009; 15 October 2009; 13 January 2011; 22 March 2012; 9 July 2013; 19 September 2013; 11 June 2015; 26 May 2016; 15 December 2016; 21 September 2017; 14 September 2017; 21 June 2018; 20 June 2019*]

**Section 54.1 Audit Committee**

[15 December 2016]

**Section 54.2 Procedures for Submitting Draft Decisions on Issues Included in the Agenda of the Meeting of Shareholders and Proposed Additional Issues**

(1) Shareholders, within seven days from the day when a notification regarding convening of a meeting of shareholders has been distributed, have the right to submit draft decisions on the issues included in the agenda of the meeting of shareholders. Shareholders have the right to submit draft decisions on the issues included in the agenda of the meeting of shareholders during the meeting, if all draft decisions submitted to the meeting of shareholders in accordance with the procedures laid down in this Section have been examined and rejected.

(2) Shareholders proposing inclusion of additional issues in the agenda of the meeting of shareholders have an obligation to submit draft decisions to the body convening the meeting of shareholders on issues the inclusion of which in the agenda of the meeting is proposed thereby or an explanation regarding those issues on which decisions are not intended to be taken.

(3) A joint stock company shall, immediately after receipt of the draft decisions referred to in Paragraphs one and two of this Section, post them on the website which is indicated in the notification regarding convening of the meeting of shareholders, and in the official storage system. If it is not intended to take a draft decision on the additional issue of the agenda proposed by shareholders, information on additional issue of the agenda included in the agenda of the meeting of shareholders and explanation regarding inclusion thereof in the agenda shall be posted on the website which is indicated in the notification regarding convening of the meeting of shareholders, and in the official storage system.

[*15 October 2009*]

**Section 54.3 Participation of a Shareholder in a Meeting of Shareholders**

(1) Such shareholders have the right to participate in a meeting of shareholders who own shares on the record date.

(2) The procedures by which a joint stock company shall find out shareholders who own shares on the record date for drawing up of the list of shareholders shall be determined by the central securities depository.

(3) A joint stock company may provide for the following rights for shareholders in the articles of association:

1) to participate and vote in the meeting of shareholders by using electronic means;

2) to vote via mail regarding the issues included in the agenda of the meeting of shareholders by sending their vote to the joint stock company before the meeting of shareholders.

(4) If a joint stock company has provided for the rights referred to in Paragraph three of this Section, it shall determine the requirements for identification of shareholders and the procedures for exercising such rights by shareholders in the articles of association.

(5) If a possibility to vote via mail before the relevant meeting regarding the issues included in the agenda of the meeting of shareholders is intended in the articles of association of the joint stock company:

1) a shareholder may vote via mail starting from the thirteenth day before the meeting of shareholders;

2) a meeting of shareholders is entitled to take a decision only on those issues of the agenda which have been announced in accordance with the procedures laid down in Section 64.2 of this Law;

3) a shareholder shall be included in the list of shareholders which in accordance with the Commercial Law is drawn up by the board before opening the meeting of shareholders if voting of the shareholder is received not later than on the day before the intended meeting of shareholders.

[*15 October 2009; 14 September 2017*]

**Section 54.4 Appointing and Revoking of Representatives of Shareholders by Using Electronic Means**

(1) A joint stock company may determine in the articles of association that shareholders have the right to draw up powers of attorney for their representatives, submit them to the joint stock company, and also to revoke representatives by using electronic means.

(2) If the articles of association provide for the rights for shareholders referred to in Paragraph one of this Section, the joint stock company shall ensure that:

1) the procedures for drawing up a power of attorney by shareholders as an electronic document in accordance with the requirements of the Electronic Documents Law and submitting it electronically are laid down in the articles of association;

2) handling of electronic documents is introduced in accordance with the requirements of the Electronic Documents Law;

3) the joint stock company may check that secure electronic signature is used in accordance with the requirements of the Electronic Documents Law;

4) the date and time when the power of attorney is signed and submitted to the joint stock company may be precisely identified.

[*15 October 2009*]

**Section 54.5 Procedures for Settlement of Disputes**

Disputes among shareholders and joint stock company related to submission and inclusion of draft decisions in the agenda of the meeting of shareholders, appointing of representatives of the shareholders, participation and voting of the shareholders or representatives thereof in the meeting of shareholders, shall be settled in accordance with the procedures laid down in the Commercial Law.

[*15 October 2009*]

**Section 54.6 Special Provisions for Drafting of Documents for Electing Members of the Council and Board**

(1) If a shareholder or a group of shareholders submits a proposal regarding one or several candidates for the member of the council nominated thereby, the joint stock company shall register the proposals received from the shareholder or group of shareholders, indicating information on the shareholder or shareholders who submit the proposal, and information on each candidate for the member of the council nominated. The proposal received should be registered regardless of whether this information has been received in a written or oral form, and regardless of how many days before the meeting of shareholders taking place it has been received.

(2) If members of the council of a joint stock company are elected in the meeting of shareholders, the joint stock company has a duty to ensure that at least the following information is indicated in the minutes of the meeting of shareholders:

1) information which identifies each shareholder or the shareholder in the group of shareholders who has nominated the particular candidate for the member of the council. The abovementioned information shall also be indicated in the case if the candidate for the member of the council nominated by the relevant shareholder or group of shareholders is not elected in the council of the joint stock company;

2) information on the vote given by each shareholder “for” or “against” electing of the member of the council;

3) information on the number of votes given for each candidate for the member of the council and on shareholders who voted for the relevant candidate, indicating also the number of votes given by each shareholder for each candidate for the member of the council.

(3) If members of the board of the joint stock company are elected in the meeting of the council of the joint stock company, the joint stock company has an obligation to ensure that in addition to the requirements laid down in the Commercial Law at least the following information is indicated in the minutes of the meeting of the council of the joint stock company:

1) information which identifies each member of the council who has nominated the particular candidate for the member of the board. The abovementioned information shall also be indicated in the case if the candidate for the member of the board nominated by the relevant member of the council is not elected in the board of the joint stock company;

2) information on the vote given by each member of the council “for” or “against” electing the members of the board;

3) information on the number of votes given for each candidate for the member of the board, indicating members of the council who voted for the relevant candidate.

[*26 May 2016*]

**Section 55. Suspension of Trade in Financial Instruments and Removal Thereof from a Regulated Market**

(1) A regulated market operator has the right to suspend trade in financial instruments or to remove financial instruments from a regulated market, except for cases where such suspension or removal would be likely to cause significant damage to the investors’ interests or the orderly functioning of the market, if the issuer does not fulfil the requirements of the laws and regulations governing the financial instrument market regarding disclosing of the minimum information or the requirements of the provisions issued by the regulated market operator in accordance with Section 28 of this Law, or also the condition of the issuer has reached a point where it endangers the interests of investors.

(11) If a regulated market operator takes a decision to suspend trade in a financial instrument or to remove a financial instrument from a regulated market, it shall concurrently also decide on suspension of trade in or removal from a regulated market of such derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referenced to that financial instrument where necessary to support the achievement of the objectives of the suspension or removal of the abovementioned financial instrument.

(2) A complaint may be submitted regarding the decision of a regulated market operator to suspend trade in financial instruments or to remove financial instruments from a regulated market to the Commission within 30 days from the date of receipt of the decision.

(3) If the meeting of shareholders of the joint stock company takes a decision to remove the shares issued thereby from a regulated market, the shares shall be removed from a regulated market in accordance with the procedures and within the time limits laid down in Section 77 of this Law.

(4) Financial instruments may be removed from a regulated market on the basis of a submission which is received from an issuer or person asking for the admission of transferable securities on a regulated market. The decision to remove shares from a regulated market shall be taken by a meeting of shareholders of the issuer.

(5) A regulated market operator shall, without delay, publish a decision to suspend trade in a financial instrument or to remove any financial instrument related thereto from a regulated market and inform the Commission of taking of such decision.

(51) If trade in a financial instrument and any derivative related thereto is suspended or they are removed from a regulated market, the Commission shall request suspension of trade in financial instruments or removal from a trading venue also in other regulated markets, MT facilities, OT facilities, and systematic internalisers in the Republic of Latvia where the same financial instruments and the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referenced are being traded, if the suspension or removal is due to suspected market abuse, a take-over bid, or the non-disclosure of inside information on the issuer or financial instrument infringing Articles 7 and 17 of Regulation (EU) No 596/2014, except for the case where such suspension or removal could cause significant damage to the investors’ interests or the orderly functioning of the market.

(52) If, in accordance with that specified in this Section, the Commission has received information on the decision of a regulated market organiser to suspend trade in a financial instrument or to remove it from the regulated market thereof or if the Commission itself has taken such decision, it shall publish the decision and inform the European Securities and Markets Authority and the supervisory authorities of other Member States. If, in accordance with Paragraph 5.1 of this Section, the Commission has taken the decision not to request that trade is suspended or a financial instrument or the derivative which is referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law and which is related to or is referenced to the abovementioned financial instrument is removed from a trading venue, it shall send information to the European Securities and Markets Authority and the supervisory authorities of other Member States and append a relevant explanation.

(53) If the Commission has received information from the supervisory authority of another Member State on suspension of trade in a financial instrument or removal thereof from a regulated market, the Commission shall request suspension of trade in financial instruments or removal from a trading venue also in other regulated markets, MT facilities, OT facilities, and systematic internalisers in the Republic of Latvia where the same financial instruments and the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referenced are being traded, if the suspension or removal is due to suspected market abuse, a take-over bid, or the non-disclosure of inside information on the issuer or financial instrument infringing Articles 7 and 17 of Regulation (EU) No 596/2014, except for the case where such suspension or removal could cause significant damage to the investors’ interests or the orderly functioning of the market.

(54) More detailed requirements for the application of this Section shall be determined by Commission Delegated Regulation (EU) 2017/569 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the suspension and removal of financial instruments from trading (hereinafter – Regulation No 2017/569), Commission Implementing Regulation (EU) 2017/1005 of 15 June 2017 laying down implementing technical standards with regard to the format and timing of the communications and the publication of the suspension and removal of financial instruments pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (hereinafter – Regulation No 2017/1005), and Regulation No 2017/565.

(6) If shares of a joint stock company or debt securities of a capital company are removed from a regulated market due to the fault of the regulated market issuer because the issuer has not fulfilled the provisions of this Law or of the regulated market operator, the disputes related to the decision to remove shares or debt securities from a regulated market between shareholders and the joint stock company or between persons to whom debt securities belong and the capital company shall be settled in accordance with the procedures laid down in laws and regulations.

[*26 May 2016; 21 September 2017; 21 June 2018; 20 June 2019*]

**Section 55.1 Rights of the Commission**

(1) In order to ensure compliance with the provisions of this Chapter, in addition to the rights laid down in the Finance and Capital Market Commission Law and in this Law, the Commission has the following rights:

1) to require persons asking for admission of transferable securities to trading on a regulated market to include supplementary information in the prospectus, if necessary for investor protection;

2) to require persons asking for admission of transferable securities to trading on a regulated market and the persons that control them or are controlled by them, to provide information and documents necessary for the performance of the functions of the Commission;

3) to require from those persons asking for admission of transferable securities to trading on a regulated market, auditors and managers, and also financial intermediaries commissioned to ask for admission of transferable securities to trading on a regulated market, to provide information and documents necessary for the performance of the functions of the Commission;

4) to suspend commencement of trading in transferable securities or trading thereof for a period of up to 10 working days, if the Commission has lawful basis to consider that the requirements of Division D, Chapter II of this Law are or may be infringed;

5) to prohibit or suspend advertisements on the trading of shares for a period of up to 10 working days, if the Commission has the basis to consider that the requirements of Division D, Chapter II of this Law have been infringed;

6) to prohibit an offer of securities to the public if the Commission establishes that the requirements of Division D, Chapter II of this Law are infringed, or if the Commission has the basis to consider that they may be infringed;

7) to suspend or to ask the relevant regulated markets to suspend trading on a regulated market for a period of up to 10 working days, if the Commission has lawful basis to consider that the requirements of Division D, Chapter II of this Law are or may be infringed;

8) to prohibit trading on a regulated market if the Commission establishes that the requirements of Division D, Chapter II of this Law have been infringed;

9) to make public the fact that an issuer is failing to perform its obligations;

10) to suspend examination of the prospectus submitted for registration or to suspend or restrict the permit to trade on a regulated market, if the Commission is exercising the powers to impose a prohibition or restriction in conformity with Article 42 of Regulation No 600/2014 until revocation of such prohibition or restriction;

11) to refuse to register, for a time period of up to five years, a prospectus which has been prepared by the particular person requesting to admit transferable securities to trading on a regulated market, if the abovementioned person has repeatedly violated the provisions of this Law and Regulation No 2017/1129.

(2) After the transferable securities have been admitted to trading on a regulated market, the Commission has the right to:

1) require the issuer to disclose all the substantial information which may have an impact on assessment of securities admitted to trading on a regulated market and thus to ensure investor protection or smooth operation of the market;

2) remove or request the relevant regulated market operator to remove the transferable securities from a regulated market if the situation of the issuer is such that trading would be detrimental to the interests of investors;

3) perform supervision in order to ensure that issuers whose transferable securities are admitted to trading on a regulated market comply with the obligations provided for in laws and regulations, that equivalent information is provided to all investors and equivalent treatment is granted by the issuer to all holders of securities who are in the same position, in all Member States where the offer of securities to the public is made or the transferable securities are admitted to trading on a regulated market;

4) carry out inspections to verify conformity with the requirements of Division D, Chapter II of this Law, and also, where necessary in accordance with the requirements of the laws and regulations, apply to the relevant judicial authority or cooperate with other authorities.

(3) [12 December 2019]

(4) [12 December 2019]

(5) The Commission has the right to publish the information on the measures implemented and sanctions adopted against an issuer or person asking for admission of transferable securities to trading on a regulated market regarding violations of the requirements of the laws and regulations, except for the cases when disclosure of such information may cause serious disorders in the financial market or cause incommensurate damage to the persons involved.

[*22 March 2012; 26 May 2016; 12 December 2019*]

**Chapter II.1**

**Audit Committee**

[*15 December 2016*]

**Section 55.2 General Requirements for the Audit Committee**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market (hereinafter in this Chapter – the capital company) shall establish an audit committee. The audit committee shall operate in accordance with the requirements laid down in this Law and Regulation No 537/2014.

(2) The capital company shall ensure the financial and other resources necessary for the operation of the audit committee, and also the information requested by such committee which is necessary thereto for the performance of its tasks.

[*15 December 2016*]

**Section 55.3 Tasks of the Audit Committee**

(1) The audit committee has the following tasks:

1) to supervise the annual statement of the capital company and, if the capital company is preparing a consolidated annual statement – the preparation process of the consolidated annual statement, and to provide proposals to the council of the capital company, but if there is no council in the capital company – to its meeting of shareholders (members) for ensuring the credibility and objectivity of the annual statement and consolidated annual statement;

2) to supervise the efficiency of operation of the internal control, risk management, and internal audit system of the capital company insofar as it applies to ensuring the credibility and objectivity of annual statements and consolidated annual statements, and to provide proposals for eliminating deficiencies of the relevant system;

3) to supervise the course of audit (check) of the annual statement of the capital company and, if the capital company is preparing a consolidated annual statement – of the consolidated annual statement. In order to supervise the course of the audit (check) referred to in this Paragraph, the audit committee shall take into account the conclusions drawn in the check (inspection) of conformity with the quality control requirements of audit services performed by the Ministry of Finance (as the competent authority in accordance with the Audit Services Law) and published on the website of the Ministry of Finance regarding quality of professional activities of the sworn auditor or commercial company of sworn auditors appointed by the capital company (hereinafter also – the sworn auditor);

4) to check and supervise whether the sworn auditor appointed by the capital company, prior to commencing the audit (check) of the annual statement of the capital company and, if the capital company is preparing a consolidated annual statement – prior to commencing the audit (check) of the consolidated annual statement, and during it complies with the requirements for independence and objectivity laid down in the Audit Services Law, with the provisions of Article 6 of Regulation No 537/2014 regarding preparation for the performance of the abovementioned audit (check) and assessment of threats to independence, and the prohibitions of the provision of non-audit services specified in Article 5 of this Regulation;

5) to inform the council of the capital company, but if there is no council in the capital company – its meeting of shareholders (members), of the conclusions drawn by the sworn auditor in the audit (check) of the annual statement of the capital company and if the capital company is preparing a consolidated annual statement – in the audit (check) of the consolidated annual statement, and to provide an opinion on how this audit (check) has promoted the credibility and objectivity of the annual statement and consolidated annual statement prepared by the capital company, and also to inform of the significance of the audit committee in this process;

6) to ensure the selection process of candidates for sworn auditors in the capital company in accordance with Article 16 of Regulation No 537/2014 and to recommend to the meeting of shareholders (members) of the capital company a candidate for a sworn auditor for the provision of audit services, except for cases when in accordance with Article 16(8) of the abovementioned Regulation the meeting of shareholders (members) of the capital company has established another structure the task of which is to provide a recommendation to the meeting of shareholders (members) of the capital company for selecting the sworn auditor of the capital company.

(2) The audit committee shall perform also the tasks specified for the audit committee in Regulation No 537/2014.

[*15 December 2016*]

**Section 55.4 Rights of the Audit Committee**

(1) In addition to the rights specified in Regulation No 537/2014 the audit committee has the following rights:

1) to request and receive information and documents from the board of the capital company and the sworn auditor, and also from the internal audit service, the auditor for the performance of internal audit, or the controller of the capital company (if any) which are necessary so that the audit committee could perform the tasks specified in this Law and Regulation No 537/2014;

2) to participate in meetings of shareholders (members) of the capital company;

3) to provide an opinion and reports to the meeting of shareholders (members) and the council (if such has been established) on the issues within the competence of the audit committee.

(2) The institutions, units, and persons referred to in Paragraph one, Clause 1 of this Section have an obligation to provide information to the audit committee or its members which is necessary for the performance of the tasks of such committee, if the particular information requested by the audit committee is related to the performance of the tasks of such committee.

(3) The audit committee shall independently take decisions in relation to the tasks specified thereto in Section 55.3 of this Law and in Regulation No 537/2014.

[*15 December 2016*]

**Section 55.5 Additional Tasks of the Audit Committee and Action of Administrative Bodies of the Capital Company in Relation to the Annual Report of the Audit Committee**

(1) In addition to the tasks specified in Section 55.3 of this Law the audit committee shall also perform the following tasks:

1) not less than once a year shall provide a written report to the council of the capital company, but if there is no council in the capital company – to its meeting of shareholders (members), on its activities and the carrying out of the tasks specified for such committee (hereinafter – the annual report of the audit committee);

2) notify the council of the capital company, but if there is no council in the capital company – its meeting of shareholders (members), of the deficiencies and violations detected (if any) in the preparation and audit (check) process of the annual statement and consolidated annual statement of the capital company, and also in efficiency of the internal control, risk management, and internal audit system in relation to ensuring the quality of such reports;

3) without delay notify the capital company, if it is detected that qualification or professional experience of the sworn auditor is not sufficient for the performance of an audit (check) of good quality or that the sworn auditor has not complied with the requirements for independence laid down in the Audit Services Law.

(2) If the capital company has a council, it shall also include its evaluation on activities of the audit committee in its report to the meeting of shareholders (members) of the capital company which is prepared by the council in accordance with Section 175 of the Commercial Law, and also append the annual report of the audit committee to this report.

(3) If the capital company does not have a council, the annual report of the audit committee shall be examined at such meeting of shareholders (members) in the agenda of which approval of such annual statement and consolidated annual statement (if such is prepared) of the capital company is planned regarding which the annual report of the audit committee is submitted.

(4) The council of the capital company, but if the capital company does not have a council – its meeting of shareholders (members) has an obligation, as an honest and diligent master, to evaluate the annual report of the audit committee and to take a decision on further action.

[*15 December 2016*]

**Section 55.6 Composition and Structure of the Audit Committee**

(1) The audit committee is a collegial body which is elected in a meeting of shareholders (members) of the capital company and which consists of at least three members from which at least one person is the member of the council (if such has been established) of the capital company and others are other members elected to the meeting of shareholders (members) of the capital company.

(2) The audit committee shall be objective and independent in its activities and decision-making. A member of the audit committee shall perform his obligations in good faith and shall not endanger the independence of the audit committee.

(3) The majority of members of the audit committee shall be independent. A member of the audit committee is independent, if none of the following circumstances apply to him or her:

1) participation (exceeding 20 per cent of capital shares or shares with voting rights) in a capital company or the commercial company controlled thereby (in a subsidiary);

2) employment relationships with the capital company currently exist or have existed within the last three years;

3) marriage, kinship, or affinity up to the second degree with a member of the board or shareholder (member) of the capital company whose participation in the capital company is not less than 20 per cent;

4) other personal or financial interest which could endanger his independence and which are recognised as such by the meeting of shareholders (members) of the capital company.

(4) Only a natural person with capacity to act who has an impeccable reputation and has not been revoked the right to conduct commercial activity may be a member of the audit committee. A person has an impeccable reputation, if none of the following circumstances apply to him:

1) the person has been recognised guilty of committing an intentional criminal offence with such court judgment or prosecutor’s penal order which has entered into effect and has been become indisputable (regardless of setting aside or extinguishing the criminal record);

2) the person has been held criminally liable for committing an intentional criminal offence, however, a decision has been taken to terminate the criminal proceedings for reasons other than exoneration.

(5) The following persons may not be a member of the audit committee:

1) a member of the board of the capital company, a sworn auditor which provides audit services to the capital company or has provided such service thereto within the last three years prior to applying for the position of a member of the audit committee, a procuration holder of the capital company, or a franchisee;

2) a member of the board of the controlled commercial company (subsidiary) of the capital company or another person who has the right to represent this controlled commercial company (subsidiary).

(6) The member of the audit committee may not assign the performance of his obligations to another person.

(7) The majority of members of the audit committee shall have knowledge in the field of operation of the capital company. At least one member of the audit committee shall have higher education in the field of economy, management, or finances and not less than three years of corresponding professional experience in preparation of an annual statement and consolidated annual statement or performance of audit (check) of such statements, or also the relevant member of the audit committee is a sworn auditor.

(8) Additional restrictions may be intended in the articles of association of the capital company for a member of the audit committee.

[*15 December 2016*]

**Section 55.7 Election and Removal of Members of the Audit Committee**

(1) The audit committee is elected at a meeting of shareholders (members) of a capital company for a time period not exceeding three years. A shorter time period for the operation (term of office) of the audit committee may be determined in the articles of association of the capital company.

(2) A person who has applied for the position of a member of the audit committee shall certify in writing his consent to holding the position of a member of the audit committee and indicate that none of the restrictive circumstances referred to in Section 55.6, Paragraphs four and five of this Law and the restrictive circumstances additionally specified in the articles of association of the capital company (if any) which would preclude the person from holding the position of a member of the audit committee, exist in relation to such person. A candidate for the position of a member of the audit committee which is nominated as the independent member of the audit committee, shall additionally certify in writing that none of the circumstances referred to in Section 55.6, Paragraph three of this Law apply to him.

(3) A shareholder of a capital company or a group of shareholders which holds not less than five per cent of the voting capital, has the right to nominate one candidate for the position of a member of the audit committee. Each candidate nominated for the position of a member of the audit committee shall be included in the election list of members of the audit committee.

(4) Voting shall take place for all the candidates for members of the audit committee included in the list in one voting, and all shareholders (members) shall vote at the same time. A shareholder (member) of the capital company has the right to give all his votes for one or several candidates for members of the audit committee included in the list in any proportion in whole numbers.

(5) Such persons shall be deemed as elected to the audit committee who have obtained the highest number of votes, taking into account the maximum number of members of the audit committee specified in the articles association of the capital company. If two or several candidates for members of the audit committee receive the same number of votes and therefore it is not possible to determine which of them is deemed to be elected, the issue shall be re-examined at the same meeting of shareholders (members) and decided by a repeat voting of the meeting of shareholders (members) for each of the candidates who are still the candidates for the position of a member of the audit committee. Such candidate shall be deemed elected who receives the highest number of votes in the repeat voting.

(6) A member of the audit committee may removed from the position at any time by a decision of the meeting of shareholders (members) of the capital company.

(7) A member of the audit committee may leave the position of the member of the audit committee at any time, notifying the capital company thereof in writing.

(8) A member of the audit committee shall inform the capital company of the circumstances which preclude him from continuing to hold the position of a member of the audit committee or which endanger his independence, in writing not later than within three days after finding out about such circumstances. If after receipt of the written information referred to in the first sentence of this Paragraph the capital company establishes that the audit committee does not conform to the requirements of Section 55.6, Paragraph three of this Law anymore, then the capital company shall ensure that, within three months from the day when it established the non-conformity of the audit committee with the requirements of Section 55.6, Paragraph three of this Law, a meeting of shareholders (members) is convened in order to take a decision on the necessary changes in the composition of the audit committee.

(9) If a member of the audit committee leaves the position or is removed from the position prior to expiry of the operation (term of office) of the audit committee, the capital company shall ensure that, within three months from the day when a notice was received that a member of the audit committee is leaving the position or from the day from which he is removed from the position, a meeting of shareholders (members) is convened for the shareholders (members) of the capital company to decide on election of a new member of the audit committee and to ensure the corresponding number of members in the audit committee. Election of a new member of the audit committee shall take place by re-electing the whole audit committee. The term of operation (term of office) of the re-elected audit committee shall start on the day of its re-election.

(10) A member of the audit committee (except for a member of the council elected to the audit committee) may not be in employment relationships with the capital company. Remuneration for a member of the audit committee shall be determined by a meeting of shareholders (members) of the capital company.

(11) A capital company transferable securities of which are admitted to trading on a regulated market for the first time shall elect the audit committee at the next meeting of shareholders (members) which takes places after admission of transferable securities to trading on a regulated market, unless an audit committee or a structure equivalent thereto which conforms to the requirements laid down in this Law for the audit committee, has already been created for it in accordance with the requirements of this Law on the day when its transferable securities are admitted to trading on a regulated market.

[*15 December 2016*]

**Section 55.8 Management and Meetings of the Audit Committee**

(1) The work of the audit committee shall be managed by its chairperson who is elected by members of the audit committee from amongst them.

(2) During absence the chairperson of the audit committee shall be substituted by another member of the audit committee upon a written instruction drawn up by the former.

(3) Meetings of the audit committee shall take place not less than three times a year.

(4) Each member of the audit committee, and also the council of the capital company (if such has been established) and the meeting of shareholders (members) of the capital company have the right to request that a meeting of the audit committee is convened, justifying the necessity and purpose for convening the meeting.

[*15 December 2016*]

**Section 55.9 Liability of a Member of the Audit Committee**

(1) If a member of the audit committee is acting illegally, violates his authorisation or does not comply with legal acts, articles of association of the capital company or decisions of the meeting of shareholders (members), or acts in bad faith or in negligence, he shall be liable for the losses thus caused to the capital company and other persons.

(2) The capital company may bring a claim against members of the audit committee in conformity with the procedures laid down in the Commercial Law in relation to bringing of claims of a company.

[*15 December 2016*]

**Section 55.10 Requirements for Non-disclosure of Information**

(1) A member of the audit committee is prohibited from disclosing information to the third parties which has been entrusted or has become known to him in performing the official duties of the position of a member of the audit committee, including a commercial secret. A member of the audit committee is responsible for illegal disclosure of any such information, including commercial secret which has been received during performance of his duties and has not been disclosed to the public.

(2) Upon leaving the position of a member of the audit committee, a member of the audit committee has an obligation to transfer all documents (within the meaning of the Law on Legal Force of Documents) at the disposal of the capital company which have been transferred at his disposal or which have been prepared by himself in performing the duties of a member of the audit committee, and also the information transferred at his disposal and kept in relation to performance of the abovementioned obligations (also the one kept in computer or electronic data carriers). The capital company has an obligation to transfer the documents and information received from the member of the audit committee to the audit committee, ensuring invariability of the content of such documents and information from the time of their receipt until the time when they are transferred to the audit committee.

(3) The prohibition referred to in Paragraph one of this Section shall also apply to a member of the audit committee after he has left the position of a member of the audit committee.

[*15 December 2016*]

**Section 55.11 Special Provisions in Relation to the Operation of the Audit Committee**

(1) In a capital company which conforms to the criteria of a small and medium-sized enterprise, the tasks of the audit committee may be performed by the council of the capital company (if such has been established).

(11) Within the meaning of this Section, a small and medium-sized merchant is a capital company which, according to its last available annual statement or consolidated annual statement, conforms to at least two of the following criteria:

1) the average number of employees in the financial year is less than 250;

2) the total sum of the balance sheet (as on the end date of the reporting period of the statement on financial position) does not exceed EUR 43 000 000;

3) annual net turnover does not exceed EUR 50 000 000.

(2) A decision on performance of the functions of the audit committee by the council of the capital company shall be taken in a meeting of shareholders (members) of the capital company. In order to transfer the performance of the functions of the audit committee to the council of the capital company, consent of all members of the council to perform also the tasks of the audit committee is necessary.

(21) The capital company in which, in accordance with Paragraph one of this Section, the performance of the functions of the audit committee is entrusted to the council of the capital company need not apply the term of office of the audit committee referred to in Section 55.7 of this Law, entrusting the performance of the functions of the audit committee to the council of the capital company for the whole term of office of the council.

(3) If the council of the capital company is re-elected in such capital company in which the tasks of the audit committee are performed by the council of the capital company, the meeting of shareholders (members) shall, concurrently with the election of the council, decide on the issue whether the tasks of the audit committee may be entrusted to the newly-elected council. In such the consent of all members of the newly-elected council to perform also the tasks of the audit committee is necessary. The information referred to in this Section on consent which has been received from each member of the council shall be recorded in the protocol of the meeting of shareholders (members) of the capital company.

(31) If election of a member of the council takes place in the capital company in accordance with the procedures laid down in Section 296, Paragraph eleven of the Commercial Law, consent of the newly-elected member of the council to carry out the tasks of the audit committee shall be required. The information referred to in this Section on consent which has been received from the newly-elected member of the council shall be recorded in the protocol of the meeting of shareholders (members) of the capital company.

(4) A capital company has the right not the establish an audit committee, if:

1) it manages an investment fund which is operating in accordance with the Law on Investment Companies, or an alternative investment fund which is operating in accordance with the Law on Alternative Investment Funds and Their Managers;

2) its sole commercial activity is the issue of such assets-based securities which are specified in Article 2(5) of Commission Regulation No 809/2004. In such case the capital company shall publish information on its website that an audit committee is not established. If the capital company decides that it is not necessary to transfer the performance of the tasks of the audit committee to the supervisory body of the capital company, then the capital company shall also publish information about it on its website;

3) it is registered in the Republic of Latvia and is operating in accordance with the laws and regulations of the Republic of Latvia and if a body similar to an audit committee has already been established for it which conforms to the requirements of this Law laid down for the audit committee. In such case the capital company shall inform the Financial and Capital Market Commission in writing of which institution performs the tasks referred to in Paragraph 55.3 of this Law and regarding its personnel;

4) it is a subsidiary of a group of companies (consolidation group) which is controlled by the parent undertaking, and the body created at the level of the group of companies (consolidation group) ensures conformity with the requirements referred to in Sections 55.2, 55.3, Section 55.4, Paragraph three, Section 55.6, Paragraphs one, two, three, five, and seven, Section 55.7, Paragraph two, Section 55.8, Paragraph one, and Section 55.11, Paragraph one, and also in Articles 11(1) and (2) and 16(5) of Regulation No 537/2014 for the performance of the tasks of the audit committee. Any subsidiary of a subsidiary of a group of companies (consolidation group) shall be deemed as the subsidiary of the parent undertaking of that group of companies (consolidation group).

[*15 December 2016; 21 June 2018; 12 December 2019*]

**Chapter III**

**Information to be Provided on a Regular Basis**

[*29 March 2007*]

**Section 56. Annual Statement**

(1) An annual statement shall consist of:

1) audited financial statements;

2) a management report which is prepared in accordance with the requirements of the legal acts of the home Member State;

3) statement on the management’s responsibility indicating that on the basis of information at the disposal of the board of the capital company financial statements have been drawn up in accordance with the requirements of the applicable laws and regulations and give true and fair view of the assets, liabilities, financial position, and profit or loss of the capital company and consolidation group, and that the management report includes fair overview of the development and operating results of the commercial activities of the capital company and consolidation group. Key risks of the activity of the capital company and consolidation group and uncertainties faced thereby shall also be described therein;

4) corporate governance statement, if the capital company draws up such statement as a separate part of the annual statement;

5) non-financial statement, if in accordance with the requirements of Section 56.3 of this Law the capital company has an obligation to prepare such statement and it prepares such statement as a separate document;

6) remuneration report.

(2) If the capital company the transferable securities of which are admitted to trading on a regulated market, prepares a consolidated annual statement, it shall prepare consolidated financial statements in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (hereinafter – Regulation No 1606/2002), but financial statements – in accordance with the requirements of the legal acts of the home Member State unless the capital company has chosen to prepare its financial statements in accordance with Regulation No 1606/2002.

(3) If transferable securities of the capital company are admitted on the official list in the Republic of Latvia or debt securities of the capital company are admitted to trading on a regulated market, it shall prepare its financial statements in accordance with Regulation No 1606/2002.

(4) If the capital company need not prepare a consolidated annual statement and its transferable securities are not admitted on the official list in the Republic of Latvia, it shall prepare its annual statement in accordance with the requirements of the legal acts of the home Member State and provisions of the relevant regulated market operator, unless the capital company has chosen to prepare its financial statements in accordance with Regulation No 1606/2002.

(5) The capital company shall distribute an annual statement and consolidated annual statement together with an opinion of the sworn auditor in accordance with the procedures laid down in Section 64.2 of this Law within four months after the end of the reporting period, but not later than on the next working day after the auditor’s report on the statement is provided.

(6) If the annual statement approved by the meeting of shareholders (members) of the capital company differs from the annual statement submitted in accordance with the requirements of Paragraph five of this Section, the capital company shall submit the approved annual statement on the next day following approval of the statement in a meeting of shareholders (members).

[*22 May 2008; 26 February 2009; 26 May 2016; 15 December 2016; 20 June 2019*]

**Section 56.1 Information to be Included Additionally in an Annual Statement**

(1) Capital companies the shares of which are admitted to trading on a regulated market shall additionally indicate the following in the annual statement:

1) capital structure, categories of shares, the rights and obligations arising from each category of shares and percentage thereof from the equity capital, indicating separately the number of those shares which are not admitted on regulated markets;

2) information on restrictions for disposal of shares or necessity to receive a consent of the capital company or other shareholders for disposal of shares;

3) persons which have major holding acquired directly or indirectly in the capital company, and also a percentage of the holding of such persons;

4) shareholders having specific control rights and description of such rights;

5) the manner in which the voting rights arising from shares of employees will be exercised, if the employees themselves do not exercise them;

6) restrictions of voting rights in the cases when maximum amount of voting rights is determined regardless of the number of owned shares with voting rights, and also the rights of shareholders to a part of profit which is not related to a percentage of shares proportionally owned thereby, and other similar restrictions;

7) agreement of shareholders which are known to the capital company and which may cause restrictions for transfer of the shares or voting rights owned by the shareholders to other persons, and also conditions which provide for prior approval of such transfer;

8) provisions governing election of members of the board, changes in the composition of the board, and amending the articles of association;

9) authorisation of the members of the board, including authorisation to issue or buy back shares;

10) all other material agreements and contracts entered into by a target company and in which it is intended that in case of change of the control type they enter into effect, the validity of which has expired or which are amended, and consequences of entering into effect, termination, or amending thereof. If disclosure of such information could seriously harm the commercial company, the Commission is entitled, upon request of the company, not to disclose the abovementioned information;

11) all agreements between a capital company and members of the board thereof which provide for compensation in cases when they resign from their position, they are dismissed without any justified reason or they are dismissed after a share buy-back offer is made.

(2) The board shall also provide a report on the information referred to in Paragraph one of this Section in a regular meeting of shareholders.

[*22 March 2012*]

**Section 56.2 Corporate Governance Statement**

(1) The capital company the transferable securities of which are admitted to trading on a regulated market shall draw up a corporate governance statement.

(2) In order to provide sufficiently clear, accurate, and comprehensive information in a corporate governance statement on the way of governing the capital company, on application of corporate governance recommendations, and indicators characterising the capital company, including capital structure and persons to whom shares belong, the capital company the shares of which are admitted to trading on a regulated market, shall include the following information in the abovementioned statement:

1) reference to recommendations of corporate governance which are applied by the capital company, or substantial information on corporate governance practice which is additionally applied to the abovementioned recommendations;

2) information on where recommendations applied by the capital company or information on the practice referred to in Clause 1 of this Paragraph is available to the public;

3) if the capital company does not apply individual principles included in the corporate governance recommendations – regarding the non-applied principles, and justification for such action, providing a sufficiently clear, accurate, and comprehensive explanation regarding:

a) the reason for non-application in relation to each particular principle which is not applied, the potential consequences, and the way in which decision not to apply such principle is taken;

b) when it is planned to commence the application of the particular principle, if the decision referred to in Sub-clause “a” of this Clause applies to a limited period of time;

c) in what way the measure which has been carried out at the location of application of the particular principle (if any), achieves the objective of this principle or of corporate governance recommendations (in which this principle is included), or promotes good corporate governance in the capital company;

4) if the capital company does not apply corporate governance recommendations – justifications for such action;

5) information on key elements of internal control and risk management system of the capital company which are applied in preparation of financial statements;

6) the information specified in Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law;

7) the administrative body, and also composition and description of activities of its committees;

8) if the capital company implements policy in relation to diversity of the composition of members of governance bodies of the capital company (versatility policy) – a description regarding objectives of such policy, implementation measures and results in the reporting year.

(21) Paragraph two, Clause 8 of this Section shall not apply to the capital company referred to in Paragraph two of this Section which does not exceed two of the following criteria in the first reporting year when it has become an issuer within the meaning of this Law, two years in succession (both in the current and previous reporting year):

1) average number of employees – 250;

2) sum total of assets on the balance sheet date – EUR 20 000 000;

3) annual net turnover – EUR 40 000 000.

(3) A capital company the transferable securities of which are admitted to trading on a regulated market, except for a capital company the shares of which are admitted to trading on a regulated market, shall include the following in a corporate governance statement:

1) information on key elements of internal control and risk management system of the capital company which are applied in preparation of financial statements;

2) [22 March 2012].

(4) The capital companies referred to in Paragraph three of this Section shall take into account the requirements of Paragraph two of this Section if they have shares which are traded in a multilateral trading facility.

(5) If a capital company the transferable securities of which are admitted to trading on a regulated market, has already provided information referred to in Paragraph two, Clauses 3, 4, 5, and 7, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law in the annual statement or other document available to the public, it may include a reference in a corporate governance statement, indicating where such information is available to the public.

(6) A capital company the transferable securities of which are admitted to trading on a regulated market shall include a corporate governance statement in a management report or prepare it as a separate part of the annual statement, and publish it together with a management report or indicate its website address in the management report where a corporate governance statement is available to the public in electronic form.

(7) A sworn auditor shall check whether a corporate governance statement has been prepared, and also the information specified in Paragraph two, Clauses 5 and 8, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law and, in accordance with the Audit Services Law, provide an opinion of a sworn auditor on whether the requirements laid down in Paragraph two, Clauses 5 and 8, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law have been met.

(8) If a capital company the transferable securities of which are admitted to trading on a regulated market prepares an annual statement and consolidated annual statement, it shall prepare one corporate governance statement and include it in one of these accounts in accordance with the requirements of Paragraph six of this Section. In addition to the information referred to in Paragraph two of this Section it shall provide information on key elements of the internal control and risk management system of the commercial companies involved in consolidation which are applied in preparing consolidated financial statements, in the corporate governance statement.

[*22 May 2008; 22 March 2012; 29 October 2015; 15 December 2016 / See Paragraph 58 of Transitional Provisions*]

**Section 56.3 Non-financial Statement**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market, if the average number of employees exceeds 500 and the sum total of assets on the balance sheet date exceeds EUR 20 000 000, or the annual net turnover exceeds EUR 40 000 000 in the first reporting year of the capital company when it has become an issuer within the meaning of this Law, but starting from the second reporting year when it has become an issuer within the meaning of this Law – two years in succession (both in the current and previous reporting year), has an obligation to include a non-financial statement in the management report referred to in Section 56 of this Law.

(2) Insofar as it is necessary to understand the development, performance results and financial position of the capital company referred to in Paragraph one of this Section, and also the impact of its commercial activity on the environment, social aspects, and aspects related to employees, conformity with the human rights, measures for preventing corruption and bribery (hereinafter – the fields of corporate social responsibility), at least the following information shall be provided in a non-financial statement:

1) a short description of the model of commercial activity of the capital company which includes general information on the main types of economic activity and geographic markets, cooperation partners, clients, the most important resources to be used, flow of expenses and income, and other information characterising the commercial activity of the capital company;

2) a description regarding policies of the capital company which are implemented thereby in relation to the fields of corporate social responsibility, including a description on what procedures have been introduced in the capital company in order to ensure sufficient attention to the implementation process of such policies;

3) information on the implementation results of the policies referred to in Clause 2 of this Paragraph;

4) information on the main risks related to the fields of corporate social responsibility which are characteristic to transactions of the capital company and, when it is of the essence and commensurate, also information on the risks which arise from the legal transactions concluded within the scope of the commercial activity of the capital company or are related to the goods manufactured or services provided thereby and which may cause negative consequences in the fields of corporate social responsibility, and also on management of such risks by the capital company;

5) main non-financial indicators which are characteristic to the particular capital company and sector in which it is operating.

(3) Also references to the sums indicated in the financial statement and additional explanations regarding them shall be included in the non-financial statement, if the sum indicated in the financial statement is related to any of the fields of corporate social responsibility of the capital company.

(4) In order to provide information on the fields of corporate social responsibility, the capital company referred to in Paragraph one of this Section may use the guidelines or recommendations included in the legal acts of the Republic of Latvia or European Union, or the documents issued by the United Nations Organisation, the Organisation for Economic Co-operation and Development, the International Labour Organisation, the International Organisation for Standardisation, or other international organisation (hereinafter – the guidelines or recommendations included in the documents issued by Latvia, European Union or other international organisations). It shall be indicated in the management report which guidelines or recommendations included in the documents issued by Latvia, European Union, or other international organisations are used by the capital company.

(5) If the capital company referred to in Paragraph one of this Section does not implement policy in relation to one or several fields of corporate social responsibility, a clear and substantiated justification shall be provided in the non-financial statement as to why it is not being carried out.

(6) As an exception the capital company referred to in Paragraph one of this Section need not provide information on corporate actions setting in of which is anticipated within the nearest year, or on issues under negotiations, if both of the following conditions are met:

1) the board of the capital company provides an explanation in the written report to the meeting of shareholders (members) of the capital company on the circumstances due to which provision of the abovementioned information would seriously harm commercial activities of such capital company;

2) non-provision of the abovementioned information does not constitute an obstacle for getting a clear understanding of the development, performance results, financial position of the capital company and the impact of its commercial activity on the fields of corporate social responsibility.

(7) The capital company referred to in Paragraph one of this Section shall be exempted from the obligation to include a non-financial statement in the management report, if it prepares the non-financial statement as an individual document in which information is provided in accordance with the requirements laid down for a non-financial statement in this Section, and publishes it together with the management report as a component of the annual statement.

(8) If the capital company referred to in Paragraph one of this Section has included the non-financial statement in the management report or has prepared it as the individual document referred to in Paragraph seven of this Section, it shall be exempted from the obligation specified in the laws and regulations governing preparation of annual statements in relation to provision and analysis of specific non-financial indicators in the management report.

(9) The capital company referred to in Paragraph one of this Section which is a subsidiary of a group of companies (consolidation group) shall be exempted from the obligation to prepare a non-financial statement if the information to be provided in this statement has been included in the consolidation management report of the parent undertaking or the separate document which has been prepared by taking into account the provisions of this Section, and if the consolidated management report or separate document has been published in accordance with the procedures laid down in Section 64.2 of this Law.

(10) A sworn auditor shall check whether a non-financial statement has been prepared and also whether the non-financial statement has been included in the management report or the separate document referred to in Paragraph seven of this Section, but in the case referred to in Paragraph nine of this Section – whether the information to be provided in the non-financial statement of the subsidiary of the group of companies (consolidation group) exempted from the preparation of the non-financial statement is included in the consolidated management report of the parent undertaking of the group of companies (consolidation group) or the separate document which has been prepared by taking into account the provisions of this Section.

[*15 December 2016*]

**Section 56.4 Consolidated Non-financial Statement**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market and which is the parent undertaking of such group of companies (consolidation group) for which the average number of employees exceeds 500 and the sum total of assets on the balance sheet date in consolidation exceeds EUR 20 000 000, or the annual net turnover in consolidation exceeds EUR 40 000 000 in the first reporting year of the capital company when it has become an issuer within the meaning of this Law, but starting from the second reporting year when it has become an issuer within the meaning of this Law – two years in succession (both in the current and previous reporting year), has an obligation to include a consolidated non-financial statement in the consolidated management report.

(2) Insofar as it is necessary in order to understand the development, performance results, and financial position of the abovementioned group of companies (consolidation group), and also the impact of its commercial activity on the fields of corporate social responsibility, information on the group of companies (consolidation group) at large shall be provided in the consolidated non-financial statement, applying the provisions of Section 56.3, Paragraphs two and four of this Law accordingly.

(3) If the group of companies (consolidation group) referred to in Paragraph one of this Section does not implement policy in relation to one or several fields of corporate social responsibility, a clear and substantiated justification shall be provided in the consolidated non-financial statement as to why it is not being carried out.

(4) Also references to the sums indicated in the consolidated financial statement and additional explanations regarding them shall be included in the consolidated non-financial statement, if the sum indicated in the consolidated financial statement is related to any of the fields of corporate social responsibility of the group of companies (consolidation group).

(5) As an exception the parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section need not provide information on corporate actions setting in of which is anticipated within the nearest year, or on issues under negotiations which apply to the fields of corporate social responsibility, if both of the following conditions are met:

1) the board of the parent undertaking provides an explanation in the written report to the meeting of shareholders (members) of the parent undertaking on the circumstances due to which provision of the abovementioned information would seriously harm commercial activities of such group of companies (consolidation group);

2) non-provision of the abovementioned information does not constitute an obstacle for getting a clear understanding of the development, performance results, financial position of the group of companies (consolidation group) and the impact of its commercial activity on the fields of corporate social responsibility.

(6) The parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section shall be exempted from the obligation to include a consolidated non-financial statement in the consolidated management report, if it prepares the statement as an individual document in which information is provided in accordance with the requirements laid down for a consolidated non-financial statement in Paragraphs two, three, four, and five of this Section, and publishes it together with the management report as a component of the consolidated annual statement.

(7) If the parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section has included the consolidated non-financial statement in the consolidated management report or has prepared it as the individual document referred to in Paragraph six of this Section, it shall be exempted from the obligation specified in the laws and regulations governing preparation of an annual statement and consolidated annual statement in relation to provision and analysis of specific non-financial indicators in the management report and consolidated management report.

(8) The parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section which is a subsidiary of another group of companies (another consolidation group) shall be exempted from the obligation to prepare a consolidated non-financial statement if the information to be provided therein (both on the abovementioned parent undertaking and its subsidiaries) is included in the consolidated management report of this another group of companies (another consolidation group) or in the consolidated non-financial statement prepared in the form of a separate document which has been prepared by taking into account the provisions of this Section, and if such consolidated management report or the consolidated non-financial statement prepared in the form of a separate document has been published in accordance with the procedures laid down in Section 64.2 of this Law.

(9) A sworn auditor shall check whether a consolidated non-financial statement has been prepared, and also whether such statement has been included in the consolidated management report or the individual document referred to in Paragraph six of this Section, but in the case referred to in Paragraph eight of this Section – whether the information to be provided in a consolidated non-financial statement of the parent undertaking of the group of companies (consolidation group) exempted from the preparation of a consolidated non-financial statement is included in the consolidated management report of the parent undertaking of another group of companies (another consolidation group) or the individual document which has been prepared, taking into account the provisions of this Section.

[*15 December 2016*]

**Section 56.5 Person Responsible for Preparation and Distribution of the Annual Statement and Consolidated Annual Statement**

The board of a capital company shall be responsible for the preparation of an annual statement and, if the capital company has an obligation to prepare a consolidated annual statement, of a consolidated annual statement in accordance with the requirements of this Law, and also the procedures laid down in this Law for the distribution of such statements.

[*15 December 2016*]

**Section 57. Accounts of Interim Periods**

(1) A capital company transferable securities of which are admitted to trading on a regulated market, shall prepare an account of interim periods on the first six months of the reporting year and shall distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

(2) A capital company shall distribute the account of interim periods referred to in Paragraph one of this Section not later than two months after the end of the relevant reporting period.

(3) The account of interim periods referred to in Paragraph one of this Section regarding the first six months of the reporting period shall consist of:

1) at least the abbreviated financial statements;

2) the management report of interim periods in which the following information is provided:

a) on essential corporate actions in the relevant reporting period and their impact on financial statements, and also describe the main risks and indicate such unclear circumstances for the next six months of the reporting period which might become current for the capital company and which might affect its financial position and financial performance results;

b) the capital company the shares of which are admitted to trading on a regulated market and to which Paragraph nine of this Section applies – on the most important transactions performed thereby in the reporting period with the affiliated persons, and also on any changes in essential conditions of the transaction in relation to transactions with affiliated persons which were indicated in the previous annual statement;

c) the capital company the shares of which are admitted to trading on a regulated market and to which Paragraph nine of this Section does not apply – on its transactions with the affiliated persons in accordance with the requirements of the legal acts of the home Member State;

3) the statement of the management’s responsibility indicating that on the basis of information at the disposal of the board of the capital company the financial accounts have been prepared in accordance with the requirements of the applicable laws and regulations and give true and fair view of the assets, liabilities, financial position, and profit or loss of the capital company and consolidation group and that true information is included in the management report for interim periods.

(4) Upon preparing financial statements regarding the first six months of the reporting year, the same principles for recognition and evaluation of items shall be conformed to which were used in preparing the annual statement, indicating them in the annex accordingly, unless it has already been indicated in the statement of the management’s responsibility. If the accounting methods used are changed, a corresponding explanation shall be provided in annex to the statement. Information which ensures comparability of the account of interim periods with the data of the relevant period of the previous reporting year, and also sufficient information and explanations shall be provided in annex to the account of interim periods, so that the user of the financial statement could get a true and fair view regarding all material changes in respect of the balance sheet and profit or loss account items and development tendency of the capital company.

(5) Each item of the balance sheet of the account of interim periods regarding the first six months of the reporting year shall be compared at least to the data at the end of the previous reporting year. Each item of the profit or loss statement, statement of changes in the equity, and the cash flow statement shall be compared at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(6) A capital company which, in accordance with Section 56, Paragraph two or three of this Law, prepares or, in accordance with Section 56, Paragraph two or four, has chosen to prepare financial statements according to Regulation No 1606/2002, shall prepare the financial statements regarding the first six months of the reporting year in accordance with the international accounting standards which apply to financial statements of interim periods and which have been adopted according to Regulation No 1606/2002.

(7) If a capital company to which the requirements of Section 56, Paragraph four of this Law apply and which, in accordance with that laid down in Section 56, Paragraph four, has not made the choice to prepare its financial statements according to Regulation No 1606/2002, its financial statements regarding the first six months of the reporting year shall consist of at least the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and annex. The items and subtotals which were included in the annual statement of the previous year of the capital company shall be indicated in the condensed balance sheet and condensed profit or loss statement. (2) The balance sheet, profit or loss account, cash flow statement, and statement of changes in equity items which have no figures (amounts), shall be set out only if there is a corresponding item with a figure (amount) in the comparative data. Additional items shall be included if, without indicating them, the account of interim periods would provide misleading view regarding assets, liabilities, financial position, and profit or loss of the capital company.

(8) Information as to whether the account of interim periods regarding the first six months of the reporting year has or has not been audited (checked) by a sworn auditor shall be clearly indicated on the front page of the information to be distributed. If the account of interim periods has been audited (checked) by a sworn auditor, such account shall be distributed together with the relevant report of the sworn auditor.

(9) A capital company shall prepare an account of interim periods regarding the first six months of the reporting year in a consolidated form, if it has had an obligation to prepare a consolidated annual statement regarding the previous reporting year and such obligation was also in effect on the date as regards to which the account of interim periods is being prepared.

[*26 May 2016 / See Paragraph 54 of Transitional Provisions*]

**Section 57.1 Information**

[22 March 2012]

**Section 57.2 Financial Information on the First Three and Nine Months of the Reporting Year**

(1) A capital company the shares of which are admitted to trading on a regulated market, shall prepare financial information on the first three and nine months and distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

(2) A capital company shall distribute the financial information referred to in Paragraph one of this Section not later than two months after the end of such period regarding which the relevant information must be distributed.

(3) Upon preparing financial information on the first three and nine months of the reporting year, the same principles for recognition and evaluation of items shall be conformed to which were used in preparing the annual statement, and it shall be indicated in the statement of the management’s responsibility accordingly.

(4) The financial information referred to in Paragraph one of this Section on the first three and nine months of the reporting year shall consist of the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and statement of the management's responsibility. Such items and subtotals shall be included in the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, and condensed statement of changes in equity which were included in the last annual statement.

(5) If the capital company prepares the financial information using the principles for recognition and evaluation of items of the international accounting standards approved by Regulation No 1606/2002, its financial information on the first three and nine months of the reporting year shall consist of the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and statement of the management’s responsibility. Such items and subtotals shall be included in the condensed statement on financial position, condensed statement on comprehensive income, condensed cash flow statement, and condensed statement of changes in equity which were included in the last annual statement.

(6) The statement on the management’s responsibility referred to in Paragraph four or five of this Section shall indicate that on the basis of information at the disposal of the board of the capital company the financial information has been prepared in accordance with the requirements of the laws and regulations in force and give true and fair view of the assets, liabilities, financial position, and profit or loss of the capital company and consolidation group.

(7) Upon distributing the financial information on the first three and nine months of the reporting year, a management report of interim periods shall be appended thereto (indicating in the statement of the management’s responsibility that true information has been included in the management report), if at least one of the following conditions sets in:

1) since distribution of the last management report the information provided therein has significantly changed;

2) the accounting methods used have been changed. Changing of the accounting methods shall be explained in the management report accordingly.

(8) Each item of the balance sheet of the financial information on the first three and nine months of the reporting year shall be compared at least to the data at the end of the previous reporting year. Each item of the profit or loss statement, cash flow statement, and statement of changes in equity shall be compared at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(9) A capital company which prepares the financial information on the first three and nine months of the reporting year using the principles for recognition and evaluation of items of the international accounting standards referred to in Paragraph five of this Section, shall compare each item of the statement on financial position to at least the data at the end of the previous reporting year and shall compare each item of the comprehensive income statement, cash flow statement, and statement of changes in equity at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(10) Information as to whether the financial information on the first three and nine months of the reporting year has or has not been audited (checked) by a sworn auditor shall be clearly indicated on the front page of the information to be distributed. If the financial information on the first three and nine months of the reporting year has been audited (checked) by a sworn auditor, such information shall be distributed together with the relevant report of the sworn auditor.

(11) A capital company shall prepare the financial information on the first three and nine months of the reporting year in a consolidated form, if it has had an obligation to prepare a consolidated annual statement regarding the previous reporting year and such duty was also in effect on the date as regards to which the financial information on the first three and nine months of the reporting year is being prepared.

[*26 May 2016 / See Paragraph 54 of Transitional Provisions*]

**Section 57.3 Statement on Payments to Administration Institutions**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market and which is operating in logging of primeval forests or is engaged in exploration, search, discovery, development, and extraction of mineral resources, oil, natural gas, and other minerals in accordance with the statistical classification of economic activities as defined in Annex I, Section A, Division 02, Group 02.2 or Annex I, Section B, Divisions 05, 06, 07, and 08 of Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains, shall prepare a statement on payments to administration institutions in accordance with the requirements of the law On Statements by Commercial Companies Engaged in Mining or Logging of Primeval Forests on Payments to Administration Institutions. A statement on payments to administration institutions shall be provided in a consolidated form.

(2) The commercial company shall distribute the statement referred to in Paragraph one of this Section in accordance with the procedures laid down in Section 64.2 of this Law not later than six months after the end of each financial year, and it shall be available to the public for at least 10 years.

[*26 May 2016*]

**Section 58. Exemptions**

The requirements of Sections 56, 57, and 57.2 of this Law shall not apply to:

1) transferable securities issued by a Member State, local government, its institution or agency, such organisation which is a subject governed by international public law and in which one or several Member States are members, by the European Financial Stability Facility which has been established according to a European Financial Stability Facility Framework Agreement, by any other institution which has been established in order to preserve the financial stability of the European Monetary Union, providing temporary financial aid to the Member States in which euro is the national currency, and also by the European Central Bank and central banks of Member States;

2) issuers that have issued only debt securities which are admitted to trading on a regulated market and the denomination of one unit of debt security of which is not less than EUR 100 000, or, if the debt securities are issued in currency other than euro, the denomination of one unit of debt security on the day of issue is not less than an equivalent of EUR 100 000;

3) issuers that have issued only debt securities the denomination of one unit of a debt security of which is at least EUR 50 000, or, if the debt securities are issued in currency other than euro, the denomination of one unit of a debt security of which on the day of issue is at least an equivalent of EUR 50 000, and securities of which have been admitted to trading on a regulated market in the European Union before 31 December 2010, until the day when such securities are deleted.

[*13 January 2011; 22 March 2012; 19 September 2013; 26 May 2016*]

**Section 59. Significant Events**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 59.1 Closing and Discovery of Atypical Transaction and Transaction of Significant Amount with the Affiliated Party**

(1) The provisions of this Section shall apply to a capital company the shares of which are admitted to trading on a regulated market.

(2) Within the meaning of this Section an atypical transaction is a transaction of a capital company which has not been concluded within the scope of commercial activity normally performed by the capital company or does not conform to the normal market conditions.

(3) An atypical transaction with the affiliated party shall be concluded in accordance with the procedures laid down in the Commercial Law for the conclusion of a transaction with the affiliated party.

(4) Before concluding an atypical transaction with the affiliated party, the board shall provide the following information on the transaction to the audit committee (if such has been established):

1) information on the affiliated party (for a natural person – the given name, surname; for a legal person – the name, registration number, and country of registration);

2) the justification for the necessity of the transaction;

3) the provisions of the transaction;

4) an assessment regarding the impact of the transaction on commercial activity of the capital company and the financial performance results;

5) an assessment regarding the impact of the transaction on shareholders of the capital company which are not considered affiliated parties in relation to the abovementioned transaction.

(5) The council of a capital company may request an opinion of the audit committee (if such has been established) or invite an independent expert for the provision of an opinion of experts on the intended atypical transaction with the affiliated party. Upon deciding on inviting of an audit committee or an independent expert, the interested member of the council of the capital company (within the meaning of the Commercial Law) shall not have voting rights, and it shall be recorded in the minutes of the council meeting. The costs of attracting an expert shall be covered from the funds of the capital company.

(6) The capital company shall draw up internal procedure according to which it detects whether the transaction with the affiliated party is or is not atypical. The capital company shall, at least once a year, assess whether its atypical transactions concluded with the affiliated parties have been identified and the procedures for the conclusion and discovery of such transactions have been conformed to. The capital company shall ensure that the abovementioned assessment is not performed by members of its board or council or other employees thereof with whom or with whose affiliated parties the transactions to be assessed have been concluded.

(7) Within the meaning of this Section a transaction of significant amount is a transaction of a capital company the amount of money paid or to be received as a result, the value of acquired or alienated assets, or the liabilities of the capital that have arisen as a result of of the transaction or may arise in the future of which are at least 10 per cent from the share capital or at least 10 per cent from the own funds of the capital according to the last audited annual statement or consolidated annual statement (if such is being prepared) – depending on the lowest of indicators, but not less than EUR 35 000. More strict criteria according to which a transaction is to be considered a transaction of significant amount may be specified in the articles of association of the capital company or in the decision of the council.

(8) Within the meaning of this Section several transactions which have been concluded by the capital company within a period of 12 months with the same affiliated party or in the interests of the same affiliated party and the total value of which conforms to that specified in Paragraph seven of this Section shall also be considered a transaction of significant amount.

(9) Before concluding a transaction of significant amount with the affiliated party, the board shall provide the information referred to in Paragraph four of this Section on the transaction to the audit committee (if such has been established).

(10) The capital company shall, without delay in accordance with the procedures laid down in Section 64.2 of this Law, distribute the information on a transaction of significant amount with the affiliated party after conclusion of the transaction or after setting in of such circumstances when the criteria specified in Paragraph seven or eight of this Section are achieved. The capital company shall distribute the information on a atypical transaction with the affiliated party prior to conclusion of the transaction, but not later than on the day when a consent in accordance with the procedures laid down in the Commercial Law (in the council or in a meeting of stockholders) has been given to the transaction of the affiliated parties. The capital company shall provide at least information on:

1) the affiliated party (for a natural person – the given name, surname; for a legal person – the name, registration number, and country of registration);

2) the type of relationships between the capital company and the affiliated party;

3) the day (date) of concluding the transaction, the amount of money to be received or paid in the transaction, the value of the acquired or alienated assets, or on the liabilities of the capital company which have occurred as a result of the transaction or may occur in the future, and also on the payment provisions and the schedule of payments (if any), including on the amount of money intended to be received or paid in the subsequent periods, in the time period for execution of the transaction of liabilities, and also the interest to be received or paid (if such are intended);

4) the impact of the transaction on commercial activity of the capital company and the financial performance results;

5) the impact of the transaction on shareholders of the capital company which are not considered affiliated parties in relation to the abovementioned transaction;

6) whether an opinion of the audit committee or a statement of an independent expert (if such was requested) has been received.

(11) In addition to the information referred to in Paragraph ten of this Section, the capital company has an obligation also to provide other information on the transaction, if it is of significance to or may significantly impact the financial state of the capital company or the possibilities of determining commercial activity of specific type or if its discovery may significantly impact the evaluation of shares of the capital company admitted to trading on a regulated market, thus ensuring the protection of investors or impeccable operation of the market.

(12) The capital company shall ensure that it receives information from a subsidiary on transactions between the affiliated party of the capital company and the subsidiary if such transaction is concurrently atypical and of significant amount. The capital company shall distribute information on such transactions in accordance with the procedures laid down in Section 64.2 of this Law. The capital company shall provide the information referred to in Paragraphs ten and eleven of this Section by additionally indicating information on the impact of the transaction on the commercial activity and financial performance results of the subsidiary and on shareholders (members) of the subsidiary.

[*21 September 2017; 20 June 2019*]

**Chapter III1**

**Remuneration Policy and Report**

[*20 June 2019*]

**Section 59.2 Scope of this Chapter**

The requirements of this Chapter shall apply to a capital company the shares of which are admitted to trading on a regulated market (hereinafter in this Chapter – the capital company).

[*20 June 2019*]

**Section 59.3 Remuneration Policy**

(1) The capital company shall draw up the remuneration policy of the board and council (hereinafter – the remuneration policy), approve it in a meeting of shareholders and publish it. The capital company shall ensure that the remuneration for members of the board and council is specified according to the remuneration policy approved in a meeting of shareholders.

(2) The board of the capital company shall draw up the remuneration policy and submit it for approval to the meeting of shareholders of the capital company not less than once in four years after approval of the previous remuneration policy. If amendments are made to the remuneration policy, they shall be approved in a meeting of shareholders and it shall be considered that the remuneration policy in the new wording has been approved by approval of amendments.

(3) The remuneration policy contains at least the following information:

1) a description of the permitted components of the variable and invariable remuneration (*inter alia*, all bonuses and other benefits of any kind) and their relative (percentage) share from the total remuneration;

2) an explanation how the remuneration policy and the particular components of remuneration included therein will promote the implementation, long-term interests, and sustainability of the strategy of the capital company;

3) an explanation how the conditions for remuneration and employment of employees of the capital company have been taken into account in the drawing up of the remuneration policy;

4) the criteria for the granting of the variable remuneration (if such is intended), the criteria of performance results of the capital company to be used for the determination thereof, the methods for the determination of the enforcement of such criteria, the time periods for suspending the disbursement of the variable remuneration, and information on the possibility of the capital company to reclaim the variable remuneration;

5) the most important conditions of a remuneration related to granting of shares (if such is intended), including the time periods for granting the rights and the rights to keep the shares after the granting thereof;

6) the term of office of the members of the board and council and the applicable time periods for withdrawal, the main characteristics in relation to supplementary pension or accelerated retirement plans, the conditions related to termination of contracts, and payments to members of the board and council;

7) the conditions for the determination, review, and application of the remuneration policy;

8) the measures which are intended in order to avoid conflict of interest or to prevent them;

9) the role of the remuneration committee or other body of the capital company (if such is intended) in determination, review, and application of the remuneration policy;

10) a description and explanation regarding substantial changes made in the remuneration policy and how voting of the meeting of shareholders and opinions of shareholders on the remuneration policy and remuneration reports which have been examined in a meeting of shareholders after voting of the previous meeting of shareholders on the remuneration policy has been taken into account in the new remuneration policy.

(4) The capital company shall ensure that the remuneration policy approved by the meeting of shareholders (full text in the new wording) together with the date of voting by the meeting of shareholders and the voting results after the meeting of shareholders are published on the website of the capital company where it is available to the public free of charge for at least as long as it is applicable. At least information on the total number of participating shares with voting rights, the number of votes in conformity with the number of shares with voting rights and a part of the voting share capital represented in the meeting of shareholders by votes given, and also the number of votes given “for” and “against” regarding approval of the remuneration policy shall be included in the voting results.

(5) Until approval of a new remuneration policy in a meeting of shareholders, the capital company shall pay remuneration to members of the board and council according to the previous remuneration policy or, if there is none, according to the current practice of the capital company. If the meeting of shareholders does not approve the remuneration policy drawn up by the board, the board shall submit a reviewed remuneration policy together with an explanation of the changes made therein in the next meeting of shareholders for approval.

(6) In an exceptional case, the capital company may apply a temporary derogation from the remuneration policy, if the procedures for the application of the derogation and the components of the remuneration policy for which the derogation is possible are provided for therein. Only ensuring of the long-term interests, sustainability of the capital company or its insolvency may be considered as an exceptional case.

[*20 June 2019*]

**Section 59.4 Remuneration Report**

(1) The board of the capital company shall prepare a clear and comprehensible annual report on the remuneration which has been granted or disbursed in the previous financial year or which is due for the previous financial year to each current and former member of the board and council (hereinafter – the remuneration report). The remuneration report includes identifying information on each member of the board and council (at least given name, surname, and position), and also at least the following information on remuneration of each member of the board and council:

1) the total remuneration divided according to the components of the remuneration and the relative (percentage) share of the invariable and variable remuneration;

2) an explanation as to why the total remuneration conforms to the remuneration policy, how it promotes long-term performance results of the capital company, and how the criteria of the performance results of the capital company were applied in determination of the remuneration;

3) the changes which have occurred within the last five financial years in a comparable way in relation to the remuneration of the board and council, the performance results of the capital company, and the average remuneration of full-time employees of an equivalent unit of the capital company (except for members of the board and of council);

4) the remuneration received from another company which is part of the same group of companies within the meaning of the Law on the Annual Financial Statements and Consolidated Financial Statements;

5) the number of the granted and offered shares and share options and the main conditions for the use of options, *inter alia*, the price and date of their use, and the changes therein (if any have occurred);

6) information on cases when the variable part of the remuneration has been reclaimed;

7) the applied temporary derogations, *inter alia*, an explanation of the nature of the exceptional case and a reference to specific components of the remuneration policy to which a temporary derogation has been applied.

(2) If any of the requirements referred to in Paragraph one of this Section is not applied in the capital company or does not apply thereto, it shall be unequivocally indicated in the remuneration report.

(3) Personal data of specific categories of members of the board and the council within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) and personal data which apply to the marital status of members of the board and the council shall not be included in the remuneration report. In such case the components of the remuneration which are related to the marital status shall be included in the remuneration report, indicating only the amount of the remuneration granted and without indicating the justification for granting.

(4) The board of the capital company shall prepare the remuneration report as an individual component of the annual statement and submit it to the meeting of shareholders for examination together with other components of the annual statement. The board shall explain in the remuneration report how the voting of the meeting of shareholders and the opinions of shareholders on the previous remuneration report have been taken into account.

(5) If the capital company prepares an annual statement and a consolidated annual statement, it shall prepare one remuneration report in accordance with the requirements of this Section.

(6) The capital company shall ensure that the remuneration report is published immediately after the meeting of shareholders on the website of the capital company where it is available to the public free of charge for 10 years after the day of publishing. The capital company may make the information included in the remuneration report available for a longer period of time if it excludes personal data from such report.

(7) A sworn auditor shall check whether the remuneration report has been prepared and, in accordance with the Law on Audit Services, provide an opinion of a sworn auditor as to whether the information referred to in this Section has been included in the remuneration report and whether significant non-conformities in relation to the financial information indicated in the annual statement have been detected in the remuneration report.

(8) The capital company which commences trading in shares on a regulated market shall draw up the remuneration report for the financial year which starts after the day when shares have been admitted to trading on a regulated market. In such case the comparison of the changes referred to in Paragraph one, Clause 3 of this Section shall be provided for at least a period of the last five financial years which starts after the day when shares have been admitted to trading on a regulated market.

[*20 June 2019*]

**Section 59.5 Liability for the Fulfilment of the Requirements of this Chapter**

(1) The capital company or the relevant officials shall be liable for the violations in relation to the remuneration policy and the remuneration report according to civil legal procedures.

(2) If the remuneration policy or the remuneration report has not been published in accordance with the procedures laid down in Sections 59.3 and 59.4 of this Law, liability in accordance with Section 148 of this Law shall set in for the capital company.

[*20 June 2019*]

**Chapter III.2**

**Requirements for Shareholder Identification, for Ensuring the Rights of Shareholders, and for Transparency of the Activity of Proxy Advisors**

[*20 June 2019*]

**Section 59.6 Scope of this Chapter**

(1) The requirements of this Chapter shall apply to a capital company the registered office of which is in the Republic of Latvia and the shares of which are admitted to trading on a regulated market of a Member State (hereinafter in this Chapter – the capital company), and also to the operator of the account of financial instruments which is providing the capital company shareholder services.

(2) Within the meaning of this Chapter the central securities depository, a credit institution, an investment brokerage company, and also another person who is providing services of operation of the account of financial instruments and capital company shareholder services regardless of its registered office or location of the head office.

(3) If shares of the capital company are held with the intermediation of several operators of the account of financial instruments, the operator of the account of financial instruments, if it has a contract with another operator of the account of financial instruments the registered office or location of the head office of which is not in the Member State, shall include provision in the contract which ensure the enforcement of the provisions of this Chapter.

(4) The enforcement of the provisions of this Chapter shall be supervised by the Commission.

[*20 June 2019 /* *Section shall come into force on 1 September 2020.* *See Paragraph 67 of Transitional Provisions*]

**Section 59.7 Shareholder Identification**

(1) The capital company may request the information referred to in Table 2, Section C of Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights (hereinafter in this Chapter – the Implementing Regulation) on its shareholder from the operator of the account of financial instruments. The capital company may authorise another person for exercising of the rights referred to in this Chapter.

(2) The capital company may request that the central securities depository in which shares of the capital company have been initially recorded aggregates information on shareholders of the capital company.

(3) If shares of the capital company are held with the intermediation of several operators of the account of financial instruments, the operator of the account of financial instruments shall, after receipt of a request of the capital company, hand over the request to the subsequent operator of the account of financial instruments without delay. The operator of the account of financial instruments who has information on the shareholder at its disposal shall hand it over to the capital company without delay. The capital company may request information on the shareholder from any operator of the account of financial instruments who has such information at its disposal.

(4) In order for the capital company to be able to contact a shareholder for the purpose of facilitating the exercise of its rights, the capital company and the operator of the account of financial instruments have the right to store the information obtained in accordance with the procedures laid down in this Section on the shareholder for not more than 12 months after the capital company or the operator of the account of financial instruments have become aware of losing the status of a shareholder.

(5) The shareholder may request that the operator of the account of financial instruments corrects incorrect information on the shareholder. If information on the shareholder is maintained by the capital company, the shareholder (with or without the intermediation of the operator of the account of financial instruments) may request that the capital company corrects incorrect information on the shareholder.

(6) Provision of information on a shareholder of the capital company in accordance with the procedures laid down in this Chapter shall not be considered a violation of the prohibition of disclosure of information specified in the contract or law.

[*20 June 2019 /* *Section shall come into force on 1 September 2020.* *See Paragraph 67 of Transitional Provisions*]

**Section 59.8 Transmission of Information**

(1) The capital company shall, in a timely manner in conformity with the requirements laid down in the Implementing Regulation, transmit information to the operator of the account of financial instruments which is necessary for exercising the rights of the shareholder. The operator of the account of financial instruments shall forward such information to a shareholder of the capital company in accordance with the procedures laid down in the Implementing Regulation.

(2) If the information referred to in Paragraph one of this Section is available on the website of the capital company, the operator of the account of financial instruments shall, after receipt of the request of the capital company, transmit a notification to the shareholder of the capital company with an accurate reference where information is available on the website of the capital company.

(3) The capital company itself may send the information or notification referred to in Paragraphs one and two of this Section to the shareholder, if it is allowed by the contract entered into with the central securities depository in which shares of the capital company were initially recorded.

(4) The operator of the account of financial instruments shall, without delay, transmit the information received from the shareholder which is related to exercising of the right of the shareholder to the capital company.

(5) If shares of the capital company are held with the intermediation of several operators of the account of financial instruments, the operator of the account of financial instruments shall, without delay, transfer the information which is necessary for exercising the rights of the shareholder to the subsequent operator of the account of financial instruments, unless it cannot transmit such information directly to the shareholder or capital company accordingly.

[*20 June 2019 /* *Section shall come into force on 1 September 2020.* *See Paragraph 67 of Transitional Provisions*]

**Section 59.9 Facilitation of the Exercise of Shareholders Rights**

(1) The operator of the account of financial instruments shall facilitate the participation of a shareholder in a meeting of shareholders and the exercise of other rights arising from shares or also, upon direct assignment from the shareholder, implement itself the rights arising from shares.

(2) If voting in a meeting of shareholders takes place by using electronic means, the capital company shall send a confirmation regarding receipt of the vote cast to the person who has voted in the meeting of shareholders.

(3) The shareholder may request a confirmation that the votes cast by him or her have been registered in accordance with the procedures laid down in the law. The shareholder may exercise such rights within a month from the day when the meeting of shareholders took place.

(4) If the operator of the account of financial instruments receives the confirmation referred to in Paragraphs two and three of this Section from the capital company, it shall, in accordance with the procedures laid down in the Implementing Regulation, transmit such confirmation to the shareholder without delay. If shares of the capital company are held with the intermediation of several operators of the account of financial instruments, the operator of the account of financial instruments shall, without delay, transfer the received information to the subsequent operator of the account of financial instruments, unless it cannot transmit such information directly to the shareholder.

[*20 June 2019 /* *Section shall come into force on 1 September 2020.* *See Paragraph 67 of Transitional Provisions*]

**Section 59.10 Payment for Services of the Operator of the Account of Financial Instruments**

(1) The operator of the account of financial instruments shall publish information on any payment which is applied thereby to a shareholder, capital company, or another operator of the account of financial instruments for the services referred to in Sections 59.7, 59.8, and 59.9 of this Law.

(2) Any payment for services shall be non-discriminatory and commensurate as regards the actual costs of the provision thereof.

[*20 June 2019 /* *Section shall come into force on 1 September 2020.* *See Paragraph 67 of Transitional Provisions*]

**Section 59.11 Transparency of the Activity of the Proxy Advisor**

(1) A proxy advisor shall publish information on the code applicable in the conduct thereof (hereinafter – the code of conduct).

(2) If the proxy advisor does not apply the code of conduct, it shall provide a justification for such action. If the proxy advisor does not apply one or more recommendations of the code of conduct, it shall provide information as to which recommendation is not being applied, a justification for such action, and information on alternative measures.

(3) The information referred to in Paragraphs one and two of this Section shall be made publicly available, free of charge, on the website of the proxy advisor and shall be updated on an annual basis.

(4) The proxy advisor shall publicly disclose on an annual basis at least the following information in relation to the preparation of their research, advice given, and recommendations in relation to the exercise of the voting rights:

1) the essential features of the methodologies and models applied;

2) the main information sources used;

3) the procedures put in place to ensure quality of the research, advice, and recommendations in relation to the exercise of the voting rights;

4) the procedures put in place to ensure qualifications of the staff involved;

5) the impact of issues related to a regulated market of the particular Member State and the laws applicable thereto on conducting of research and provision of advice and recommendations in relation to the exercise of the voting rights;

6) the impact of the specific issues related to the joint stock company regarding which research is conducted and advice and recommendations in relation to the exercise of the voting rights are provided on the conducting of research and provision of advice and recommendations in relation to the exercise of the voting rights;

7) the most essential features of the voting policy applicable to each market in which the proxy advisor is conducting research and providing advice and recommendations in relation to the exercise of the voting rights in a joint stock company;

8) information on communication with the joint stock company regarding which research is conducted and advice and recommendations in relation to voting are provided;

9) information on communication with the interested parties of such joint stock company regarding whom research is conducted and advice and recommendations in relation to voting are provided;

10) the policy regarding the prevention and management of potential conflict of interest.

(5) The information referred to in Paragraph four of this Section shall be made publicly available by the proxy advisor, free of charge, on the website of the proxy advisor for at least three years from the date of publication of the information.

(6) The proxy advisor shall identify and disclose without delay to its clients a conflict of interest that may influence the conducting of research and the provision of advice or voting recommendations. The proxy advisor shall disclose without delay the actions that have been undertaken to eliminate and manage a conflict of interest.

(7) The execution of the provision of this Section shall be supervised by the Commission if the registered office of the proxy advisor is in the Republic of Latvia. The Commission shall supervise the execution of the provisions of this Section if the registered office of the proxy advisor is not in a Member State, but the location of the head office of the proxy advisor is in the Republic of Latvia. The Commission shall supervise the execution of the provisions of this Section if the registered office or the location of the head office of the proxy advisor is not in a Member State, but a branch of the proxy advisor has been registered in the Republic of Latvia.

[*20 June 2019*]

**Chapter IV**

**Acquisition of a Major Holding**

[*29 March 2007*]

**Section 60. Scope of this Chapter**

(1) The provisions of this Chapter regarding the obligation to notify and the consequences of non-notification shall apply to the following persons:

1) who obtain or dispose of the shares with voting rights in such joint stock company the shares of which are admitted to trading on a regulated market in the Republic of Latvia;

2) who obtain or dispose of depository receipts which have been issued for the shares referred to in Paragraph one, Clause 1 of this Section;

3) who obtain or dispose of financial instruments which on the day of exercising the rights arising from such financial instruments give the person the right, according to an official agreement, to obtain the shares with voting rights of the issuer in such joint stock company the shares of which are admitted to trading on the regulated market of the Republic of Latvia;

4) who obtain or dispose of financial instruments the reference of which is a share basket (an aggregate of different shares) or an index in which such shares are included which are admitted to trading on the regulated market of the Republic of Latvia.

(2) If depository receipts have been issued for the shares of such joint stock company the shares of which are admitted to trading on a regulated market, the obligation to notify shall apply to the acquirer of depository receipts and not to the issuer thereof.

(3) The requirements of this Section shall also apply to persons who are entitled to obtain, acquire, or exercise voting rights in one or several cases referred to in Section 8 of this Law.

(4) The requirements of this Chapter shall also apply to the persons to whom the financial instruments referred to in Paragraph one, Clause 3 of this Section belong, provided that they have unlimited rights to obtain the relevant shares according to the official agreement within the specified period of time or the right of choice to obtain or not obtain them at their preference.

(5) The financial instruments referred to in Paragraph one, Clause 3 of this Section are also such financial instruments in relation to which the conditions referred to in Paragraph four of this Section do not exist, but which are related to the shares with voting rights of the issuer whose transferable securities have been admitted to trading on a regulated market, or voting rights to be potentially obtained the economic impact of which is similar, regardless of whether such financial instruments grant or do not grant the right to perform the settlement of accounts in financial instruments.

(6) The list of the financial instruments referred to in Paragraph one, Clause 3 of this Section shall be determined by the regulatory provisions of the Commission.

(7) The requirements of this Chapter shall also be applied if the joint stock company the shares of which have been admitted to trading on a regulated market in the Republic of Latvia, has been registered in a foreign country.

[*26 May 2016*]

**Section 61. Obligation to Notify Taking into Account the Proportion of Voting Rights**

(1) A person shall notify of the proportion of his or her voting rights when as a result of acquiring, disposing of shares, increasing or decreasing equity or any other events it reaches, exceeds or becomes less than 5, 10, 15, 20, 25, 30, 50, or 75 per cent.

(2) If the Republic of Latvia is the home Member State for a joint stock company, a person shall also notify of the proportion of his or her voting rights when as a result of acquiring, disposing of shares, increasing or decreasing equity or any other events it reaches, exceeds or becomes less than 90 or 95 per cent.

[*26 May 2016*]

**Section 61.1 Calculation of the Proportion of Voting Rights**

(1) When calculating the proportion of voting rights, all shares with voting rights shall be taken into account also if the exercising of voting rights is suspended.

(2) Information on all shares with voting rights shall be indicated in information on the proportion of voting rights, indicating shares of each category separately.

(3) Upon calculating the proportion of voting rights, a person shall sum up all voting rights which arise from the shares with voting rights issued by one issuer, depository receipts issued thereto, the financial instruments referred to in Section 60, Paragraph one, Clause 4 of this Law, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(4) Upon determining the amount of an indirectly acquired holding of a person, the voting rights specified in Section 8 of this Law shall also be taken into account.

(5) Upon calculating the proportion of voting rights, the amount of directly and indirectly acquired holding and the amount of holding to be acquired directly and indirectly shall be summed up, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(6) The proportion of the voting rights of the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law shall be calculated, taking into account to a full extent the principal shares to be obtained from exercising the rights arising from financial instruments. If it is intended to perform the settlement of accounts for financial instruments only in cash, the proportion of voting rights shall be calculated with delta correction, multiplying the amount conditioned by the principal shares by delta coefficient of financial instruments. The person shall sum up all financial instruments which are related to the same issuer, and shall include information in the notification on all such financial instruments. Upon calculating the total amount of all principal shares, the person shall take into account only the long positions of financial instruments, without performing the clearing of long and short positions of the same issuers.

(7) The methods for determination of the delta coefficient referred to in Paragraph six of this Section and the methods for calculating the proportion of voting rights for financial instruments the reference of which is a share basket or index, shall be determined by Commission Delegated Regulation (EU) 2015/761 of 17 December 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings (hereinafter – Regulation No 2015/761).

(8) Within the meaning of this Chapter the principal shares are shares with voting rights issued by an issuer whose shares have been admitted to trading on a regulated market, which may be obtained by the acquirer of the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law according to an official agreement.

(9) In order to simplify the calculation of voting rights of shares, a joint stock company shall, on the last date of each calendar month, if increase or decrease in the number of shares with voting rights or equity has arisen during such month, update information on the total number of shares with voting rights and equity, distributing it in accordance with the procedures laid down in Section 64.2 of this Law.

[*26 May 2016; 20 June 2019*]

**Section 61.2 Notification Procedures and Content of a Notification**

(1) A person shall notify a joint stock company and concurrently also the Commission by submitting a relevant notification (hereinafter in this Chapter – the notification) when the proportion of its voting rights as a result of acquisition, disposing of shares, increasing or decreasing of equity or any other events, exceeds or becomes less than the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(2) If the notification is provided in accordance with the requirements of Section 60, Paragraph one, Clause 4 of this Law and the base asset of the financial instrument includes shares issued by several joint stock companies (share basket or index), the notification shall be provided to each relevant joint stock company and concurrently also to the Commission.

(3) The notification shall include information on:

1) distribution of voting rights on the day of submission of the notification expressed in figures, as a percentage of the share capital and of the number of shares with voting rights according to their acquisition or disposal;

2) commercial companies in which the person has control and with the intermediation of which the shareholder holds voting rights;

3) day on which the proportion of voting rights specified in Section 61, Paragraph one or two of this Law was reached or exceeded, or decreased;

4) identity of a shareholder, even if the shareholder is not entitled to exercise the voting rights in accordance with the provisions of Section 8 of this Law, and identity of the natural or legal person which is entitled to exercise the voting rights on behalf of the shareholder.

(4) The person shall indicate separately in the notification the proportion of voting rights which arises for him or her from the shares, depository receipts issued thereto, the financial instruments referred to in Section 60, Paragraph one, Clause 4 of this Law and the benefits, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(5) The person shall indicate separately in the notification the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, separating such financial instruments which grant the right to perform settlement of accounts in cash, from such financial instruments which grant the right to obtain or alienate financial instruments in performing settlement of accounts with financial instruments.

(6) If the notification was already provided in case of acquiring the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, the person shall repeatedly submit the notification, if he or she has acquired principal shares in such quantity that as a result of acquisition the proportion of voting rights of such person in equity of one issuer reaches or exceeds the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(7) A form approved by the regulatory provisions of the Commission shall be used for the notification.

[*26 May 2016*]

**Section 61.3 Notification Term and Distribution of a Notification**

(1) A notification must be submitted to a joint stock company and concurrently also to the Commission without delay, however, not later than within four trading days after the day when the person:

1) finds out about acquiring of voting rights or disposal thereof, or a possibility to exercise them or, by taking into consideration the circumstances, he or she should have found out thereon regardless of the day on which acquiring or disposal of voting rights, or the possibility of exercising of voting rights enters into effect. Within the meaning of this Clause, it shall be regarded that a person finds out regarding acquiring, disposing of voting rights or a possibility to exercise them not later than within two trading days after the transaction day;

2) is informed of such event as a result of which the proportion of voting rights of the person reaches, exceeds or becomes less than the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(2) In order to determine the trading days referred to in Paragraphs one and three of this Section and Section 61.4 of this Law, a trading day calendar of the home Member State of the issuer shall be used which has been published by the relevant regulated market operator on its website. The Commission shall publish on its website the trading day calendar of each regulated market operator whose home Member State is the Republic of Latvia.

(3) The joint stock company shall, not later than within one trading day from the day of receipt of the notification referred to in this Section, distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

[*26 May 2016*]

**Section 61.4 Notification of a Joint Stock Company Regarding Acquisition or Disposing of its Shares**

If the issuer of shares admitted to trading on a regulated market acquires or disposes of his or her shares, depository receipts issued thereto, or the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law himself or herself or by intermediation of another person who is acting on behalf of, but in the interests of the issuer, such issuer shall distribute information on the acquired or disposed of proportion of own shares as soon as possible, however, not later than within four trading days, counting from the next day after the day of acquiring or disposing, if such proportion reaches, exceeds, or becomes smaller than five or ten per cent of the total number of shares with voting rights.

[*26 May 2016*]

**Section 61.5 Requirements for Notification in Case of Indirect Holding**

(1) Each shareholder or each person who has indirectly acquired holding in accordance with Section 8 of this Law, shall notify of the proportion of indirectly acquired holding when it reaches, exceeds, or becomes smaller than that laid down in Section 61, Paragraph one or two of this Law, if the proportion of voting rights of each abovementioned person reaches, exceeds, or becomes smaller than that laid down in Section 61, Paragraph one or two of this Law.

(2) All persons who have entered into an agreement shall provide a joint notification regarding the case referred to in Section 8, Clause 1 of this Law.

(3) In the case specified in Section 8, Clause 8 of this Law, if the shareholder issues a power of attorney regarding representation in one meeting of shareholders, one notification shall be provided on the day of issue of the power of attorney. It shall also be indicated in the notification on how voting rights will be distributed after the authorised person will not be entitled to exercise the voting rights at his or her preference anymore.

(4) In the case laid down in Section 8, Clause 8 of this Law, if the authorised person has received one or several powers of attorney for representation in one meeting of shareholders, one notification shall be provided on the day of issue of the power of attorney. It shall also also be indicated in the notification on how voting rights will be distributed after the authorised person will not be entitled to exercise the voting rights at his or her preference anymore.

(5) If the obligation to notify refers to several persons, one joint notification may be submitted. Provision of a joint notification shall not release such persons from responsibility in relation to a notification who have a duty to provide such notification.

[*26 May 2016*]

**Section 61.6 Notification Procedures when Holding is Acquired by an Investment Management Company, Investment Brokerage Company and Their Parent Undertaking**

(1) When calculating the proportion of shares with voting rights referred to in Section 61, Paragraph one or two of this Law, the parent undertaking of an investment management company shall not sum up shares owned thereby with the shares managed by a subsidiary investment management company in accordance with the requirements of the laws and regulations, unless the subsidiary investment management company exercises voting rights independently from the parent undertaking of the investment management company.

(2) The exception referred to in Paragraphs one and four of this Section shall also apply to depository receipt issued for shares and to the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law.

(3) Paragraph one of this Section shall not be applied, if the parent undertaking of an investment management company or another commercial company controlled thereby has made investments in the same shares in which funds of investment funds managed by the subsidiary investment management company are invested, and the subsidiary investment management company is not entitled, at its preference, to exercise the voting rights which are conferred by these shares, it may exercise such voting rights only in accordance with direct or indirect instructions given by the parent undertaking of an investment management company or another commercial company controlled by the parent undertaking. Within the meaning of this Section, direct instruction is any instruction given by the parent undertaking of an investment management company or commercial company controlled thereby and which specifies how the voting rights are to exercised by the subsidiary investment management company or investment brokerage company in the particular case. Within the meaning of this Section, an indirect instruction is any general or particular instruction given by the parent undertaking of an investment management company or investment brokerage company or a commercial company controlled thereby that limits the discretion of the subsidiary investment management company or investment brokerage company in relation to the exercise of the voting rights in order to serve specific business interests of the parent undertaking of the investment management company or investment brokerage company or a commercial company controlled thereby.

(4) When calculating the proportion of shares with voting rights referred to in Section 61, Paragraph one or two of this Law, the parent undertaking of an investment brokerage company shall not sum up the shares owned thereby with the shares which are individually managed by a subsidiary investment brokerage company according to the authorisation of the investor within the meaning of Section 3, Paragraph four, Clause 4 of this Law, provided that the subsidiary investment brokerage company:

1) has received the licence for the provision of the investment service specified in Section 3, Paragraph four, Clause 4 of this Law;

2) may exercise the voting rights arising from such shares only according to instructions by a person not related to the investment brokerage company provided in writing or electronically, or it ensures that investment portfolio individual management services are carried out regardless of all other services in accordance with the conditions conforming to that provided for in the Law on Investment Management Companies, applying relevant mechanisms;

3) exercises its voting rights regardless of the parent undertaking of the investment brokerage company.

(5) Paragraph four of this Section shall not be applied, if the parent undertaking of an investment brokerage company or a commercial company controlled thereby has made investments in the shares which are managed by its subsidiary investment brokerage company, and a subsidiary investment brokerage company is not entitled, at its preference, to exercise the voting rights arising from the shares of managed thereby, from depository receipt issued thereto, and it may exercise such voting rights only according to direct or indirect instructions given by the parent undertaking of the investment brokerage company or another commercial company controlled by the parent undertaking of the investment brokerage company.

(6) Paragraphs one and four of this Section shall be applied in cases when a parent undertaking of the investment management company or a parent undertaking of the investment brokerage company (hereinafter in this Section both together or each individually – the parent undertaking) conforms to the following conditions:

1) it may not influence exercise of the voting rights arising from the shares owned by its subsidiary investment management company or subsidiary investment brokerage company (hereinafter in this Section both together or each individually – the subsidiary) and depository receipts issued thereto with direct or indirect instructions or in any other way;

2) a subsidiary may freely and independently from the parent undertaking exercise the voting rights which arise from the shares under its management and depository receipt issued thereto.

(7) If the parent undertaking wishes to apply the exception provided for in Paragraphs one and four of this Section, it shall, without delay, send the following information to the competent authority of the home Member State:

1) a list of subsidiaries, indicating the supervisory authorities of each subsidiary or indicating that there are no such supervisory authority. When providing such information, it is not necessary to indicate the relevant issuers;

2) a certification that the parent undertaking has fulfilled the conditions referred to in Paragraph six of this Section in respect of each subsidiary thereof.

(8) The parent undertaking shall update the list referred to in Paragraph seven, Clause 1 of this Section and notify the competent authority of the home Member State of the issuer thereon.

(9) If the parent undertaking wishes to apply the requirements of Paragraphs one and four of this Section only for the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, it shall send the list referred to in Paragraph seven, Clause 1 of this Section to the competent authority of the home Member State of the issuer.

(10) Upon request of the Commission the parent undertaking has an obligation to prove that:

1) the organisational structure of the parent undertaking and subsidiary is such that the subsidiary can exercise the voting rights arising from the shares under its management independently from the parent undertaking;

2) the persons who take decisions to exercise the voting rights are acting independently;

3) if the parent undertaking is a client of the subsidiary or it manages the same financial instruments as managed by the subsidiary, a written agreement has been entered into between the parent undertaking and subsidiary that both parties shall act independently in respect of exercising the voting rights at meetings of shareholders.

(11) Paragraph ten, Clause 1 of this Section shall be regarded as conformed to, if the parent undertaking and subsidiary have developed at least a policy and procedures which ensure non-distribution of information related to exercising the voting rights between the parent undertaking and subsidiary.

[*26 May 2016; 21 June 2018*]

**Section 62. Derogations from the Obligations to Notify**

(1) The requirements of Section 61.2 of this Law shall not apply to shares which are acquired only for the purposes of clearing and settlement in a standard settlement cycle, and also to shares in possession of a financial intermediary, if the financial intermediary may exercise the voting rights arising from the shares only according to the instructions which are provided by the shareholder in writing or electronically.

(2) The duration of the standard settlement cycle referred to in Paragraph one of this Section shall be two trading days after the day of entering into a transaction.

(3) The requirements of Section 61.2 of this Law shall not apply to a case when a market maker has acquired or lost such major holding which reaches or exceeds proportion of five per cent, if the market maker is acting in such status, provided that it:

1) has received a licence of the home Member State in accordance with the requirements of laws and regulations;

2) does not participate in the management of the relevant issuer, and also does not influence the issuer in any way in order for the shares to be purchased or the share price to be maintained;

3) fulfils the requirements of Section 62.1 of this Law.

(4) A credit institution or an investment brokerage company for which the Republic of Latvia is the home Member State, upon calculating the proportion of voting rights, shall not take into account the shares with voting rights included in the trading portfolio, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law, if the total proportion of voting rights does not exceed five per cent from all shares with voting rights and the abovementioned voting rights are not exercised or otherwise used in order to influence the work of administration institutions of the joint stock company (issuer) and the economic and financial activities of the joint stock company.

(5) The requirements of Section 8, Clause 3 and Section 61.2 of this Law shall not apply to the shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law which are granted to the participants of the European System of Central Banks or which have been granted thereby by performing their functions as monetary institutions, including to the shares which are granted to the participants of the European System of Central Banks or which they have granted according to a pledge agreement, repurchase agreement, or similar agreement related to liquidity, which is provided for the monetary policy purposes or in payment system. It shall also apply to the abovementioned transactions which last for a short time period, if the voting rights arising from such shares are not exercised.

(6) The notification specified in Section 61.2 of this Law shall not be provided, if shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law are acquired by the subsidiary and the notification has already been provided by the parent undertaking or the parent undertaking itself is a controlled commercial company and the notification has been provided by its parent undertaking.

(7) If, in accordance with the procedures laid down in Section 61.2 of this Law, a person who has acquired shares in the form of indirect holding, has provided a notification regarding acquisition of shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law, the persons with the help of whom the indirect acquisition of shares has taken place, shall not be required to report on the acquisition of shares.

(8) The notification specified in Section 61.2 of this Law shall not be provided, if voting rights arise from a transaction with shares directed towards stabilisation of the financial instrument and performed in accordance with the provisions of Commission Regulation No 2273/2003, if voting rights arising from shares are not exercised or have been otherwise exercised in order to influence the work of administration bodies of the issuer and its economic and financial activities.

(9) The method for calculating the proportion of five per cent referred to in Paragraphs three and four of this Section and the cases when the notification requirements are not applicable to transactions, shall be determined by Regulation No 2015/761.

[*22 May 2008; 26 May 2016; 21 June 2018*]

**Section 62.1 Control of a Market Maker**

(1) If a market maker wants to use the exemption referred to in Section 62, Paragraph three of this Law, it shall, as soon as possible, however not later than within four trading days, notify the Commission that he is acting or wants to act as a market maker in respect of the financial instruments issued by the particular issuer. If the market maker is no longer acting as a market maker in respect of financial instruments issued by the particular issuer, it shall, as soon as possible, however not later than within four trading days, notify the Commission of his decision.

(2) The Commission shall approve a sample form to be used for the notifications referred to in Paragraph one of this Section.

(3) If a market maker wants to use the exemption referred to in Section 62, Paragraph three of this Section, the Commission may request that the market maker indicates those financial instruments with which it carries out trading as a market maker. The market maker shall indicate the abovementioned financial instruments by any verifiable means, but, if the market maker fails to indicate precisely those financial instruments with which it carries out trading as a market maker, the Commission has the right to request that the market maker keeps such financial instruments in a separate financial instrument account for identification purposes.

[*22 May 2008*]

**Section 63. Requirements for an Issuer Registered in a Foreign Country**

(1) An issuer the registered office of which is in a foreign country has the right not to apply the requirements of Section 54, Paragraphs one, two, and nine, Section 54, Paragraph three, Clause 6, Section 54, Paragraph eight, Sections 56, 57, 57.2, 58, and Section 61.1, Paragraph nine, Section 61.3, Paragraph three and Section 61.4 of this Law, if the information provided by the issuer in accordance with the requirements of the legal acts of his or her country is the same as that laid down in the laws and regulations of the Republic of Latvia or it has been recognised as equivalent by the Commission. Information provided by the issuer the registered office of which is in a foreign country in accordance with the requirements of the legal acts of the foreign country shall be provided by him in accordance with the procedures laid down in this Law.

(2) If transferable securities of an issuer the registered office of which is in a foreign country are admitted to trading on a regulated market, information provided thereby in the foreign country and also important in Latvia even when it is not regulated information within the meaning of this Law, shall be distributed in accordance with the procedures laid down in Section 64.2 of this Law.

(3) When a commercial company the registered office of which is in a foreign country provides investment services for the provision of which the permit for the provision of investment services is required in a Member State, it need not sum up the shares referred to in Section 61.6, Paragraphs one, three, and five of this Law with the shares of its parent undertaking if it as an investment management company or investment brokerage company conforms to such conditions for the independence of activity that have been stipulated by the Commission.

(4) [22 May 2008]

[*22 May 2008; 26 February 2009; 26 May 2016; 21 September 2017*]

**Section 63.1 Recognition of Information Provided by an Issuer Registered in a Foreign Country as Equivalent**

(1) If the registered office of an issuer is in a foreign country and its management report is prepared in accordance with the requirements of the legal acts of the relevant foreign country, it shall be regarded as equivalent to the requirements of Section 56, Paragraph one, Clause 2 of this Law, if at least the following is provided therein:

1) a clear review regarding the development of commercial activities and the financial results of activities of the issuer, and also a review on the main risks and uncertainties faced thereby. The review shall provide a comprehensive and complete analysis of the results of the development of the commercial activities and financial activities of the issuer, taking into account the amount and complexity of the transactions of the issuer. Indicators of the results of main financial and, where possible, non-financial activities which characterise the relevant field of commercial activities, shall be included in the analysis referred to in this Clause insofar as it is necessary for understanding the results of the development of commercial activities and financial activities;

2) information on any important events since the end of the previous financial year;

3) information on foreseeable further development of the issuer.

(2) If the registered office of an issuer is in a foreign country and the legal acts of the foreign country provide for a requirement to submit, in addition to the management report for interim periods, condensed financial statements, the management report for interim periods prepared by such issuer shall be regarded as equivalent to the requirements of Section 57, Paragraph three, Clause 2 of this Law if it includes information on at least the following:

1) the relevant interim period;

2) foreseeable development of the issuer in the next six months of the financial year;

3) the largest transactions with related parties. This requirements shall apply to a capital company the shares of which are admitted to trading on a regulated market, if such information has not been already provided.

(3) If the registered address of an issuer is in a foreign state and legal acts of the foreign state provide for a requirement that a person or persons of the issuer are responsible for the preparation of financial information for a year or half-year, particularly in respect of conformity of preparation of financial statements with the applicable regulations for preparing financial statements or with accounting standards, also regarding veracity of the statement on responsibility of the management, a statement of the management’s responsibility prepared by such issuer shall be regarded as equivalent to the requirements of Section 56, Paragraph one, Clause 3 and Section 57, Paragraph three, Clause 3 of this Law.

(4) In cases when the registered address of an issuer is in a foreign country and legal acts of the foreign country does not provide for the requirement to submit, in addition to the consolidated annual report, also annual statement of a capital company, the prepared consolidated annual statement shall be regarded as conforming to the provisions of Section 56, Paragraph two of this Law if the consolidated financial statements have been prepared in accordance with international financial reporting standards or equivalent international financial reporting standards.

(41) In addition to international financial reporting standards in respect of consolidated financial statements and consolidated financial statements of interim periods of six-months, the following shall be regarded as equivalent international financial reporting standards:

1) international financial reporting standards provided that notes to the inspected or audited financial statements includes a clear and direct notification that this financial statement conforms to the International Accounting Standard 1 “Presentation of financial statements” adopted by Commission Regulation (EC) No 1274/2008 of 17 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1;

2) Generally Accepted Accounting Principles of Japan;

3) Generally Accepted Accounting Principles of the United States of America;

4) Generally Accepted Accounting Principles of the People’s Republic of China;

5) Generally Accepted Accounting Principles of Canada;

6) Generally Accepted Accounting Principles of Korea.

(42) An issuer the registered office of which is in a foreign country shall distribute a notification regarding the date on which it will switch to international financial reporting standards in accordance with the procedures laid down in Section 64.2 of this Law, and the Commission shall revoke the requirement regarding recognition of equivalence in respect of such issuer from the date referred to in the notification.

(43) In cases when a registered office of an issuer is in a foreign country and it does not use international financial reporting standards or equivalent international financial reporting standards, the consolidated annual statement prepared shall be regarded as conforming to the requirements of Section 56, Paragraph two of this Law, if it comprises information on:

1) calculation of dividends and ability to pay out dividends. This requirement shall apply to issuers of shares;

2) liquidity of the issuer and minimum capital requirements, if such requirements have been laid down in the legal acts of the relevant foreign country.

(5) The issuer, upon request of the competent authority of the home Member State, shall submit to it information examined by a sworn auditor on its non-consolidated financial statements which is related to information included in the consolidated annual statement. Such information may be prepared in accordance with the requirements of the legal acts of the relevant foreign country.

(6) If the registered office of an issuer is in a foreign country and in accordance with the requirements of the legal acts of this foreign country the issuer does not prepare a consolidated annual statement, but the financial statement thereof is prepared in accordance with the international accounting standards approved by the European Commission and international financial reporting standards or in accordance with the requirements of the legal acts of a foreign country which are equivalent to the requirements of the international accounting standards approved by the European Commission and international financial reporting standards, the financial statement prepared by such issuer shall be regarded as conforming to the requirements of Section 56, Paragraphs three and four of this Law. The financial statement of the issuer shall be audited.

(7) If the financial statement of a foreign issuer is not prepared in accordance with the requirements of Paragraph six of this Section, such issuer shall additionally indicate in the financial statement also data which are calculated in accordance with the requirements of the international accounting standards approved by the European Commission and international financial reporting standards.

(8) If the registered office of an issuer is in a foreign country and the requirements of such foreign country provide that the total time period for the receipt of information on acquiring or terminating a major holding and distribution thereof is seven trading days or less, it shall be regarded that the requirement of the legal acts of such foreign country is equivalent to that laid down in Section 61.3, Paragraph one of this Law. The time periods within which the issuer is informed of acquiring or terminating a major holding and the information received is distributed, may differ from that laid down in Section 61.3, Paragraphs one and three of this Law.

(9) The requirements of the legal acts of a foreign country shall be regarded as equivalent to the requirements of Section 61, Paragraph one of this Law, if the issuer the registered office of which is in this foreign country has an obligation to comply with the following requirements:

1) if the issuer is authorised to keep its shares which form up to five per cent of the proportion of the voting rights, it shall, each time when such proportion is reached or exceeded, provide a notification thereon;

2) if the issuer is authorised to keep its shares which form five to 10 per cent of the proportion of the voting rights, it shall, each time when proportion of five or 10 per cent is reached or exceeded, provide a notification thereon;

3) if the issuer is authorised to keep its shares which form more than 10 per cent of the proportion of the voting rights, it shall, each time when proportion of five or 10 per cent is reached or exceeded, provide a notification thereon.

(10) If the registered office of an issuer is in a foreign country and the requirement, that within 30 calendar days after increase or decrease in the number of shares with voting rights or share capital the issuer distributes such information, is laid down in the legal acts of such foreign country, it shall be regarded that the requirement of such foreign country is equivalent to the requirement of Section 61, Paragraph eight of this Law.

(11) If the registered office of an issuer is in a foreign country and the requirement to provide information on the place, time, and agenda of the meeting of shareholders is laid down in the legal acts of such foreign country, it shall be regarded that such requirement of the laws and regulations of such foreign country in respect of the content of the abovementioned information is equivalent to the requirements of Section 54, Paragraph two, Clause 1 and Section 54, Paragraph three, Clause 1 of this Law.

(12) The requirements of the legal acts of a foreign country shall be regarded as equivalent to the requirements of Paragraphs one and five of Section 61.6 of this Law, if they provide that the commercial companies referred to in Section 63, Paragraph three of this Law conform to the following conditions:

1) a subsidiary which is an investment management company or investment brokerage company exercises the voting rights arising from the financial instruments under its management freely and independently from its parent undertaking;

2) in case of any conflict of interest a subsidiary which is an investment management company or investment brokerage company votes independently from the parent undertaking or interests of the commercial company controlled thereby.

(13) The parent undertaking referred to in Paragraph twelve of this Section shall conform to the requirements of Section 61.6, Paragraph seven, Clause 1 and Paragraph nine of this Law, and also provide confirmation that the parent undertaking has fulfilled the conditions referred to in Paragraph twelve of this Section in respect of each subsidiary investment management company or subsidiary investment brokerage company thereof.

(14) The parent undertaking referred to in Paragraph twelve of this Section shall prove the Commission that it has fulfilled the obligation specified in Section 61.1, Paragraph 6.5 of this Law.

(15) If the registered office of an issuer is in a foreign country and the legal acts of the foreign country provide for an obligation to publish accounts for interim periods for the first three, six, and nine, months, it shall be regarded that such requirement is equivalent to the requirements of Section 57, Paragraph one and Section 57.2, Paragraph one of this Law.

[*22 May 2008; 26 February 2009; 8 November 2012; 26 May 2016*]

**Section 64. Consequences of Failure to Give Notice**

[22 May 2008]

**Section 64.1 Use of Languages for the Submission of the Regulated Information**

(1) If the home country of the issuer is the Republic of Latvia and transferable securities of the relevant issuer are admitted to trading on a regulated market only in the Republic of Latvia, the regulated information shall be provided in the official language.

(2) If the home country of the issuer is the Republic of Latvia and transferable securities of the relevant issuer are admitted to trading on a regulated market in both, in the Republic of Latvia and in one or several Member States, the regulated information shall be provided in the official language and – depending on the choice of the issuer – either in a language accepted by the competent authorities of the relevant Member States or in a language customary in the sphere of international finance.

(3) If transferable securities are admitted to trading on a regulated market in one or several Member States, except for the Republic of Latvia, the regulated information, at the choice of the issuer, shall be provided either in a language accepted by the competent authorities of the relevant Member States or in a language customary in the sphere of international finance.

(4) If the home country of the issuer is not the Republic of Latvia and transferable securities of such issuer are admitted to trading only on a regulated market in the Republic of Latvia, but are not admitted to trading on a regulated market of the country of origin of the issuer, the regulated information, at the choice of the issuer, shall be provided in the official language or in a language customary in the sphere of international finance.

(5) If admission of transferable securities to trading on a regulated market is requested by other persons, other than issuer, the requirements of Paragraphs one, two, and three of this Section shall apply to a person who has requested an authorisation to admit transferable securities to trading on a regulated market, but not to the issuer.

(6) Shareholders, acquirers of depository receipts, and persons who are entitled to acquire, dispose of, or exercise voting rights in one or several cases which are referred to in Section 8 of this Law may provide the regulated information to a joint stock company in a language customary in the sphere of international finance.

(7) In cases when transferable securities the denomination of one unit of which is at least EUR 100 000, or if the value of debt securities is expressed in a currency other than euro, the denomination of one unit of which is at least an equivalent of EUR 100 000 on the day of issue, are admitted to trading on a regulated market in one or several Member States, the regulated information, at the choice of the issuer or a person who has sought admission of transferable securities to trading on a regulated market shall be provided to the public in a language accepted by the Commission and competent authorities of the relevant host Member State or in a language customary in the sphere of international finance.

(8) If a Member State brings an action to the court regarding the content of the regulated information, then the costs incurred for the translation of the necessary information shall be covered in accordance with the legal acts of the Member States.

(9) The requirements of Paragraph seven of this Section shall apply also to those persons owning transferable securities the denomination of one unit of which is at least EUR 50 000, or if the value of debt securities is expressed in a currency other than euro, the denomination of one unit of which is at least equivalent of EUR 50 000, and such securities have been admitted to trading on a regulated market in the European Union before 31 December 2010 until the day when such securities are deleted.

[*26 February 2009; 13 January 2011; 22 March 2012; 19 September 2013; 21 September 2017*]

**Section 64.2 Distribution of the Regulated Information and Access to the Regulated Information**

(1) An issuer or a person who has sought admission of transferable securities to trading on a regulated market shall disclose the regulated information by using mass media or other information distribution channels (hereinafter in this Section – mass media) by taking into account the provisions of this Section and in such a way which ensures distribution of information for the widest possible public and wherever possible concurrently for his or her home Member State and other Member States, and concurrently shall send the regulated information to the official storage system of his or her home Member State in accordance with the procedures laid down in this Section.

(2) The procedures for establishing and maintaining the official storage system, including security requirements of the official storage system and requirements for the distribution of the regulated information, and also the procedures for sending information to the official storage system shall be determined by the Commission. The requirements for preparation, insertion, and searching of the regulated information, for the procedures for assigning identifiers to the European electronic access point shall be determined by the directly applicable legal acts of the European Union regarding harmonisation of the disclosure requirements in relation to information on the issuers whose securities are admitted to trading on a regulated market.

(3) The regulated information shall be distributed to the mass media as non-revised full text. In respect of the regulated information referred to in Sections 56, 56.1, 57, and 57.2 of this Law, this requirement shall be regarded as fulfilled, if it is indicated in the notification provided to the mass media on which website the regulated information is distributed in addition to the official storage system.

(31) The regulated information shall be provided to the mass media so as to:

1) ensure a reference to the source of the regulated information and communications security, reduce the risk that data could be changed or unauthorised access thereto could be possible;

2) be explicitly clear that it is the regulated information by clearly indicating the relevant issuer, subject of the regulated information, and also the time and date when the regulated information is provided.

(32) In order to guarantee security in respect of transfer of the regulated information to the mass media, the issuer or person who has sought admission of transferable securities to trading on a regulated market, shall as soon as possible rectify communication errors or interferences, if any have occurred during the information transfer process. The issuer or person who has sought admission of transferable securities to trading on a regulated market is not liable for systemic errors or deficiencies of those mass media to which the regulated information is transferred.

(4) The regulated information shall be freely available to any interested person for at least 10 years since the placement thereof in the official storage system.

(5) An issuer or a person who has sought admission of transferable securities to trading on a regulated market has no right to charge investors for provision of the regulated information referred to in this Law.

(6) In order to ensure that information published in accordance with the laws and regulations is easily available to any interested person, the Commission shall post a list with website addresses of regulated market organisers, the Enterprise Register, and also official storage systems of other Member States on its website.

(7) The requirements for electronic reporting format of financial statements for insertion of the financial statement in the European electronic access point shall be determined by the directly applicable legal acts of the European Union regarding harmonisation of the disclosure requirements in relation to information on the issuers whose securities are admitted to trading on a regulated market.

[*22 May 2008; 26 February 2009; 15 October 2009; 22 March 2012; 26 May 2016; 21 September 2017; 21 June 2018*]

**Section 64.3 Rights of the Commission**

(1) In order to ensure conformity with the provisions of Section 54, and also Division D, Chapters III and IV of this Law, in conformity with the requirements of the laws and regulations governing personal data protection, the Commission has the following rights in addition to the rights laid down in the Law on the Financial and Capital Market Commission and the rights laid down in this Law:

1) to request information and documents necessary for performance of the tasks thereof from sworn auditors, issuers, shareholders, acquirers of depository receipts, persons who are entitled to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, and also from persons who have control over commercial companies or who are controlled thereby;

2) to request within the time period and in accordance with the procedures laid down thereby that the issuer in accordance with Paragraph one, Clause 1 of this Section discloses the information requested by the Commission to the public, if the Commission regards it as necessary. If the issuer or persons who have control over a commercial company or who are controlled thereby, fail to comply with the requirement of the Commission, the Commission is entitled to publish such information upon its own initiative after having listened to the opinion of the issuer;

3) to request an issuer, shareholder, acquirer of a depository receipt, holder of other financial instruments, or persons who have the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, to notify information requested by the requirements of the laws and regulations governing operation of financial instruments market, and also, where appropriate, to request to provide additional information or documents;

4) to suspend or request that regulated market operator suspend trading in securities for a time period up to 10 days, if it has a justified reason to consider that the issuer has infringed the requirements of the laws and regulations governing operation of financial instruments market;

5) to prohibit trading in transferable securities on a regulated market, if it discovers that the requirements of the laws and regulations governing operation of financial instruments market are violated, or there are substantiated suspicions of such violation;

6) to supervise, if the issuer publishes information in a timely manner in order to ensure effective and equivalent access to information for the public in all Member States in which transferable securities are admitted to trading on a regulated market, and also to carry out the necessary measures, if the requirements of the relevant laws and regulations are not fulfilled;

7) to publicly notify the fact that an issuer, shareholder, acquirer of a depository receipt, holder of other financial instruments, or persons who have the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, have not fulfilled the requirements of the laws and regulations governing operation of financial instruments market;

8) to verify that the regulated information is prepared in conformity with the requirements for preparing financial statements, and to implement the necessary measures if any violations have been established;

81) to verify whether the regulated information truly and fairly reflects information on the issuer, his activities and corporate governance;

9) to verify on site the fulfilment of the requirements of the laws and regulations governing operation of financial instruments market;

10) to request information and documents necessary for the performance of its tasks from a market maker, including an agreement entered into between the market maker and regulated market operator or issuer, if any;

11) to request the following data from the issuer or person who has sought admission of transferable securities to trading on a regulated market, regarding provision of the regulated information to the mass media:

a) given name and surname of the person who has transferred the regulated information to the mass media;

b) security observed during the process of transfer of the regulated information;

c) data and time when the regulated information was transferred to the mass media;

d) information medium by which the regulated information was transferred;

e) data regarding any restrictions, if any, for disclosure of the regulated information stipulated by the issuer.

(2) If the Commission establishes that the issuer of another Member State or a shareholder of such issuer, acquirer of a depository receipt, holder of other financial instruments, or a person who has the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, has infringed the requirements of the laws and regulations governing operation of financial instruments market, he or she shall notify such facts to the competent authority of the home Member State and the European Securities and Markets Authority.

(3) If the Commission has informed the competent authority of the relevant home Member State in accordance with the requirements of Paragraph two of this Section, however, the measures carried out turned out ineffective and the persons referred to in Paragraph two of this Section continue to infringe or fail to fulfil the requirements of the laws and regulations governing operation of financial instruments market, the Commission is entitled to carry out all the necessary measures in order to protect the interests of investors, and also shall inform the European Commission and the European Securities and Markets Authority thereof in accordance with the requirements of Section 147 of this Law.

(4) [26 May 2016]

[*22 May 2008; 22 March 2012; 26 May 2016; 21 September 2017*]

**Section 64.4 Responsibility of a Sworn Auditor**

If a sworn auditor provides information to the Commission requested thereby in accordance with Section 64.3, Paragraph one, Clause 1 of this Law, it shall not be considered as violation of information disclosure prohibition, and the sworn auditor shall not be held liable in accordance with the laws and regulations or agreement entered into between the sworn auditor and a capital company.

**Chapter V**

**Share Buy-back Offer**

**Section 65. Scope of this Chapter**

The provisions of this Chapter regarding execution of the mandatory and voluntary share buy-back offer (hereinafter both together – the share buy-back offer) and of the final share buy-back and the consequences of the failure to express a mandatory share buy-back offer shall apply to persons which make or have an obligation to make the share buy-back offer of a target company or to persons who perform the final share buy-back.

[*14 September 2017*]

**Section 66. Mandatory Share Buy-back Offer**

(1) In addition to the persons referred to in Section 1, Paragraph one, Clause 42 of this Law within the meaning of this Section shareholders of a target company shall be considered persons who act in concert, if such persons are:

1) natural persons and persons under guardianship of such natural persons;

2) spouses;

3) ascending and descending relatives up to the first degree;

4) commercial companies which are controlled by the same person;

5) members of the board and council of the target company;

6) the commercial company and members of its board.

(2) Action in concert of the members of the board and council referred to in Paragraph one, Clause 5 of this Section shall be attested by the link between the election of members of the council and appointing of members of the board with the particular shareholder.

(3) The persons referred to in Paragraph one of this Section shall be considered to be persons acting in concert only if they do not provide a credible explanation and factual proof to the Commission regarding non-existence of action in concert.

(4) It is mandatory that an offer addressed to other shareholders to redeem the shares belonging thereto is expressed by a person or persons who are acting in concert, provided that they:

1) acquire the voting rights arising from the shares, directly or indirectly, in such amount that the voting rights of such persons reach or exceed 30 per cent from the total number of voting rights of the joint stock company;

2) have voted in favour of the matter regarding exclusion of the shares from a regulated market at the meeting of shareholders in which the decision to exclude shares from a regulated market was taken. Such a vote may not be a closed vote. The minutes of the meeting of shareholders shall specify those shareholders who have voted in favour. Shareholders which at the meeting of shareholders have voted in favour of the matter regarding exclusion of the shares from a regulated market, shall authorise a representative from amongst their members who will make an offer on their behalf.

(5) A mandatory share buy-back offer need not be made, if:

1) a person or persons who are acting in concert acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section as a result of a voluntary share buy-back offer which was made with a view to acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section in a target company and which was expressed to all shareholders of the target company regarding all shares of the target company. The share price in such voluntary share buy-back offer shall be determined in accordance with Section 74 of this Law;

2) a person or persons who are acting in concert, when making a mandatory share buy-back offer, in the case referred to in Paragraph four, Clause 2 of this Section acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section during or as a result of the mandatory share buy-back offer made thereby;

3) a person or persons acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section upon change of control within the scope of commercial companies in one group of companies or group, and as a result of such changes the person who holds indirectly acquired holding with the intermediation of controlled commercial companies does not change;

4) an investment in shares of a target company for a person is a short-term investment without the purpose of participation in management of a joint stock company and is made by acquiring shares of the target company for the trading portfolio of the credit institution or investment brokerage company, or the credit institution or investment brokerage company has acquired the shares of the target company by signing up to shares of a new issue with the purpose of selling them to its clients, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within six months after the day of reaching or exceeding such amount of voting rights;

5) the amount of voting rights specified in Paragraph four, Clause 1 of this Section has been reached or exceeded within the scope of reorganisation of a shareholder of a commercial company with the purpose of performing a merger, provided that after entering into effect of reorganisation, as defined in the Commercial Law, the amount of shares with voting rights is reduced and becomes less even than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within three months;

6) the amount of voting rights specified in Paragraph four, Clause 1 of this Section is reached or exceeded as a result of exercising the pledge rights or financial guarantee, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within six months after the day of reaching or exceeding such amount of voting rights;

7) the amount of voting rights specified in Paragraph four, Clause 1 of this Section is reached by not more than three per cent from the total number of shares with voting rights without the purpose of participation in the management of a joint stock company or influencing voting in meetings of shareholders, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within one month after the day of reaching or exceeding such amount of voting rights;

8) the amount of holding which reaches or exceeds 30 per cent of the total number of shares with voting rights of a joint stock company, has been been acquired prior to admission of shares of a joint stock company to a regulated market and information has been included in a prospectus on a person whose amount of holding has reached or exceeded 30 per cent from the total number of shares with voting rights of a joint stock company, or the relevant persons who act in concert and whose total amount of holding has reached or exceeded 30 per cent from the total number of shares with voting rights of a joint stock company.

(6) If a person or persons who act in concert, acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section as a result of inheritance, he or they need not express a mandatory share buy-back offer for two years from the day when the inherited shares have been recorded in the account of financial instruments or registered with the register of shareholders.

(7) A person may not exercise any voting rights arising from the shares belonging thereto or any indirectly acquired voting rights, if such person:

1) within the time periods and in accordance with the procedures laid down in this Law fails to express the mandatory share buy-back offer;

2) expresses a share buy-back offer which does not comply with the requirements of law;

3) in accordance with the procedures laid down in this Law has not settled accounts with the investors who have accepted the share buy-back offer.

(8) Decisions of the meeting of shareholders which have been taken through the exercise of voting rights contrary to the provisions of Paragraph seven of this Section shall be void, and no entries in any type of public register may be requested on the basis of such decisions.

(9) A person may resume the exercise of the voting rights referred to in Paragraph seven of this Section only in case when he or she, even with delay, has fulfilled the duties laid down in this Chapter and rectified the deficiencies established by the Commission.

[*26 May 2016; 15 December 2016; 21 June 2018; 12 December 2019*]

**Section 67. Voluntary Share Buy-back Offer**

(1) A person is entitled to express a voluntarily share buy-back offer if the purpose thereof is to obtain shares in an amount which ensures not less than 10 per cent of the number of voting rights in a joint stock company.

(2) A person expressing a voluntary offer to redeem shares shall set the minimum or maximum number of shares it offers to redeem.

(3) If shareholders at a target company accept a voluntary offer to redeem shares with regard to such an amount of shares which exceeds the maximum number of shares specified in the offer prospectus, the offeror shall redeem the shares in proportion from all the shareholders of the target company who have accepted the offer. The total number of the redeemed shares may not be less than the maximum number of shares specified in the offer prospectus.

(4) If shareholders of a target company accept a voluntary share buy-back offer with regard to such an amount of shares which does not comprise the minimum number of shares specified in the offer prospectus, the offeror shall redeem the shares from all the shareholders of the target company who have accepted the offer.

(5) In the case referred to in Paragraph four of this Section the offer shall be void only when the offer prospectus specifies that the offer becomes void, provided that the shareholders of a target company accept the share buy-back offer with regard to such an amount of shares which does not comprise the minimum number of shares specified in the offer prospectus.

**Section 68. Competing Share Buy-back Offer**

(1) Such a voluntary share buy-back offer shall be considered a competing share buy-back offer which has been expressed with regard to the share of a target company while another offer is in effect with regard to these shares.

(2) A competing share buy-back offer may not be made by a person who:

1) is in the same group of companies with the person making the offer which is in effect;

2) has entered into an agreement with the person making the offer which is in effect, regarding joint action with regard to the offer;

3) has received an authorisation from the person making the offer which is in effect, to vote in the name thereof at the meeting of shareholders of the target company.

(3) A competitive share buy-back offer may be expressed if there are at least five days from the day an advertisement is published in the official publication *Latvijas Vēstnesis* regarding the competing share buy-back offer until the end of the time period of the offer in effect.

[*9 July 2013*]

**Section 69. General Provisions for a Share Buy-back Offer**

(1) In order to ensure shareholders of a target company with sufficient information in order to take a justified decision on an offer, an offeror shall prepare a prospectus of the share buy-back offer and submit it to the Commission.

(2) An offeror shall offer equal share disposal regulations to all share owners of a target company of one category.

(3) The time period for a share buy-back offer may not be shorter than 30 days or longer than 70 days from the day of expression thereof. If during a voluntary share buy-back offer it is decided to convene a meeting of shareholders of the target company in the agenda of which an issue regarding the share buy-back offer made is included, the time period of the offer shall be extended for a time period which is necessary for convening the meeting, however, it may not exceed 70 days.

(4) The following may not be carried out during the time period of the mandatory share buy-back offer or upon performing final share buy-back:

1) to calculate dividends of the target company;

2) to change the denomination of the shares of the target company;

3) to joint and divide share issues of the target company.

(5) If any of the activities referred to in Paragraph four of this Section is planned and announced to the public in advance, the Commission shall determine the beginning of the time period of the mandatory share buy-back offer after completion of the abovementioned activity. In such case the price of the mandatory share buy-back offer shall be adjusted after completion of the activity referred to in Paragraph four of this Section.

(6) No restrictions on expropriation of shares specified in either the articles of association of a target company or reciprocal agreements of a target company and its shareholders shall be in effect with regard to the person making the share buy-back offer during the time period of the share buy-back offer.

(7) When making a voluntary share buy-back offer, activities of the target company may not be hindered for more than it is necessary in order to make a share buy-back offer, and the time period of the voluntary share buy-back offer may not be longer than the time period laid down in Paragraph three of this Section.

(8) If a joint stock company has issued shares with voting category shares of different denominations, at the meeting of shareholders at which the protective measures against overtaking the company during a voluntary share buy-back offer are decided, the number of voting rights of each shareholder shall correspond to his or her investment in the capital of the target company.

(9) If a joint stock company has issued shares with voting category shares of different denominations, at the first meeting of shareholders which is convened after the end of the term of the offer upon initiative of an offeror to amend the articles of association or remove current members of the council and to assign new members of the council, the number of voting rights of each shareholder shall correspond to his or her investment in the capital of the target company.

(10) If an offeror has at least 75 per cent of shares with voting rights after making an offer, the restrictions for share disposal or voting rights laid down in the articles of association shall not be binding to the shareholders of a target company. Also the extraordinary rights laid down in the articles of association of a target company or mutual agreements of shareholders for any of shareholders to elect for the position or to remove therefrom the members of the board or council are not in effect.

(11) If on the basis of Paragraphs five, seven, eight, and nine of this Section the rights of any shareholder of a target company are restricted and, therefore, losses are caused for him or her, such shareholder has the right to request a corresponding compensation from the person making share buy-back offer. If parties fail to agree regarding amount of the compensation, it shall be determined by the court.

(12) The restrictions laid down in Paragraphs seven, eight, and nine of this Section shall not be in effect, if a corresponding financial compensation is intended for restrictions of voting rights.

(13) This Section shall not be applied in respect of co-operative societies, special rights provided for in legal acts of the Member State which comply with the provisions of the Treaty establishing the European Community and in the cases when the Member States own shares of a target company which confer special rights thereto conforming to the provisions of the Treaty establishing the European Community.

[*15 June 2006; 14 September 2017; 21 June 2018*]

**Section 69.1 Supervision of a Buy-back Offer**

(1) A share buy-back offer shall be governed by this Law and the course thereof shall be supervised by the Commission, if:

1) the registered office of a target company is in Latvia and its shares are admitted to trading on a regulated market registered in Latvia;

2) the registered office of a target company is not in Latvia, but its shares are admitted to trading on a regulated market registered in Latvia;

3) the registered office of a target company is not in Latvia and its shares are put into public circulation in Latvia and in other Member State, but they are admitted to trading on a regulated market registered in Latvia prior to putting into public circulation in such Member State.

(2) If the shares of a target company are put into public circulation in several Member States concurrently one of which is Latvia, the target company shall determine the Member State the supervisory authority of which will supervise the share buy-back offer. If the target company selects the Commission as the authority which will supervise the share buy-back offer, the target company shall notify regulated market operators, on the regulated markets of which the shares of the target company are admitted to trading, and the Commission thereon on the first day when securities are admitted to trading on a regulated market.

[*15 June 2006*]

**Section 70. Procedures for Submitting a Share Buy-back Offer Prospectus**

(1) The initiator of an offer shall, not later than within 10 working days after the conditions referred to in Section 66, Paragraph four, Clause 1 of this Law have entered into effect, or after taking of a decision of the meeting of shareholders referred to in Section 66, Paragraph four, Clause 2 or a decision of the offeror to make a voluntary share buy-back offer, submit a submission to the Commission regarding making a share buy-back offer.

(11) If an offeror must receive a permit of another State authority for acquiring the majority of voting rights referred to in Section 66, Paragraph four, Clause 1 of this Law, the offeror shall submit the submission referred to in Paragraph one of this Section within 10 working days after the day of receipt of such permit.

(12) The voluntary share buy-back offer of the offeror specified in Paragraph one of this Section shall be distributed only after receipt of the permit referred to in Paragraph 1.1 of this Section.

(2) The offeror shall submit the following concurrently with the submission:

1) a prospectus for the share buy-back offer and the text thereof in electronic form;

2) an assessment of the price adequacy of the offer;

3) a copy of the registration certificate if the offeror is a non-resident, or a copy of a personal identification document if the offeror is a natural person;

4) documents attesting to the sufficiency of resources for the fulfilment of the obligations specified in the offer within the time period laid down in law.

(3) When making a voluntary share buy-back offer, the submission of a validation of the adequacy of the price shall not be required.

(4) If a share buy-back offer is expressed in the case referred to in Section 66, Paragraph four, Clause 2 of this Law, the offeror shall in addition submit:

1) an extract from the minutes of the meeting of shareholders which specifies the shareholders who have voted in favour;

2) documents attesting to the right of the offeror to make a share buy-back offer in the name of those shareholders who have voted in favour.

(41) If a share buy-back offer is expressed in the case referred to in Section 66, Paragraph four of this Law and the price of one share to be redeemed is determined in accordance with the procedures referred to in Section 74, Paragraph seven of this Law, the offeror shall additionally submit a liquidation value estimate of the target company.

(5) The following documents shall be considered to be attesting to the sufficiency of resources for the fulfilment of the obligations provided for in the offer within the time period laid down in law:

1) a written certification (statement of obligation) addressed to the Commission regarding the allocation of resources to the offeror for the discharge of obligations specified in the offer issued by a credit institution, investment brokerage company or an insurance company which is registered:

a) in the Republic of Latvia or a Member State;

b) in a foreign country provided that the Commission has entered into a co-operation agreement on the exchange of information with the relevant foreign supervisory authority;

2) statements regarding the target deposit of the offeror which the offeror is entitled to use only for settlement of accounts for the buy-back of shares if they have been issued by:

a) a credit institution registered in the Republic of Latvia;

b) a credit institution or brokerage company entitled to accept deposits which is registered in a Member State;

c) a credit institution or investment brokerage company entitled to accept deposits which is registered in a foreign country (but not in a Member State) if the Commission has entered into a co-operation agreement for the exchange of information with the relevant foreign supervisory authority.

[*15 June 2006; 24 April 2014; 26 May 2016*]

**Section 71. Prospectus for a Share Buy-back Offer**

The prospectus for a share buy-back offer shall specify:

1) the firm name, registration number, registered office, telephone number, and also fax number, e-mail address (if any), and the website address (if any) of the target company;

2) information on the offeror and person acting in concert with the offeror or target company, where possible, indicating relations thereof with the offeror and target company:

a) for natural persons – the given name, surname, personal identity number (if any), or year and date of birth;

b) for legal persons – the firm name, registration number, date and place, and also registered office;

3) the type of offer (mandatory or voluntary). If a mandatory share buy-back offer is made, it shall be indicated which of the conditions referred to in the laws and regulations has set in for making the relevant offer;

4) ISIN code of shares (a unique combination of letters or figures which is granted to financial instruments by the central securities depository before recording thereof for identification purposes) and, if a voluntary share buy-back offer is made, the maximum or minimum number of shares (percentage of the total number of shares), which the offeror undertakes to acquire;

5) price for buy-back of one share and methods used for determination thereof (if mandatory share buy-back offer is made);

6) information on procedures and time periods for payment of shares, but in cases when other financial instruments are offered as consideration for the shares – information on such financial instruments;

7) the time period of the offer and the time period when the results of the offer will not announced;

8) the procedures by which shareholders of a target company may accept the offer and revoke the accepted offer, specifying separately the procedures for accepting the offer by:

a) persons who own shares in a target company which are in public circulation;

b) persons who own shares in a target company which are not in public circulation;

9) intentions of the offeror regarding future activity of the target company, retaining of workplaces, including all significant changes in employment conditions, plans of commercial companies (if the offeror is a legal person and the offer influences its future activity), and strategic plans of the offeror in respect of both commercial companies and their possible influence on employment of the target company and commercial company of the offeror and change of the location of the commercial company;

10) any other significant information directly applicable to the offer or offeror and considered by the offeror or the Commission as necessary to be disclosed in a prospectus;

11) amount of compensation for losses offered to shareholders of the target company the rights of which are limited in accordance with Section 69, Paragraph eleven of this Law, providing a detailed information on how such compensation will be disbursed and indicating the method which is used for determination of the compensation;

12) information on financing sources of the offer;

13) what legal acts will govern agreements entered into by the offeror and shareholders of the target company in relation to the offer, and information on courts examining mutual disputes.

[*15 June 2006; 26 February 2009; 14 September 2017*]

**Section 72. Procedures for Revising a Prospectus for a Share Buy-back Offer**

(1) When a prospectus for making a share buy-back offer is received by the Commission, it shall, without delay, but not later than on the next working day, place the following information on its website and notify to the relevant regulated market operator:

1) the information referred to in Section 71, Clause 2 on the offeror;

2) the buy-back price of one share provided for in a prospectus;

3) the time period of the offer.

(2) The regulated market operator shall, without delay, place the information referred to in Paragraph one of this Section on its website.

(3) The Commission shall examine the submission and the prospectus for the share buy-back offer and take a decision to allow or to refuse to make the offer within 10 working days after receipt of all the documents referred to in Section 70 of this Law which have been prepared and documented in accordance with the requirements of the laws and regulations. If the methods for setting the price referred to in Section 74, Paragraph seven or eight of this Law are used in the mandatory share buy-back offer, the Commission shall take a decision to allow or to refuse to express the offer within 30 working days after receipt of all the documents prepared and documented in accordance with the requirements of laws and regulations and referred to in Section 70 of this Law.

(4) If all the necessary documents have not been submitted to the Commission or they have not been drawn up in accordance with the requirements of the laws and regulations, the Commission shall not take a decision to allow or to refuse to make an offer and shall communicate the deficiencies established, and also the time period for their rectification to the offeror in writing. If the offeror rectifies the deficiencies previously indicated in writing by the Commission within the time period specified by the Commission, the submission shall be considered to have been submitted to the Commission on the first day of submitting it and the Commission shall take a decision to allow or to refuse to make the offer. If the offeror fails to rectify the deficiencies previously indicated in writing by the Commission within the time period specified by the Commission, the submission shall be considered not to have been submitted.

(5) The Commission shall, without delay, but not later than on the next working day after taking of the decision, inform the offeror of the decision taken.

(6) After a decision has been taken on permission to express an offer, the Commission shall concurrently inform thereof the offeror, the relevant regulated market operator in the regulated market of which the shares have been admitted to trading, and the central securities depository in which shares of the target company have been recorded and send the offer prospectus to the regulated market organiser and the central securities depository in electronic form for buy-back of the shares. The central securities depository shall send the offer prospectus in electronic form for buy-back of the shares to all members of the central securities depository in whose accounts in the central securities depository the shares of the target company have been recorded.

(7) The regulated market operator shall, without delay, post the prospectus for the share buy-back offer on its website.

[*15 June 2006; 22 May 2008; 24 April 2014; 14 September 2017; 21 June 2018*]

**Section 72.1 Mutual Recognition of a Prospectus for Buy-back Offer**

(1) After approval of a prospectus for buy-back offer an offeror, having translated the prospectus for buy-back offer into languages recognised by the competent authorities of the relevant Member States and supplemented it with the information laid down in the legal acts of the relevant Member States, is entitled to make a share buy-back offer in all Member States on the regulated markets of which the shares of the target company are admitted to trading.

(2) An offeror is entitled to make a buy-back offer regarding the shares of companies registered in another Member State admitted to trading on a regulated market registered in Latvia by submitting a prospectus for the share buy-back offer approved in such Member State to the Commission and a notarially certified translation thereof, supplementing the prospectus for share buy-back offer and including therein the procedures for accepting an offer by shareholders of a target company present in Latvia, and the procedures for settlement of accounts for such shares.

[*15 June 2006*]

**Section 73. Disclosure of Information on a Share buy-back Offer**

(1) A person who has taken the decision to make a voluntary share buy-back offer or a person who has an obligation to make a mandatory share buy-back offer in accordance with the provisions of this Law, after taking of the decision or entering into effect of the relevant conditions, shall inform thereof the board of the target company.

(2) The offeror is entitled to express a share buy-back offer only after the Commission has taken a decision on permission to express a share buy-back offer.

(3) After receipt of the decision of the Commission on permission to express a share buy-back offer, the offeror shall, without delay, inform in writing the target company of the provisions of the offer and provide an opportunity for its board to become acquainted with the offer prospectus, and also provide information on an offer to the central securities depository in which the shares of the target company have been recorded in the amount and according to the procedures stipulated by the central securities depository.

(4) Within five working days after receipt of the decision of the Commission on permission to make a share buy-back offer, the offeror shall publish the following information on the share buy-back offer in the official publication *Latvijas Vēstnesis*:

1) the information referred to in Section 71, Clauses 1, 2, 5, and 7 of this Law;

2) the place where and time when becoming acquainted with the prospectus of the share buy-back offer shall be possible;

3) in conformity with the time periods for the offer and payment indicated in the prospectus – the dates when the offer will end, when the results of the offer will be announced, and when the settlement will take place.

(5) The offeror who makes a voluntary share buy-back offer in accordance with the provisions of Section 67, Paragraph two of this Law shall also specify in the publication the minimum or maximum number of shares it has intended to redeem.

(6) The offeror who will not redeem shares in accordance with the provisions of Section 67, Paragraph five of this Law, unless the shareholders of the target company accept the offer in at least the minimum amount specified in the offer prospectus of the share buy-back offer, shall unmistakably indicate thereof in the publication.

[*9 July 2013; 14 September 2017*]

**Section 74. Setting of Price in a Mandatory Share Buy-back Offer**

(1) Upon making a share buy-back offer the price of one share to be redeemed may not be lower than:

1) the price at which an offeror or persons acting in concert with the offeror have acquired the shares of the target company during the last 12 months. If the shares have been acquired at different prices, the redeeming price shall be the highest price for the acquisition of shares within the last 12 months prior to the entering into effect of the circumstances specified in Section 66, Paragraph four of this Law;

2) the weighted average share price on a regulated market or multilateral trading facility in which the largest turnover with the relevant share was during the last 12 months. The weighted average share price is calculated for the last 12 months before entering into effect of the circumstances indicated in Section 66, Paragraph four of this Law;

3) the value of a share that is calculated by dividing the net assets with the number of shares issued. Net assets shall be calculated by deducting from the total assets own shares and obligations belonging to the target company. If the target company owns shares with different denominations, when calculating the value of shares the net assets shall be divided proportionally for the proportion of shares at each denomination in the share capital.

(2) When determining the value of one share to be redeemed in conformity with Paragraph one, Clause 3 of this Section, in the calculation of the value of shares the data from the last target company annual statements approved by the meeting of shareholders, regarding which a report by a sworn auditor has been provided, shall be used. The time period between the last day of the year of operation for which the annual statement is prepared and the day on which the offer is made to the Commission may not exceed 16 months. If, in accordance with laws and regulations, a target company prepares an annual statement not later than seven months after the end of a reporting year, the time period between the last day of the year of operation for which an annual statement is prepared and the day on which an offer is expressed to the Commission may not exceed 19 months. In the calculation of the value of shares the data from the last quarterly statement of a target company shall be used, provided that the value of shares which has been calculated by using the data of the quarterly statement shall exceed by at least 10 per cent the value of shares which has been determined by using the data of the reporting year. If a target company also prepares a consolidated annual statement, then, in determining the value of the share to be redeemed, the data of the consolidated statement shall be used. If a target company prepares annual statements in accordance with both, the laws of the country of registry, and according to the international financial reporting standards, then, in determining the value of the share to be redeemed, the data of the statement prepared according to the international financial reporting standards shall be used.

(3) If a mandatory share buy-back offer is made after entering into effect of the circumstances specified in Section 66, Paragraph four, Clause 2 of this Law, Paragraph one, Clause 1 of this Section is not applied in the determination of the offer price.

(4) If a target company owns shares at different denomination, the price of one share to be redeemed shall be determined for shares of each denomination separately.

(5) If the offeror, from the day on which the circumstances have entered into effect under which it must make a mandatory share buy-back offer until the final day of the time period of the offer, enters into a transaction regarding the acquisition of target company shares at a price exceeding the price specified in the offer, the price of this particular transaction shall become the offer price.

(6) Within six months from the day the time period for the offer expires, the offeror is entitled to enter into a transaction regarding the acquisition of target company shares at a price which is higher than that specified in the offer, only provided that it pays out the price difference to all persons which have sold shares thereto in response to the share buy-back offer.

(7) If a court has initiated a case regarding legal protection proceedings, the share buy-back price in the mandatory share buy-back offer shall be determined by dividing the liquidation value of the target company by the number of issued shares. The liquidation value shall be calculated as an estimated value which could be obtained by selling assets of the target company, except for those non-material assets which cannot be sold as separate assets. Asset selling costs and liabilities of the target company shall be deducted from the obtained value. The liquidation value shall be determined by an expert in material investment evaluation included in the list of material investment evaluators of the Register of Enterprises as on the day when the circumstances have occurred which impose an obligation on the offeror to express a mandatory share buy-back offer.

(8) The Commission, upon request of the offeror, has the right to set another share buy-back price in the mandatory share buy-back offer which is different from the price referred to in Paragraph one of this Section, if financial condition of the target company has been affected by emergency circumstances due to which the share buy-back price set in accordance with Paragraph one of this Section is not proportionate to the share value as on the day when the circumstances occurred which impose an obligation on the initiator to express a mandatory share buy-back offer. In the case referred to in the first sentence of this Paragraph the offeror shall submit evidence to the Commission regarding the circumstances due to which the share buy-back price should be set notwithstanding the principles of setting share price referred to in Paragraph one of this Section. In the case referred to in this Paragraph the share value shall be calculated in accordance with the procedures laid down in Paragraph one, Clause 3 of this Section, using the data from the last available financial statements of the target company which have been adjusted, if necessary, taking into consideration the effect of the emergency circumstances.

(9) The Commission has the right to determine another time period for setting of the share buy-back price in the mandatory share buy-back offer which is different from the time period referred to in Paragraph one of this Section, if the offeror has submitted a submission to the Commission regarding the expression of a share buy-back offer after the time period determined in Section 70, Paragraph one of this Law.

(10) If the Commission issues an administrative act establishing that in accordance with this Law a person has an obligation to express a mandatory share buy-back offer but the person has not expressed it, the time period for fulfilment of such obligation for the abovementioned person shall start on the day of entering into effect of the administrative act. In such mandatory share buy-back offer the price of one share shall be calculated in accordance with the procedures laid down in Section 74, Paragraph one of this Law, calculating the time period for setting of the share buy-back price from the day of issue of the administrative act. The price of a share shall be indicated in the administrative act issued by the Commission.

[*15 June 2006; 15 October 2009; 24 April 2014; 21 September 2017; 21 June 2018*]

**Section 74.1 Rights of a Shareholder to Request Buy-Back of Shares in Case of Failure to Express the Mandatory Share Buy-back Offer**

(1) If a person or persons who act in concert have reduced the quantity of voting rights arising from shares to an extent which does not reach or does not exceed that specified in Section 66, Paragraph four, Clause 1 of this Law, other shareholders have the right request that such person or persons buy back the shares belonging to them after the Commission has issued the administrative act referred to in Section 74, Paragraph ten of this Law (hereinafter in this Section – the administrative act).

(2) Buy-back of shares may be requested by a shareholder which owned the shares on the day when the Commission issued the administrative act. The shareholder may request buy-back of shares in an amount which does not exceed the amount of shares that belonged to him on the day when the administrative act of the Commission was issued. The share buy-back price shall be determined in accordance with Section 74 of this Law, counting the period for determination of the price from the day when the administrative act was issued.

(3) The shareholder may request buy-back of shares within eighteen months from the day when the administrative act issued by the Commission entered into effect.

(4) If the obligation referred to in the administrative act lies with persons who act in concert, they shall be solidarily responsible for the buy-back of shares.

[*21 September 2017 /* *See Paragraph 59 of Transitional Provisions*]

**Section 75. Procedures for Amending Provisions of a Share Buy-back Offer**

(1) If there are at least 10 working days until the end of the time period of the share buy-back offer, the offeror has the right to amend the following provisions of the share buy-back offer:

1) to extend the time period without exceeding the time period limitations specified in Section 69, Paragraph three of this Law;

2) to increase the price of one share to be redeemed;

3) to amend other provisions, provided that the conditions for the rest of the target company shareholders do not deteriorate and that no circumstances occur due to which target company shareholders who have already accepted the offer are placed under less advantageous conditions.

(2) If the offeror decides to amend the provisions of the share buy-back offer, it shall prepare amendments to the share buy-back offer and submit them to the Commission in accordance with the same procedures as for the prospectus of the share buy-back offer.

(3) Within three working days after receipt of amendments to the prospectus for a share buy-back offer, the Commission shall take a decision to grant permission for or to refuse to amend the provisions of the offer and without delay inform the offeror thereof.

(4) The Commission shall, without delay, also inform the relevant regulated market operator and the central securities depository in which the shares of the target company have been recorded of granting of the permission to amend the provisions of the share buy-back offer and send thereto the text of the amendments to the prospectus for a share buy-back offer in electronic form. The central securities depository shall send the text of the amendments to the prospectus for a share buy-back offer in electronic form to all members of the central securities depository in whose accounts in the central securities depository the relevant shares of the target company have been recorded.

(5) The regulated market operator shall, without delay, post the amendments made to the prospectus for the share buy-back offer on its website.

(6) The offeror shall, not later than within three working days after receipt of a decision of the Commission on granting of the permission to amend the provisions of an offer, publish the information on the amendments to the provisions of the offer in the official gazette *Latvijas Vēstnesis*.

[*9 July 2013; 14 September 2017; 21 June 2018*]

**Section 76. Procedures for Withdrawal of a Share Buy-back Offer**

(1) The Commission is entitled to withdraw the share buy-back offer if it determines non-compliance with laws and regulations or circumstances independent of the offeror as a result of which the offer may not be expressed as a result of force majeure.

(2) The Commission shall, without delay, notify the offeror, the relevant regulated market operator, and the central securities depository in which the shares of the target company have been recorded of the decision to withdraw the share buy-back offer.

[*14 September 2017; 21 June 2018*]

**Section 77. Duties of a Target Company**

(1) The board of a target company shall, within five working days after publishing of an advertisement on making a share buy-back offer, prepare an opinion in which it provides its opinion on the offer and its substantiation, on influence of the implementation of the offer on the interests of the target company (particularly – on employment), and also on strategic plans of the offeror in respect of the target company and possible indirect influence of such plans on employment and change of the place of location of the commercial company.

(2) The board of a target company shall communicate its opinion by using the mass media through the help of which the widest possible range of persons interested in the offer are informed.

(3) The board of a target company shall inform of its opinion the regulated market operator which will immediately publishes this information on its website or make it available to the public by other means determined by the regulated market operator.

(4) The board of a target company shall inform employees of the target company or their representatives of its opinion. If until publishing the opinion of the board representatives of employees of the target company have submitted a separate opinion to the board on influence of the offer on employment, such opinion shall be added to the opinion of the board.

(5) The board and council of the target company shall, from the moment when the offeror has informed the board and council of its opinion to make a voluntary share buy-back offer until the end of the time period of offer before implementing such measures which could destroy successful course of the buy-back offer, obtain a permission of the meeting of shareholders for such activities. The abovementioned permission is not necessary if alternative share purchase offers are searched.

(6) If the decisions laid down in Paragraph five of this Section are taken before the board or council has found out about making a voluntary share buy-back offer and the offer is not partly or completely implemented, the consent of the meeting of shareholders shall be necessary for any decision which is not a part of standard economic activity of the target company and the implementation of which could destroy share buy-back offer.

(7) If share buy-back offer is made in the case provided for in Section 66, Paragraph four, Clause 2 of this Law, the target company has an obligation, not earlier than within 10 working days and not later than within 15 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official gazette *Latvijas Vēstnesis*, to submit a submission to the regulated market operator regarding exclusion of the shares form the regulated market.

(8) The regulated market operator shall, after receipt of the submission referred to in Paragraph seven of this Section, take a decision within 10 working days to exclude the shares of the target company from a regulated market, unless the right to perform a final share buy-back has arisen for the offeror within 10 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official gazette *Latvijas Vēstnesis*. If the regulated market operator does not receive the submission within the time period referred to in Paragraph seven of this Section to exclude the shares of the target company from a regulated market, the Commission shall take a decision to exclude the shares of the target company from a regulated market within 10 working days, unless the right to perform a final share buy-back has arisen for the offeror within 10 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official gazette *Latvijas Vēstnesis*.

(9) If the right to perform a final share buy-back has arisen for the offeror within 10 working days from the day when the advertisement referred to in Paragraph eight of this Section is published in the official gazette *Latvijas Vēstnesis*, the regulated market operator shall, within 10 working days, take a decision to exclude the shares of the target company from a regulated market after the end of the making of a share buy-back offer conforming to this law. The day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official gazette *Latvijas Vēstnesis* shall be regarded as the end of the making of a share buy-back offer referred to in this Paragraph.

(10) If the right to perform a final share buy-back has arisen for the offeror within 10 working days from the day when the advertisement referred to in Paragraph eight of this Section is published in the official gazette *Latvijas Vēstnesis*, but the offeror has not exercised his right arising from the provisions of Section 81 of this Law within the time period provided for in the Law, the Commission shall, not earlier than within 10 and not later than within 15 working days from the end of the time period for exercising the rights of the offeror, take a decision to exclude the shares of the target company from a regulated market.

[*15 June 2006; 22 May 2008; 9 July 2013; 14 September 2017; 21 June 2018*]

**Section 78. Prohibition against Hindering the Procedure of a Share Buy-back Offer**

(1) Members of the council and board of a target company are prohibited from hindering with their action or absence of action the course of a share buy-back offer.

(2) After publishing of an advertisement regarding the share buy-back offer in the official gazette *Latvijas Vēstnesis*, or from the moment the target company becomes aware of the information on the obligation to make a mandatory offer, the target company may not perform any new issues of shares or convertible bonds as a result of which the division of voting rights at the meeting of shareholders changes or may change.

(3) A target company may not take any decisions that are in conflict with the requirements of Section 69, Paragraph four of this Law.

(4) The prohibition laid down in Paragraphs two and three of this Section shall be valid until the end of the time period for the payment laid down in the share buy-back offer.

[*9 July 2013*]

**Section 79. Notification on Results of a Share Buy-back Offer**

(1) The offeror shall, without delay, but not later than within five working days after the end of the time period of an offer, submit a report to the Commission, the relevant regulated market operator, and target company on the results of the offer in which it shall specify:

1) the information referred to in Section 71, Clauses 1 and 2 of this Law;

2) the number of shares offered for sale;

3) the number of shares which will be at the disposal of the offeror after implementation of the share buy-back offer.

(2) If the shareholders of a target company have accepted the voluntary share buy-back offer at an amount of shares which exceeds the maximum number of shares which the offeror has intended to redeem, as indicated in the offer prospectus, the offeror shall indicate the coefficient of the proportional distribution concurrently with the information referred to in Paragraph one of this Section.

(3) Within five working days after the end of the time period of a share buy-back offer, the offeror shall publish in the official gazette *Latvijas Vēstnesis* an advertisement regarding the results of the offer which shall contain the information referred to in Paragraph one of this Section.

(4) The offeror shall also submit a report to the Commission and the regulated market operator in electronic form. The regulated market operator and the Commission shall, without delay, post the report on their website.

[*22 May 2008; 9 July 2013; 14 September 2017; 21 June 2018*]

**Section 80. Accounting**

(1) The offeror, in addition to the payment for the shares of a target company, may also provide for exchange of shares for other transferable securities or the rights to obtain such. If the offeror exercises these rights, it shall be indicated in the prospectus for the share buy-back offer, stating the conditions for exchange. The procedures for exchange must be such as to prevent the risk that any shareholders at the target company who have replied to the offer do not receive the exchangeable transferable securities.

(2) An investor who has decided to accept a share buy-back offer and has submitted a relevant submission within the time period for buy-back of the shares is entitled to withdraw the submission before the end of the time period indicated by the offeror in the prospectus of the share buy-back offer.

(3) If an investor chooses to receive transferable securities as buy-back for the shares, it shall be indicated in the submission.

(4) The buy-back or exchange of shares shall be performed as close to the final day of the time period for the share buy-back offer, but not later than within five working days after the final day of the time period for the share buy-back offer.

(5) Buy-back or exchange of shares which are in public circulation shall take place according to the procedures stipulated by the central securities depository in which the shares of the target company have been recorded. Upon performing buy-back or exchange of shares, it is ensured that shares are transferred from the account of the alienor of shares only after the central securities depository has ascertained that the whole amount of money or financial instruments necessary for buy-back or exchange has been transferred into the account of money or financial instruments indicated by the central securities depository.

(6) Payment for closed issue shares shall be performed in conformity with the procedures set out in the offer prospectus. Amendments which are required to be made in the register of shareholders of a target company after closure of the share buy-back offer shall be made by the board of the target company on the basis of documents attesting to the payment for the shares.

[*15 June 2006*]

**Section 81. Final Share Buy-back**

(1) A person who in accordance with the requirements of this Law has acquired shares of a target company in such amount which reaches or exceeds 95 per cent of the total number of shares with voting rights of the target company or which, as a result of share buy-back offer, has entered into agreements according to which it will directly acquire the voting rights arising from the shares in such amount which reaches or exceeds 95 per cent of the total number of shares with voting rights, may buy back the shares of the target company from other shareholders owned by them without consent of the abovementioned shareholders. Such buy-back of shares shall be considered to be a final share buy-back.

(2) If 95 per cent of the total amount of shares with voting rights are raised by a person through both direct and indirect holding, such person is entitled to perform a final share buy-back only provided that, in accordance with the procedures and within the time periods laid down in this Law, this person has provided notification regarding indirect acquisition of a major holding.

(3) The person referred to in Paragraph one of this Section is entitled to perform a final share buy-back within three months from the day when he or she has acquired such number of shares which reaches or exceeds 95 per cent of the total number of shares with voting rights, or, if such person has not performed a final share buy-back within the abovementioned time period – within three months from the day when the time period has lapsed for the mandatory share buy-back offer made anew by such person or a voluntary share buy-back offer made to all shareholders of the target company regarding all shares of the target company.

(4) A final share buy-back may be performed only after a decision to exclude the shares from a regulated market has been taken. If at the meeting of shareholders the majority of shareholders has voted in favour of exclusion of shares from a regulated market and one of them is the person referred to in Paragraph one of this Section, such person may join a mandatory share buy-back offer with a final share buy-back offer and those shareholders who have voted regarding exclusion of the shares from a regulated market, but who fail to comply with the criteria referred to in Paragraph one of this Section, have no obligation to make a mandatory share buy-back offer. In such case the offeror shall, not later than within 10 working days after taking of the decision in the meeting of shareholders on exclusion of shares from a regulated market, submit a submission to the Commission regarding a final share buy-back.

(5) In the cases referred to in Paragraphs one and four of this Section, the share buy-back price shall be determined in accordance with the requirements of Section 74, Paragraph one of this Law. If a person acquires the amount of voting rights specified in Paragraph one of this Section as a result of a voluntary share buy-back offer, he is entitled to perform a final share buy-back for a price which was determined in the voluntary share buy-back offer.

(6) In the cases referred to in Paragraph one of this Section the shares of the target company owned by other shareholders shall be alienated according to the procedures specified in the prospectus for a final share buy-back.

(7) The entry date in case of a final share buy-back may not be later than 10 working days after the date of publishing the information referred to in Section 82, Paragraph seven of this Law.

[*14 September 2017*]

**Section 82. Examination of Documents of a Final Share Buy-back**

(1) If an offeror decides to perform a final share buy-back, he shall prepare a prospectus for a final share buy-back and submit it to the Commission concurrently with the submission and documents referred to in Section 70, Paragraph two, Clauses 2, 3, and 4 of this Law.

(2) If a person performing a final share buy-back has acquired percentage of the holding indirectly, it shall concurrently with the documents referred to in Paragraph one of this Section also submit to the Commission the contracts, authorisation, and other documents attesting the rights thereof to the indirect holding.

(3) The prospectus for a final share buy-back shall include at least the information referred to in Section 71, Clauses 1, 2, 4, 5, and 6 of this Law, and also the information on the procedures by which an entry date will be determined.

(4) The Commission shall, within 10 working days after receipt of all the documents referred to in this Section which have been prepared and drawn up in accordance with the requirements of the laws and regulations, examine the submission and the prospectus for a final share buy-back and take a decision on a permission for or refusal to perform a final share buy-back. The Commission shall, without delay, but not later than on the following working day, inform the offeror of the decision taken.

(5) The Commission shall, without delay, inform the relevant regulated market operator of the permission to perform the final share buy-back and send thereto the prospectus for the final share buy-back in electronic form. The regulated market operator shall, without delay, post the prospectus for the final share buy-back on its website.

(6) The Commission shall, without delay, send a copy of the decision to the central securities depository in which the shares of the target company have been recorded on granting of permission to perform a final share buy-back and the prospectus for the final share buy-back in electronic form. The central securities depository shall send the prospectus for the final share buy-back in electronic form to all members of the central securities depository in the accounts of which the relevant shares of the central securities depository have been recorded.

(7) The offeror shall, within five working days after receipt of the decision of the Commission to grant permission to perform a final share buy-back, publish the following information on the share buy-back offer in the official gazette *Latvijas Vēstnesis* and submit it to the central securities depository in which the shares of the target company have been recorded:

1) the information referred to in Section 71, Clauses 1, 2, and 5 of this Law;

2) the information indicated in the prospectus on determination of the date of entry and payment, and also the dates of entry and payment;

3) the place where and time when becoming acquainted with the prospectus for the final share buy-back shall be possible.

[*14 September 2017; 21 June 2018*]

**Section 83. Alienation of Shares in Favour of a Person who Performs the Final Share Buy-back**

(1) On the day of entry specified in the prospectus for a final share buy-back, the shares are blocked in the accounts of the shareholder and the shareholder shall lose the right to operate therewith. A responsible member of the central securities depository shall be responsible for the blocking of shares.

(2) A member of the central securities depository shall block the shares on the basis of the prospectus for the final share buy-back received from the central securities depository.

(3) The offeror shall, on the next working day after the date of entry of the final share buy-back which has been specified in the prospectus and published in accordance with the requirements of Section 82, Paragraph seven of this Law, transfer such an amount of money in euro into the money account of the central securities depository which conforms to the total value of the shares yet unredeemed according to the value of one share specified in the prospectus for the final share buy-back.

(4) After the amount of money specified in Paragraph three of this Section is transmitted in full amount to the money account of the central securities depository, the central securities depository shall transmit all relevant shares of the joint stock company recorded in the initial register and in the accounts in the central securities depository opened by members of the central securities depository to the account of the person who is buying back shares, concurrently carrying out money transfers to the money accounts of the relevant members of the central securities depository and sending a request to members of the central securities depository to delete the shares of the relevant joint stock company from accounts of financial instruments of the shareholders referred to in Paragraph one of this Section.

(5) A member of the central securities depository shall, within one working day after receipt of money from the central securities depository, transfer such amount of money into the money accounts of such persons in conformity with the amount of the recorded shares in the accounts of financial instruments of which the shares of the relevant joint stock company were recorded at the end of the settlement day of the date of entry specified in the prospectus for the final share buy-back.

(6) Remuneration for those shareholders the shares of which, at the end of the settlement day of the date of entry for the final share buy-back, are in the initial register of the central securities depository, shall be transferred into the money account of the central securities depository.

[*14 September 2017*]

**Section 83.1 Request of Minority Shareholders to Redeem Shares**

If a person, directly or indirectly, owns 90 per cent or more of the shares of a capital company, each of the rest of shareholders of such capital company until the time when a final share buy-back is performed, may request that this person redeems the shares owned by him or her for a price which is not less than the price determined in accordance with Section 74 of this Law.

[*15 June 2006; 14 September 2017*]

**Chapter VI**

**Prohibition to Use Inside Information and Market Manipulation**

**Section 84. Scope of this Chapter**

(1) This Chapter, in addition to that provided for in Regulation No 596/2014, shall determine the rights and obligations of the Commission as the competent authority within the meaning of Regulation No 596/2014 in supervising the use of inside information and preventing manipulations in financial markets.

(2) In order to ensure the fulfilment of the rights and obligations referred to in Paragraph one of this Section, the Commission shall issue regulatory provisions determining:

1) the information to be considered inside information and disclosable to the public;

2) the cases when a delay of publishing inside information may mislead the public or immediate disclosure if information may endanger the lawful interests of an issuer or a participant of the emissions trading market;

3) the requirements in relation to the procedures by which a person performing administration duties or persons closely affiliated therewith shall notify of the transactions performed.

[*12 December 2019*]

**Section 84.1 Liability for Unlawful Use, Disclosure, of and Manipulations with Inside Information in Financial Markets**

(1) A person shall be held criminally liable for unlawful use of inside information in financial markets, recommendation to another person, or incitation of another person to engage in the use of inside information in financial markets in the cases provided for in the Criminal Law, if the violation of the prohibition referred to in Article 14(a) or (b) of Regulation No 596/2014, and also the activities provided for in Article 8 of this Regulation are established. In other cases when the violation of the prohibition referred to in Article 14(a) or (b) of Regulation No 596/2014, and also the activities provided for in Article 8 of this Regulation are established, liability shall set in for the person in accordance with Section 148 of this Law.

(2) If inside information of the financial market is or has been at the disposal of a person and the action of a person is lawful in accordance with Article 9 of Regulation No 596/2014, it shall not be considered that the abovementioned person has unlawfully used such information and engaged in the use of inside information in financial markets in relation to acquisition or alienation of securities.

(3) A person shall be held criminally liable for unlawful disclosure of inside information of financial market, if the prohibition of unlawful disclosure of inside information referred to in Article 14(c) of Regulation No 596/2014, and also the activities provided in in Article 10 of this Regulation have been established. It shall not be considered that a person has unlawfully disclosed inside information of financial market, if disclosure of information takes place when the person carries out work, official or professional duties or when disclosure is considered market sounding conducted in accordance with Article 11(1), (2), (3), (4), (5), (6), (7), and (8) of Regulation No 596/2014.

(4) A person shall be held criminally liable in the cases provided for in the Criminal Law for manipulations in financial markets, if the violation of the prohibition of manipulations referred to in Article 15 of Regulation No 596/2014 has been established, upon the person committing any of the following activities:

1) entering into a transaction, placing an order to trade or any other behaviour which:

a) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or a related spot commodity contract;

b) secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract at an abnormal or artificial level, unless the person entering into a transaction or placing an order to trade establishes that such transaction, order or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice in the relevant market place;

2) entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several financial instruments or a related spot commodity contract, which employs a fictitious device or any other form of deception or contrivance;

3) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument or a related spot commodity contract or secures the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level;

4) transmitting false or misleading information, providing false or misleading data, or any other behaviour which manipulates the calculation of a benchmark.

(5) In cases when a person is not to be held criminally liable for manipulations in financial markets, however, the activities referred to in Paragraph four of this Section and Article 12 of Regulation No 596/2014 are established, the liability of the person shall set in in accordance with Section 148 of this Law.

[*26 May 2016*]

**Section 85. Prohibition to Use Inside information**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 86. List of Holders of Inside Information**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 86.1 Notification Regarding a Transaction with Financial Instruments**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 87. Duty to Publish Inside Information and Derogations therefrom**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 88. Prohibition against Market Manipulation**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 88.1 Accepted Market Practice**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 89. Duty to Refrain from Executing a Transaction**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 90. Rights of the Commission**

In order to ensure conformity with the provisions of Regulation No 596/2014 and this Chapter, in addition to the rights laid down in the Law on Financial and Capital Market Commission and other rights laid down in this Law, the Commission has the following rights:

1) to request and receive from the participants of the financial instrument market the records of telephone conversations and other types of data transmission records;

2) to request from market participants standardised information and reports on transactions with derived instruments of goods in related spot markets, and also to directly access such trading systems;

3) to assign credit institutions and investment brokerage companies to suspend operations with financial instruments in the account of a person or movement of funds in the account of a person for the period specified in the decision of the Commission;

4) to temporarily suspend trade in financial instruments;

5) to request that the members of a financial instrument market cease any practice which is contrary to the provisions of Regulation No 596/2014 and this Chapter;

6) to temporarily restrict the activities of a participant of the financial instrument market;

7) to request, within the time period specified thereby, that the issuer or another person which has disclosed or distributed false or misleading information, publishes a notification regarding amending of the previously provided information in accordance with the procedures laid down in Regulation No 596/2014;

8) to address law enforcement authorities with an application regarding initiation of criminal proceedings.

[*26 May 2016 / The new wording of the Paragraph shall come into force from 3 July 2016. See Paragraph 55 of Transitional Provisions*]

**Section 91. Civil Liability**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Division E**

**Central Securities Depository**

[*14 September 2017*]

**Section 92. Operation of the Central Securities Depository**

The central securities depository shall operate in accordance with Regulation No 909/2014, this Law and other laws, the regulatory provisions of the Commission and the articles of association of the relevant central securities depository.

[*14 September 2017*]

**Section 92.1 Continuity of the Operation of the Central Securities Depository**

(1) If the central securities depository cannot provide the services referred to in Section A of Annex to Regulation No 909/2014 due to insolvency, liquidation, or other reasons, the central securities depository shall transfer the information (including accounting data and data of registers) which is necessary to ensure the continuity of the provision of services to members of the central securities depository and issuers to another central securities depository which has received a permission of the Commission for the operation of the central securities depository or, in accordance with the procedures laid down in Article 23 of Regulation No 909/2014, has obtained the right provide services of the central securities depository in the Republic of Latvia.

(2) The central securities depository shall continue the provision of services and the Commission shall perform supervision of the central securities depository until the moment when another central securities depository commences the provision of the relevant services of the depositary.

[*14 September 2017*]

**Section 92.2 Rounding as a Result of the Corporate Actions of Financial Instruments**

If, as a result of corporate actions involving financial instruments, a new issue or several new issues are registered by joining several existing issues of financial instruments or dividing an existing issue of financial instruments, then the number of financial instruments due to an investor as a result of such reorganisation is rounded down to a whole number. The losses incurred as a result of such rounding by persons who own financial instruments are compensated according to the procedures specified in the decision taken by the administrative body of the relevant issuer on joining or division of issues.

[*14 September 2017*]

**Section 93. Informing of Persons who Own Financial Instruments and of Corporate Actions Involving Financial Instruments**

(1) The investment brokerage companies and credit institutions which have not opened accounts of financial instruments in the central securities depository for holding of their financial instruments and financial instruments of the clients, but holding of financial instruments recorded in the central securities depository is ensured with intermediation of another investment brokerage company or credit institution, have an obligation to carry out the following upon request of such investment brokerage company or credit institution in the accounts of which it holds financial instruments recorded in the central securities depository, and according to the time period stipulated by such investment brokerage company or credit institution:

1) to provide information on persons who own financial instruments or who have financial instruments in their possession;

2) to distribute information to clients on meetings of owners of financial instruments and at least such corporate actions involving financial instruments when an issuer has specified the right of option by owners of financial instruments in relation to the benefits to be received;

3) to submit a lock-up assignment to this investment brokerage company or credit institution in respect of financial instruments of those persons who own financial instruments and who wish to participate in meetings of owners of financial instruments.

(2) The central securities depository shall provide for in an agreement with its member that its member, clients of the member, and other persons who are holding financial instruments recorded in the relevant central securities depository for the benefit of third parties include the obligations specified in Paragraph one of this Section in mutual agreements, insofar as it is not in contradiction with the applicable legal acts of the relevant country.

[*14 September 2017*]

**Section 94. Regulations of the Central Depository**

[14 September 2017]

**Section 95. Participants of the Central Depository**

[14 September 2017]

**Section 95.1 Substantive Changes in the Information Submitted for Licensing**

(1) In the case referred to in Article 16(4) of Regulation No 909/2014 the Commission shall assess the conformity of the planned changes with the requirements of the laws and regulations governing the operation of the central securities depository. The Commission has the right to express objections against the planned changes within 20 working days after the receipt thereof, if it detects a non-conformity of the planned changes with the requirements of the laws and regulations. If the Commission has an obligation to consult with other supervisory or monitoring institutions according to the cooperation agreement entered into on the basis of Article 24(4) of Regulation No 909/2014, the Commission is entitled to extend such time period up to 40 working days, sending a relevant notification to the central securities depository.

(2) If the Commission has not expressed objections within the time periods referred to in Paragraph one of this Section, the central securities depository is entitled to introduce the planned changes.

[*14 September 2017*]

**Section 95.2 Control in the Central Securities Depository**

(1) Such person may be a shareholder in the central securities depository which conforms to Article 27(6) of Regulation No 909/2014.

(2) Acquisition and change of control in the central securities depository shall be implemented in conformity with Article 27(7) and (8) of Regulation No 909/2014.

(3) After receipt of the information referred to in Article 27(7) of Regulation No 909/2014 the Commission shall assess the financial stability of the person and the financial validity of the planned acquisition of control in order to ensure stable and diligent management of such central securities depository in which it is planned to acquire control, and also the potential impact of the person on the management and operation of the central securities depository. During the evaluation process the Commission shall also take into account the following criteria:

1) the impeccable reputation of the person and conformity with the requirements laid down for shareholders of the central securities depository;

2) the impeccable reputation and the professional experience of the person who, as a result of the planned acquisition of control, will manage the operation of the central securities depository;

3) the financial stability of the person, in particular in relation to the type of the performed or planned economic activity in the central securities depository where the acquisition of control is planned;

4) whether the central securities depository will be able to conform to the regulatory requirements laid down in the laws and regulations and whether the structure of such group of undertakings where the central securities depository is going to be incorporated will not restrict the Commission’s possibilities to perform the supervisory functions vested to it by law, to ensure an efficient exchange of information among supervisory authorities, and to determine the allocation of supervisory powers among the supervisory authorities;

5) whether there is a substantiated suspicion that in relation to the planned acquisition of control, actual or attempted money laundering or terrorist financing has been carried out, or that the planned acquisition of the holding could increase such a risk.

(4) During the assessment period specified in Article 27(8) of Regulation No 909/2014, but not later than on the fiftieth working day of the assessment period, the Commission has the right to request additional information on the persons referred to in this Section in order to assess the conformity of such persons with that specified in Paragraphs one and three of this Section.

(5) Upon requesting the additional information referred to in Paragraph four of this Section, the Commission has the right to suspend the assessment period once until the day when such information is received, but for not more than 30 working days. If the Commission has suspended the assessment period, such suspension time shall not be included in the assessment period.

(6) The Commission shall determine the requirements in relation to information which is provided to the Commission by the person who wishes obtain control in the central securities depository in order to be able to assess the conformity of such person with the criteria of Paragraphs one and three of this Section.

(7) Persons who have obtained control in the central securities depository without conforming to the procedures laid down in this Section may not exercise voting rights of shares owned by him or her, but the decisions of the meeting of shareholders that have been taken by exercising the voting rights of those shares shall be invalid as of the moment of taking thereof and making of entries in the commercial register and other public registers may not be requested on the basis of such decisions. The Commission shall, without delay, inform the relevant shareholders and the central securities depository of this fact.

[*14 September 2017*]

**Section 95.3 Notification Regarding Changes after Receiving of a Licence**

The central securities depository shall, within seven days after changes in the composition of the board or council of the central securities depository, submit a notification to the Commission on the changes which have occurred. Concurrently with the notification, the central securities depository shall submit documents of the newly appointed member of the board or council which are referred to in Article 13 of Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories (hereinafter – Regulation No 2017/392).

[*14 September 2017*]

**Section 96. Administrative Bodies of the Central Securities Depository and Their Obligations**

(1) The central securities depository shall, without delay, but not later than within five days after a meeting of the board or council of the central securities depository, inform the Commission of the decisions taken at the relevant meetings. The central securities depository shall submit minutes of these meetings to the Commission as soon as they have been signed.

(2) The relevant administrative body of the central securities depository has an obligation, upon its own initiative or upon request of the Commission, to remove members of the board or council from the office without delay if they do not conform to the requirements of Article 27 of Regulation No 909/2014.

(3) The procedures for the establishment and operation of user committees of the central securities depository, and also their composition shall be approved by the council of the central securities depository.

[*14 September 2017*]

**Section 97. Requirements for Members of the Board and Council**

[14 September 2017]

**Section 98. Election to Council of Representatives of Participants of the Central Depository**

[14 September 2017]

**Section 99. Rights and Obligations of the Central Depository**

[14 September 2017]

**Section 99.1 Accounts for Funds of the Central Securities Depository**

(1) The central securities depository is entitled to open cash accounts in the central bank of a Member State or a foreign country if it provides such service, or in a credit institution to ensure the settlements of funds for the transfer orders submitted in the settlement system of financial instruments, and also settlements of funds for corporate actions involving financial instruments. The central securities depository shall keep separate the resources transferred into the account of funds from its own funds.

(2) The funds referred to in Paragraph one of this Section shall not be used for satisfying claims of creditors of the central securities depository. This requirement shall also apply to cases when insolvency proceedings have been declared for the central securities depository.

[*14 September 2017*]

**Section 99.2 Initial Register**

(1) The initial register shall be kept by the central securities depository which is the successor to rights and liabilities of the Latvian Central Depository.

(2) Apart from financial instruments, also rights to funds which have been received as a result of buy-back of financial instruments and corporate actions involving financial instruments and which are applicable to persons owning the financial instruments listed in the initial register may be accounted in the initial register.

(3) The central securities depository shall keep separate the monies referred to in Paragraph two of this Section from its own funds. The central securities depository shall keep such funds at Latvijas Banka or a credit institution, informing the relevant institution that such funds are the property of third parties being held by the central securities depository.

(4) The central securities depository is entitled to place the funds referred to in Paragraph two of this Section in highly liquid low-risk debt securities and use the income (hereinafter in this Section – the interest) obtained from investment, including them into its revenues. If, upon investing the funds referred to in Paragraph two of this Section, losses occur, the central securities depository shall cover them from its resources, but not more than in the amount of the interest received in the last 10 years. The central securities depository shall keep separate such debt securities from its own assets. If the central securities depository keeps such securities in a account with a third party, such account is identified as the nominal account.

(5) Such debt securities which conform to the requirements of Article 46(3) and (6) of Regulation No 909/2014 are considered as debt securities which are highly liquid and which have low risk level.

(6) The funds referred to in Paragraph two of this Section and the securities referred to in Paragraph four of this Section shall not be used for satisfying claims of creditors of the central securities depository. This requirement shall also apply to the cases when the central securities depository has been declared insolvent in accordance with the procedures laid down in law.

(7) The central securities depository is entitled to deduct expenditures related to the storage of such resources from the funds accounted in the initial register.

[*14 September 2017*]

**Section 100. Supervision of the Central Depository**

[14 September 2017]

**Section 100.1 Accounts of the Central Securities Depository**

(1) The central securities depository shall ensure at least the following accounts of financial instruments in the settlement system of financial instruments to which the laws and regulations of Latvia are applicable:

1) participant’s account – an account of financial instruments in which the financial instruments owned by the central securities depository participant are listed;

2) account of participant’s clients – an account of financial instruments in which the financial instruments owned or held by clients of the central securities depository participant are jointly listed;

3) individual account – an account of financial instruments in which the financial instruments owned or held by one client of the central securities depository participant are listed with or without identification of the client of the participant.

(2) Such credit institution or investment brokerage company with the intermediation of which the individual account has been opened and with which the client of the participant has entered into a contract for the servicing of the individual account shall be responsible for the enforcement of the requirements of Division F of this Law in relation to the client of the participant in whose name the individual account has been opened.

[*14 September 2017*]

**Section 100.2 Servicing the Account of the Central Securities Depository Participant after Suspending the Activity of the Participant**

(1) If insolvency proceedings have been initiated for the central securities depository participant within the meaning of Section 1, Paragraph one, Clause 11 of the law On the Settlement Finality in Payment and Financial Instrument Settlement Systems, the central securities depository shall, without delay as soon as such information has become known thereto, suspend the activity of such participant in the settlement system of financial instruments.

(2) If the activity of the central securities depository participant in the settlement system of financial instruments has been suspended in the case referred to in Paragraph one of this Section, the central securities depository shall complete the settlements of such transfer orders which are in effect in accordance with the law On the Settlement Finality in Payment and Financial Instrument Settlement Systems and afterwards shall execute only such transfer order in the settlement system of financial instruments of the participant as a result of which the remaining amount of accounts of such participant and clients of such participant decrease.

[*14 September 2017*]

**Section 100.3 Reporting on Potential and Actual Violations of Regulation No 909/2014**

[12 December 2019]

**Section 100.4 Supervision of the Central Securities Depository**

(1) In addition to the rights specified in Regulation No 909/2014 and the Law on the Financial and Capital Market Commission, the Commission has the following rights for the performance of the supervisory functions:

1) to become acquainted with all documents, account books, and databases of the central securities depository, and also to take statements, to make true copies (copies) therefrom;

2) to request revocation of decisions of the administrative bodies of the central securities depository, if they do not conform to Regulation No 909/2014, other laws and regulations governing the operation of the central securities depository, the articles of association or other documents of the central securities depository, or may significantly affect the financial state of the central securities depository;

3) to restrict the provision of services of the central securities depository, if it is necessary in order to ensure stable functioning of the financial market, including to request that such activities are terminated which are in contradiction to Regulation No 909/2014, this Law, and other laws and regulations;

4) if it is justified with the circumstances indicated in Clause 3 of this Paragraph, to request that the central securities depository:

a) restricts or suspends the activity of the participant of the maintained settlement system of financial instruments in the system;

b) restricts, suspends, or terminates the link within the meaning of Article 2(29) of Regulation No 909/2014 with another central securities depository;

5) to issue regulatory provisions which determine the information to be provided by the central securities depository to the Commission on the services provided thereby and its operation, including reports for prudential supervision, reports on activities in the settlement systems of financial instruments which are maintained by the central securities depository, and also the procedures and time periods for the provision of such information.

(2) If a shareholder has acquired control in the central securities depository without conforming to the procedures laid down in Section 95.2 of this Law and has exercised its voting rights in a meeting of shareholders for the election of members of the council of the central securities depository, the Commission has the right to suspend the activity of members of the board and the council of the central securities depository and to authorise representatives of the Commission to perform the functions of the administrative bodies of the central securities depository until the moment when all violations are eliminated.

(3) The central securities depository shall, without delay, inform the Commission if it has become aware or suspects that its participant systematically does not comply with the requirements laid down for the activity in the central securities depository.

[*14 September 2017*]

**Section 100.5 Restrictions Applicable to the Central Securities Depository**

(1) If the Commission detects that the central securities depository does not comply with or the Commission has grounds for assuming that, within 12 months from the day when it took the decision on implementation of the activities referred to in this Section, the central securities depository will not comply with the requirements laid down in this Law, Regulation No 909/2014, the directly applicable legal acts which have been issued by the European Union authorities and which are subjected to the abovementioned Regulation, or decisions or regulatory provisions of the Commission which have been issued in accordance with Section 100.4, Paragraph one, Clause 5 of this Law, or if the operation of the central securities depository endangers its stability or solvency, the security or stability of the financial sector of Latvia, threatens to cause significant losses to national economy of the State, then the Commission is entitled to implement one or more of the following activities, upon taking a decision:

1) to give binding written instructions to members of the board and council of the central securities depository which are necessary for the prevention of such situation;

2) to impose restrictions for the rights and activities of the central securities depository, including to suspend the provision of services of the central securities depository in full or in part, and also to determine restrictions for performance of liabilities;

3) to appoint one or more authorised persons of the Commission in the central securities depository;

4) to request that the central securities depository reduces or does not perform distribution of profits or interest payments to shareholders, if it does not cause non-performance of liabilities;

5) to request that the central securities depository provides additional reports or provides reports more frequently, including reports on capital and liquidity items of the central securities depository and reports on the items of the initial register;

6) to request that, after payment of taxes, the central securities depository directs profits for strengthening of own funds;

7) to request that the central securities depository determines such restriction on the variable part of the remuneration of officials and employees which is expressed as percentage of net income and allows the central securities depository to maintain a stable capital base;

8) to request that the central securities depository improves its strategy, procedures, and measures to be carried out for execution of the requirements of Regulation No 909/2014;

9) to request that the central securities depository draws up a plan for renewing conformity with the requirements of Regulation No 909/2014 and other laws and regulations, determining the time periods for execution of the measures included in the plan;

10) to request that the central securities depository mitigates risks characteristic to its activity, services, or systems;

11) to request that the central securities depository narrows or restricts commercial activity or refused such fields of activity which excessively endanger its stability.

(2) The Commission is entitled to implement one or more of the activities referred to in Paragraph one of this Section also if activity of a commercial company involved in the consolidation group of the central securities depository endangers or may endanger sound operation of the central securities depository.

[*14 September 2017*]

**Section 100.6 Appointing of an Authorised Person in the Central Securities Depository**

(1) An authorised person shall be appointed by the Commission for a time period which does not exceed one year. If, within a year from appointing of the authorised person, the circumstances referred to in Section 100.5, Paragraph one of this Law have not been eliminated, the Commission may extend such time period for a period which does not exceed one year. A person may not be appointed to be an authorised person without his or her written consent.

(2) The objective of activities, tasks and functions of an authorised person, the scope and time period of authorisation, the amount of remuneration of an authorised person, the amount of expenditures allowed for the carrying out of the tasks of an authorised person, and also other provisions considered as essential by the Commission shall be laid down in the decision of the Commission to appoint an authorised person.

(3) If several authorised persons are appointed, in addition to the provisions of Paragraph one of this Section the distribution of the scope of the powers of authorised persons and their mutual subordination shall be determined in the decision to appoint an authorised person.

(4) Appointing of an authorised person in the central securities depository shall not restrict the rights of shareholders specified in the Commercial Law.

[*14 September 2017*]

**Section 100.7 Requirements for an Authorised Person**

(1) The following may be an authorised person in the central securities depository:

1) a natural person who conforms to that specified in Paragraphs two and three of this Section;

2) a capital company members of the board of which meet that specified in Paragraph three of this Section and the majority of members of the board of which meet that specified in Paragraph two of this Section.

(2) A natural person who has the following may be appointed as an authorised person in the central securities depository:

1) State recognised second level higher vocational education or higher academic education and corresponding qualification;

2) corresponding competence and sufficient professional work experience;

3) impeccable reputation;

(3) The following natural person may not be appointed as an authorised person in the central securities depository:

1) who is recognised as the related party of the central securities depository within the meaning of Section 1, Paragraph four of this Law;

2) against whom insolvency proceedings have been completed or initiated as against a debtor or who is considered to be the debtor’s representative in an insolvency case and this case has not been terminated;

3) who has been convicted of a crime against the State, a criminal offence against the property, general security and public order, management procedures or jurisdiction or a criminal offence in the national economy or service of public authorities regardless of extinguishing or setting aside of the criminal record;

4) against whom criminal prosecution has been initiated or who is a suspect in criminal proceedings;

5) who has been convicted of committing the criminal offence laid down in Clause 3 of this Paragraph, although released from serving his or her punishment due to limitation period, clemency or amnesty;

6) against whom criminal proceedings for committing the criminal offence laid down in Clause 3 of this Paragraph are terminated due to limitation period or amnesty;

7) to whom rights have been restricted in accordance with the procedures laid down in the Criminal Law to perform in a specific commercial activity or take up specific offices;

8) who has been a member of the administrative body of a commercial company or a procurator in a commercial company and as a result of his or her negligence or intentionally has driven such commercial company to insolvency subject to criminal punishment.

(4) If the decision to appoint an authorised person in accordance with Section 100.8, Paragraph one, Clause 3 of this Law provides that the authorised person shall manage the central securities depository, then, in addition to that specified in Paragraphs one, two, and three of this Section, only the capital company referred to in Paragraph one of this Section or such natural person who is an employee of the Commission or has been appointed to the position of the administrator of insolvency proceedings in accordance with the Insolvency Law may be such authorised person.

[*14 September 2017*]

**Section 100.8 Rights and Obligations of the Authorised Person**

(1) The Commission may determine the following rights and obligations of an authorised person in the decision to appoint an authorised person:

1) to convene a meeting of shareholders of the central securities depository, a meeting of the council and the board and to participate therein with the right to propose the issues to be considered at either meeting;

2) to decide on a permission for the central securities depository to make payments, to conclude new transactions, and also to amend or terminate current transactions;

3) to perform the management of the central securities depository.

(2) If the decision to appoint an authorised person specifies his or her rights in accordance with Paragraph one, Clause 1 of this Section, the decision of the relevant administrative body of the central securities depository shall not be taken, if the authorised person objects to it.

(3) If the Commission takes the decision to suspend the activity of the council, the board, and a procurator of the central securities depository, and to impose a prohibition for the central securities depository to act with the property thereof, and also with the property belonging to the third parties in the possession or ownership thereof, the authorised person shall obtain this right.

(4) If the right to represent the central securities depository has been specified for the authorised person, then the Commission shall publish the decision on determination of such rights on its website.

(5) For the performance of his tasks the authorised person is entitled:

1) to issue binding orders to all administrative bodies and employees of the central securities depository;

2) not to conform to the restrictions specified in the articles of association, by-laws, and other documents of the central securities depository;

3) to act with the property of the central securities depository, if the objective of such activities is to ensure continuity of the activity of the central securities depository;

4) to draw up and approve financial statements of the central securities depository.

(6) An authorised person may implement the authorisation to convene a meeting of shareholders and to determine its agenda only with the consent of the Commission.

(7) The authorised person has an obligation to provide a report on his or her activities to the Commission within the time period stipulated thereby and to notify the Commission without delay of the findings which may have an impact on the financial situation of the central securities depository.

(8) The authorised person, when performing his or her tasks, shall take care of the interests of national economy, the safety and stability of the financial sector of Latvia, and also careful and prudent management of the central securities depository.

(9) The authorised person is entitled to resign from the fulfilment of his or her obligations by submitting a substantiated submission to the Commission to which a report on activities of the authorised person regarding the whole time period of his or her activities is appended.

(10) The Commission shall examine the submission of the authorised person regarding refusal from the fulfilment of the obligations and, within one month from the day of receipt of the abovementioned submission, decide on its further action. Until taking such decision is taken and matters are handed over, the authorised person shall continue the fulfilment of the obligations assigned to him or her.

[*14 September 2017*]

**Section 100.9 Remuneration of the Authorised Person**

(1) The Commission shall disburse remuneration to the authorised person and shall cover the expenditures necessary for the performance of his or her tasks in the amount specified in the decision to appoint an authorised person. The central securities depository shall compensate the costs specified in this Paragraph to the Commission within the time period stipulated thereby.

(2) The authorised person does not have the right to receive any remuneration or other income for the performance of his or her tasks in addition to that provided for in the decision to appoint an authorised person.

[*14 September 2017*]

**Section 100.10 Cooperation with the Authorised Person**

(1) Members of the council and the board, employees, other representatives, and shareholders of the central securities depository have an obligation to cooperate with the authorised person and, upon his or her request, to transfer objects and information to him or her which are necessary for the performance of the functions of the authorised person.

(2) The authorised person shall, without delay, notify the Commission of a failure to conform to the provisions referred to in Paragraph one of this Section, and also of other obstacles for the performance of his or her tasks.

[*14 September 2017*]

**Section 100.11 Expiry of Authorisation of the Authorised Person**

(1) The Commission shall supervise the activity of the authorised person.

(2) The authorisation of the authorised person shall expire:

1) upon expiry of the time period specified in the decision to appoint an authorised person;

2) by the decision of the Commission on revocation of the authorised person;

3) upon the authorised person refusing from the fulfilment of his or her obligations in accordance with Section 100.8, Paragraphs nine and ten of this Law.

(3) The Commission shall decide on revocation of the authorised person, if it detects that the authorised person does not comply with the provisions of this Law or other laws and regulations governing the operation of the central securities depository or does not conform to the requirements laid down in this Law.

(4) Upon expiry of authorisation, the authorised person shall transfer files to the Commission or a person stipulated thereby within the time period stipulated by the Commission.

[*14 September 2017*]

**Division E.1**

**Data Reporting Services**

[*21 June 2018*]

**Section 100.12 Right to Provide Data Reporting Services**

(1) Data reporting services providers, and also investment brokerage companies, credit institutions providing investment services and regulated market operators which, in accordance with the procedures laid down in laws and regulations, have received a permit to provide data reporting services are entitled to provide data reporting services in the Republic of Latvia.

(2) Data reporting services providers shall operate in accordance with this Law, the regulatory provisions of the Commission, and the directly applicable legal acts of the European Union.

(3) The Commission shall establish, maintain, and regularly update the register of data reporting services providers which includes such data reporting services providers that are entitled to provide the relevant services in the Republic of Latvia. The type of such data reporting services shall be indicated in the register for the provision of which the data reporting services provider has received a permit or the right to provide which has been obtained by the organiser of the trading venue in accordance with the procedures laid down in the law. The Commission shall post the register on its website.

[*21 June 2018*]

**Section 100.13 General Requirements for Data Reporting Services Providers**

(1) A data reporting services provider is entitled to commence the provision of data reporting services only after it has received a permit at the Commission for the provision of data reporting services (hereinafter in this Division – the permit). The type of data reporting services which is intended to be provided by the data reporting services provider shall be indicated in the permit. The Commission shall issue the permit for an indefinite period of time.

(2) The data reporting services provider is entitled to receive the permit only in case when it has fulfilled all the requirements laid down in this Law, the regulatory provisions of the Commission, and the directly applicable legal acts of the European Union for the receipt of the permit.

(3) The Commission shall inform the European Securities and Markets Authority of the issuance of the permit to the data reporting services provider.

(4) If the data reporting services provider wishes for the data reporting services indicated in the permit issued thereto to be supplemented with a new data reporting service or wishes to refuse from the provision of any data reporting service indicated in the permit, it shall submit a relevant submission to the Commission.

(5) A person who has received the permit for the provision of data reporting services has the right to provide services for the provision of which the permit has been received throughout the European Union.

[*21 June 2018*]

**Section 100.14 Requirements for Members of the Board and Council of the Data Reporting Services Provider**

(1) The following persons may be members of the board of the data reporting services provider:

1) who have impeccable reputation;

2) who have sufficient knowledge, skills, and experience;

3) who have the ability to dedicate sufficient amount of time for the fulfilment of their obligations.

(2) The Commission shall determine the requirements for members of the board and council of the data reporting services provider in relation to their functions in the field of the internal control system.

(3) The administrative body of the data reporting services provider has an obligation, upon its own initiative or upon request of the Commission, to recall members of the board and the council from the office without delay if they do not conform to the requirements laid down in this Law.

(4) The data reporting services provider has an obligation to notify the Commission of any changes in the information on members of its board and council.

[*21 June 2018*]

**Section 100.15 Documents to be Submitted by the Data Reporting Services Provider for the Receipt of the Permit**

(1) In order to receive the permit, the data reporting services provider shall submit a submission to the Commission. The type of data reporting services wished to be provided thereby shall be indicated in the submission.

(2) The data reporting services provider shall, concurrently with the submission, submit the information specified in Article 1 of Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers (hereinafter – Regulation No 2017/571), *inter alia*:

1) a list of members of the board and council and a notification of the abovementioned persons with information prepared in conformity with the requirements of Article 4 of Regulation No 2017/571;

2) an operational programme in which the planned activities, organisational structure, and other information provided for in Article 2 of Regulation No 2017/571 of the data reporting services provider have been indicated;

3) a description of the internal corporate management of the data reporting services provider which contains the information provided for in Article 3 of Regulation No 2017/571.

(3) If an application for the receipt of the permit is submitted by a regulated market operator, the requirements of Section 100.14, Paragraph one of this Law shall be applicable to members of its board and council.

(4) The sample forms, templates, and procedures necessary for the submission of the information referred to in this Section shall be determined by Commission Implementing Regulation (EU) 2017/1110 of 22 June 2017 laying down implementing technical standards with regard to the standard forms, templates and procedures for the authorisation of data reporting services providers and related notifications pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

(5) The Commission has the right to request the data reporting services provider to update the submitted documents and information.

(6) If, pending a decision on the issue of the permit, changes in the information indicated in Paragraph two of this Section occur or amendments to the documents are made, the capital reporting services provider has an obligation to submit without delay to the Commission the new information or the full text of the relevant documents with the amendments made.

[*21 June 2018; 20 June 2019*]

**Section 100.16 Procedures for Granting the Permit**

(1) The Commission shall examine the submission of a data reporting services provider for receipt of the permit and take a decision within six months after the day of receipt of all the documents specified in this Law and prepared and drawn up in accordance with the requirements of the laws and regulations which are necessary for taking of the decision.

(2) The Commission shall not issue the permit to the data reporting services provider, if it does not conform to the requirements laid down in this Law, including:

1) a member or members of the board of the data reporting services provider do not have impeccable reputation;

2) there is an objective and provable justification that changes in the management of the data reporting services provider might endanger its due and prudent management, the interests of clients, and the market integrity.

[*21 June 2018*]

**Section 100.17 Procedures for the Cancellation of the Permit**

(1) The Commission shall cancel the permit issued to a data reporting services provider in the following cases:

1) the data reporting services provider has not commenced activity within 12 months from the day when the permit was issued;

2) the data reporting services provider has not provided the services indicated in the permit for more than six months, unless the Commission has issued a permit in which such action is intended;

3) the data reporting services provider has submitted a written submission regarding the cancellation of the permit;

4) it is detected that the data reporting services provider has provided false information or otherwise violated the requirements of the laws and regulations in order to receive the permit;

5) it is detected that the data reporting services provider does not conform to the requirements laid down in this Law for the receipt of the permit anymore;

6) the data reporting services provider substantially and systematically does not comply with the requirements of the laws and regulations and Regulation No 600/2014;

7) the data reporting services provider has failed to rectify the violations of laws and regulations detected by the Commission within the time period stipulated by the Commission.

(2) The Commission shall inform the European Securities and Markets Authority of cancellation of the permit issued to the data reporting services provider.

(3) Information on cancellation of the permit of the data reporting services provider is posted on the website of the Commission and shall be available for five years from the day of the posting thereof.

(4) The Commission shall implement the supervision of the data reporting services provider specified in this Law until it has completely settled all of its obligations with regard to its clients.

[*21 June 2018*]

**Section 100.18 Organisational Requirements for Approved Publication Arrangements**

(1) An approved publication arrangement shall adopt a corresponding policy and implement measures in order to make available the information referred to in Articles 20 and 21 of Regulation No 600/2014 in real time to the extent that it is technically possible, on the basis of justified commercial conditions.

(2) The approved publication arrangement shall make available the information referred to in Paragraph one of this Section free of charge within 15 minutes after publishing of the relevant information.

(3) The approved publication arrangement shall ensure efficient and consistent distribution of the information referred to in Paragraph one of this Section in a manner that is available and non-discriminatory to all and in a format that facilitates consolidation of the information with similar data from other sources.

(4) The approved publication arrangement shall include at least the following data in the information published in accordance with Paragraph one of this Section:

1) the identifier of a financial instrument;

2) the price for which the transaction was concluded;

3) the amount of the transaction;

4) the time of the transaction;

5) the time when a notification regarding the transaction was sent;

6) the type of the transaction price;

7) the code of such trading venue where the transaction was executed or where the transaction was executed with the intermediation of the systematic internaliser – the code “SI” or in other cases – the code “OTC”;

8) if necessary, a reference that the transaction was performed under special circumstances.

(5) The approved publication arrangement shall independently establish and implement efficient administrative measures to prevent conflict of interest with clients. The approved publication arrangement which is also operating as a regulated market operator, credit institution, or investment brokerage company shall process all the aggregated information in a manner that is available and non-discriminatory to all and shall operate in conformity with appropriate provisions in order to separate different functions of commercial activity.

(6) The approved publication arrangement shall have security mechanisms in place designed to guarantee the security of the means of transfer of information, to minimise the risk of data corruption and unauthorised access and to prevent information leakage prior to publishing thereof. The approved publication arrangement shall ensure corresponding resources and reserve systems for it to be able to provide its services continuously.

(7) The approved publishing arrangement shall introduce systems which are able to efficiently check the completeness of trading reports, to identify obvious mistakes and deficiencies, and to request that investment brokerage companies and credit institutions re-send the report, correcting the mistakes made.

(8) Joint formats, data standards, and technical provisions for ensuring the requirements of this Section shall be determined by Regulation No 2017/571 and Regulation No 2017/565.

[*21 June 2018*]

**Section 100.19 Organisational Requirements for Consolidated Tape Providers**

(1) A CTP shall adopt a corresponding policy and implement measures in order to aggregate the information published in accordance with Articles 6 and 20 of Regulation No 600/2014, to consolidate it in a continuous electronic data flow, and to make it available in real time to the extent that it is technically possible, on the basis of justified commercial conditions.

(2) The information referred to in Paragraph one of this Section shall include at least the following data:

1) the identifier of a financial instrument;

2) the price for which the transaction was concluded;

3) the amount of the transaction;

4) the time of the transaction;

5) the time when a notification regarding the transaction was sent;

6) the type of the transaction price;

7) the code of such trading venue where the transaction was executed or where the transaction was executed with the intermediation of the systematic internaliser – the code “SI” or in other cases – the code “OTC”;

8) if necessary, information in relation to the fact that a computer algorithm used in an investment brokerage company is responsible for taking of an investment decision and performance of a transaction;

9) if necessary, a reference that the transaction was performed under special circumstances;

10) if, in accordance with Article 4(1)(a) or (b) of Regulation No 600/2014, an exemption from the obligation to publish the information referred to in Article 3(1) of this Regulation was granted – a reference to which of the abovementioned exemptions was applied to the particular transaction.

(3) The information referred to in Paragraph one of this Section shall be made available free of charge within 15 minutes after the CTP has published it. The CTP shall comply with efficient and and consistent distribution of information in a manner that is available and non-discriminatory to all and in a format that is easy to access and convenient to use for market participants.

(4) The CTP shall adopt a corresponding policy and measures in order to aggregate the information published in accordance with Articles 10 and 21 of Regulation No 600/2014, to consolidate it in a continuous electronic data flow, and to make it available in real time to the extent that it is technically possible, on the basis of justified commercial conditions, by including at least the following information:

1) the identifier or identifying characteristics of the financial instrument;

2) the price for which the transaction was concluded;

3) the amount of the transaction;

4) the time of the transaction;

5) the time when a notification regarding the transaction was sent;

6) the type of the transaction price;

7) the code of such trading venue where the transaction was executed or where the transaction was executed with the intermediation of the systematic internaliser – the code “SI” or in other cases – the code “OTC”;

8) if necessary, a reference that the transaction was performed under special circumstances.

(5) The CTP shall make available the information referred to in Paragraph four of this Section free of charge within 15 minutes after publishing of the relevant information.

(6) The CTP shall conform to efficient and consistent distribution of information, ensuring rapid access to the information to all in a non-discriminatory manner and in generally recognised formats that are mutually compatible, easy to access and use for market participants.

(7) The CTP shall ensure that the data sent are consolidated from all regulated markets, MT systems, OT systems, and approved publication arrangements and apply to such financial instruments which are mentioned more specifically in the directly applicable legal acts of the European Union referred to in Paragraph ten of this Section.

(8) The CTP shall provide for the procedures and implement measures in order to prevent conflict of interest. A specially regulated market operator or an approved publication arrangement which also operates as a CTP shall process all the aggregated information in a manner that is available to all and non-discriminatory and shall operate in compliance with corresponding measures to separate different functions of commercial activity.

(9) The CTP shall have security mechanisms in place designed to guarantee the security of the means of transfer of information and to minimise the risk of data corruption and unauthorised access. The CTP shall ensure corresponding resources and reserve systems for it to be able to provide its services continuously.

(10) Data standards, format, and other technical provisions of the information to be published for ensuring the requirements of this Section shall be determined by Regulation No 2017/571 and Regulation No 2017/565.

[*21 June 2018*]

**Section 100.20 Organisational Requirements of Approved Reporting Mechanisms**

(1) An approved reporting mechanism shall adopt a corresponding policy and implement measures in order to, as soon as possible, but not later than until the end of the working day following the day when a transaction took place, notify the information referred to in Article 26 of Regulation No 600/2014. Such information shall be sent in accordance with the requirements referred to in Article 26 of Regulation No 600/2014.

(2) An approved reporting mechanism shall provide for the procedures and implement measures in order to prevent conflict of interest with clients. The approved reporting mechanism which is also operating as a regulated market operator or investment brokerage company, or credit institution shall process all the aggregated information in a non-discriminatory manner, and also shall carry out and maintain corresponding measures in order to separate different functions of commercial activity.

(3) The approved reporting mechanism shall have security mechanisms in place designed to guarantee the security and authenticity of the means of transfer of information, to minimise the risk of data corruption and unauthorised access and to prevent information leakage prior to publishing thereof, always preserving data confidentiality. The approved reporting mechanism shall ensure corresponding resources and reserve systems for it to be able to provide its services continuously.

(4) The approved reporting mechanism shall introduce systems in order to be able to efficiently check the completeness of trading reports, to identify obvious mistakes and deficiencies admitted by a particular investment brokerage company or credit institution and, if such mistake or deficiency has been detected, provide information to the relevant investment brokerage company or credit institution on explanation of the mistake or deficiency, requesting re-sending of correct reports on transactions in which the mistakes or deficiencies were detected.

(5) The approved reporting mechanism shall introduce systems to be able to detect mistakes or deficiencies admitted by the approved reporting mechanism and for the system to be able to correct and send correct and complete reports on transactions to the Commission.

(6) The way in which the approved reporting mechanism may fulfil the requirement for the provision of information referred to in Paragraph one of this Section and the particular organisational requirements laid down in Paragraphs two, three, four, and five of this Section shall be determined by Regulation No 2017/571.

[*21 June 2018*]

**Division F**

**Investment Services**

**Chapter VII**

**General Provisions**

**Section 101. Right to Provide Investment Services and Ancillary Investment Services**

(1) Only investment brokerage companies and credit institutions, insurance brokers – legal persons, and also investment management companies in accordance with the procedures laid down by the laws and regulations governing their activities are entitled to provide investment services in the Republic of Latvia. Foreign investment brokerage companies the branches of which have received a permit in accordance with the procedures laid down in Section 113.4 of this Law are also entitled to provide investment services in the Republic of Latvia. A regulated market operator which has received the licence for operating a regulated market and in accordance with the procedures laid down in Section 103.1 of this Law – the permit to operate an MT facility, is also entitled to operate an MT facility. A regulated market operator which has received the licence for operating a regulated market and in accordance with the procedures laid down in Section 103.1 of this Law – the permit to operate the OT facility, is also entitled to operate an OT facility.

(11) An insurance broker – legal person shall obtain a licence for provision of investment services in accordance with the procedures laid down in Chapter VIII of this Law and comply with the requirements set out for activities of an investment brokerage company.

(2) Credit institutions registered in the Republic of Latvia and branches of foreign credit institutions, and also credit institutions registered in other Member States shall be regarded as credit institutions within the meaning of Division F of this Law.

(3) Investment brokerage companies and branches of foreign investment companies, and also investment brokerage companies registered in other Member States shall be regarded as investment brokerage companies within the meaning of Division F of this Law.

(31) [21 June 2018]

(4) Investment services and ancillary investment services shall be regarded as investment services and ancillary investment services which are provided in the Republic of Latvia, if they:

1) are provided by a commercial company registered in the Republic of Latvia;

2) are provided by a commercial company or natural person registered outside the Republic of Latvia or by a natural person whose place of residence is not in the Republic of Latvia, but the language, type or content of the advertising or offering of investment services and ancillary investment services indicate that the relevant service is being offered in the Republic of Latvia;

3) are offered virtually from the Internet protocol address area granted to the Republic of Latvia or if at least one of the measures necessary for receipt of the service is to be conducted with a person whose location or address is in the Republic of Latvia.

(5) Investment brokerage companies and credit institutions providing investment services shall conform to this Law, regulatory provisions of the Commission and administrative acts issued in relation thereto, and also internal policy and procedures.

(6) The Commission shall establish and maintain a register of investment brokerage companies and of those credit institutions which have the right to provide investment services and ancillary investment services in the Republic of Latvia. The register shall include the type of the investment service or ancillary service for the provision of which the investment brokerage company has obtained a licence or the rights for provision of which a credit institution has obtained in accordance with the procedures laid down in the law. The Commission shall post the register on its website. The Commission shall inform the European Securities and Markets Authority on all the licences and permits issued.

(7) The provisions of Division F of this Law shall not apply to:

1) insurers and reinsurers;

2) commercial companies included within a group of companies which provide investment services only to other commercial companies included within such group of companies;

3) persons providing investment services on an occasional basis only within the scope of their professional activities if profession activities of such persons are regulated by special laws and regulations and code of conduct which do not preclude them from provision of investment services;

4) commercial companies providing investment services only to their own members of the board and council and employees, and where such commercial companies are not included within a group of companies – also to the members of the board and council and employees of commercial companies included in the same group of companies;

5) the operation of investment management companies, alternative investment fund managers, pension funds registered in the Republic of Latvia, investment management companies, collective investment undertakings, alternative investment fund managers, pension funds registered in a Member State, and also the function of a custodial bank in accordance with that provided for in the law On Investment Management Companies, the Law on Alternative Investment Funds and Managers Thereof, and the law On Private Pension Funds;

6) persons dealing on own account in financial instruments other than commodity derivatives or emission allowances or derivatives thereof and not providing any other investment services or performing any other investment activities in financial instruments other than commodity derivatives or emission allowances or derivatives thereof unless such persons:

a) are market makers;

b) are members of or participants in a regulated market or the MT facility, on the one hand, or have direct electronic access to a trading venue, on the other hand, except for non-financial entities who make transactions on a trading venue which are objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of those non-financial entities or their groups;

c) apply a high-frequency algorithmic trading technique;

d) deal on own account when executing client orders;

7) the members of the European System of Central Banks and other national bodies performing similar functions, and other public bodies charged with or intervening in the management of the public debt, and also international financial institutions established by two or more Member States which have the purpose of mobilising funding and providing financial assistance to the benefit of the members of such international financial institutions which are experiencing or threatened by severe financing problems;

8) [21 June 2018];

9) persons who, upon carrying out the professional activities non-regulated by this Law, provide investment advice and do not receive a separate remuneration for it;

10) [21 June 2018];

11) [21 June 2018];

12) operators with compliance obligations under the requirements of the law On Pollution who, when dealing in emission allowances, do not execute client orders and who do not provide any investment services or perform any investment activities other than dealing on own account, provided that those persons do not apply a high-frequency algorithmic trading technique;

13) transmission system operators within the meaning of the Electricity Market Law or the Energy Law when carrying out their tasks under the abovementioned laws or Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003, or under Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005, or under other legal acts adopted in accordance with the abovementioned Regulations, and any person which provides services on behalf of such operators;

14) central securities depositories insofar as they are governed in the directly applicable legal acts of the European Union;

15) persons dealing on own account, including market makers, concluding transactions in commodity derivatives or emission allowances or derivatives thereof, excluding persons who deal on own account when executing client orders;

16) persons providing investment services, other than dealing on own account, in commodity derivatives or emission allowances or derivatives thereof to the customers or suppliers of their main activity.

(8) That specified in Paragraph seven, Clause 13 of this Section shall only apply to the persons referred to in this Clause, if they provide investment services in relation to commodity derivatives, only to carry out the activities referred to in Paragraph seven, Clause 13 of this Section. The abovementioned shall not apply to the operation of the secondary market, *inter alia*, the platform for secondary trading with financial transmission rights within the meaning of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

(9) The activity of the persons referred to in Paragraph seven, Clauses 15 and 16 of this Section shall be ancillary activity to their main activity within the scope of a group of commercial companies. If their main activity is not the provision of investment services or the provision of the financial services specified in the Credit Institution Law, or making of the market in relation to commodity derivatives, the abovementioned persons shall not apply the high-frequency algorithmic trading technique and shall, on an annual basis, inform the Commission of the fact that they use the exemption referred to in Paragraph seven, Clauses 15 and 16 of this Section, and also upon request of the Commission shall provide an explanation on the reasons due to which they regard the activity referred to in Paragraph seven, Clauses 15 and 16 of this Section as ancillary activity to their main activity.

(10) The persons to whom exemption is applied in accordance with Paragraph seven, Clauses 1, 5, or 15 and 16 of this Section need not comply with the conditions laid down in Clause 6 of the abovementioned Paragraph in order to conform to the exemption criteria.

(11) The subjects referred to in Paragraph seven of this Section shall comply with the requirements of Sections 133.14 and 133.15 of this Law.

(12) Investment brokerage companies and credit institutions which, on an organised, frequent, systematic, and substantial basis, deal on own account when executing client orders outside a regulated market, the MT facility, or the OT facility shall operate in accordance with Title III of Regulation (EU) No 600/2014.

(13) Without prejudice to that specified in Articles 23 and 28 of Regulation (EU) No 600/2014 in relation to all transactions in financial instruments which are not concluded on a multilateral system or systematic internaliser shall comply with the provisions of Title III of Regulation (EU) No 600/2014.

(14) Regulation No 2017/565 shall determine the cases when the activity referred to in Paragraph seven, Clause 3 of this Section is considered as an activity that is performed irregularly.

(15) Commission Delegated Regulation (EU) 2017/592 of 1 December 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the criteria to establish when an activity is considered to be ancillary to the main business shall determine the criteria according to which it shall be detected whether the activities referred to in Paragraph seven, Clauses 15 and 16 of this Section are to be considered an ancillary activity within the scope of a group of commercial companies.

(16) An investment brokerage company and a credit institution have an obligation to ensure the fulfilment of the requirements of the law throughout the period of operation of the licence or permit issued by the Commission.

[*4 October 2007; 22 May 2008; 9 July 2013; 26 May 2016; 14 September 2017; 21 June 2018; 20 June 2019*]

**Section 102. Rights of Investment Brokerage Companies to Provide Investment Services and Ancillary Investment Services**

(1) An investment brokerage company is entitled to commence the provision of investment services only upon obtaining a licence from the Commission for the provision of investment services (hereinafter in this Division – the licence). The ancillary investment services which the investment brokerage company intends to provide, shall also be indicated in the licence.

(2) The ancillary investment services referred to in Section 3, Paragraph five, Clause 1 of this Law may be provided only if a licence for provision of investment services is obtained.

(21) The requirements of this Law are not applied to commercial companies which provide only the ancillary investment services referred to in Section 3, Paragraph five, Clauses 2, 3, 4, 5, 6, and 7 of this Law.

(3) The Commission shall issue a licence for an indefinite period of time. The licence shall specify the investment services and ancillary investment services the investment brokerage company is entitled to provide.

(4) Investment brokerage companies registered in Member States are entitled to commence the provision of investment services and ancillary investment services in the Republic of Latvia in accordance with the procedures laid down in Section 112 of this Law.

(5) An investment brokerage company has no right to conduct commercial activities which are not related with provision of investment services, ancillary investment services, other financial services or professional activity of an insurance broker – legal person.

(6) Only a capital company which has obtained a licence for the provision of investment services has the right to use the expression “ieguldījumu brokeru sabiedrība” [investment brokerage company] or the abbreviation thereof “IBS” in its firm name.

(7) An investment brokerage company, by ensuring due skill and care and conforming to the procedures laid down in Division F.1 of this Law, has the right to delegate provision of the following outsourcing services to the provider of outsourcing services:

1) conducting of accounting;

2) management or development of information technologies or systems;

3) organising internal control;

4) provision of investment service and ancillary investment service or any significant element thereof.

(8) An investment brokerage company may delegate the duties of the internal audit service as outsourcing service only to a sworn auditor, commercial company of sworn auditors or a parent undertaking of the investment brokerage company – credit institution, insurance company, or investment brokerage company registered in the Member State.

(9) If an investment brokerage company delegates the investment service referred to in Section 3, Paragraph four, Clause 4 of this Law which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign country, then it shall ensure fulfilment of the following requirements in addition to that laid down in Division F.1:

1) the provider of outsourcing service has obtained a licence in his home country for the provision of such service or is registered as a provider thereof and is subject to supervision of financial status;

2) a corresponding information exchange agreement has been entered into between the Commission and the supervisory authority of the service provider in accordance with Section 145 of this Law.

(10) The Commission is entitled to allow to delegate the investment service referred to in Section 3, Paragraph four, Clause 4 of this Law which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign country, without applying the conditions referred to in Paragraph nine of this Section, if the guidelines of the policy referred to in Paragraph eleven of this Section are conformed to.

(11) The Commission shall approve the policy regarding the right of an investment brokerage company to delegate the investment service referred to in Section 3, Paragraph four, Clause 4 of this Law which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign country, and publish it on its website. This policy shall contain at least the following information:

1) samples for cases in which the Commission allows delegation of the relevant service to a provider of outsourcing service in a foreign country if one or both conditions referred to in Paragraph nine of this Section are not met;

2) justification why in the cases referred to in Clause 1 of this Paragraph it shall be regarded that the investment brokerage company will be able to ensure the requirements set out for the provision of outsourcing services in this Law.

(12) An investment brokerage company has no right to:

1) delegate the responsibilities of management bodies of the investment brokerage company laid down in accordance with the laws and regulations governing the activities of an investment brokerage company or the articles of association of the company;

2) completely transfer provision of investment services or ancillary investment services authorised in a licence to providers of outsourcing services.

(13) The Commission shall post on its website the list of those supervisory authorities of foreign countries with which it has entered into the information exchange agreement.

(14) An investment brokerage company has the right to provide investment services and ancillary investment services with the intermediation of another investment brokerage company or credit institution in conformity with Section 128.1, Paragraphs eight, nine, and ten of this Law.

[*9 June 2005; 15 June 2006; 4 October 2007; 22 May 2008; 4 February 2016; 21 September 2017; 21 June 2018*]

**Section 103. Right of a Credit Institution to Provide Investment Services and Ancillary Investment Services**

(1) Credit institutions, branches of foreign credit institutions registered in the Republic of Latvia which have obtained a licence for the operation of a credit institution in accordance with the procedures laid down in the law shall, prior to the commencement of the provision of investment services and ancillary investment services, submit to the Commission the following documents:

1) a description of provision of investment services and ancillary investment services and control procedures thereof;

2) regulations for the protection of the accounting database for documentation of financial instruments;

21) a description of procedures for identification of those transactions which are performed by using inside information or with a view to commit manipulations in a financial instrument market;

3) the articles of association of the division providing investment services and ancillary investment services. If it is intended to provide investment services and ancillary investment services in branches of a credit institution or in constituent bodies regarded as equivalent in terms thereto, the credit institution shall also specify in the articles of association the provision of investment services and ancillary investment services by those constituent bodies;

4) [21 June 2018];

5) a document describing and explaining how the strategy of the credit institution, in accordance with Section 126.3 of this Law, includes the exercise of the rights of a shareholder, if the credit institution intends to provide portfolio management services by including such shares of a joint stock company in the portfolio the registered office of which is in a Member State and the shares of which are admitted to trading on a regulated market of the Member State.

(2) Credit institutions registered in the Republic of Latvia and branches of foreign credit institutions are entitled to commence the provision of investment services and ancillary investment services provided that within 30 days from the date of submitting the documents referred to in Paragraph one of this Section they have not received any objections from the Commission.

(3) Credit institutions to be established and branches of credit institutions to be opened which are proposing to provide investment services and ancillary investment services, shall submit to the Commission the documents referred to in Paragraph one of this Section concurrently with other documents submitted thereby, in accordance with laws and other regulatory enactments, in order to obtain a licence for the commencement of operations of a credit institution.

(4) Credit institutions registered in Member States are entitled to commence the provision of investment services and ancillary investment services in the Republic of Latvia upon the moment when, in accordance with the law, they are entitled to commence activity as a credit institution in the Republic of Latvia with or without the opening of a branch.

(5) A credit institution has the right to provide investment services and ancillary investment services with the intermediation of an investment brokerage company or credit institution in conformity with Section 128.1, Paragraphs eight, nine, and ten of this Law.

[*9 June 2005; 4 October 2007; 26 May 2016; 21 June 2018; 20 June 2019*]

**Section 103.1 Right of a Market Operator to Provide an Investment Service for the Operation of a Multilateral Trading Facility and Organised Trading Facility**

(1) A market operator registered in the Republic of Latvia which, in accordance with the procedures laid down in the law, has received the licence for the operation of a regulated market shall submit the following documents to the Commission before commencement of operation of the MT facility or OT facility:

1) in the event of a service for the operation of the MT facility – the draft provisions referred to in Sections 133.4 and 133.5 of this Law;

2) in the event of a service for the operation of the OT facility – the draft provisions referred to in Sections 133.4 and 133.6 of this Law;

3) amendments to the documents referred to in Section 30, Paragraph one, Clauses 3, 4, 5, 6, 7, 8, and 9 of this Law, if such amendments are to be made in relation to the operation of the MT facility or OT facility.

(2) A market operator registered in the Republic of Latvia is entitled to commence the operation of the MT facility or OT facility, if, within 30 days from the date of submitting the documents referred to in Paragraph one of this Section, he has not received any objections from the Commission.

(3) A market operator registered in another Member State is entitled to operate the MT facility or OT facility in the Republic of Latvia, if he has obtained the right to provide such investment service in the home country. The market operator registered in other Member State is entitled to commence the operation of the MT facility or OT facility in the Republic of Latvia in accordance with the provisions of Section 113.2 of this Law.

[*21 June 2018*]

**Section 103.2 Provision of Investment Services with Intermediation of Tied Agents**

(1) An investment brokerage company and credit institution have the right to use tied agents so that, on behalf of the investment brokerage company or credit institution, to advertise and offer investment services provided by the company or receive orders from clients or potential clients and to transmit such order to the investment brokerage company or credit institution, to place financial instruments and provide investment advice regarding such financial instruments and services which are offered by the abovementioned investment brokerage company or credit institution. The investment brokerage company and credit institution have the right to use the tied agent, if he is registered with the register of tied agents referred to in Paragraph six of this Section.

(2) The following natural person with the capacity to act may be a tied agent’s responsible person and employee directly involved in the performance of activities related to the provision of investment services referred to in Paragraph one:

1) who has attained eighteen years of age;

2) who has acquired at least secondary education;

3) who has acquired the necessary professional knowledge regarding investment service to be distributed and financial instruments to be offered in order to be able to ensure the tasks of the tied agent laid down in Paragraph one of this Section;

4) who has impeccable reputation and to whom none of the restrictions referred to in Paragraph three of this Law apply.

(3) The following person may not be a tied agent’s responsible person and employee directly involved in the performance of activities related to the provision of investment services referred to in Paragraph one:

1) who has been convicted for committing an intentional criminal offence;

2) who has been convicted for committing an intentional criminal offence, even if the person has been released from serving the sentence because of expiry of the limitation period, clemency or amnesty;

3) against whom a criminal matter for the committing of an intentional criminal offence has been discontinued because of the expiry of the limitation period or amnesty;

4) who has been held criminally liable for committing an intentional criminal offence, however, the criminal matter against him or her has been terminated for reasons other than exoneration.

(4) An investment brokerage company and credit institution shall ensure training of the tied agent’s responsible person and of those employees who are directly involved in performance of activities related to the provision of the investment services referred to in Paragraph one of this Section in order to provide them with the necessary knowledge regarding investment services which are distributed with intermediation of a tied agent.

(5) An investment brokerage company and credit institution shall be responsible for conformity with the criteria laid down in Paragraphs two and three of this Section by the tied agent’s responsible person and employees who are directly involved in performance of activities related to the provision of the investment services referred to in Paragraph one of this Section.

(51) An investment brokerage company and credit institution which wish to use the tied agent shall submit a relevant submission to the Commission regarding registration of the tied agent in the register of tied agents, indicating the information referred to in Paragraph six of this Section, and append a certification that the tied agent’s responsible person and employees conform to the criteria specified in Paragraphs two and three of this Section.

(52) The Commission shall, within 10 working days after receipt of the submission referred to in Paragraph 5.1 of this Section, register the tied agent in the register of tied agents or send a refusal to the investment brokerage company or credit institution to register the tied agent, if it does not conform to the criteria specified in Paragraphs two and three of this Section.

(6) The Commission shall maintain the register of tied agents in which the following information shall be entered:

1) the firm name or the given name and surname (for a natural person) of a tied agent, registration number, registered office, phone number or telefax number, and electronic mail address;

2) the given name and surname of the tied agent’s responsible person;

3) the Member State in which the tied agent carries out the activities related to the provision of the investment services referred to in Paragraph one of this Section.

(7) The register of tied agents shall be available to the public on the website of the Commission, it shall be publicly reliable and any person has the right to become acquainted with.

(8) A tied agent, in carrying out his or her professional activity, shall disclose completely information to the clients on his or her status and the investment brokerage company or credit institution represented by him or her. The investment brokerage company or credit institution on behalf of which the tied agent is acting shall be completely and unconditionally responsible for professional activities of the tied agent.

(9) An investment brokerage company and credit institution shall supervise the conformity of activity of the selected tied agent with the requirements laid down in this Law. The investment brokerage company and credit institution shall, without delay, notify the Commission, if the tied agent selected thereby does not conform to the requirements of this Section or has violated the requirements of this Law.

(10) The Commission shall cancel registration of the tied agent and exclude the tied agent from the register of tied agents, if:

1) the tied agent has infringed the requirements of this Law;

2) the tied agent has infringed the requirements of the laws and regulations governing prevention of the laundering of proceeds from crime;

3) the tied agent who is acting in a Member State, in conformity with the principle of freedom of establishment and provision of services, has infringed the requirements contained in the laws protecting the public interests and other laws and regulations governing financial instruments market;

4) the tied agent requests to cancel the entry in the register of tied agents;

5) the tied agent is liquidated.

(11) If the administrative act issued by the Commission regarding cancellation of the entry in the register of tied agents is appealed, it shall not suspend the execution of such act.

(12) A tied agent – legal person – has an obligation himself or herself or upon proposal of the Commission to remove the tied agent’s responsible person or employee directly involved in the performance of activities related to the provision of the investment services referred to in Paragraph one of this Section from office without delay, if:

1) it is detected that he or she has caused a situation which may endanger interests of the clients of the tied agent;

2) he or she fails to comply with the requirements laid down in Paragraph two of this Section or any of the restrictions laid down in Paragraph three of this Section may be applied to him or her;

3) he or she has infringed the requirements of the laws and regulations governing prevention of the laundering of proceeds from crime;

4) he or she has infringed the requirements of this Law.

(13) If an administrative act issued by the Commission regarding removal of the persons referred to in Paragraph twelve of this Section from the office is appealed, such appeal shall not suspend the execution thereof.

[*4 October 2007; 21 June 2018*]

**Section 104. Restriction on the Provision of Investment Services**

(1) The Commission is entitled to restrict the right of an investment brokerage company to provide one or several investment services or to hold financial instruments if:

1) the investment brokerage company has not been complying with the requirements laid down in laws and other regulatory enactments;

2) the investment brokerage company has not followed the administrative instructions included in administrative acts of the Commission issued in relation thereto or in the administrative acts issued by other institutions which ensure the implementation of this Law, and also the regulatory provisions of the Commission subordinated thereto;

3) an insolvency application of the investment brokerage company has been submitted to the court or the investment brokerage company has been declared insolvent;

4) a liquidation process of the investment brokerage company has been commenced;

5) the investment brokerage company performs activities which threaten or may threaten the financial stability, insolvency, or reputation of this investment brokerage company.

(2) The Commission is entitled to restrict the right of a credit institution to provide one or several investment services or to hold financial instruments if:

1) the credit institution has not complied with the requirements set forth in laws or other regulatory enactments;

2) the credit institution has not followed the administrative instructions included in the administrative acts of the Commission issued in relation thereto or in the administrative acts issued by other institutions which ensure the implementation of this Law, and also the regulatory provisions of the Commission subordinated thereto;

3) the Commission has applied an intensified supervision procedure upon the credit institution;

4) the Commission has received an application for insolvency or takes a decision itself on the submission to a court of an application for insolvency of the credit institution;

5) the Commission has received a submission for liquidation of the credit institution;

6) the credit institution performs any activities which threaten or may threaten the financial stability, insolvency, or reputation of this credit institution.

(3) If the Commission restricts the right of an investment brokerage company to hold financial instruments, it shall be entitled to require the investment brokerage company to transfer all financial instruments belonging to any clients to another investment brokerage company or credit institution entrusted with the holding of financial instruments.

[*9 June 2005; 15 June 2006; 4 October 2007*]

**Chapter VIII**

**Licensing of Investment Brokerage Companies**

**Section 105. General Requirements for Obtaining a Licence**

An investment brokerage company is entitled to receive a licence only if its:

1) initial capital conforms to the requirements of this Law, the regulatory provisions of the Commission, and Regulation No 575/2013;

2) members of the board and council (where such has been established) conform to the requirements of this Law;

3) shareholders (members) conform to the requirements of this Law;

4) the chairperson of the board and at least one more member of the board are competent in investment matters;

5) head office is located in the same Member State where its registered office is.

[*21 June 2018*]

**Section 105.1 Requirements for Shareholders (Members) of an Investment Brokerage Company**

Only the following persons may be shareholders (members) of an investment brokerage company which have a qualifying holding:

1) who have an impeccable reputation;

2) who have financial stability and the lawfulness of the acquisition of financial resources of which may be proved by documentary evidence. Upon assessing financial stability of shareholders (members), if a person is not a credit institution or insurance company, it shall be taken into account whether the person has sufficient free capital;

3) whom it is possible to identify.

[*21 June 2018*]

**Section 106. Requirements for Officials of an Investment Brokerage Company**

(1) Such person may be the chairperson of the board, a member of the board of an investment brokerage company, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism financing, the head of a branch of a foreign investment brokerage company or a branch of an investment brokerage company in another Member State:

1) who is competent in the financial management issues. Also a person who is competent in the management issues of an undertaking may be the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism financing;

2) who has the necessary education and three years professional work experience in a commercial company, organisation, or institution of the relevant size;

3) who has an impeccable reputation;

4) who has not been deprived of the right to perform commercial activities.

(2) The chairperson of the board, members of the board of an investment brokerage company, the head of a branch of a foreign investment brokerage company or a branch of an investment brokerage company in another Member State must have higher education.

(3) Such person may not be the chairperson of the board, a member of the board of an investment brokerage company, the person responsible for the fulfilment of the requirements for the prevention of money laundering and terrorism financing, the head of a branch of a foreign investment brokerage company or a branch of an investment brokerage company in another Member State:

1) who has been punished for committing an intentional criminal offence (regardless of whether or not the conviction has been extinguished or set aside);

2) who has been convicted of committing an intentional criminal offence by releasing from punishment or against whom criminal proceedings have been terminated for reasons other than exoneration.

(4) The council of an investment brokerage company has an obligation to remove the persons referred to in Paragraph one of this Section from the office without delay, if they do not conform to the requirements of Paragraph one of this Section or Paragraph three, Clause 1 or 2 of this Section may be applied to them.

(5) A person who conforms to the requirements of Paragraph one, Clauses 1, 2, 3, and 4 of this Section may be the chairperson of the council and a member of the council of an investment brokerage company. A person to whom Paragraph three, Clause 1 or 2 of this Section may be applied may not be the chairperson of the council and a member of the council of the investment brokerage company.

(6) The meeting of shareholders or participants has an obligation to remove the persons referred to in Paragraph one of this Section from the office without delay, if they do not conform to the requirements laid down in the relevant Paragraph.

(7) The Commission shall not grant a permit to an investment brokerage company for the provision of investment services while it has not been informed of the identity of shareholders or participants, of legal or natural persons who have a qualifying holding, and of the amount of the abovementioned holding.

[*21 June 2018*]

**Section 106.1 Provisions Regarding the Total Number of Positions of a Member of the Council and Board to be Held by a Member the Board and Council of an Investment Brokerage Company**

(1) When determining the number of positions of a member of the council and board in an investment brokerage company which a member of the board or council, if such has been established, may hold simultaneously, individual circumstances shall be taken into consideration, and also the nature, scope, and complexity of activities of the investment brokerage company.

(2) A member of the council and board of an investment brokerage company which is important in terms of its size, internal organisation and the nature, scope and complexity of activities, may, except for the cases when he or she represents the Republic of Latvia, simultaneously hold no more than:

1) one position of a member of the board and two positions of a member of the council;

2) four positions of a member of the council.

(3) Within the meaning of this Section one position of a member of the board or council shall be considered positions of a member of the board or council:

1) within the framework of one consolidation group;

2) in the institutions which are members of the same institutional protection scheme referred to in Article 113(7) of Regulation No 575/2013;

3) in companies (including those that are not financial institutions) in which investment brokerage companies have a qualifying holding.

(4) Within the meaning of this Section positions of a member of the board or council in associations, foundations and other organisations whose activities are not aimed at generating profit shall not be considered a position of a member of the board or council.

(5) The Commission is entitled to allow a member of the board or council of an investment brokerage company to hold one additional position of a member of the council.

(6) The Commission shall regularly provide the European Banking Authority with information on permits granted in accordance with Paragraph five of this Section.

[*24 April 2014*]

**Section 107. Documents Submitted by an Investment Brokerage Company for Receipt of a Licence**

(1) In order to receive a licence, an investment brokerage company shall submit to the Commission a submission specifying the investment services and ancillary investment services it proposes to provide.

(2) An investment brokerage company shall submit concurrently with a submission the following documents:

1) information on members of the board and council (if such has been established) in accordance with Commission Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues (hereinafter – Regulation No 2017/1943);

2) a balance sheet and capital adequacy calculation regarding the situation on the last day of the previous month which have been prepared in accordance with the requirements of the laws and regulations governing the preparation of statements and capital adequacy calculation of investment brokerage companies, and aso documents attesting to conformity with the initial capital requirements (for example, a financial statement audited by a sworn auditor, a statement from a credit institution, documents attesting to changes in capital during the current year);

3) an internal control system policy of the investment brokerage company necessary for the activity of the investment brokerage company and qualitative provision of investment services and ancillary investment services and procedure descriptions:

a) a description of the organisational structure of the investment brokerage company with the obligations and authorisation of members of the council (where such has been established) and board clearly specified, and also precisely specified and assigned tasks of any constituent bodies, and the duties of the heads and employees of the constituent bodies providing investment services or ancillary investment services. If the establishment of branches is intended, the investment brokerage company shall also submit a description of the organisational structure of the branches and the duties of heads and employees of the branches providing investment services or ancillary investment services;

b) the main principles of the accounting policy and organising of accounting record-keeping, including record-keeping of financial instruments and funds related to transactions with financial instruments;

c) a description of the management information system;

d) the provisions for the protection of the information system, including the provisions for the protection of the database for record-keeping of financial instruments and fund related to transactions with financial instruments;

e) a description of the internal audit system;

f) a description of internal control procedures for prevention of money laundering of the proceeds from crime and funding of terrorism which comprises also a description of the procedures for identification of clients and management of economic activity;

g) descriptions of policies and procedures for the management of significant operational risks;

h) descriptions of the conformity policy and procedures for activities of the company;

i) [21 June 2018];

4) an activity plan for at least the next three years of operation which provides an expanded reflection of the operational strategy, financial prognoses (including balance sheets, draft calculations of returns or losses, draft calculations of capital adequacy, forecast amount of costs per year), descriptions of market research, other information which is considered necessary by the investment brokerage company and which allows the acquisition of a clear and true representation with regard to the planned activities;

5) a description of the procedures for provision and control of investment services and ancillary investment services for the provision of which the investment brokerage company wants to obtain a licence;

51) a description of the procedures for identification of such transactions which are performed, using inside information or with a view to carry out market manipulations;

52) a description of the policy for the prevention of a conflict of interest;

53) a description of the policy for execution of orders;

6) information on shareholders (members) in the investment brokerage company:

a) for natural persons – a copy of the page of a passport or other personal identification document specified by law which indicates data identifying a person [given name, surname, citizenship, personal identity number (if any) or year and date of birth];

b) for legal persons – the firm name, registered office, registration number and place. Legal persons registered in a foreign country shall also submit copies of registration documents;

c) amount of directly and indirectly acquired qualifying holding of shareholders or members of the investment brokerage company;

7) a document describing and explaining how the strategy of the investment brokerage company, in accordance with Section 126.3 of this Law, includes the exercise of the rights of a shareholder, if the investment brokerage company intends to provide portfolio management services by including such shares of a joint stock company in the portfolio the registered office of which is in a Member State and the shares of which are admitted to trading on a regulated market of the Member State.

(3) An investment brokerage company need not submit regulations governing the procedures for the record-keeping of financial instruments and funds related to transactions with financial instruments and regulations for the protection of accounting database of the financial instruments and funds related to transactions with financial instruments, unless it plans to hold financial instruments.

(4) [21 June 2018]

(5) The Commission has the right to request the investment brokerage company to clarify any documents and information submitted.

(6) If, pending the decision on the issue of the licence, changes in the information specified in Paragraph two of this Section occur, or amendments to the documents are made, the company has an obligation to submit to the Commission the new information or the full text of such documents with the amendments made without delay.

(7) [9 June 2005]

[*9 June 2005; 4 October 2007; 22 March 2012; 21 June 2018; 20 June 2019*]

**Section 107.1 Additional Requirements for the Preparation of Information**

(1) Additional requirements for the preparation of the information specified in Section 107 of this Law shall be determined by Regulation No 2017/1943.

(2) The sample forms, templates, and procedures necessary for the submission of the information referred to in Section 107 of this Law shall be determined by Commission Implementing Regulation (EU) 2017/1945 of 19 June 2017 laying down implementing technical standards with regard to notifications by and to applicant and authorised investment firms according to Directive 2014/65/EU of the European Parliament and of the Council.

[*21 June 2018; 20 June 2019*]

**Section 108. Procedures for Granting a Licence**

(1) The Commission shall examine the submission of an investment brokerage company for the receipt of a licence and take a decision within six months after receipt of all the documents specified in this Law and prepared and drawn up in accordance with the requirements of the laws and regulations which are necessary for taking the decision.

(2) The Commission shall not issue a licence to an investment brokerage company if:

1) during the establishment of the investment brokerage company this Law and other laws and regulations have not been conformed to;

2) close links of the investment brokerage company with third parties endanger or may endanger its financial stability or restrict the right of the Commission to perform the supervisory functions laid down in the law;

3) foreign laws and other regulatory enactments related to persons who have close links with the investment brokerage company restrict the right of the Commission to perform the supervisory functions laid down in law;

4) the documents submitted by the investment brokerage company contain incorrect or incomplete information;

5) the members of the board or council of the investment brokerage company do not conform to the requirements laid down in this Law and the regulatory provisions of the Commission, and also if the Commission has not been able to ascertain to a satisfactory extent that members of the board or council of the investment brokerage company have impeccable reputation, sufficient knowledge, skills, and experience and that they dedicate sufficient amount of time for the performance of the functions assigned to them by the investment brokerage company, or if there are objective and demonstrable grounds to believe that board or council of the investment brokerage company may pose a threat to its effective, sound, and prudent management, and also might not adequately consider the interest of its clients and the integrity of the market;

6) the identity, reputation, or adequacy of free capital of such persons who have a qualifying holding in the investment brokerage company cannot be verified, or if the Commission determines that the financial resources that are invested in the capital of the investment brokerage company have been acquired in unusual or suspicious financial transactions or the lawfulness of the acquisition of these financial resources has not been proved by documentary evidence;

7) the Commission establishes that the influence of the persons who have acquired a qualifying holding in the investment brokerage company would not ensure that the administration of it would be financially sound, prudent and in conformity with the laws and regulations governing activities of investment brokerage companies.

(21) The obstacles which may hinder efficient fulfilment of the supervisory obligations of the Commission referred to in Paragraph two, Clauses 2 and 3 of this Section are specified in Article 10 of Regulation No 2017/1943.

(3) Where the Commission has taken a decision to refuse to issue a licence, an application for the receipt of the licence may be resubmitted after the rectification of all deficiencies referred to in the refusal.

(4) The Commission shall consult with the supervisory authority of the relevant Member State before issuing a licence to such investment brokerage company:

1) which is a subsidiary of the investment brokerage company, credit institution, regulated market operator, or insurance company licensed in a Member State;

2) which is a subsidiary of such a parent undertaking another subsidiary of which is an investment brokerage company, credit institution, or insurance company licensed in a Member State;

3) which is controlled by a person who also controls another investment brokerage company, credit institution, or insurance company licensed in a Member State.

(5) The Commission shall, before issuing a licence, and also during the course of supervision of the licensed investment brokerage company, request and assess information from the relevant supervisory authority on suitability of shareholders of the investment brokerage company and reputation and experience of the council, if such has been established, and members of the board if such persons are involved in the administration of commercial companies of such group of companies in which the relevant investment brokerage company will be included.

(51) The sample forms, templates, and procedures for consultations on the cases referred to in Paragraph four of this Section shall be determined by Regulation No 2017/981.

(6) The Commission shall notify the European Securities and Markets Authority of issuance of a licence to an investment brokerage company.

[*9 June 2005; 4 October 2007; 13 January 2011; 22 March 2012; 24 April 2014; 21 June 2018*]

**Section 108.1 Notification Regarding Changes after Obtaining of a Licence**

(1) Within seven days after changes in the composition of the board or council (if such has been established) of an investment brokerage company, the investment brokerage company shall submit a notification to the Commission regarding the changes made. Concurrently with the notification the investment brokerage company shall submit the information referred to in Section 107, Paragraph two, Clause 1 of this Law on the new member of the board or council.

(2) The investment brokerage company shall notify the Commission of all substantial changes which are related to the provision of the investment services and ancillary investment services specified in the licence issued thereto.

[*21 June 2018*]

**Section 109. Change of Investment Services and Ancillary Investment Services Specified in a Licence**

(1) If an investment brokerage company proposes to supplement the investment services indicated in the licence or ancillary investment services with new investment services or ancillary investment services, or proposes to abandon the provision of some investment service or ancillary investment service indicated on the licence, it shall submit to the Commission a relevant application.

(2) If an investment brokerage company wishes to commence the provision of new investment services or ancillary investment services it shall submit concurrently with the submission:

1) a supplement to the activity plan;

2) a description of the procedure of investment services and ancillary investment services the provision of which the investment brokerage company wants to commence;

3) amendments to the existing descriptions of policies and procedures of the investment brokerage company, if such amendments have to be made in relation to commencement of provision of new investment services and ancillary investment services;

4) [9 June 2005];

5) calculation of capital adequacy, if there is a requirement of greater initial capital for the investment brokerage company in relation to commencement of provision of new investment services or ancillary investment services.

(3) The Commission shall, within 30 days after receipt of all the documents specified in this Law and prepared and drawn up in conformity with the requirements of laws and regulations which are necessary for the taking of the decision, examine a submission from an investment brokerage company regarding any change in the investment services and ancillary investment services indicated on the licence.

(4) No State fee shall be paid for any change in the investment services and ancillary investment services indicated on the licence.

(5) An investment brokerage company which has lost the right to the holding of financial instruments as provision of ancillary investment service shall handle the property owned by its clients in conformity with the requirements laid down in Division I of this Law.

[*9 June 2005; 24 April 2014; 21 June 2018*]

**Section 110. Re-registration of a Licence**

(1) If the firm name of an investment brokerage company is changed, the Commission shall re-register the licence.

(2) The submission of an investment brokerage company for the re-registration of the licence shall be submitted to the Commission within five working days after re-registration of the firm name.

(3) The Commission shall re-register the licence within five working days after receipt of the submission.

[*21 June 2018*]

**Section 111. Procedures for Cancellation of a Licence**

(1) The Commission shall cancel a licence issued to an investment brokerage company in the following cases:

1) the investment brokerage company has not commenced operations within 12 months from the day of issue of the licence;

2) it is determined that the investment brokerage company has provided false information in order to obtain the licence;

3) the investment brokerage company has not been providing investment services and ancillary investment services indicated in the licence thereof for a period longer than six months;

4) the investment brokerage company fails to conform to the requirements of laws and regulations;

5) the investment brokerage company has failed to rectify the violations of the laws and regulations established by the Commission within the time period stipulated by the Commission;

6) the investment brokerage company has itself commenced liquidation proceedings;

7) bankruptcy proceedings for the investment brokerage company are initiated in accordance with the procedures laid down in the law;

8) the investment brokerage company has submitted a written submission regarding the cancellation of the licence;

9) it is established that the investment brokerage company fails to conform to the requirements laid down in this Law for obtaining a licence;

10) the prohibition of exercising of the voting right of shares belonging to shareholders of the investment brokerage company with a qualifying holding has set in and it lasts for more than six months.

(11) The Commission shall inform the European Securities and Markets Authority of cancellation of a licence issued to an investment brokerage company.

(2) The Commission shall implement the supervision of the investment brokerage company specified in this Law until the investment brokerage company has completely settled all of its obligations with regard to its clients.

(3) An investment brokerage company whose licence has been cancelled shall handle the property owned by its clients in conformity with the requirements laid down in Division I of this Law.

(4) If the Commission has cancelled the licence issued to the investment brokerage company in the cases specified in Paragraph one, Clauses 2, 4, and 9 of this Section, information on cancellation shall be published on the website of the Commission and stored for five years.

[*9 June 2005; 4 October 2007; 13 January 2011; 22 March 2012; 24 April 2014; 21 June 2018*]

**Chapter VIII1**

**Permit for a Holding Company and Licence (Permit) for an Investment Brokerage Company belonging to a Third-Country Group**

[*29 April 2021*]

**Section 111.1 Additional Requirements for Holding Companies**

(1) A parent financial holding company in a Member State, parent mixed financial holding company in a Member State, European Union parent financial holding company and European Union parent mixed financial holding company, financial holding company and mixed financial holding company (hereinafter in Section – the holding company) consolidated supervision of which is exercised by the Commission in accordance with Section 142 of this Law shall submit an application and the following information to the Commission:

1) information regarding the organisational structure of such group to which the financial holding belongs, indicating the location and type of activity of the subsidiary and parent undertaking of the group, and each company belonging to the group;

2) information regarding at least two members of the board of the holding company and their conformity with the requirements of Section 106 of this Law;

3) information regarding the conformity of stockholders or shareholders of a holding company who have qualifying holding in the holding company with the requirements of Section 1o of this Law;

4) information regarding creation of an internal control system – at least the division of the responsibilities, functions, and competence in relation to decision-making in the group, the prevention of conflicts of interest in the group, and the application of internal procedures and policies in the group management.

(2) The Commission shall allow the holding company to be a parent undertaking of an investment brokerage company if:

1) the internal control system in the group conforms to the purpose of ensuring conformity with the requirements laid down in this Law and EU Regulation No 575/2013 on a consolidated or sub-consolidated basis;

2) the organisational structure of such group to which the holding company belongs does not limit the possibilities of the Commission as the consolidated supervisor to efficiently supervise subsidiaries and parent undertakings in relation to individual, consolidated, or sub-consolidated liabilities;

3) the conformity of the members of the board of the holding company with the requirements of Section 106 of this Law and the conformity of stockholders or shareholders who have qualifying holding in the holding company with the requirements of Section 10 of this Law is ensured.

(3) The holding company shall not need the permit referred to in Paragraph two of this Section, if all of the following conditions are met:

1) the principal activity of the holding company is to acquire holdings in subsidiaries;

2) the holding company is not a resolution entity within the meaning of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies;

3) a credit institution which is a subsidiary is entitled to ensure the conformity of the group with prudential requirements on a consolidated basis and it has all the necessary resources to ensure it;

4) the holding company does not participate in taking such management, operational, or financial decisions which affect the group or its subsidiary which is a credit institution, investment brokerage company, or financial institution;

5) there are no impediments to the effective supervision of the group on a consolidated basis.

(4) The Commission as the consolidated supervisor may request additional information which is necessary for the performance of the assessment referred to in Paragraphs two and three of this Section.

(5) The Commission as the consolidated supervisor shall take the decision on the permit referred to in Paragraph two of this Section or on the application of the exception referred to in Paragraph three within four months from the day when complete information for taking of the decision has been received, but not later than within six months from the day when the application and complete information were submitted.

(6) If a holding company is registered in another Member State, the Commission as the consolidated supervisor shall, prior to taking of the decision, cooperate with the supervisory authority of the Member State and provide its assessment thereto on the conformity of the holding company with the conditions of Paragraphs two and three of this Section. Within two months from the day of preparation of the evaluation, the Commission as the consolidated supervisor shall, having joint discussions and coordinating opinions with the supervisory authority of the Member State and the coordinator within the meaning of the Financial Conglomerates Law, take the decision to grant the permit for being a parent undertaking of a credit institution to the holding company or on the application of an exception in accordance with Paragraph three of this Section. If the abovementioned decision is not taken, the Commission as the consolidated supervisor has the right, in order to settle disputes, to turn to the relevant European Supervisory Authority for the settlement of disputes in accordance with 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.

[*29 April 2021*]

**Section 111.2 Additional requirements for an investment brokerage company of the third-country group**

(1) An investment brokerage company belonging to a third-country group the total value of assets of which in the European Union is at least EUR 40 billion may receive the licence (permit), register with the Commercial Register and operate in the Republic of Latvia only if at least one of the following conditions has been met:

1) the investment brokerage company is the only credit institution or investment brokerage company of the third-country group in the European Union;

2) the investment brokerage company has a parent undertaking registered in the European Union;

3) the investment brokerage company is a parent undertaking for a credit institution or investment brokerage company registered in the European Union.

(2) The total value of assets of a third-country group in the European Union shall consist of the following sum:

1) the sum total of the value of assets of each credit institution and investment brokerage company of the third-country group in the European Union on the basis of the data of consolidated financial statements or, if consolidated data is not available, – on the basis of the data of individual financial reports;

2) the sum total of the value of assets of each branch of the third-country group which has received a permit for operation in the European Union as a credit institution or investment brokerage company.

(3) If an investment brokerage company belongs to a third-country group and a credit institution or investment brokerage company of the Member State also belongs to such group, then the third-country group has an obligation to create one parent undertaking in the European Union. The Commission may permit the creation of a second parent undertaking in the European Union if it executes consolidated supervision of the credit institution in accordance with Section 142 of this Law and one of the following conditions has been met:

1) the creation of one parent undertaking in the European Union would not ensure the requirement fr separating activities as stipulated by the provisions or supervisory authority of such foreign country in which the main management of the parent undertaking of the third-country group is located;

2) the creation of one parent undertaking in the European Union would reduce the efficiency of resolvability in comparison to the case when two parent undertakings are in the European Union.

(4) In the case referred to in Paragraph three of this Section, a parent undertaking of an investment brokerage company may be a credit institution registered in a Member State or a holding company which has been granted a permit in accordance with Section 111.1, Paragraph two of this Law. A parent undertaking may be and investment brokerage company if the no credit institution of the Member State belongs to the third-country group or the Commission allows to create the second parent undertaking in the European Union with the provision of investment services.

(5) The Commission shall provide the following information to the European Banking Authority in relation to a third-country group operating in the territory of the Republic of Latvia:

1) regarding the credit institution and investment brokerage company which belong to any third-country group – the name and the total value of assets;

2) regarding the branch which is operating in the Republic of Latvia as a credit institution or investment brokerage company – the name, the total value of assets, and the type of activity;

3) regarding the credit institution and the parent undertaking of the investment brokerage company which is registered in the Republic of Latvia – the name and the name of the third-country group to which it belongs.

[*29 April 2021*]

**Chapter IX**

**Provision of Investment Services in the Internal Market of the European Union**

**Section 112. Procedures by which an Investment Brokerage Company and Credit Institution Registered in a Member State Commences Provision of Investment Services and Ancillary Investment Services in the Republic of Latvia**

(1) An investment brokerage company and credit institution registered in the Republic of Latvia are entitled to provide only such investment services and ancillary investment services for the provision of which the investment brokerage company has received a licence in the home country thereof.

(2) A branch of an investment brokerage company which is registered in a Member State may commence the provision of investment services and ancillary investment services in the Republic of Latvia only after:

1) the Commission has received a notification from the supervisory authority of the home country, which shall include:

a) a certification stating that the relevant investment brokerage company has a valid licence for the provision of investment services;

b) the operational programme of the branch;

c) the address of the branch;

d) the given name, surname, citizenship, personal identity number (if any) or year and date of birth of the head of the branch;

e) information on the system for the protection of investors in which the relevant investment brokerage company is a participant;

f) a written declaration by the supervisory authority of the home country stating that, prior to the commencement of internal control, it will in a timely manner inform the Commission of examinations at any branches of investment brokerage companies in the Republic of Latvia and will not hinder representatives of the Commission from any participation in those examinations, and also submit to the Commission a notification regarding the examination performed after the end of the examination;

2) the Commission has informed the supervisory authority of the home country that it is ready to commence the supervision of the branch of the investment brokerage company, or two months have passed since the day the Commission has received from the supervisory authority of the home country the notification referred to in Paragraph two, Clause 1 of this Section.

(3) An investment brokerage company registered in a Member State has an obligation to inform the supervisory authority and the Commission 30 days in advance of any amendments to the information referred to in Paragraph two, Clause 1 of this Section, and also of the intention to terminate operations at the branch.

(4) An investment brokerage company registered in a Member State is entitled to commence the provision of investment services and investment brokerage services in the Republic of Latvia without opening a branch, provided that the Commission has received a relevant notification from the supervisory authority of the home country of such investment brokerage company and has sent approval to such authority regarding receipt of the notification.

(5) If an investment brokerage company registered in other Member State, upon commencing the provision of investment services and ancillary investment services in the Republic of Latvia, plans to use tied agents registered in its home Member State, the supervisory authority of the home state of the investment brokerage company shall, within one month after receipt of information, notify the identifying data of such tied agents to the Commission which the investment brokerage company plans to use for the provision of investment services in Latvia. The Commission shall make public the list of tied agents.

(6) If an investment brokerage company uses a tied agent registered outside its home Member State, such tied agent shall be considered equivalent to a branch and the requirements of the laws and regulations for a branch of an investment brokerage company shall apply thereto.

(7) If a credit institution registered in other Member State, upon commencing the provision of investment services and ancillary investment services in the Republic of Latvia, plans to use tied agents registered in its home Member State, the supervisory body of the home state of the credit institution shall, within one month after receipt of information, notify the identifying data of such tied agents to the Commission which the credit institution plans to use for the provision of investment services in Latvia. The Commission shall publish a list of tied agents on its website.

(8) If a credit institution uses a tied agent registered outside its home Member State, such tied agent shall be considered equivalent to a branch and the requirements of the laws and regulations for a branch of a credit institution shall apply thereto.

[*4 October 2007; 21 June 2018*]

**Section 113. Procedures by which an Investment Brokerage Company and Credit Institution Registered in the Republic of Latvia Commences the Provision of Investment Services and Ancillary Investment Services in Another Member State**

(1) An investment brokerage company and credit institution registered in the Republic of Latvia is entitled to provide only such investment services and ancillary investment services in another Member State for the provision of which it has received a licence from the Commission.

(2) An investment brokerage company and credit institution registered in the Republic of Latvia is entitled to commence the provision of investment services and ancillary investment services in another Member State with or without opening a branch.

(3) An investment brokerage company registered in the Republic of Latvia which proposes to commence the provision of investment services and ancillary investment services in any of the Member States shall submit a submission to the Commission. It shall specify in the submission the investment services and ancillary investment services intended to be provided, the Member State in which the provision of such investment services and ancillary investment services is intended, and also the manner in which they are intended to be provided (with or without opening a branch or using tied agents). If the investment brokerage company plans to use tied agents, it shall submit data identifying such agents to the Commission. Upon request of the supervisory authority of the host Member State the Commission shall provide to it the data identifying those tied agents which the investment brokerage company plans to use in the abovementioned Member State.

(4) An investment brokerage company which wishes to commence the provision of investment services and ancillary investment services in any of the Member States shall, upon opening a branch, specify in the submission the address of the branch and the information referred to in Section 107, Paragraph two, Clause 1 of this Law on the head of the branch. The investment brokerage company shall append such documents to the submission which give fair and true representation regarding the planned activities of the branch, investment services and ancillary investment services to be provided, structure and organisation of work corresponding thereto, and also information on whether the relevant branch plans to use tied agents, and if plans – the identifying data of tied agents.

(41) If an investment brokerage company plans to use tied agents registered in another Member State, the identifying data of tied agents, and also a description of the planned use of such agents and organisational structure, *inter alia*, reporting channels, shall be indicated in the submission, indicating the type of involvement of such agents in the corporate structure of the investment brokerage company.

(42) If an investment brokerage company uses a tied agent registered outside its home Member State, such tied agent shall be considered equivalent to a branch and the requirements of the laws and regulations for a branch of an investment brokerage company shall apply thereto.

(5) The Commission shall examine the submission for the commencement of the provision of investment services and ancillary investment services in other Member State within 30 days after receipt of all necessary documents prepared and drawn up in accordance with the requirements of this Law, and inform the supervisory authority of the relevant Member State and the relevant investment brokerage company of the decision thereof in writing. The Commission shall take a decision not allow the investment brokerage company to commence provision of investment services and ancillary investment services in any of Member States by opening a branch, if the management structure or financial status of the investment brokerage company fails to conform to the planned activity.

(51) The Commission shall, within six months after receipt of all the necessary documents prepared and drawn up in accordance with the requirements of this Law, take the decision not to allow the investment brokerage company to commence the provision of investment services and ancillary investment services in any of the Member States by opening a branch or using tied agents, if the administrative structure or financial situation does not conform to the planned activity. The Commission shall inform the supervisory authority of the relevant Member State and the investment brokerage company of its decision in writing.

(6) Concurrently with the decision referred to in Paragraph five of this Section, the Commission shall send the information provided by the investment brokerage company and information on the system for the protection of investors and maximum amounts of compensation in force in the Republic of Latvia to the supervisory authority of the relevant Member State.

(7) An investment brokerage company shall, not later than one month prior to making any amendments to the information referred to in Paragraphs three, four, and 4.1 of this Section or the intended termination of activities at the branch, inform the Commission and supervisory authority of the relevant Member State in writing of making of amendments, and also of the intention to terminate activities at the branch.

(8) Within 30 days from the day of receipt of the documents, the Commission shall examine the documents referred to in Paragraph seven of this Section and inform the supervisory authority of the relevant Member State and the investment brokerage company of the decision thereof in writing.

(9) An investment brokerage company may commence provision of investment services and ancillary investment services in a Member State without opening a branch after the Commission has informed the supervisory authority of the relevant Member State in accordance with the procedures laid down in Paragraph five of this Section.

(10) An investment brokerage company may commence activities of a branch, if the Commission has received a notification of the supervisory authority of the relevant Member State that it is ready to commence supervision of the branch of the investment brokerage company, or two months have passed since the day when the Commission has sent the notification referred to in Paragraph five of this Section to the supervisory authority of the relevant Member State.

(11) A credit institution which wishes to commence the provision of investment services and ancillary investment services in any of Member States without opening a branch, but using tied agents registered in another Member State, the identifying data of tied agents, a description of the planned use of such agents and organisational structure, *inter alia*, reporting channels, and also the type of involvement of such agents in the corporate structure of the credit institution shall be indicated in addition to the information referred to in Paragraph three of this Section.

(12) The Commission shall examine the submission for the commencement of the provision of investment services and ancillary investment services in other Member State, using a tied agent registered in such Member State, within one month after receipt of all necessary documents prepared and drawn up in accordance with the requirements of this Law, and inform the supervisory authority of the relevant Member State and the relevant credit institution of the decision thereof in writing.

(13) The Commission shall, within three months after receipt of all the necessary documents prepared and drawn up in accordance with the requirements of this Law, take the decision not to allow the credit institution to commence the provision of investment services and ancillary investment services in any of the Member States by using tied agents, if the structure or financial situation of the credit institution does not conform to the planned activity. The Commission shall inform the supervisory authority of the relevant Member State and the credit institution of its decision in writing.

(14) The tied agent of a credit institution may commence activity, if the Commission has received a notification of the supervisory authority of the relevant Member State or two months have passed since the day when the Commission has sent the notification referred to in Paragraph twelve of this Section to the supervisory authority of the relevant Member State.

(15) If a credit institution uses a tied agent registered outside its home Member State, such tied agent shall be considered equivalent to a branch and the requirements of the laws and regulations for a branch of a credit institution shall apply thereto.

(16) A credit institution shall, not later than one month prior to making any amendments to the information referred to in Paragraph eleven of this Section or the intended termination of activities at the branch, inform the Commission and supervisory authority of the relevant Member State in writing of making of amendments.

[*4 October 2007; 21 June 2018*]

**Section 113.1 Procedures for the Commencement of Activities in Another Member State as an Operator of a Multilateral Trading Facility and an Operator of an Organised Trading Facility Licensed in the Republic of Latvia**

(1) An operator of the MT facility or an operator of the OT facility licensed in the Republic of Latvia is entitled to commence activity in another Member State to facilitate access by investment brokerage companies and credit institutions registered in such Member State to the MT facility or OT facility.

(2) An operator of the MT facility or an operator of the OT facility licensed in the Republic of Latvia who wishes to commence activities in any of the Member States shall submit a submission to the Commission where he or she shall specify such Member State.

(3) The Commission shall, within one month after receipt of the submission, send a notification to the supervisory authority of the relevant Member State. An operator of the MT facility or an operator of the OT facility may commence activities from the day when the supervisory authority of the relevant Member State has received a notification of the Commission.

(4) The Commission, upon request of the supervisory authority of the relevant Member State, shall send identifying data on an investment brokerage company or credit institution registered in the Republic of Latvia which is a member or participant to the MT facility or OT facility in such Member State.

[*21 June 2018*]

**Section 113.2 Procedures for the Commencement of Activities in the Republic of Latvia as an Operator of a Multilateral Trading Facility and an Operator of an Organised Trading Facility Licensed in Another Member State**

(1) An operator of the MT facility or an operator of the OT facility registered in another Member State is entitled to carry out activities in the Republic of Latvia to promote access by investment brokerage companies and credit institutions registered in the Republic of Latvia to the MT facility or OT facility.

(2) An operator of the MT facility or an operator of the OT facility registered in another Member State is entitled to commence activities in the Republic of Latvia, if the Commission has received a relevant notification from the supervisory authority of the home country of the operator of the MT facility or the operator of the OT facility.

(3) The Commission has the right to request identifying data on members or participants of the MT facility or OT facility registered in the Republic of Latvia from the supervisory authority of the home country of the operator of the MT facility or the operator of the OT facility.

[*21 June 2018*]

**Section 113.3 Additional Requirements for the Provision of Investment Services in the Internal Market of the European Union**

(1) A more detailed information to be notified to the subjects referred to in this Chapter shall be determined by Commission Delegated Regulation (EU) 2017/1018 of 29 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying information to be notified by investment firms, market operators and credit institutions.

(2) The sample forms, templates, and procedures necessary for the exchange of the information referred to in this Chapter shall be determined by Commission Implementing Regulation (EU) 2017/2382 of 14 December 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for the transmission of information in accordance with Directive 2014/65/EU of the European Parliament and of the Council.

[*21 June 2018; 20 June 2019*]

**Chapter IX.1**

**Foreign Investment Brokerage Companies**

[*21 June 2018*]

**Section 113.4 Rights of Foreign Investment Brokerage Companies to Provide Investment Services and Ancillary Investment Services**

(1) A foreign investment brokerage company which is planning to provide investment services or ancillary investment services in Latvia to clients with the status of a retail client or to clients which, in accordance with Section 124.1, Paragraph five of this Law, have been granted the status of a professional client has an obligation to create a branch and to receive a permit of the Commission for the operation of a branch.

(2) A foreign investment brokerage company is entitled to receive a permit for the provision of investment services with or without ancillary investment services only if:

1) the competent supervisory authority of its home country has previously issued a permit for the provision of the relevant investment services and ancillary investment services in the home country of the foreign brokerage company, if the provision of such services is being supervised, and also it is ensured within the scope of supervision of the foreign competent supervisory authority that the foreign investment brokerage company pays due regard to any recommendations of the Financial Action Task Force (FATF) in the field of combating money laundering and financing of terrorism;

2) cooperation arrangements that include provisions regulating the exchange of information for the purpose of preserving the integrity of the market and protecting investors are in place between the Commission and the competent supervisory authority of the home country of the investment brokerage company;

3) the initial capital of the foreign investment brokerage company conforms to the requirements laid down in Section 120 of this Law;

4) the person or persons responsible for the branch of the foreign investment brokerage company conform to the requirements provided for in Sections 106 and 106.1 of this Law and the regulatory provisions of the Commission;

5) such agreements have been signed between Latvia and the home country of the investment brokerage company which fully comply with the standards laid down in Article 26 of the Model Tax Convention on Income and on Capital of the Organisation for Economic Co-operation and Development (OECD) and ensure an effective exchange of information in tax matters, including, if any, multilateral tax agreements;

6) the foreign investment brokerage company is a participant in to an investor protection system which has been recognised in its home country and is equivalent to the investor protection system of Latvia.

(3) A foreign brokerage company which is planning to obtain a permit for the provision of investment services and ancillary investment services in the territory of Latvia with the intermediation of a branch shall submit the following to the Commission:

1) the name of the institution which is responsible for the supervision of the foreign investment brokerage company in its home country. If more than one institution is responsible for supervision, information on the fields of competence of such institutions shall be submitted;

2) any corresponding information on the foreign investment brokerage company (the name, legal form, registered office and actual address, members of the board and council, shareholders), its operational programme, listing the investment services and ancillary investment services which it is preparing to provide, the organisational structure of its branch, including a description of any essential functions of the operation, if it is planned to entrust such activities to third parties;

3) information on such persons of the foreign investment brokerage company who are responsible for the management of the branch, and documents proving the compliance of such persons with the requirements provided for in Sections 106 and 106.1 of this Law and the regulatory provisions of the Commission;

4) information attesting that the initial capital of the foreign investment brokerage company conforms to the requirements laid down in Section 120 of this Law.

(4) The Commission shall examine the submission of the foreign investment brokerage company for the receipt of a permit and take a decision within six months after receipt of all the documents specified in this Law and prepared and drawn up in accordance with the requirements of the laws and regulations which are necessary for taking of the decision.

(5) The Commission shall issue the permit referred to in Paragraph one of this Section only in case if:

1) all the conditions of Paragraph two of this Section have been met;

2) the Commission has ascertained that the foreign investment brokerage company conforms to the requirements of Section 102, Paragraphs seven, eight, nine, ten, eleven, twelve, Sections 124, 124.2, Section 125.1, Paragraph six, Section 126, Paragraph one, Sections 126.2, 127, 128, Section 128.1, Paragraph one, Sections 128.2, 128.3, 129, 129.1, 132.1, 133.4, 133.5, 133.6, 133.7, 133.8 of this Law and Articles 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, and 26 of Regulation No 600/2014.

(6) The conformity of the operation of the branch of the foreign investment brokerage company with the requirements of this Law shall be supervised by the Commission.

(7) Additional requirements for the branch of the foreign investment brokerage company for the provision of investment services shall be determined by Regulation No 2017/565.

[*21 June 2018*]

**Section 113.5 Provision of Investment Services Upon Initiative of a Client**

If a retail client or professional client located in Latvia, upon its own initiative, proposes the provision of an investment service by a foreign investment brokerage company, the requirement provided for in Section 113.4 of this Law to obtain a permit shall not be applied to the service which is provided by the foreign investment brokerage company to the abovementioned person. Such initiative of the client shall not give the right for the particular foreign investment brokerage company to sell new investment products to such client or to provide new investment services otherwise than through a branch.

[*21 June 2018*]

**Section 113.6 Procedures for the Cancellation of the Permit**

The Commission shall cancel the permit referred to in Section 113.4 of this Law, if a foreign investment brokerage company:

1) has not commenced the operation within 12 months after the day when the permit was issued;

2) expressly renounces the permit;

3) has not performed the activity indicated in the permit for more than six months unless the Commission has issued a permit providing for special conditions for the use of the permit;

4) has provided false information or acted unlawfully in order to receive the permit;

5) does not conform to the requirements laid down in this Law for the receipt of the permit anymore;

6) has seriously and systematically infringed the provisions of this Law and other laws and regulations.

[*21 June 2018*]

**Chapter X**

**Annual Statements of an Investment Brokerage Company**

**Section 114. Rights of the Commission**

(1) The Commission shall determine the procedures for preparing an annual statement and consolidated annual statement of the investment brokerage company in accordance with the laws and regulations regarding conducting of accounting and international financial reporting standards.

(2) [29 May 2008]

(3) The Commission is entitled to require that an investment brokerage company submits additionally an extended report prepared by sworn auditors with comments regarding adequacy of the internal control system, an operational risk analysis of the investment brokerage company, and an assessment regarding conformity with the requirements of laws and regulations and the regulatory provisions and orders of the Commission.

[*29 May 2008*]

**Section 115. Annual Statements of an Investment Brokerage Company**

(1) An investment brokerage company shall prepare accounts for each year of operation which shall include a balance sheet, off-balance items, a profit or loss account, a statement of any changes in capital and reserves, a cash flow statement and annexes, and also a report by the management of the investment brokerage company.

(2) Annual statements shall be prepared in accordance with this Law, and also instructions by the Commission arising from this Law and international financial reporting standards. Annual statements shall give a true and fair representation of the assets and liabilities of the investment brokerage company, financial position, the results of operations and cash flow thereof.

(3) Where the acquisition of a true and fair representation of an investment brokerage company is impossible in accordance with the requirements of Paragraph two of this Section, the annual statements shall also include relevant additional information.

[*9 June 2005*]

**Section 116. Evaluation Principles for Items in the Annual Statements of an Investment Brokerage Company**

[29 May 2008]

**Section 117. Report by Management on the Annual Statements of an Investment Brokerage Company**

(1) The report shall include a characterisation of the financial status and development of the investment brokerage company. If the results of operations at the investment brokerage company which are reflected in the annual statements have been significantly affected by special circumstances, or the annual statements may be considered as inadequate, additional information shall be provided in a separate paragraph of the report.

(2) The report shall also provide information on important corporate actions where such events have taken place after the end of the reporting year, on anticipated developments at the investment brokerage company and important development measures.

**Section 118. Verification of the Annual Statements of an Investment Brokerage Company**

(1) A sworn auditor shall verify the annual statements of an investment brokerage company. If such verification has not been performed, it is prohibited for the meeting of shareholders (members) to approve the annual statements.

(2) Upon performance of the verification of the annual statements, the sworn auditor has the right to become acquainted with the assets, accounting records, and supporting documents thereof, and also other information on the investment brokerage company. The board, responsible officials and employees of the investment brokerage company have an obligation to provide to the sworn auditor all of the required information.

(3) Where the opinion of the sworn auditor includes comments (objections), dividends may be disbursed only by consent of the Commission.

(4) A sworn auditor has a duty, upon request of the Commission, to provide any information thereto on verification carried out and facts established therein.

(5) A sworn auditor shall, without delay, submit a written report to the Commission on any violations of laws and regulations or other facts ascertained during the provision of auditing services and during the fulfilment of expert’s or confidence task due to which fulfilment of liabilities or continuity of the activities of the investment brokerage company, or interests of the clients of the investment brokerage company are exposed to danger, or due to which the sworn auditor refuses to give his or her opinion or gives his or her opinion with objections. This report shall concurrently be submitted to the management of the investment brokerage company, unless there are compelling reasons for not doing it.

(6) The sworn auditor has an obligation to immediately submit a written report to the Commission on any facts referred to in Paragraph five of this Section which have been discovered during the provision of auditing services to the client, which has a close relationship with the investment brokerage company in the form of holding or control, or during the fulfilment of expert’s or confidence task assigned by this client.

(7) Provision of the information referred to in Paragraphs four and five of this Section to the Commission shall not be considered disclosure of non-disclosable information, and civil liability shall not be established for the conduct of the sworn auditor.

(8) An investment brokerage company shall notify the Commission of paying out the dividends one month in advance. The Commission has the right to prohibit an investment brokerage company from paying out the dividends if, as a result of paying out the dividends, the investment brokerage company fails to conform to the indicators and restrictions, the amount (level) of which affects paying out of the dividends, determined in this Law and directly applicable legal acts of the European Union.

[*4 October 2007; 24 April 2014*]

**Section 119. Duties of an Investment Brokerage Company**

(1) An investment brokerage company shall inform the Commission of all circumstances which may significantly affect further operations at the investment brokerage company.

(2) The investment brokerage company shall, within 10 days after receipt of the report from a sworn auditor addressed to the management thereof, but not later than 1 April of the year following the reporting year, submit to the Commission a copy of such report.

(21) The investment brokerage company shall, not later than within 10 days after approval of the annual statement and not later than three months after the end of the reporting year, submit a copy of the annual statement and of the report of a sworn auditor to the territorial office of the State Revenue Service according to the registration place of the investment brokerage company, together with an extract from the minutes of the meeting of shareholders or members regarding approval of the annual statement. The investment brokerage company which draws up a consolidated annual statement in addition to that laid down in the first sentence of this Paragraph shall, not later than within 10 days after approval of the consolidated annual statement and not later than seven months after the end of the reporting year, also submit to the territorial offices of the State Revenue Service according to the registration place of the investment brokerage company a copy of the consolidated annual statement and of a report of the sworn auditor together with an extract from the minutes of the meeting of shareholders or members regarding approval of the consolidated annual statement. The investment brokerage company shall submit the documents referred to in this Paragraph in printed form or in electronic form.

(22) The State Revenue Service shall, not later than within five working days, hand over the documents referred to in Paragraph 2.1 of this Section, if they have been submitted in electronic form, or electronic copies of such documents, if they have been submitted in printed form, to the Enterprise Register in electronic form. The Enterprise Register shall ensure public access to the received documents. The procedures for handing over and certification of electronic documents shall be determined by an interdepartamental agreement entered into by the State Revenue Service and the Enterprise Register.

(23) The Enterprise Register shall, after receipt of the documents referred to in Paragraph 2.2 of this Section not later than within five working days, publish a notification in the official publication *Latvijas Vēstnesis* that the information referred to in Paragraph 2.1 of this Section is available in the Enterprise Register.

(3) An investment brokerage company, to which the regulatory capital adequacy requirements are applicable individually and on the level of consolidation group in accordance with this Law, in addition to that laid down in Paragraph 2.1 of this Section shall ensure itself that the annual account is made public together with a report of the sworn auditor not later than on 1 April of the year following the reporting year, but the consolidated annual statement together with a report of the sworn auditor – not later than seven months after the end of the reporting year. The abovementioned annual statement and the consolidated annual statement shall be identical to the one examined by a sworn auditor. The investment brokerage company may make the relevant information public on its website or also choose another corresponding information medium or place for making the information public.

(4) [29 May 2008]

(5) [29 May 2008]

(6) [29 May 2008]

(7) A branch of a foreign investment brokerage company or of an investment brokerage company of a Member State shall ensure that the annual statement of the foreign investment brokerage company or investment brokerage company of a Member State is made public not later than seven months after the end of the reporting year. At least the balance sheet, profit or loss account of the annual statement and opinion of the sworn auditor must be translated into Latvian. A branch of a foreign investment brokerage company or of an investment brokerage company of a Member State may make the relevant information public on its website or choose other appropriate information medium or place for making the information public.

[*4 October 2007; 29 May 2008; 9 July 2013*]

**Chapter XI**

**Requirements Regulating Activities of an Investment Brokerage Company**

[*24 April 2014*]

**Section 119.1 General Provisions**

(1) The requirements laid down in Section 122 of this Law shall be binding upon such investment brokerage company to which the restrictions of large exposures as defined in Part Four of Regulation No 575/2013 apply. The requirements laid down in Sections 121.1, 122.1, 122.2, 122.3, 123.1, 123.2, 123.3, 123.4, and 123.5 of this Law shall be binding upon such investment brokerage company which is an institution within the meaning of the Regulation No 575/2013.

(2) Within the meaning of this Chapter the term “host Member State” conforms to the term used in Regulation No 575/2013.

(3) The Commission has the right to determine other requirements regulating the activities of investment brokerage companies in addition to the requirements laid down in this Law and Regulation No 575/2013 in order to reduce the risk of activities of such companies and to protect the interests of investors.

[*24 April 2014*]

**Section 120. Initial Capital of an Investment Brokerage Company**

(1) An investment brokerage company proposing to obtain a licence shall ensure that the initial capital thereof amounts to at least:

1) EUR 50 000, if the investment brokerage company proposes to provide any of the investment services referred to in Section 3, Paragraph four, Clause 1, 2, 4, 5, or 7 of this Law, except for the case when the investment brokerage company proposes to provide only the investment service referred to in Section 3, Paragraph four, Clause 1 or 8 of this Law;

2) EUR 125 000, if the investment brokerage company proposes to provide at least one of the investment services referred to in Section 3, Paragraph four, Clause 1, 2, 4, 5, or 7 of this Law and to hold the financial instruments and funds of clients;

3) EUR 730 000, if the investment brokerage company proposes to provide investment services at least one of which is the investment service referred to in Section 3, Paragraph four, Clause 3, 6, 8, or 9 of this Law.

(2) An investment brokerage company which wants to obtain a licence only for the provision of the investment services referred to in Section 3, Paragraph four, Clause 1 or 5 of this Law without holding of the financial instruments and funds of clients shall ensure that one of the requirements referred to hereinafter is conformed to:

1) its initial capital is at least EUR 50 000;

2) it insures its civil liability which sets in when damages are incurred to clients due to mistakes of professional activities or negligence of the investment brokerage company. The minimum amount of civil liability may not be less than EUR 1 500 000 a year, but for one insurance case – less than EUR 1 000 000;

3) it, by combining the initial capital and civil liability insurance amount, ensures coverage to such extent which is equivalent for conformity with the requirements referred to in Clause 1 or 2 of this Paragraph.

(3) A commercial company which wants to obtain a licence only for the provision of the investment services referred to in Section 3, Paragraph four, Clauses 1 and 5 of this Law without holding financial instruments and funds of clients and which is registered in the register of insurance and re-insurance intermediaries in the status of an insurance broker, in accordance with the Activities of Insurance and Reinsurance Intermediaries Law, in addition to the requirements laid down in the Activities of Insurance and Reinsurance Intermediaries Law shall ensure that one of the following requirements is conformed to in respect of the civil liability insurance amount:

1) its initial capital is at least EUR 25 000;

2) in addition it insures its civil liability which sets in when damages are incurred to clients due to mistakes of professional activities or negligence of the investment brokerage company. The minimum amount of civil liability may not be less than EUR 750 000 a year, but for one insurance case – less than EUR 500 000;

3) it, by combining the initial capital and civil liability insurance amount, ensures coverage to such extent which is equivalent for conformity with the requirements referred to in Clause 1 or 2 of this Paragraph.

(4) The minimum amount of the requirements laid down in Paragraphs two and three of this Section which is expressed in euro, shall be reviewed once a year and indexed, if in accordance with information provided by the statistical office Eurostat the consumer price index has changed in the European Economic Area states and the European Commission has taken a decision to carry out indexation.

(5) Own funds of an investment brokerage company may not be less than the minimum initial capital laid down in this Section.

[*29 March 2007; 4 October 2007; 13 January 2011; 19 September 2013; 21 June 2018; 12 December 2019*]

**Section 121. Own Funds of an Investment Brokerage Company**

[24 April 2014]

**Section 121.1 Requirements for Capital Buffers, Restrictions of Distribution and Capital Conservation Plan**

An investment brokerage company with a licence which allows it to provide the investment services referred to in Section 3, Paragraph four, Clauses 5 and 6 of this Law shall be bound by the provisions of Chapter IV of the Credit Institution Law regarding the capital conservation buffer, counter-cyclical capital buffer, capital buffer of a global and other systematically important institution, systemic risk capital buffer, requirements for total capital buffers, restrictions of distribution and capital conservation plan.

[*24 April 2014*]

**Section 122. Restrictions of Exposures of an Investment Brokerage Company**

(1) Exposures with shareholders (members) of an investment brokerage company who have a qualifying holding in the investment brokerage company, and spouses, parents and children of these shareholders – natural persons, members of the board and council of the investment brokerage company, heads of the internal audit service, risk directors, compliance officers and company controllers, spouses, parents and children of such persons, and also with commercial companies, in which the abovementioned persons have a qualifying holding, may not in total exceed 20 per cent of own funds of the investment brokerage company which is applicable to the determination of restrictions of large exposures in accordance with the Regulation No 575/2013.

(2) The procedures for determination of the amount of exposures with the persons referred to in Paragraph one of this Section shall be determined by the Commission.

[*24 April 2014; 29 April 2021*]

**Section 122.1 Risk Management and Action Plans**

(1) An investment brokerage company shall draw up and implement a prudent strategy, policies, procedures, and systems which allow to timely identify, assess, analyse and manage credit risk, concentration risk, market risk, operational risk, interest rate risk in the non-trading portfolio, risk of excessive leverage and other risks of importance to the investment brokerage company.

(2) The strategy, policies, procedures, and systems of an investment brokerage company shall conform to the complexity and amount of its activities, and also the permissible risk level determined for the council of an investment brokerage company (or a meeting of members, if no council has been established) and shall be drawn up taking into consideration the systematic importance of an investment brokerage company in each Member State where it operates.

(3) An investment brokerage company shall draw up action plans for emergency situations, liquidity restoration and for ensuring continuity of the activities, and also determine the measures necessary for their implementation.

(4) The Commission shall determine requirements for risk management of an investment brokerage company, action plans for emergency situation, liquidity restoration and for ensuring continuity of the activities.

[*24 April 2014*]

**Section 122.2 Drawing up of a Recovery Plan and an Adjustment Plan**

(1) An investment brokerage company shall draw up, maintain, and update its recovery plan for restoration of financial stability after it has been significantly deteriorated.

(2) The Commission shall draw up adjustment plans for investment brokerage companies in order to ensure continuity of their activities and to preserve stability of the financial sector.

(3) The Commission shall determine the requirements for the content and drawing-up procedures of the plan referred to in Paragraph one of this Section.

(4) The Commission may set reduced requirements for drawing up the recovery plan referred to in Paragraph one of this Section or need not to draw up the adjustment plan for an investment brokerage company referred to in Paragraph two of this Section, if after consultation with the Bank of Latvia it has concluded that insolvency of an investment brokerage company, taking into consideration the size, business model, and association of the investment brokerage company with other investment brokerage companies and financial system, or other circumstances cannot pose a threat to the stability or funding conditions of the financial market and other investment brokerage companies.

(5) The Commission shall timely notify the European Banking Authority of the time and agenda of the meetings that it organises in relation to the drawing up of recovery and adjustment plans for investment brokerage companies.

[*24 April 2014*]

**Section 122.3 Calculation of Own Funds Requirements for Benchmark Portfolios of an Investment Brokerage Company**

(1) An investment brokerage company which has received a permit for the use of risk-weighted exposure amounts in its internal approach or its own funds requirements for the calculation shall, except for the permit for the use of its own funds requirements for operational risk in its internal approach for the calculation, in addition to the requirements as defined in the Regulation No 575/2013, calculate the risk-weighted exposure amounts or its own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the European Banking Authority.

(2) Upon consulting with the European Banking Authority the Commission is entitled to determine a benchmark portfolio or portfolios different from those determined by the European Banking Authority.

(3) An investment brokerage company shall prepare and at least once a year submit a report to the Commission on the calculation of the risk-weighted exposure amounts or own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the European Banking Authority, and an explanation regarding the methodology used for the calculation referred to in Paragraph one of this Section.

(4) If the Commission has determined a benchmark portfolio or portfolios different from those determined by the European Banking Authority, an investment brokerage company shall prepare and at least once a year submit a separate report to the Commission on the calculation of the risk-weighted exposure amounts and own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the Commission.

[*24 April 2014*]

**Section 123. Subordinated Capital**

[29 March 2007]

**Section 123.1 Capital of an Investment Brokerage Company for Covering of Risks**

(1) In addition to the own funds requirements laid down in Regulation No 575/2013, an investment brokerage company shall assess the capital necessary for covering of the inherent and potential risks for activities and ensure that the capital necessary for covering of the inherent and potential risks for activities is sufficient, and also determine the elements and structure of such capital.

(2) An investment brokerage company shall develop a strategy and procedures being appropriate, comprehensive, substantiated and effective for the nature, volume and complexity of its activities and shall carry out the necessary measures for continuous capital assessment and the maintenance of adequate capital.

(3) An investment brokerage company shall regularly review the strategy and procedures referred to in Paragraph two of this Section in order to ensure that they are constantly comprehensive and proportionate to the nature, scope, and complexity of activities of the investment brokerage company.

[*29 March 2007; 22 March 2012; 24 April 2014*]

**Section 123.2 Disclosing of Information Related to Regulatory Requirements**

(1) An investment brokerage company, in accordance with Part Eight of Regulation No 575/2013, shall make the information available to the public on its website or choose another appropriate information medium or place for making this information available to the public.

(11) The Commission is entitled to request that the information referred to in Paragraph one of this Section is made available to the public more than once a year and to determine the deadlines for making the information public.

(12) An investment brokerage company which is a parent undertaking shall each year make the information public on the legal structure of the group, and also the organisational structure of its management and activities that ensure conformity with the requirements laid down in Section 108, Paragraph two, Clause 2, Section 123.4, Paragraph two and Section 124, Paragraph one, Clause 11 of this Law.

(2) [24 April 2014]

(3) [24 April 2014]

[*29 March 2007; 13 January 2011; 8 November 2012; 24 April 2014; 11 June 2015*]

**Section 123.3 Level of Maintenance of Sufficient Capital for Risk Coverage of an Investment Brokerage Company**

(1) An investment brokerage company which is neither a parent undertaking registered in the Republic of Latvia and subject to the consolidated supervision nor its subsidiary, and also any other investment brokerage company which is not subject to the consolidated supervision in accordance with the requirements laid down in Article 19 of Regulation No 575/2013 shall conform to the requirements laid down in Section 123.1 of this Law on an individual basis.

(2) An investment brokerage company released from the obligation to conform to the own funds requirements on a consolidated basis for groups in accordance with Article 15 of Regulation No 575/2013 shall conform to the requirements laid down in Section 123.1 of this Law on an individual basis.

(3) A parent investment brokerage company of the Republic of Latvia shall conform to the requirements laid down in Section 123.1 of this Law on a consolidated basis for groups.

(4) An investment brokerage company which is a subsidiary of a parent financial holding company in the Republic of Latvia or a parent mixed financial holding company in the Republic of Latvia shall comply with the requirements laid down in Section 123.1 of this Law at the consolidation group level. If a parent financial holding company or a parent mixed financial holding company controls more than one institution, the requirements laid down in this Paragraph shall only be applied to the investment brokerage company which is under the consolidated supervision in accordance with Section 142 of this Law.

(5) If an investment brokerage company which is a subsidiary of a parent investment brokerage company in the Republic of Latvia, parent financial holding company in the Republic of Latvia, or parent mixed financial holding company in the Republic of Latvia, or if its parent financial holding company or parent mixed financial holding company has a subsidiary registered in a foreign country which is an institution, financial institution or asset management company or which has a holding in the abovementioned institutions or companies, such investment brokerage company shall comply with the requirements laid down in Section 123.1 of this Law on a sub-consolidated basis.

[*24 April 2014*]

**Section 123.4 Level of Application of Plans, Policies, Procedures and Mechanisms of Investment Brokerage Companies**

(1) An investment brokerage company which is not released from the duty to conform to the regulatory requirements on an individual basis in accordance with Article 7 of Regulation No 575/2013 shall conform to the requirements laid down in Sections 122.1, 122.2, 122.3 and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5 and 1.6 of this Law on an individual basis.

(2) An investment brokerage company which is subject to the consolidated supervision in accordance with the requirements of Title II of Part One of Regulation No 575/2013 shall conform to the requirements laid down in Sections 122.1, 122.2, 122.3 and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5 and 1.6 of this Law on a consolidated basis for group or on a sub-consolidated basis and shall ensure that its internal control system is consistent, well-integrated and implemented in all of its subsidiaries, including those that are not included in the consolidation groups in accordance with the requirements of Title II of Part One of Regulation No 575/2013, and also ensure the preparation of all data and information necessary for the supervision. If the Commission has permitted so, an investment brokerage company need not comply with the requirements laid down in Sections 122.1, 122.2, 122.3, and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5, and 1.6 of this Law in its foreign subsidiaries which are not included in the consolidation group in accordance with the requirements of Title II of Part One of Regulation No 575/2013, if it may prove that these requirements do not conform to the laws and regulations of the foreign country where the subsidiary is registered.

[*24 April 2014*]

**Section 123.5 Application of the Optionality Provided for in Regulation No 575/2013, Procedures for the Provision of Statements and Reports, Assessment of Macroprudential or Systemic Risk and Action**

(1) The optionality provided for in Regulation No 575/2013 with regard to the determination of prudential requirements and transitional periods for the application of provisions of this Regulation shall be determined by the Commission.

(2) The Commission is entitled to determine provisions for the submission of reports related to separate corporate actions, preparation and submission of statements, and also the procedures for preparation and provision of information necessary for the supervision of investment brokerage companies and the procedures for receipt of the necessary permits, if it has not been determined by the European Commission.

(3) The Commission, in accordance with Regulation No 575/2013, may determine stricter regulatory requirements in specific areas than those defined in this Regulation.

[*24 April 2014*]

**Chapter XII**

**Provision of Investment Services**

**Section 124. General Requirements**

(1) An investment brokerage company shall, in accordance with a licence issued thereto for the provision of investment services within the term of operation of the licence, comply with and observe the following requirements:

1) ensure that the capital adequacy thereof conforms to the requirements of Regulation No 575/2013 and the regulatory provisions of the Commission, and also that other requirements regulating the activities of the investment brokerage company are conformed to;

2) ensure that the members of its board and council (where such has been established) are persons who have an impeccable reputation;

3) ensure that the head of its board and at least one more member of its board are persons who are competent in investment matters;

4) ensure the internal supervision and auditing of activities, including the determination of procedures by which employees of the investment brokerage company may receive investment services from that investment brokerage company, and also from other investment brokerage companies and credit institutions;

5) ensure the implementation of transactions performed with financial instruments, the confidentiality of client financial instrument accounts and relevant transactions, in conformity with the requirements of the law;

6) carry out security measures for the processing, storage, and transmission of data, in accordance with the requirements of this Law, the regulatory provisions of the Commission, and internal rules of procedure;

61) have reasonable security mechanisms in place designed to guarantee the security and authenticity of the means of transfer of information, to minimise the risk of data corruption and unauthorised access and to prevent information leakage prior to publishing thereof, always preserving data confidentiality;

7) ensure that the financial instruments of clients and the investment brokerage company’s own financial instruments are permanently kept separately;

8) ensure that the funds of clients and the investment brokerage company’s own funds are permanently kept separate;

9) ensure storage for five years of source documents of transactions performed with financial instruments and other services provided and transactions performed, and also conformity with the requirements brought forward in the regulatory provisions of the Commission and Regulation No 2017/565 related to the completion and keeping of source documents. The Commission is entitled to extend the time period specified in this Clause for up to seven years;

10) ensure compliance with the requirements for the storage of source documents also in relation to recordings of telephone conversations or electronic communications relating to transactions made when dealing on own account and the provision of services that relate to the reception, transmission, and execution of client orders. Such telephone conversations and electronic communications shall also include those that are intended to agree on transactions that would be concluded when dealing on own account or in the provision of services that relate to the reception, transmission, and execution of client orders, even if those conversations or communications do not result in the conclusion of such transactions. In order to ensure the execution of the requirements for the storage of source documents in relation to recording of telephone conversations or electronic communications, an investment brokerage company:

a) shall take all reasonable steps to record relevant telephone conversations and electronic communications, made with, sent from, or received by equipment provided by the investment brokerage company to an employee or contractor or the use of which by an employee or contractor has been accepted or permitted by the investment brokerage company;

b) shall make known that telephone communications or conversations between the investment brokerage company and its clients that result or may result in transactions will be recorded. Such a notification may be made once – before the provision of the investment service to clients;

c) shall not provide, by telephone, investment services and activities to clients who have not been notified in advance about the recording of their telephone communications or conversations, where such investment services and activities relate to the reception, transmission, and execution of client orders;

d) may place client orders using other channels of communication and concurrently ensuring that such communication takes place in a form that can be saved. The relevant face-to-face conversation with a client may be recorded by using written minutes or notes. Such orders shall be considered equivalent to orders received by telephone;

e) shall implement all reasonable measures to prevent an employee or contractor from making, sending, or receiving relevant telephone conversations and electronic communications on privately-owned equipment which the investment brokerage company is unable to record or copy;

11) ensure the establishment and operation of a comprehensive and effective internal control system which is applicable to the nature, volume, and complexity of its activities, comprising the following basic elements:

a) organisational structure corresponding to the size of the investment brokerage company and activity risks with clearly defined, unambiguous and systematic distribution of duties, powers, and responsibility in performance and control of transactions between divisions of the investment brokerage company and responsible employees,

b) a system for the identification, management, supervision and reporting of inherent and potential risks for activities of the investment brokerage company,

c) internal control procedures,

d) remuneration system;

12) ensure continuous and systematic provision of investment services and ancillary investment services by using corresponding systems, means, and procedures;

13) ensure all the necessary and commensurate administrative and organisational measures in order to prevent the negative effect of the conflict of interest referred to in Section 127 of this Law on the interests of clients;

14) ensure the creation of a corresponding organisational structure for the provision of investment services and ancillary investment services and the conformity with the criteria for skills, knowledge, and competence of the employees involved in the provision of such services;

15) ensure the creation of policy in relation to the services, products, and operations (transactions) offered or provided, taking into account the risk profile of the investment brokerage company and the clients to whom the abovementioned services, products, and operations (transactions) are offered or provided, *inter alia*, providing for the performance of corresponding stress tests;

16) ensure the remuneration policy of the responsible officials and employees who directly participate in the provision of investment services or ancillary investment services to clients, for the purpose of promoting prudent and responsible operation of the institution, fair treatment of a client and preventing situations of a conflict of interest in relationships with a client;

17) regularly assess the suitability and implementation of the strategic objectives of the investment brokerage company, upon providing investment services and ancillary investment services, the efficiency of the management system, and also the policy in relation to the conformity of the provision of investment services or ancillary investment services, and, if necessary, carry out the relevant measures to eliminate deficiencies.

(11) The Commission shall determine the requirements for the establishment of an internal control system of an investment brokerage company.

(12) An investment brokerage company with a licence which allows it to provide the investment services referred to in Section 3, Paragraph four, Clauses 3 and 6 of this Law shall provide its officials or employees whose professional activities significantly affect the risk profile of the investment brokerage company with the following:

1) ensure such remuneration policy and practice which conform to prudent and effective risk management and contribute to it but does not contribute to risk-taking above the risk-taking level allowed by the investment brokerage company;

2) not determine the variable component of remuneration to the extent that would exceed the fixed component of remuneration determined for the relevant official or employee during the reporting year, except for the cases when the provisions referred to Paragraphs 1.3, 1.4, 1.5, and 1.6 of this Section are conformed to.

(13) For those officials or employees whose professional activities significantly affect the risk profile of an investment brokerage company, a meeting of shareholders (members) of an investment brokerage company may, under a separate decision, determine the variable component of remuneration to the extent that exceeds, but not more than twice, the fixed component of remuneration determined for the relevant official or employee during the reporting year.

(14) With regard to officials or employees whose professional activities significantly affect the risk profile of an investment brokerage company, a meeting of shareholders (members) of an investment brokerage company shall take a decision on the variable component of remuneration which exceeds the fixed component of remuneration determined for the relevant official or employee during the reporting year on the basis of a draft decision prepared by the investment brokerage company which includes the grounds for determination of such variable component of remuneration, indicates the number of the relevant officials and employees, positions held and functions performed, and also assesses the impact of the decision on the ability of the investment brokerage company to maintain extent of its own funds necessary for stable activities. The decision shall be taken by the majority of at least 66 per cent of the shares with voting rights (stocks) with a condition that at least 50 per cent of the shares with voting rights (stocks) are represented at the meeting of shareholders (members) of an investment brokerage company, or by the majority at least 75 per cent of the shares with voting rights (stocks) with a condition that less than 50 per cent of the shares with voting rights (stocks) are represented at the meeting of shareholders (members) of an investment brokerage company, if in accordance with the requirements laid down in laws and regulations or provisions of the articles of association of an investment brokerage company such meeting of shareholders (members) is considered competent to take decisions. Officials or employees of an investment brokerage company that are also holders of the shares with voting rights (stocks) shall not participate in the taking of such decision of the meeting of shareholders (members) of the investment brokerage company which relates to the determination of their remuneration.

(15) An investment brokerage company shall, without delay but not later than within five working days after submitting a draft decision prepared in accordance with the requirements laid down in Paragraph 1.4 of this Section to the shareholders (members), submit this draft decision electronically to the Commission along with the evidence that determination of the variable component of remuneration to the extent that exceeds the fixed component of remuneration determined during the reporting year for the relevant officials or employees whose professional activities significantly affect the risk profile of an investment brokerage company, does not restrict the capability of the investment brokerage company to further conform to the requirements laid down in this Law and Regulation No 575/2013, especially own funds requirements.

(16) An investment brokerage company shall, without delay but not later than within five working days after taking of the decision of the meeting of shareholders (members) of the investment brokerage company referred to in Paragraph 1.3 of this Section, submit it electronically to the Commission.

(17) The Commission shall determine the requirements for the policy and practice of remuneration referred to in Paragraph 1.2, Clause 1 of this Section with regard to the officials and employees of an investment brokerage company whose professional activities significantly affect the risk profile of an investment brokerage company.

(2) A credit institution providing investment services or ancillary investment services shall comply with and observe the following requirements:

1) establish relevant constituent bodies for the provision of investment services and ancillary investment services and ensure the administration, internal supervision, and review, audit of such constituent bodies, including the determination of procedures by which employees of such constituent bodies may receive investment services from this division, and also from another credit institution or investment brokerage company;

2) ensure that the head of this constituent body is a person who is competent in investment matters and who has an impeccable reputation;

3) ensure the execution of transactions performed with financial instruments and the confidentiality of client financial instrument accounts and transactions, in conformity with the requirements of the law;

4) carry out security measures for the processing, storage, and transmission of data, in accordance with the requirements of this Law, the regulatory provisions of the Commission, and internal rules of procedure;

5) ensure that the financial instruments of clients and the credit institution’s own financial instruments are permanently kept separate;

6) ensure storage for five years of source documents of transactions performed with financial instruments and other services provided and transactions performed, and also conformity with the requirements brought forward in the regulatory provisions of the Commission and Regulation 2017/565 related to the completion and keeping of source documents. The Commission is entitled to extend the time period specified in this Clause for up to seven years;

7) ensure compliance with the requirements for the storage of source documents also in relation to recordings of telephone conversations or electronic communications relating to transactions made when dealing on own account and the provision of services that relate to the reception, transmission, and execution of client orders. Such telephone conversations and electronic communications shall also include those that are intended to agree on transactions that would be concluded when dealing on own account or in the provision of services that relate to the reception, transmission, and execution of client orders, even if those conversations or communications do not result in the conclusion of such transactions. In order to ensure the execution of the requirements for the storage of source documents in relation to recording of telephone conversations or electronic communications, a credit institution:

a) shall take all reasonable steps to record relevant telephone conversations and electronic communications, made with, sent from, or received by equipment provided by the credit institution to an employee or contractor or the use of which by an employee or contractor has been accepted or permitted by the credit institution;

b) shall make known that telephone communications or conversations between the credit institution and its clients that result or may result in transactions will be recorded. Such a notification may be made once – before the provision of the investment service to clients;

c) shall not provide, by telephone, investment services and activities to clients who have not been notified in advance about the recording of their telephone communications or conversations, where such investment services and activities relate to the reception, transmission, and execution of client orders;

d) may place client orders using other channels of communication and concurrently ensuring that such communication takes place in a form that can be saved. The relevant face-to-face conversation with a client may be recorded by using written minutes or notes. Such orders shall be considered equivalent to orders received by telephone;

e) shall implement all reasonable measures to prevent an employee or contractor from making, sending, or receiving relevant telephone conversations and electronic communications on privately-owned equipment which the investment brokerage company is unable to record or copy;

8) ensure continuous and systematic provision of investment services and ancillary investment services by using corresponding systems, means, and procedures;

9) carry out all the necessary administrative and organisational measures in order to prevent the negative effect of the conflict of interest referred to in Section 127 of this Law on the interests of clients;

10) have reasonable security mechanisms in place designed to guarantee the security and authenticity of the means of transfer of information, to minimise the risk of data corruption and unauthorised access and to prevent information leakage prior to publishing thereof, always preserving data confidentiality.

(21) Additional requirements for the provision of investment services shall be determined by Regulation No 2017/565.

(3) [21 June 2018]

(4) [21 June 2018]

[*4 October 2007; 13 January 2011; 24 April 2014; 21 June 2018*]

**Section 124.1 Status of a Client**

(1) A person to whom an investment brokerage company and credit institution provide investment services and ancillary investment services may have the status of a professional client, retail client, or eligible counterparty.

(2) Professional clients in respect to all investment services and instruments are:

1) persons licensed or regulated for operation in a financial market in the Republic of Latvia or in another country:

a) credit institutions;

b) investment brokerage companies;

c) other licensed or regulated financial institutions;

d) investment funds and investment management companies;

d1) alternative investment funds and managers of alternative investment funds;

e) insurers;

f) pension funds and managers of pension funds;

g) commodity dealers;

h) companies which are performing such transactions on their own behalf in the markets of options, futures or other derivatives markets or markets of the base asset of the derivative the only purpose of which is to restrict financial risk in the market of derivatives, or which are performing transactions on the account of other participants of these markets or make prices for them and which are guaranteed by the participants of settlement system in this market, if responsibility for ensuring the fulfilment of the agreements entered into by such companies is undertaken by the participants of settlement system in this market,

i) other commercial companies the main activity of which is investing in financial instruments and which are making such investments in large amounts;

2) commercial companies and other legal persons which conform to two of the abovementioned three requirements:

a) own funds – not less than EUR 2 million;

b) net turnover – not less than EUR 40 million;

c) balance sheet value – not less than EUR 20 million;

3) State institutions managing government debt, national central banks, the World Bank, the International Monetary Fund, the European Central Bank, and other international financial authorities;

4) other commercial companies the main activity of which is investing in financial instruments, *inter alia*, such which are engaged in securitisation of financial assets or financing of other transactions, and which are making such investments in large amounts;

5) a person who is recognised in another country as a professional client in accordance with the procedure that is equivalent to that laid down in this Section.

(3) An investment brokerage company or credit institution shall inform the client of his or her status prior to the commencement of provision of investment services and ancillary investment services.

(4) The client has the right to request that an investment brokerage company or credit institution grants another status of a client thereto. A retail client may acquire the status of a professional client in accordance with the procedures laid down in Paragraphs five, six, and seven of this Section. A professional client may acquire the status of a retail client in accordance with the procedures laid down in Paragraphs nine and ten of this Section. An investment brokerage company and credit institution shall inform the client of such rights in accordance with the procedures laid down in Section 126.1 of this Law.

(5) An investment brokerage company or credit institution which provides investment services and ancillary investment services is entitled to recognise any person as a professional client other than referred to in Paragraph two of this Section, but who has expressed the relevant request, the knowledge and experience of which has been evaluated by the investment brokerage company and credit institution, and which conforms to at least with two of the following criteria:

1) the person has performed transactions of significant amount in the relevant market – at least 10 transactions per quarter during preceding four quarters;

2) the value of the financial instrument portfolio of the person which comprises financial resources and financial instruments exceeds EUR 500 000;

3) the person has at least one year experience in the financial sector in a position where knowledge in respect of transactions and services that the person is planning to perform or receive as a client, is necessary.

(6) An investment brokerage company or credit institution shall, prior to recognising the person referred to in Paragraph five of this Section as a professional client, evaluate his or her competence, experience, and knowledge in order to get certification that, by taking into account the specifics of the intended transactions or services, the client is able to take an investment decision independently and is aware of the relevant risks.

(7) The status of a professional client may be granted to the person referred to in Paragraph five of this Section in general or in respect of certain type of investment service, type of transaction, of particular transaction or product. A person who wants to be recognised as a professional client shall submit a submission to an investment brokerage company or credit institution, indicating the type of investment service, transaction, or product therein in respect of which he or she wants to receive the status of a professional client. The investment brokerage company or credit institution shall, prior to granting the status of a professional client to the person, warn in writing regarding the right of investor protection which he or she may lose being in the status of a professional client, and the person shall sign a certification that he or she has received such warning and is aware of the consequences from loss of such right. A written agreement shall be entered into regarding granting of a professional status.

(8) A person who is recognised as a professional client shall provide information to an investment brokerage company or credit institution in accordance with the procedures referred to in Paragraphs five, six, and seven of this Section on the changes in his or her activities which may affect the conformity of such person with the requirements defined for the status of a professional client. The investment brokerage company or credit institution which receives information that a client does not comply with the requirements defined for a professional client, shall take a decision to withdraw such status and inform the relevant person thereof in writing.

(9) The status of a retail client may be granted to a professional client in general for all services to be provided or for separate types of investment services, transactions, or products. A professional client who wants that the status of a retail client is granted to him or her, shall submit a submission to an investment brokerage company or credit institution, indicating the type of investment service, transaction, or product therein in respect of which he or she wants to receive the status of a retail client.

(10) In order for a professional client to be granted the status of a retail client, an investment brokerage company or credit institution and a person who is regarded as a professional client, shall enter into a written agreement. Such agreement shall provide for the types of investment services, transactions, or products to which the status of a retail client is applied.

(11) An investment brokerage company or credit institution which provides investment services and ancillary investment services shall draw up and approve internal policy and procedure which ensure conformity with the requirements of this Section in respect of the status of a client.

[*4 October 2007; 13 January 2011; 9 July 2013; 19 September 2013; 21 June 2018*]

**Section 124.2 Eligible Counterparties**

(1) An eligible counterparty may be an investment brokerage company, credit institution, insurance company, investment management company, pension fund and management companies thereof, other financial institutions which are licensed and carry out activities in accordance with the legal acts of a Member State or foreign country governing financial services, governments of the countries and other State institutions which are managing government debt, central bank and supranational organisations.

(11) An investment brokerage company and credit institution may apply the status of an eligible counterparty also in respect of the persons referred to in Section 124.1, Paragraph two, Clause 1, Sub-clauses “g”, “h”, “i”, Clauses 2 and 3 of this Law.

(2) An investment brokerage company and credit institution which are entitled to provide the investment services referred to in Section 3, Paragraph four, Clause 1, 2, or 3 of this Law may commence transactions or engage in transactions with an eligible counterparty, without applying the requirements laid down in Sections 126, 126.1, 126.2, 128 (except for Section 128, Paragraphs six, seven, and eleven), Section 128.1, Paragraph one, Sections 128.2 and 128.3 of this Law.

(21) An investment brokerage company and credit institution shall act honestly, fairly, and professionally in relationships with eligible counterparties and implement fair, clear and not misleading communication, taking into account the nature of the eligible counterparty and its commercial activity.

(3) An investment brokerage company and credit institution before provision of investment services and ancillary investment services shall inform the companies referred to in Paragraph one of this Section of the status of an eligible counterparty applied to them.

(4) The persons referred to in Paragraph one of this Section have the right to request in accordance with the procedures laid down in Section 124.1 of this Law that an investment brokerage company or credit institution grants the status of a professional or retail client to them. If the person referred to in Paragraph one of this Section does not directly indicate which status – the status of a professional or retail client – should be granted to him or her, the investment brokerage company and credit institution shall grant the status of a professional client to him or her.

(5) In order to apply the status of an eligible counterparty to the persons referred to in Section 124.1, Paragraph two, Clause 1, Sub-clauses “g”, “h”, “i”, Clauses 2 and 3, an investment brokerage company and credit institution shall obtain a consent of such person. The consent may be obtained in respect of investment services to be provided in general, to individual investment services or individual transactions.

(6) If a potential client of the investment brokerage company and credit institution is the commercial company equivalent to the commercial companies referred to in Paragraph 1.1 of this Section which is registered in another Member State, the investment brokerage company and credit institution may apply the status of the eligible counterparty thereto, in conformity with the provisions of this Section.

(7) Additional requirements for the application of the provisions of this Section shall be determined by Regulation No 2017/565.

[*4 October 2007; 22 May 2008; 21 June 2018*]

**Section 125. Right to Financial Instruments**

(1) Financial instruments belong to the acquirer thereof from the moment they are registered in the financial instrument account of such acquirer.

(2) Entry in the participant’s account shall be proof that financial instruments registered in the central securities depository are owned by the central securities depository participant.

(21) Entry in the individual account shall be proof that financial instruments registered in the central securities depository are owned by a client of the central securities depository participant upon whose assignment the abovementioned individual account has been opened with the central securities depository, identifying the participant’s client in the central securities depository.

(22) Entry in the client’s account which has been opened with the participant shall be proof that financial instruments registered in the central securities depository are owned by a client of the central securities depository participant upon whose assignment an individual account has been opened with the central securities depository, without identifying the participant’s client in the central securities depository.

(23) In the case which is not referred to in Paragraphs two, 2.1, 2.2, and three of this Section, entry in the financial instrument account of the person opened with an investment brokerage company or credit institution shall be proof that financial instruments are owned by the abovementioned person.

(24) A relevant entry in the financial instrument account – entry certifying the ownership of financial instruments – shall be proof of pledge right in relation to financial instruments.

(3) An investment brokerage company and credit institution or the central securities depository may open such a financial instrument account for the central securities depository participant or participant’s client in which the financial instruments within the holding of such client, participant, or participant’s client are listed (nominal account).

(4) An investment brokerage company and credit institution are liable for ensuring that the transactions performed with financial instruments are registered without delay and the financial instruments acquired as a result of such transactions are registered in the financial instrument accounts of clients.

(41) [21 June 2018]

(42) [21 June 2018]

(43) [21 June 2018]

(5) Financial instruments which belong to a client of the central securities depository participant, a client of an investment brokerage company, or a client of a credit institution may not be used for the satisfaction of claims by creditors of the central securities depository participant, creditors of the investment brokerage company, or creditors of the credit institution. This requirement shall also apply to cases where the central securities depository participant, investment brokerage company, or credit institution has been declared insolvency proceedings.

(51) Financial instruments that have been recorded in the financial instrument account which has been opened with a settlement system of financial instruments maintained by the central securities depository and in which financial instruments owned or held by a participant or one or several clients of a participant are accounted may not be used for the satisfaction of claims by creditors of the central securities depository. This requirement shall also apply to cases when insolvency proceedings have been declared for the central securities depository.

(6) Financial instruments regarding which an investor has submitted to an investment brokerage company or credit institution a disposal order, on the basis of which the investment brokerage company or credit institution has initiated the implementation of the transaction, may not be used for the satisfaction of claims of creditors.

(7) Such financial instruments owned by legal persons which have been recorded in a financial instrument account opened at an investment brokerage company or credit institution or an individual account in which financial instruments owned by a client of the central securities depository participant are accounted, and such financial instruments owned by investment brokerage companies and credit institutions which have been recorded in a participant’s account, may be seized only by an order of a bailiff in accordance with the procedures laid down in the Civil Procedure Law.

(8) Such financial instruments owned by natural persons which have been recorded in a financial instrument account opened at an investment brokerage company or credit institution or an individual account in which financial instruments owned by a client of the central securities depository participant are accounted may be seized only by an order of a bailiff in accordance with the procedures laid down in the Civil Procedure Law or arrested in accordance with the procedures laid down in the Criminal Procedure Law.

(9) Recovery against such financial instruments owned by legal persons which have been recorded in a financial instrument account opened at an investment brokerage company or credit institution or an individual account in which financial instruments owned by a client of the central securities depository participant are accounted, and such financial instruments owned by investment brokerage companies and credit institutions which have been recorded in a participant’s account, may be directed only on the basis of an order by a bailiff, in accordance with the procedures laid down in the Civil Procedure Law or upon request by the tax administration – in cases provided for in tax laws, but upon request by the State Revenue Service – also in cases provided for in other laws.

(10) Recovery against such financial instruments owned by natural persons which have been recorded in a financial instrument account opened at an investment brokerage company or credit institution or an individual account in which financial instruments owned by a client of the central securities depository participant are accounted may be directed only on the basis of an order by a bailiff, in accordance with the procedures laid down in the Civil Procedure Law, or on the basis of a decision of the tax administration on recovery of late tax payments – in accordance with the law On Taxes and Fees.

[*4 October 2007; 14 September 2017; 21 June 2018*]

**Section 125.1 Use of Client Financial Instruments**

(1) Financial instruments which are owned by a client of an investment brokerage company or credit institution may not be used in transactions which are performed by the investment brokerage company or credit institution on its own behalf or on account of another client, including in securities financing transactions. Such requirement shall not be applied, if the client has given a prior consent to the use of its financial instruments with special conditions stipulated by the client and such consent has been certified with the signature of the client or a certification equivalent to a signature and the use of the client financial instruments is restricted with the conditions to which the client has agreed.

(2) Financial instruments which are owned by clients of an investment brokerage company or credit institution and which are accounted in a nominal account opened at the third party and where financial instruments of several clients are kept together, may not be used in securities financing transactions or other transactions which are performed by the investment brokerage company or credit institution on its own behalf, except for the case when in addition to the requirements of Paragraph one of this Section at least one of the following provisions is fulfilled:

1) all clients the financial instruments owned by which are kept in a nominal account have given prior consent to transactions of such type;

2) the investment brokerage company or credit institution has a system or control mechanism at its disposal which ensures that only financial instruments owned by a client who has given prior consent are being used.

(3) The investment brokerage company and credit institution shall, in the case referred to in Paragraph two of this Section, perform accounting of financial instruments which ensures information from clients the financial instruments of which have been used to ensure corresponding distribution of losses if such have occurred.

(4) The investment brokerage company and credit institution shall carry out respective measures in order to prevent unauthorised use of client financial instruments in its own interests or in the interests of any person, *inter alia*:

1) by entering into an agreement with the client regarding measures which should be carried out by the investment brokerage company and credit institution in the event of insufficient security in the account of the client on the day of settlement;

2) by especially supervising its projected ability to supply securities on the day of settlement and by introducing corrective measures, if it is not possible;

3) by especially supervising and requesting, without delay, to ensure securities which have not been supplied on or after the day of settlement.

(5) The investment brokerage company and credit institution shall determine special procedures in relation to all clients in order to ensure that the person borrowing client financial instruments provides a corresponding security, and the investment brokerage company and credit institution shall supervise continuous conformity of such security and carry out the necessary measures in order to ensure that its remainder remains corresponding to the value of client financial instruments.

(6) The investment brokerage company and credit institution shall not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

[*21 June 2018*]

**Section 125.2 Use of a Non-conforming Title Transfer Financial Collateral Arrangement**

(1) An investment brokerage company and credit institution shall take into account – and shall be able to prove that it has adequately taken into account – the link between the use of a title transfer financial collateral arrangement and the liabilities of a client in relation to the investment brokerage company or credit institution and the assets of the client to which the investment brokerage company or credit institution applies the provisions arising from the title transfer financial collateral arrangement.

(2) Upon assessing and documenting the conformity of the use of a title transfer financial collateral arrangement, the investment brokerage company and credit institution shall take into account all the following circumstances:

1) whether there is only a very weak link between the liabilities of the client in relation to the investment brokerage company or credit institution and the use of the title transfer financial collateral arrangement, including whether the potential relation of the client in relation to the investment brokerage company or credit institution is small or insignificant;

2) whether the amount of funds or financial instruments of the client to which the provisions arising from the title transfer financial collateral arrangement are applied significantly exceed the liabilities of the client or is even unlimited, if the client has any liabilities at all in relation to the investment brokerage company or credit institution;

3) whether the provisions arising from the title transfer financial collateral arrangement are applicable to the financial instruments or funds of all clients, regardless of the type of liabilities of each client in relation to the investment brokerage company or credit institution.

(3) Upon applying the provisions arising from the title transfer financial collateral arrangement, the investment brokerage company and credit institution shall, for the professional clients and eligible counterparties, especially indicate the related risks and impact which can be left on financial instruments and funds of the client by any provisions arising from the title transfer financial collateral arrangement.

[*21 June 2018*]

**Section 125.3 Management Procedures in Relation to the Safeguarding of Client Assets**

(1) An investment brokerage company and credit institution shall appoint one employee who has sufficient skills and authorisation and who is specifically responsible for the issues as to whether the investment brokerage company and credit institution fulfil their obligations in the field of the safeguarding and separate keeping of the financial instruments and funds of the client.

(2) In order to ensure complete conformity with the requirements of Sections 125.1, 125.2, 129, 129.1, 129.2, and 131.1 of this Law, the investment brokerage company and credit institution may decide whether the appointed employee carries out only this task or may efficiently fulfil his or her duties, concurrently fulfilling other duties.

[*21 June 2018*]

**Section 126. Contract for the Provision of Investment Services and Ancillary Investment Services**

(1) Prior to commencement of the provision of investment services and ancillary investment services, an investment brokerage company and credit institution shall enter into a contract with the client regarding the provision of investment services and ancillary investment services in which the rights and obligations of the parties and other conditions by which the investment brokerage company or credit institution shall provide services to its client shall be indicated. The rights and obligations of the contracting parties may be specified by referring to other documents.

(2) The requirements for the content of the contract shall be determined by Regulation No 2017/565.

(3) The contract may be entering into in writing (in paper form or using another durable medium).

(4) Prior to entering into a contract for the provision of investment services and ancillary investment services, an investment brokerage company and credit institution have an obligation to inform the client of the procedures by which complaints and disputes arising from such contract are to be examined out-of-court.

[*21 June 2018*]

**Section 126.1 Types of Exchange of Information Related to Investment Services**

(1) An investment brokerage company and credit institution shall provide the information intended for a client, using a durable medium.

(2) An investment brokerage company or credit institution shall ensure an option in respect of changing the type of exchange of information. The type of exchange of information in which the investment brokerage company and credit institution provide information to a client shall be provided for in the agreement regarding provision of investment services.

(3) An investment brokerage company or credit institution shall provide information intended for the client electronically, if:

1) provision of information in electronic form is suitable for conditions in which transactions occur or will occur between the investment brokerage company or credit institution and the client;

2) the client to whom information will be provided, has been offered a possibility to choose whether he or she will receive information in printed form or electronically, and the client has specifically indicated that he or she wants to receive information in such form.

(4) An investment brokerage company or credit institution is entitled to provide information intended for the client which is not addressed to him or her personally, via the Internet, provided that the following provisions are complied with:

1) the client has approved that Internet is available to him or her;

2) the client has specifically indicated that he or she agrees to provision of information in such form;

3) the client has been electronically notified of the website address and place on the website where information is available;

4) information is updated in a timely manner;

5) information is constantly available on the website so long as it is justifiably necessary for the client in order to be able to verify it.

[*4 October 2007; 21 June 2018*]

**Section 126.2 Suitability of Investment Service and Ancillary Investment Service and Conformity Thereof with the Interests of a Client**

(1) In order to determine the suitability of investment service for a client, an investment brokerage company or credit institution shall request information from the client or potential client on his or her experience and knowledge in the field of investments in relation to the particular investment service or product offered or requested, if the investment brokerage company or credit institution provides investment service other than investment advice or portfolio management. If it is intended to offer a bundle of services or products to a client in accordance with Section 128, Paragraph 12.5 of this Law, the evaluation shall encompass the overall suitability of the bundled package for the client.

(11) In order to determine whether the investment service which is investment advice or portfolio management is suitable for a client, the investment brokerage company or credit institution shall request information from the client or potential client on his or her experience and knowledge in the field of investments in relation to the particular investment service or product, the financial situation of the person, including his ability to bear losses, to investment objectives, including the risk tolerance of the person. If the investment advice includes a bundle of services or products in accordance with Section 128, Paragraph 12.5 of this Law, the evaluation shall encompass the overall suitability of the bundled package for the client.

(21) The investment brokerage company and credit institution shall use the information which is obtained in accordance with Paragraph 1.1 of this Section in order to determine, giving due consideration to the nature and extent of the service offered, that the particular recommended transaction, when providing investment advice, or the transaction entered into, when providing portfolio management:

1) is appropriate for the objective of the relevant client;

2) is such that the client is able to financially undertake any investment risks related to his or her investment objectives;

3) is such that the client has the necessary experience and knowledge in order to understand the risk related to the transaction or management of his or her portfolio.

(3) An investment brokerage company and credit institution shall use the information obtained in accordance with Paragraph one of this Section in order to determine whether the client has the necessary knowledge in order to understand the risks related to the type of offered service or product.

(4) Information on knowledge and experience of a client or potential client in the field of investment shall include information on:

1) the types of services, transactions, and financial instruments managed by the client;

2) the transactions of the client with financial instruments – their nature, amount, frequency, and time period during which they were performed;

3) the level of education and profession or relevant previous profession of the client or potential client.

(5) When requesting the information referred to in Paragraph four of this Section, an investment brokerage company and credit institution shall take into account such factors as the status of a client (retail client, professional client), the type and amount of service to be performed, the type of product or intended transaction, the complexity of a service and risks related thereto.

(6) Information on investment objectives of a client or potential client, where appropriate, shall contain information on a time period during which the client wants to keep investment, his or her choice in relation to undertaking of risk, risk profile, and investment purposes.

(7) Information on the financial position of a client or potential client, where appropriate, shall contain information on his or her sources and amount of regular income, his or her assets, including liquid assets, investments and immovable properties and on his or her regular financial obligations.

(8) An investment brokerage company and credit institution are not entitled to encourage the client not to provide the information referred to in this Section.

(9) If, upon providing investment advice or carrying out portfolio management, an investment brokerage company or credit institution has not obtained the information referred to in Paragraph 1.1 of this Section, it is not entitled to recommend financial instruments for a client or potential client or to carry out individual management of his or her portfolio.

(10) If an investment brokerage company or credit institution, on the basis of information obtained in accordance with Paragraph one of this Section, considers that the relevant product or service is not conforming for a client, it shall warn the client. If the client rejects to provide the information referred to in Paragraph one of this Section to the investment brokerage company and credit institution or if the investment brokerage company or credit institution has information that such information is incomplete or does not contain the last changes, the investment brokerage company or credit institution shall warn the client or potential client that it is not possible to evaluate the suitability of the intended service or product for the client. If the investment brokerage company or credit institution has warned the client, but the client has not provided additional information, it shall not be responsible for the consequences caused by refusal of the client to provide information, provision of incomplete information, or failing to give a notice regarding changes in the previously provided information.

(11) The warnings referred to in Paragraph ten of this Section may be made in a standardised form.

(12) If an investment brokerage company or credit institution provides only the investment services referred to in Section 3, Paragraph four, Clause 1 or 2 of this Law with or without the ancillary investment services referred to in Section 3, Paragraph five, Clauses 1, 3, 4, 5, 6, and 7 of this Law, it shall not request the information referred to in Paragraph one of this Section from the client if all of the following conditions are in effect:

1) the service applies to the following financial instruments:

a) shares which are admitted to trading on a regulated market of a Member State or an equivalent market of a foreign country, or on the MT facility, except for shares that embed a derivative;

b) bonds or other forms of debt securities admitted to trading on a regulated market or on an equivalent market of a foreign country, or on the MT facility, except for those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved with the relevant financial instruments;

c) money market instruments, except for those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved with the relevant financial instruments;

d) investment certificates of investment funds, except for structured investment certificates of investment funds in accordance with Article 36(1) of Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website;

e) structured deposits, except for those that incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term;

f) other non-complex financial instruments;

2) the service is provided upon initiative of a client or potential client;

3) the client or potential client has been clearly informed that in provision of this service the investment brokerage company or credit institution does not evaluate the suitability of the investment service or offered instrument for the client and that, therefore, the client does not enjoy appropriate protection;

4) an investment brokerage company and credit institution conform to the requirements laid down in Section 127 of this Law and Regulation No 2017/565 for the prevention of a conflict of interest.

(121) If an investment brokerage company or credit institution provides investment services to a client together with the ancillary investment service referred to in Section 3, Paragraph five, Clause 2 of this Law, when determining suitability of the investment service for the client, it shall take into account the structure of the financial product which forms as a result of provision of the abovementioned ancillary investment service.

(122) When applying Paragraph twelve of this Section, a market of a foreign country shall be considered equivalent to a regulated market, if the European Commission takes the decision on equivalence according to the specified examination procedure.

(13) [21 June 2018]

(14) The requirements of this Section shall not be applied in respect of professional clients, because the professional client is regarded as a client who has the required experience and knowledge in relation to products, transactions, and services in respect of which the client is classified as a professional client and as such who is able to undertake risk for any loss that may be caused by the investment.

(15) [21 June 2018]

(16) If a credit agreement relating residential immovable property which is subject to the provisions of the Consumer Rights Protection Law regarding creditworthiness assessment of a consumer apply has as a prerequisite the provision to the same consumer of investment services in relation mortgage bonds specifically issued to secure the financing of and having identical terms as the credit agreements relating to residential immovable property, in order for the loan to be payable, refinanced or redeemed, the abovementioned service shall not be subject to the obligations set out for the investment brokerage company and credit institution in this Section.

(17) The measures and provisions for the fulfilment of the requirements laid down in this Section shall be determined by Regulation No 2017/565.

[*4 October 2007; 22 March 2012; 21 June 2018; 20 June 2019*]

**Section 126.3 Disclosure of the Engagement Policy**

(1) If an investment brokerage company and credit institution are entitled to provide a portfolio management service, including shares of such joint stock company in the portfolio the registered office of which is in a Member State and the shares of which are admitted to trading on a regulated market of the Member State (hereinafter in this Section – the joint stock company), the investment brokerage company and credit institution shall draw up a policy (hereinafter in this Section – the engagement policy) providing a description and explanation as to how the exercise of the rights of a shareholder in the management of such joint stock company is included in the strategy of the investment brokerage company and credit institution.

(2) The engagement policy shall describe how the investment brokerage company and credit institution supervise the activity of the joint stock company in at least the following issues:

1) strategy;

2) results and risks of financial and non-financial activity;

3) capital structure;

4) social impact;

5) impact on the environment;

6) corporate management.

(3) In addition to the information referred to in Paragraph two of this Section, the engagement policy shall describe how the investment brokerage company and credit institution:

1) implement a dialogue with the joint stock company;

2) exercise voting rights and other rights arising from stocks in the joint stock company, including providing for the criteria for the determination of less significant votes;

3) cooperate with other shareholders of the joint stock company;

4) communicate with interested persons of the joint stock company;

5) manage the actual and potential conflict of interest in relation to engagement in the management of the joint stock company.

(4) The investment brokerage company and credit institution shall, each year by 1 August, publish a report on the implementation of the engagement policy. The report shall be provided for the period from the day when the engagement policy is disclosed for the first time or the last report on the implementation of the engagement policy is disclosed. The report additionally includes the following information:

1) general information as to how the investment brokerage company and credit institution have implemented the voting rights;

2) an explanation of the most significant votes;

3) information on the use of the services of authorised advisers.

(5) In addition to the information referred to in Paragraph four of this Section the investment brokerage company and credit institution shall disclose its votes in the meetings of shareholders of the joint stock company. The investment brokerage company and credit institution need not disclose the votes which, according to the engagement policy, are to be considered insignificant.

(6) The investment brokerage company and credit institution need not apply one or more of the requirements of this Section. If the investment brokerage company and credit institution do not apply any of the requirements of this Section, they shall provide information on which requirement is not being applied and the justification for such action.

(7) The investment brokerage company and credit institution shall ensure public free access to the information referred to in Paragraphs two, three, four, five, and six of this Section on its website.

(8) The investment brokerage company and credit institution shall conform to the requirements of Section 127 of this Law in relation to investments into shares of the joint stock company and participation in the management of the joint stock company.

[*20 June 2019*]

**Section 127. Conflict of Interest**

(1) An investment brokerage company and credit institution shall carry out all the corresponding measures in order to identify and prevent conflict of interest which may arise during the provision of investment services and ancillary investment services between the investment brokerage company or credit institution, including employees, tied agents thereof, the persons who control, directly or indirectly, the investment brokerage company or credit institution, and a client, and also between clients thereof, including identify and prevent such conflict of interest which might arise as a result of inducement of third parties within the meaning of Section 133.18 or as a result of the remuneration policy and other incentive principles by the investment brokerage company.

(2) In order to identify the types of conflict of interest which may arise upon providing investment services and ancillary investment services, the investment brokerage company and credit institution shall take into account situations when the investment brokerage company or credit institution, the person related thereto or the person who controls, directly or indirectly, the investment brokerage company or credit institution:

1) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;

2) has an interest in the outcome of a service provided to the client or of a transaction performed on behalf of the client, which is not in the interests of the client;

3) is interested to act in favour of another client or group of clients;

4) carries on the same professional activity as the client;

5) receives or will receive an inducement from another person in relation to a service provided to the client, in the form of funds, commodities, or services, other than the standard fee for that service.

(3) In order to ensure fulfilment of the requirements of Paragraph one of this Section, an investment brokerage company and credit institution shall develop, approve, and introduce the policy for prevention of conflict of interest corresponding to the size, organisation and type, amount and complexity of its professional activity. If the investment brokerage company and credit institution are in a group of commercial companies, the policy for prevention of conflict of interest shall also provide for prevention of such conflict of interest which may arise due to the activity or structure of another commercial company within the group.

(4) In the policy for prevention of conflict of interest an investment brokerage company and credit institution shall:

1) identify, with reference to the specific investment services and types of ancillary investment services carried out by or on behalf of the investment brokerage company and credit institution or a third person, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients;

2) determine the necessary procedures to be followed and measures to be carried out in order to manage such conflict of interest.

(5) When determining the procedures and measures for prevention of conflict of interest, an investment brokerage company and credit institution shall ensure their appropriateness to the size and professional activities of the investment brokerage company and credit institution, or of the group to which it belongs, and to the materiality of the risk of damage to the interests of clients.

(6) In fulfilling the requirements referred to in Paragraph four, Clause 2 of this Section, an investment brokerage company and credit institution shall provide for the following in conformity with its structure and types of investment services provided:

1) effective procedures to prevent or control the exchange of information between the related persons engaged in activities involving a risk of a conflict of interest, if the exchange of such information may harm the interests of one or more clients;

2) separate supervision of the related persons whose principal duties involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the investment brokerage company or credit institution;

3) prevent any direct link between the remuneration or income gained by the related persons the activities of which are related to the provision of different management services, if the conflict of interest may arise in relation to the activities carried out while providing management services;

4) measures to prevent or limit a third person from exercising inappropriate influence over the way in which the relevant person carries out investment services or ancillary investment services;

5) measures to prevent or control the simultaneous or sequential involvement of the related person in provision of different investment services or ancillary investment services, if such involvement may impair the proper management of conflict of interest;

6) other additional procedures and measures if it is necessary in order to prevent arising of conflict of interest in activities of the related persons.

(7) If organisational or administrative measures which have been stipulated by an investment brokerage company and credit institution in accordance with the requirements of this Section for the management of conflict of interest are not sufficient in order to ensure with due confidence that risk of damage to the interests of clients will be prevented, the investment brokerage company or credit institution shall clearly disclose the essence or sources of conflict of interest to the client, and also the measures to be carried out to reduce such risks prior it has commenced provision of the relevant investment service to the client, taking into account the requirements of Section 126.1 of this Law.

(71) The information referred to in Paragraph seven of this Section is disclosed on a durable medium and, taking into account the specific characteristics of the client, contains sufficiently detailed information allowing the client to take a decision based on the information in relation to the service as regards which a conflict of interest arises.

(72) The investment brokerage company shall comply with Regulation No 2017/565 in relation to the management of conflict of interest.

(8) An investment brokerage company and credit institution shall store and constantly update information on the types of those investment services and ancillary investment services which have been provided by the company or which have been provided on behalf of it and which have caused or may give rise to the conflict of interest that materially harms the interests of one or more clients.

(9) An investment brokerage company and credit institution shall establish and introduce a system in order to ensure the fulfilment of the requirements laid down in Regulation No 2017/565 in respect to restrictions for the performance of personal transactions.

(10) An investment brokerage company and credit institution distributing investment researches shall, for the prevention of conflict of interest, carry out the measures specified in Regulation No 2017/565 in addition to the requirements laid down in this Section.

(11) In order to ensure the management of conflict of interest in relation to transactions with financial instruments, the investment brokerage company and credit institution:

1) if financial instruments are manufactured for sale to clients, shall maintain, operate, and review a process for the approval of each financial instrument and significant adaptations of existing financial instruments before it is marketed or distributed to clients;

2) in the product approval process, shall specify the identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks to such identified target market are assessed and that the intended distribution strategy is appropriate for the identified target market;

3) shall also regularly review financial instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate;

4) if financial instruments are manufactured, shall make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument;

5) if financial instruments are offered or recommended which it does not manufacture, shall carry out measures to obtain the information referred to in Clause 4 of this Paragraph and to understand the characteristics and identified target market of each financial instrument.

[*4 October 2007; 22 May 2008; 21 June 2018*]

**Section 127.1 Restrictions for Provision of Personal Transactions**

[21 June 2018]

**Section 127.2 Measures for Prevention of Conflict of Interest for Persons who Develop Investment Research**

[21 June 2018]

**Section 128. Obligations in Relations with Clients**

(1) Upon providing investment services and ancillary investment services, an investment brokerage company and credit institution have an obligation to act as an honest and careful proprietor and to ensure the provided services and ancillary investment services with due professionalism and care for the interests of a client.

(11) The investment brokerage company and credit institution shall ensure that the financial instruments manufactured for sale to clients are designed for an identified target market and such financial instruments meet the needs of ends clients of an identified target market, and also the strategy for distribution of the financial instruments is compatible with the identified target market. The investment brokerage company and credit institution shall carry out reasonable measures to ensure that the financial instrument is distributed to the identified target market.

(12) The investment brokerage company and credit institution shall ensure that they understand the financial instruments they offer or recommend, assess the compatibility of the financial instruments with the needs of the clients to whom they provide investment services, also taking account that specified in Section 127, Paragraph eleven of this Law, and ensure that financial instruments are offered or recommended only when this is in the interest of the client.

(2) The investment brokerage company or credit institution may not include in the contracts entered into with a client regarding the provision of investment services and provision of ancillary investment services any provisions which would be contrary to that specified in Paragraph one of this Section or covertly include consequences which would in any way be directed against the client.

(3) The investment brokerage company and credit institution shall ensure that only such natural persons who have the necessary knowledge and competence are entitled to provide investment advice or information on financial instruments, investment services, or ancillary investment services to clients on behalf of the investment brokerage company or credit institution. The investment brokerage company and credit institution shall, upon request of the Commission, provide information confirming the fulfilment of the requirements laid down in this Section.

(4) The requirements for the necessary knowledge and competence of employees referred to in Paragraph three of this Section shall be determined by the Commission.

(5) An investment brokerage company and credit institution shall ensure that all information addressed to clients or potential clients, including marketing communications, is fair, clear, and not misleading. Marketing communications shall be clearly identifiable.

(6) The investment brokerage company and credit institution shall, in a timely manner, disclose the following information to a client or potential client on the investment brokerage company or credit institution and its services, financial instruments, and investment strategies offered, order execution venues, and other costs and expenditures:

1) in relation to the provision of investment advice – prior to the provision of investment advice – as to:

a) whether or not the advice is provided on an independent basis;

b) whether the investment advice is based on a broad or on a more restricted analysis of different types of financial instruments, in particular, whether the range is limited to financial instruments issued or provided by persons having close links with the investment brokerage company or credit institution, or any other legal or economic relationships;

c) whether the investment brokerage company or credit institution will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client;

2) in relation to financial instruments and proposed investment strategies – appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies and whether the financial instrument is intended for retail or professional clients, taking account of the identified target market of financial instruments in accordance with the requirements of Section 128, Paragraphs eleven and twelve of this Law;

3) in relation to all costs and expenditures – information relating to both investment and ancillary investment services, including the cost of advice, including the cost of the financial instrument recommended or marketed to the client and information how the client may pay for it, also encompassing any third-party payments.

(61) The information referred to in Paragraph six of this Section on all costs and expenditures, except for costs and expenditures caused by the occurrence of underlying market risk of the financial instrument, shall be aggregated by the investment brokerage company and credit institution to allow the client to understand the overall cost and the cumulative effect on return of the investment. Upon request of the client, the investment brokerage company and credit institution shall provide such information in an itemised breakdown. The investment brokerage company and credit institution shall provide the information on all costs and expenditures to the client on a regular basis – at least annually, during the life of the investment.

(7) An investment brokerage company and credit institution shall disclose the information referred to in Paragraphs six, 6.1, twelve, and 12.1 of this Section so that clients or potential clients are reasonably able to understand the nature of the investment service, ancillary investment service and of the specific type of financial instrument offered and, consequently, to take information-based decisions on carrying out investments. Such information may be provided in a standardised form.

(8) The requirements in respect of the content of such information which is provided to a client on investment service, financial instruments, service costs and transactions performed during the course of provision of the investment service shall be determined by the Commission.

(81) If an investment service is offered as part of a financial product which is already subject to other provisions of laws and regulations relating to credit institutions and consumer credits with respect to information requirements, that service shall not be additionally subject to the obligations set out in Paragraphs five, six, 6.1, and seven of this Section.

(82) If the investment brokerage company or credit institution informs the client that investment advice is provided on an independent basis, that investment brokerage company or credit institution shall:

1) assess a sufficient range of financial instruments available on the market which must be sufficiently diverse with regard to their type and issuers or product providers to ensure that the client’s investment objectives can be suitably met and must not be limited to financial instruments issued or provided by:

a) the investment brokerage company or credit institution itself or by a person having close links with the investment brokerage company or credit institution;

b) another person with which the investment brokerage company or credit institution has such close legal or economic relationships as to pose a risk of impairing the independent basis of the advice provided;

2) not accept and retain fees, commissions, and any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the duty of the investment brokerage company or credit institution to act in the best interest of the client must be clearly disclosed and are excluded from this Clause.

(9) The execution of an order for a client shall not be postponed and shall be executed without delay (except for the cases specified in law), fairly and in accordance with the instructions of the client regarding execution of the task. When executing the task, the investment brokerage company and credit institution shall take into account the requirements laid down in Section 128.1 of this Law.

(10) The investment brokerage company and credit institution, when executing an order of the client, shall carry out all the necessary measures in accordance with the requirements of Section 128.2 of this Law, in order to achieve the best possible results for the client.

(11) The investment brokerage company and credit institution shall, in accordance with the requirements of Section 126.1 of this Law and the regulatory provisions of the Commission, provide adequate reports to the client on the services provided. Those reports shall include periodic communications to clients, taking into account the type and the complexity of financial instruments involved and the nature of the service provided to the client, including, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.

(111) Upon providing investment advice, the investment brokerage company and credit institution shall, before the transaction is made, provide the client with a statement on suitability of the investment advice in a durable medium specifying the advice given and how the abovementioned advice meets the preferences, objectives, and other characteristics of the retail client. If the agreement to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the suitability statement, the investment brokerage company or credit institution may provide the written statement on suitability in a durable medium immediately after the client is bound by any agreement, provided both the following conditions are met:

1) the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction;

2) the investment brokerage company or credit institution has given the client the option of delaying the transaction in order to receive the statement on suitability in advance.

(112) If the investment brokerage company or credit institution provides portfolio management or has informed the client that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the investment meets the client’s preferences, objectives, and other characteristics of the retail client.

(12) If, in relation to the provision of investment services or ancillary investment services, the investment brokerage company or credit institution pays any fees or commissions or provides any monetary or non-monetary benefits to a third party which is not a client, or to a person who is acting on behalf of a client, or receives such fees or commissions, or monetary or non-monetary benefits from a third party which is not a client, or from a person who is acting on behalf of the client, it shall be regarded the the investment brokerage company or credit institution is not fulfilling the requirements of Paragraph one of this Section and Section 127 of this Law, except for the cases when such payments or benefits:

1) are designed to enhance the quality of the service provided to the client;

2) do not impair compliance with the obligation of the investment brokerage company or credit institution to act honestly, fairly, and professionally in accordance with the best interest of its clients.

(121) The existence, nature, and amount of the payment or benefit referred to in Paragraph twelve of this Section, or – in case where the amount cannot be ascertained – the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate, and understandable, prior to the provision of the relevant investment services or ancillary investment services. Where applicable, the investment brokerage company or credit institution shall also inform the client of mechanisms for transferring to the client the fee or commission or transferring monetary or non-monetary benefit received in relation to the provision of the investment services or ancillary investment services.

(122) The payments or benefits which are necessary for the provision of the relevant investment services or ancillary investment services, including custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the obligations of the investment brokerage company or credit institution to act honestly, fairly, and professionally in accordance with the best interests of its clients, shall not be subject to that specified in Paragraph twelve of this Section.

(123) Upon carrying out portfolio management, the investment brokerage company and credit institution shall not accept and retain fees, commissions, and any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the duty of the investment brokerage company or credit institution to act in the best interest of the client must be clearly disclosed and are excluded from this Paragraph.

(124) The investment brokerage company and credit institution which provide investment services to clients shall not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, they shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the investment brokerage company or credit institution could offer a different financial instrument which would better meet that client’s needs.

(126) If the investment brokerage company or credit institution offers an investment service together with another service or product as part of a package or as a condition for the same agreement or package, the investment brokerage company or credit institution shall inform the client whether it is possible to buy the different components separately and shall provide for a separate evidence of the costs and charges of each component. If the risks resulting from such an agreement or package offered to a retail client are likely to be different from the risks associated with the components taken separately, the investment brokerage company or credit institution shall provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks.

(126) More detailed measures to ensure that investment brokerage companies and credit institutions, upon providing investment services or ancillary investment services to their clients, conform to the requirements laid down in this Section shall be determined by Regulation No 2017/565.

(13) The client has the right to submit a complaint to an investment brokerage company and credit institution related to the provision of investment services. The investment brokerage company and credit institution shall establish, implement, and conform to effective procedures, in accordance with which complaints of retail clients and potential retail clients are registered and examined, and information is registered on measures carried out in relation to such complaints.

(14) Clients which are regarded to be consumers within the meaning of the Consumer Rights Protection Law are entitled to submit complaints to the Consumer Rights Protection Centre regarding violations of the requirements of this Law and other laws and regulations of consumer rights protection, if it is related with the provision of investment services.

(15) The Commission shall provide opinion to clients on complaints concerning violations of the requirements of this Law or other laws and regulations, if it is related with the provision of investment services.

(16) In case of a loss incurred by a client due to incorrect information provided by the investment brokerage company or credit institution, or due to the failure of the investment brokerage company or credit institution to conform to the requirements of this Section, the client has the right to request compensation for losses in accordance with the general procedures laid down in laws and regulations.

[*4 October 2007; 21 June 2018; 12 December 2019*]

**Section 128.1 Client Order Handling Rules**

(1) An investment brokerage company and credit institution which have received a licence to execute orders on behalf of clients shall carry out the necessary measures and implement procedures which provide for the fair and expeditious execution of client orders, relative to other client orders or the trading interests of the investment brokerage company or credit institution. The abovementioned measures and procedures shall allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the investment brokerage company and credit institution.

(11) The conditions and nature of the procedures and measures which result in the fair and expeditious execution of client orders and the situations in which or types of transaction for which investment brokerage companies or credit institutions may reasonably deviate from prompt execution so as to obtain more favourable terms for clients shall be determined by Regulation No 2017/565.

(2) The investment brokerage company and credit institution, and also the parties related thereto shall not misuse the information at their disposal relating to pending client orders.

(3) If a client has submitted a limit order regarding shares admitted to trading on a regulated market or being traded at trading venues and such order under prevailing market conditions is not promptly executed, the investment brokerage company or credit institution, unless expressly otherwise provided by the client, shall carry out measures in order to ensure execution of the abovementioned order as soon as possible, by publicly disclosing information to the market on such order in a manner which is easily accessible to other market participants. It shall be considered that such requirement has been conformed to if the investment brokerage company or credit institution has submitted the limit order at the trading venue.

(4) The Commission has the right to exempt the investment brokerage company and credit institution from the obligation referred to in Paragraph three of this Section to publicly disclose a limit order that is large in scale compared with normal market size as determined under Article 4 of Regulation (EU) No 600/2014.

(41) The methods which can be used by the investment brokerage company or credit institution to deem that it has met its obligation to disclose not immediately executable client limit orders to the market shall be determined by Regulation No 2017/565.

(5) The investment brokerage company and credit institution have the right to aggregate a client order with transaction on their behalf or with another client order, provided that the order aggregation and allocation policy is developed and conformed to in the institution. The order aggregation and allocation policy may be included in the order execution policy and it shall provide for the following:

1) orders may be aggregated only if it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of clients whose orders are to be aggregated;

2) the investment brokerage company and credit institution have an obligation before aggregation of orders or transaction to inform each client whose order is to be aggregated with an order of another client that the effect of aggregation may work to its disadvantage in relation to a particular order;

3) fair allocation of aggregated orders and transactions especially providing for an explanation how the volume and price of orders determine allocation of orders in each particular case;

4) procedures for allocation of aggregated client orders, if the aggregated order is partially executed;

5) procedures for ensuring conformity with the requirements of Paragraphs six and seven of this Section in respect of allocation or reallocation of aggregated client orders and transactions on their behalf.

(6) If the investment brokerage company or credit institution has aggregated transactions on its behalf with one or more client orders, it shall allocate or reallocate the relevant transaction in a way that is not detrimental to the client.

(7) Where the investment brokerage company or credit institution aggregate a client order with a transaction on its behalf and the aggregated order is partially executed, it shall allocate the related transaction in priority sequence – at first to the client and then to the company. If the investment brokerage company or credit institution is able to demonstrate on reasonable grounds that without aggregation it would not have been able to carry out the order on such advantageous terms, or at all, it may apply proportional income allocation in respect of the transaction on its behalf.

(8) The investment brokerage company and credit institution which receive the instructions or orders of a client with the intermediation of another investment brokerage company or credit institution regarding provision of investment services may rely on the client information provided by such another investment brokerage company or credit institution, and also to rely on all recommendations provided by another investment brokerage company or credit institution to the client in relation to the service or transaction.

(9) The investment brokerage company or credit institution which transmits instructions or orders to another investment brokerage company or credit institution regarding provision of investment services and ancillary investment services on behalf of a client shall be responsible for:

1) completeness and precision of the transmitted information;

2) suitability of consultations and recommendations provided to the client.

(10) The investment brokerage company and credit institution which receive the instructions or orders of a client with the intermediation of another investment brokerage company or credit institution regarding provision of investment services shall be responsible for the provision of investment services or conclusion of transactions, on the basis of the information or recommendations provided by another investment brokerage company or credit institution to the client.

[*4 October 2007; 21 June 2018*]

**Section 128.2 Ensuring of the Best Possible Results for a Client**

(1) An investment brokerage company and credit institution, in executing an order on behalf of a client regarding transactions with financial instruments, carrying out portfolio management according to the authorisation of investors or accepting or transmitting for execution orders of a client regarding transactions with financial instruments, shall ensure the best possible results by taking into account the price of the transaction, the costs, the execution speed, the possibility for execution and settlement, the amount of transaction, specifics or any other considerations in respect of the execution of the order.

(2) In order to ensure the best result for clients, the investment brokerage company and credit institution in accordance with the requirements of Section 128.3 of this Law shall draw up and approve the order execution policy.

(3) [21 June 2018]

(4) The investment brokerage company and credit institution are prohibited to perform transactions with financial instruments owned or possessed by clients, if they, when entering into a contract on provision of investment services, have not received a consent of the client for the order execution policy thereof. The investment brokerage company and credit institution may make transactions outside a regulated market, MT facility, or OT facility, upon receipt of a prior consent of the client to each separate transaction or providing for such possibility in the contract.

(5) The investment brokerage company and credit institution have an obligation to prove, upon request of a client, order execution conformity with the order execution policy and to prove, upon request of the Commission, that they conform to the requirements of this Section and Section 128.3.

(6) Where the investment brokerage company and credit institution execute an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to persons involved in execution of the order.

(7) For the purposes of delivering the best possible results for a client, if the client order regarding transaction with financial instruments may be executed in more than one trading venues listed in the order execution policy, the investment brokerage company and credit institution shall evaluate the results to be achieved for the client on each trading venue and compare such results. The investment brokerage company and credit institution shall additionally take into account commissions laid thereby and costs for executing the order on each trading venues. When determining commissions for executing the order, the investment brokerage company and credit institution are not entitled to unjustifiable discriminate different trading venues.

(71) The investment brokerage company and credit institution shall not receive any remuneration, rebate, or non-monetary benefit for routing client orders to a particular trading venue or execution venue. Otherwise such action shall be deemed, within the meaning of Section 133.18, a violation of such governing requirements on conflict of interest or inducements as set out in Sections 127 and 128 of this Law.

(72) For financial instruments subject to the trading obligation specified in in Articles 23 and 28 Regulation (EU) No 600/2014 each trading venue and systematic internaliser and – for other financial instruments – each execution venue makes available to the public, without any charges, data relating to the quality of execution of transactions on that venue on at least an annual basis. The abovementioned periodic reports shall include information on price, costs, speed, and likelihood of execution for individual financial instruments.

(73) The investment brokerage company and credit institution shall, after execution of the transaction on behalf of the client, inform the client of the place of execution of the order.

(8) The investment brokerage company and credit institution shall be exempted from the obligation to deliver the best possible results to a client according to the order execution policy, if the client has provided special instructions on how transactions with financial instruments are to be executed, regarding placement of orders, when fulfilling portfolio management of the client, regarding a person to whom the client order is to be transmitted for execution. In such case the investment brokerage company and credit institution shall conform to the special instructions of the client.

(9) Regulation No 2017/565 shall determine in more detail:

1) the criteria for determining the relative importance of the different factors that may be taken into account for determining the best possible result, taking into account the size and type of order, and also the retail or professional nature of the client;

2) factors that may be taken into account by the investment brokerage company and credit institution when reviewing their execution measures and the circumstances under which changes to such measures may be appropriate. In particular, the execution measures shall be determined for the factors taken into account for determining which venues enable investment brokerage companies or credit institutions to obtain on a consistent basis the best possible result for executing the client orders;

3) the nature and extent of the information to be provided to clients on their order execution policies.

(10) The specific content, the format, and the periodicity of data relating to the quality of execution to be published in accordance with Paragraph 7.2 of this Section, taking into account the type of execution venue and the type of financial instrument concerned, shall be determined by Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions.

[*4 October 2007; 21 June 2018*]

**Section 128.3 Order Execution Policy**

(1) If an investment brokerage company and credit institution executes client orders for transactions with financial instruments on behalf of the client, the client order execution policy shall provide for the following regarding each category of financial instruments:

1) information on trading venues on which the investment brokerage company and credit institution execute client orders. At least those trading venues shall be provided for in the order execution policy where the investment brokerage company and credit institution plan to ensure the best possible result in execution of client orders;

2) factors which determined selection of the trading venue for the relevant category of financial instruments.

(2) If the investment brokerage company and credit institution carry out portfolio management of investors according to the investors’ authorisation or accept and transmit client orders for execution regarding transactions with financial instruments, it shall indicate information in the order execution policy on institutions where the investment brokerage company and credit institution place orders or transmit client orders for the execution. The investment brokerage company and credit institution are entitled to transmit client orders for execution only to such institutions which have approved policy that ensures the best possible result for the client.

(3) The investment brokerage company and credit institution shall evaluate efficiency of the client order execution policy on a regular basis. The investment brokerage company and investment institution shall, each year or in case where material changes arise, which affect the ability of the investment brokerage company or credit institution to continue to achieve the best possible result in respect of the client order, by permanently using trading venues listed in the order execution policy, review the order execution policy and order execution measures. If material amendments are made to the order execution policy, the investment brokerage company and credit institution shall inform the clients thereon.

(31) The investment brokerage company and credit institution which executes client orders shall summarise and make public on an annual basis the top five execution venues for each category of financial instruments in terms of trading volumes where they executed client orders in the preceding year, and also shall make public a summary of information on the quality of actual execution of orders.

(4) If amendments are made to the list of order execution venues which the investment brokerage company or credit institution considers as material, it shall make the relevant amendments to the order execution policy and inform the clients thereof accordingly.

(5) The investment brokerage company and credit institution, prior to entering into a contract on provision of investment services, shall inform the client of the order execution policy developed in accordance with the procedures laid down in this Section. That information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the investment brokerage company or credit institution on behalf of the client.

(6) If the investment brokerage company and credit institution provide in their order execution policy a possibility to execute a client order outside a regulated market, MT facility, of OT facility, they shall expressly inform their clients of such possibility.

(7) The content and format of such information which should be made public by investment brokerage companies and credit institutions in accordance with Paragraph 3.1 of this Section shall be determined in more detail by Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

[*4 October 2007; 22 May 2008; 21 June 2018; 20 June 2019*]

**Section 129. Holding of Client Funds**

(1) An investment brokerage company is entitled to hold the client funds, which may be used only for ensuring of transactions to be performed with the financial instruments of the client, according to a written contract between the client and the investment brokerage company.

(2) The investment brokerage company shall hold the client funds separately in an account or accounts which have been separated and identified separately from the accounts used for holding the funds owned by the investment brokerage company itself:

1) in a central bank of a Member State, if it provides such service to investment brokerage companies or credit institutions;

2) in a credit institution registered in the Republic of Latvia or in a credit institution registered in a Member State, or in a credit institution registered in a foreign country;

3) in a money market fund which conforms to the requirements referred to in Paragraph five of this Section.

(3) An investment brokerage company is entitled to hold the client funds in a money market fund only upon prior consent by the client. The investment brokerage company shall inform clients that the funds to be held in the money market fund will not be held in accordance with the requirements laid down in this Law regarding the protection of client funds.

(4) An investment brokerage company, when taking a decision on a credit institution or fund where to hold funds belonging to the client, shall evaluate with proper skill and accuracy the competence and reputation of such credit institution or fund on a financial market, and also the requirements or case law in force in the relevant state in respect of holding of client funds that could be detrimental to the client’s interests. The investment brokerage company shall, once a year, evaluate repeatedly the competence of the selected credit institution and conditions for holding of client funds.

(41) If an investment brokerage company holds client funds in the credit institution or money market fund of the same group of which the investment brokerage company itself is part, it shall limit the amount of funds held by the relevant investment brokerage company in any unit of such group or any combination of units of such group so that the abovementioned funds would not exceed 20 per cent from the total amount of client funds. The investment brokerage company need not comply with such restriction if it is able to prove that the abovementioned requirements are not commensurate, taking into account the object, size, and complexity of its activity, and also safety offered by the abovementioned third parties, and if the amount of client funds held by the investment brokerage company is small. The investment brokerage company shall regularly review its assessments performed in accordance with this Paragraph and submit its initial assessment and reviewed assessments to the Commission.

(5) A money market fund where in accordance with Paragraph two of this Section an investment brokerage company is entitled to hold funds, shall be an open investment fund which is licensed and selected in a Member State and conforms to the following criteria:

1) its primary investment objective is to maintain the net asset value of the undertaking either constant at par, net of earnings, or at the value of the investors’ initial capital plus earnings;

2) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;

3) it must provide liquidity through same day or next day settlement.

(6) Within the meaning of this Section, a money market instrument shall be considered to be of high quality if the investment brokerage company itself performs a documented assessment on the credit rating of money market instruments allowing it to deem that the money market instrument is of high quality. If one or several rating agencies registered with and supervised by the European Securities and Markets Authority have provided rating of such instrument, the investment brokerage company shall take into account also the abovementioned credit ratings in its internal assessment.

(61) An investment brokerage company shall inform the persons referred to in Paragraph two of this Section that funds transferred by the investment brokerage company for holding are owned by its clients.

(62) An investment brokerage company shall ensure that security interests, liens or rights of set-off over client financial instruments or funds enabling a third party to dispose of client’s financial instruments or funds in order to recover debts that do not relate to the client or provision of services to the client are not permitted unless this is provided for by applicable legal acts in a foreign country jurisdiction in which the client funds or financial instruments are held. If the investment brokerage company has an obligation to enter into an agreement that creates such security interests, liens or rights of set-off, the investment brokerage company shall disclose the relevant information to the client, indicating the risks associated with the abovementioned agreement. If security interests, liens or rights of set-off are granted by the investment brokerage company over client financial instruments or funds, or if the investment brokerage company has been informed that they are granted, they shall be recorded in a client contract and the own accounts of the investment brokerage company to make the ownership status of client assets clear.

(7) An investment brokerage company shall perform accounting of such funds belonging to each client which are held by the investment brokerage company. In accounting of funds belonging to clients, the investment brokerage company shall ensure that:

1) it is possible at any time to distinguish funds held for one client from funds held for another client, or from funds of the investment brokerage company;

2) accounts are compared on a regular basis with the accounts of that third party in which the funds of clients are held by the company;

3) accounting records and accounts ensure its accuracy and particularly its conformity with the amount of clients funds and give an opportunity to use it as an examination or audit evidence.

(8) Funds belonging to a client of an investment brokerage company may not be used for the satisfaction of claims of creditors of the investment brokerage company. This requirement also applies to those cases when an investment brokerage company has been declared insolvent in accordance with the procedures laid down in the law.

(81) An investment brokerage company shall introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client funds, or of rights in connection with those funds, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping, or negligence.

(9) If a credit institution holds the client funds necessary for ensuring of transactions to be carried out with financial instruments at a third party on behalf of clients, without demonstrating the abovementioned client funds on a balance sheet of the credit institution, it shall conform to the requirements of Paragraphs two, three, four, 4.1, five, six, 6.1, 6.2, seven, eight, and 8.1 of this Section.

[*4 October 2007; 22 May 2008; 26 February 2009; 26 May 2016; 21 June 2018*]

**Section 129.1 Holding of Client Financial Instruments**

(1) An investment brokerage company and credit institution are entitled to hold client financial instruments according to a written contract of the client and the investment brokerage company or credit institution.

(2) An investment brokerage company and credit institution shall hold separately the financial instruments belonging to a client from its own financial instruments.

(3) An investment brokerage company and credit institution are entitled to hold financial instruments belonging to a client at a third party. The investment brokerage company and credit institution, when taking a decision on a third party, where to hold financial instruments belonging to the client, shall evaluate with proper skill and accuracy the competence and reputation of such party on a financial market, and also the requirements or case law in force in the relevant state in respect of holding of client financial instruments that could be detrimental to the client’s interests. The investment brokerage company and credit institution shall, once a year, evaluate repeatedly the competence of the selected party and conditions for holding of client financial instruments.

(4) An investment brokerage company and credit institution are entitled to hold financial instruments belonging to a client only with such third party which is subjected to the requirements in force in the relevant state regarding separate holding of client financial instruments and which is supervised.

(5) An investment brokerage company and credit institution are not entitled to deposit financial instruments belonging to a client with a third party registered in a foreign country, if the holding of financial instruments on behalf of third parties is not regulated in the country unless one of the following conditions is met:

1) the nature of the financial instrument or of the investment service connected with such instrument requires it to be deposited with a third party in that third country;

2) the financial instruments are held on behalf of a professional client, and the client has requested the investment brokerage company in writing to deposit them with a third party in that third country.

(51) The requirements of Paragraphs four and five of this Section shall also be applied if such third party has delegated any of its functions in relation to holding and storage of financial instruments to any other third party.

(6) An investment brokerage company and credit institution shall perform the accounting of client financial instruments held thereby and the storage of the relevant accounting records. In accounting of financial instruments belonging to clients, the investment brokerage company and credit institution shall ensure:

1) a possibility at any time to distinguish financial instruments belonging to one client from financial instruments belonging to another client, or from financial instruments belonging to the investment brokerage company or credit institution;

2) comparison of accounts on a regular basis with the accounts of financial instruments of that third party where the investment brokerage company or credit institution holds the financial instruments of clients;

3) accuracy and conformity of accounting records and accounts with the amount of client financial instruments and give an opportunity to visually depict the accounting data in a readable form in order to use them as examination or audit evidence;

4) keeping of accounting registers of financial instruments in a double entry accounting system;

5) making of records in client accounts on the basis of corroborative documents.

(7) An investment brokerage company and credit institution which hold the financial instruments belonging to a client with the third party shall ensure that the financial instruments belonging to the client are identifiable separately from the financial instruments belonging to the third party or the company by using accounts with different names in the accounting documents of the third party or similar measures which ensure the same protection level.

(71) An investment brokerage company and credit institution shall ensure that security interests, liens or rights of set-off over client financial instruments enabling a third party to dispose of client’s financial instruments in order to recover debts that do not relate to the client or provision of services to the client are not permitted unless this is provided for by applicable legal acts in a foreign country jurisdiction in which the client financial instruments are held. If the investment brokerage company and credit institution have an obligation to enter into an agreement that creates such security interests, liens or rights of set-off, the investment brokerage company and credit institution shall disclose the relevant information to the client, indicating the risks associated with the abovementioned agreement. If security interests, liens or rights of set-off are granted by the investment brokerage company or credit institution over client financial instruments, or if the investment brokerage company or credit institution has been informed that they are granted, they shall be recorded in a client contract and the own accounts of the investment brokerage company or credit institution to make the ownership status of client assets clear.

(8) An investment brokerage company and credit institution shall introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client financial instruments, or of rights in connection with those financial instruments, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

(9) The Commission may permit an investment brokerage company which executes orders of investors regarding transactions with financial instruments, to hold financial instruments on its behalf (to undertake liabilities and risk arising from positions of financial instruments on its behalf), if the following conditions are met concurrently:

1) the reason for such positions of financial instruments are solely the inability of the investment brokerage company to match orders of investors;

2) the total market value of such positions of financial instruments does not exceed 15 per cent of the initial capital of the investment brokerage company;

3) the investment brokerage company is carrying out the requirements laid down in Articles 92, 93, 94, and 95 and Part four of Regulation (EU) No 575/2013;

4) such positions of financial instruments are of chance and temporary nature, and they exist only for the time period which is necessary in order to perform the abovementioned transaction with financial instruments.

[*4 October 2007; 22 May 2008; 22 March 2012; 15 December 2016; 21 June 2018*]

**Section 129.2 Report of a Sworn Auditor on Holding of Client Funds and Financial Instruments**

An investment brokerage company and credit institution shall ensure that a sworn auditor examines at least annually if the measures carried out by it are sufficient in order to comply with the requirements laid down in Sections 125.1, 125.2, 125.3, 129, and 129.1 of this Law. The sworn auditor shall submit a written report to the Commission on the examination referred to in this Section.

[*22 March 2012; 21 June 2018*]

**Section 130. Financial Instrument Accounts**

(1) Prior to opening a financial instrument account, an investment brokerage company or credit institution shall identify the person proposing to open an account, and also determine whether the financial instruments to be registered in the account will belong to or be held by this person. The account in which the registered financial instruments are financial instruments held by a person shall be identified as a nominal account.

(2) The opening of financial instrument accounts without the identification of a client is prohibited. This requirement also applies to money accounts of clients opened by investment brokerage companies, which are opened for the ensuring of financial instrument transactions to be performed for clients.

(3) In the case of an opening of a nominal account, the identification of the account shall reflect information stating that it is a nominal account and that the financial instruments therein do not belong to the person opening the account.

(4) An investment brokerage company and credit institution are only entitled to open a nominal account, provided that the person for whom the nominal account is being opened acts in accordance with laws and regulations the requirements of which specified wherein regarding identification of clients are not less stringent than those laid down in the laws and regulations of the Republic of Latvia.

(5) [4 October 2007]

(6) [9 June 2005]

(7) [4 October 2007]

(8) [4 October 2007]

(9) [4 October 2007]

[*9 June 2005; 4 October 2017*]

**Section 130.1 Financial Instrument and Money Account Statements**

(1) An investment brokerage company or credit institution shall, in accordance with the mutual contract regulating the holding of financial instruments for the client, and also upon request by the client, issue to the client a financial instrument account statement regarding:

1) any transactions performed within a specified period of time with one, several or all of the financial instruments;

2) any transactions performed during the entire period of existence of the account with one, several or all of the financial instruments, including regarding securities financing transactions;

3) any particular transaction with the financial instruments;

4) any financial instruments owned by the client which are registered in the account.

(2) Account statements shall specify the data identifying an investment brokerage company or credit institution, the data identifying a client, the number of the account, the period of time for which the transactions are reflected in the account, the date of issue of the account statement, the data identifying the financial instruments (name, ISIN code), the opening and ending balance sheet of the account, the date on which the financial instruments were registered in the account, the amount and price (if such is known) of the financial instruments registered as a result of each transaction performed with the financial instruments, the total amount of financial instruments transferred into and written off from the accounts within the period of time for which the account statement has been issued.

(3) An investment brokerage company or credit institution shall ensure that an account statement is sent to the client at least once a year, if information to be included therein has not been otherwise provided to the client during the year. The statement shall contain the following information:

1) information on financial instruments belonging to the client which are registered in the account at the end of the period covered by the statement. In cases where the portfolio of a client includes the proceeds of one or more uncompleted transactions, the information on financial instruments may be demonstrated by applying either data of the accounting type on the trade date or the settlement date. The selected accounting type is applied consistently to all such information in the statement;

2) indication whether client financial instruments have been the subject of securities financing transactions and the extent to which they are used;

3) the benefit that has accrued to the client by virtue of use of financial instruments belonging to him or her in any securities financing transactions, and the basis on which that benefit has accrued.

(4) An investment brokerage company or credit institution which carries out portfolio management of the client may include the information referred to in this Paragraph in the statement regarding investment service, provided thereby to the client in accordance with the provisions of Section 128, Paragraph eleven of this Law.

(5) The relevant data which provide information equivalent to the information referred to in this Section on the financial instrument account shall be indicated in the statement regarding a client’s money account opened with an investment brokerage company.

[*4 October 2007*]

**Section 131. Confidentiality of Financial Instrument Accounts and Transactions**

(1) An investment brokerage company and credit institution have an obligation to guarantee the confidentiality of financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with financial instruments.

(2) A credit institution shall guarantee the confidentiality of the financial instrument accounts of clients and transactions performed with financial instruments, in conformity with the requirements of the Credit Institution Law and Paragraphs eleven and twelve of this Section.

(3) An investment brokerage company shall guarantee the confidentiality of the financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with financial instruments, in accordance with the requirements of this Law.

(4) An investment brokerage company shall provide information on the financial instrument accounts of natural persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with such financial instruments directly to such natural persons and to their legal representatives.

(5) An investment brokerage company shall provide information on the financial instrument accounts of legal persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions made with financial instruments to the authorised representatives of such legal persons, and also to their management bodies upon request of the heads of such bodies, and also to the parent undertakings of such legal persons upon request of their management bodies.

(6) An investment brokerage company shall, according to a written agreement, provide information on the client, the financial instrument accounts, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with their financial instruments to a third party, provided that the client has unmistakably agreed to provision of such information to the third party in the agreement entered into with the investment brokerage company.

(7) An investment brokerage company shall provide information on financial instrument accounts of natural and legal persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law and transactions performed with the financial instruments to the extent necessary for the performance of the relevant functions, in accordance with the procedures laid down in laws, only to the following State authorities:

1) the court and Office of the Prosecutor, if the information is required:

a) in criminal proceedings or in proceedings where the confiscation of property may be applicable in cases specified by law,

b) in civil proceedings in which a civil claim arising from criminal proceedings has been satisfied,

c) in civil proceedings regarding recovery proceedings for an allowance (alimony) if there are no earnings or other property against which recovery proceedings may be brought,

d) in civil proceedings regarding the division of such financial instruments which are the joint property of spouses,

e) in a matter regarding the insolvency and bankruptcy of a debtor,

f) in an inheritance matter in case of the death of a client;

2) the State Audit Office – on legal persons having State property at the disposal thereof or which are financed from State resources or which perform public procurement;

3) the State Revenue Service, if:

a) a taxpayer fails to submit to the tax administration the declarations and tax calculations required by the relevant tax laws,

b) violations of the system of accounting or tax regulatory enactments have been determined during the tax audit examination of a taxpayer,

c) a taxpayer fails to perform a tax payment in conformity with the requirements of tax laws;

4) the Prevention of the Laundering of Proceeds from Crime Service – in cases and according to the procedures laid down in the Law On the Service for Prevention of the Laundering of Proceeds from Crime;

5) the State security authorities – upon request of the Prosecutor General or specially authorised prosecutor, if the information is necessary in order to check links to terrorism of persons who own financial instruments.

(8) The notary public adjudicating an inheritance matter shall be provided with information on the balance on the accounts of a natural person – bequeather of the estate.

(9) An investment brokerage company shall provide information on the basis of a written request by a State authority that specifies the particular person to be examined and the necessity of the information is justified in conformity with the requirements of the relevant law.

(10) An investment brokerage company has the right to provide to its parent commercial company which is an investment brokerage company or financial holding company, information necessary for the supervision of the investment brokerage company, in accordance with this Law, the regulatory provisions of the Commission, or a mutual agreement between the Commission and the foreign supervisory authority of the investment brokerage company.

(11) Information on a client, his or her financial instrument accounts and money accounts which are related to financial instrument accounting, and also on transactions carried out with financial instruments included in regulated markets shall be provided to a regulated market operator on the basis of their request if such information is necessary to the organiser of a trading venue in order to ensure performance of the supervisory functions granted for the prevention of the use of insider information and market manipulation.

(111) Information on a client, his or her financial instrument accounts and money accounts which are related to financial instrument accounting, and also transactions carried out with financial instruments recorded in the central securities depository shall be provided to the central securities depository on the basis of its request if such information is necessary to the central securities depository in order to ensure the performance of the supervisory functions specified in Article 67(1) of Regulation No 2017/392.

(12) An investment brokerage company and credit institution shall provide the Commission with information on the financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions with financial instruments, if it is required by the Commission for the performance of supervisory functions.

[*29 March 2007; 4 October 2007; 14 September 2017*]

**Section 131.1 Access to Information on Client Financial Instruments and Funds**

(1) In addition to that specified in Section 131 of this Law the information of an investment brokerage company and credit institution which is related to client financial instruments and funds shall be made freely available to:

1) the Commission;

2) appointed administrator of insolvency proceedings.

(2) The information referred to in Paragraph one of this Section shall include:

1) related internal accounts and records that readily identify the balances of funds and financial instruments held for each client;

2) information on persons where client funds are held by investment brokerage company or credit institution in accordance with Section 129 of this Law, details on the accounts in which client funds are held and on the relevant agreements with the abovementioned persons;

3) information on third parties where client financial instruments are held by investment brokerage company or credit institution in accordance with Section 129.1 of this Law, detailed information on the accounts opened with third parties and on the relevant agreements with the abovementioned persons;

4) detailed information on the third parties performing any functions related to accounting of client assets as an outsourced service and on functions performed as outsourced services;

5) information on responsible employees of the investment brokerage company and credit institution involved in related processes, including employees responsible for oversight of the investment brokerage companies and credit institutions in relation to the safeguarding of client assets;

6) agreements relevant to establish client ownership over assets.

[*21 June 2018*]

**Section 132. Liability for Breach of Confidentiality of a Financial Instrument Account or Transactions**

(1) Anyone who has either directly or indirectly made public or made known to persons who have no right to receive the relevant information such information on the financial instrument accounts of clients of an investment brokerage company, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law or on transactions with financial instruments, if such information has been entrusted to him or her or become known to him or her as a shareholder (member), chairperson or member of the council (where such has been established), board or the audit board, as an employee of the investment brokerage company, as an official of the Commission or a State authority, as a representative of a sworn auditor, as the person referred to in Section 131, Paragraph six of this Law, as a member of the council, board or employee of the central securities depository or the regulated market operator, shall be held to criminal liability in accordance with the procedures laid down in Law.

(2) Persons who have committed the violations referred to in this Section shall be punished also if the violations have been committed after the persons referred to in Paragraph one of this Section have terminated contractual relations or fulfilment of their obligations, or employment relationship with the investment brokerage company, Commission, State authority or as representatives of sworn auditors.

[*29 March 2007; 4 October 2007; 14 September 2017; 21 June 2018*]

**Section 132.1 Algorithmic Trading and Direct Electronic Access to a Trading Venue**

(1) An investment brokerage company and credit institution that engages in algorithmic trading shall have in place effective systems and risk controls suitable to the business it operates to ensure that its trading systems are resilient and have sufficient capacity, are subject to appropriate trading thresholds and limits and prevent the sending of erroneous orders or the systems otherwise functioning in a way that may create or contribute to a disorderly market. Such an investment brokerage company and credit institution shall also have in place effective systems and risk controls to ensure the trading systems cannot be used for any purpose that is contrary to the provisions of Regulation (EU) No 596/2014 or to the rules of a trading venue to which it is connected. The investment brokerage company and credit institution shall introduce effective business continuity measures to deal with any failure of its trading systems and shall ensure its systems are fully tested and properly monitored to ensure that they meet the requirements of this Paragraph.

(2) An investment brokerage company and credit institution the home Member State of which is the Republic of Latvia shall notify the Commission if it is engaged in algorithmic trading. The investment brokerage company and credit institution that engages in algorithmic trading shall also notify this to the organiser of a trading venue at trading venues organised by which the investment brokerage company and credit institution engages in algorithmic trading as a member or participant of the trading venue.

(3) The Commission has the right, at any time, to request that the investment brokerage company or credit institution provides a description of its algorithmic trading strategies, details of the trading parameters or limits to which the system is subject, the key compliance and risk controls that it has in place to ensure the conditions laid down in Paragraph one of this Section are satisfied and details of the testing of its systems. The Commission has the right, at any time, to request further information from an investment brokerage company or credit institution on its algorithmic trading and the systems used for that trading. The Commission may provide the information received from the investment brokerage company or credit institution to the competent authority of the home country of a trading venue, upon request of such authority, at which the investment brokerage company or credit institution as a member or participant of the trading venue is engaged in algorithmic trading.

(4) The investment brokerage company and credit institution shall arrange for records and notes to be kept in relation to all activities referred to in this Section in relation to algorithmic trading, and also shall ensure that those records and notes are drawn up in a manner to enable the Commission to adequately monitor the investment brokerage company and credit institution in relation to the compliance of activity with the requirements of this Law.

(5) An investment brokerage company and credit institution that engage in a high-frequency algorithmic trading technique shall ensure that data regarding all its placed orders, including cancellations of orders, executed orders, and quotations on trading venues, are stored in an approved form accurate and time sequenced records, using the form specified in Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading (hereinafter – Regulation No 2017/589). The Commission has the right to request the abovementioned recording data and notes at any time and the investment brokerage company and credit institution shall submit them without delay.

(6) An investment brokerage company and credit institution that engage in algorithmic trading to pursue a market making strategy shall, taking into account the liquidity, scale, and nature of the specific market and the characteristics of the instrument traded:

1) carry out this market making continuously during a specified proportion of the trading venue’s trading hours, except under exceptional circumstances, with the result of providing liquidity on a regular and predictable basis to the trading venue;

2) enter into a written agreement with the organiser of a trading venue which shall accurately specify the obligations of the investment brokerage company or credit institution referred to in Clause 1 of this Paragraph;

3) have in place effective systems and controls to ensure that it fulfils its obligations under the agreement referred to in Clause 2 of this Paragraph at all times.

(7) In accordance with the provisions of this Section and Section 35.1 of this Law, an investment brokerage company or credit institution that engages in algorithmic trading shall be considered to be a market maker if it as a member or participant of one or more trading venues is carrying out trading on its behalf and implements a strategy, forming simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or across different trading venues, with the result of providing liquidity on a regular and frequent basis to the overall market.

(8) An investment brokerage company and credit institution that provide direct electronic access to a trading venue shall have in place effective systems and controls which ensure a proper assessment and review of the suitability of clients using the service, that such clients are prevented from exceeding appropriate pre-set trading and credit thresholds, that trading by clients using direct electronic access to a trading venue is properly monitored to preclude that it may create risks to the investment brokerage company or credit institution itself or that could create or contribute to a disorderly market or could be contrary to Regulation (EU) No 596/2014 or the rules of the trading venue.

(9) If an investment brokerage company or credit institution does not have the system or controls referred to in Paragraph eight of this Section, it is prohibited to offer direct electronic access to a trading venue.

(10) An investment brokerage company and credit institution shall be fully responsible for ensuring that clients using the service provided thereby – direct electronic access to a trading venue – comply with the requirements of this Law and the rules of the trading venue. The investment brokerage company and credit institution shall ensure monitoring of all transactions in order to identify violations of those rules, disorderly trading conditions or conduct that may involve market abuse and that is to be reported to the Commission. The investment brokerage company and credit institution shall enter into a written agreement with the client which shall include the essential rights and obligations of both parties arising from the offering of the service – direct electronic access to a trading venue –, including a condition in the agreement that the investment brokerage company and credit institution are responsible in accordance with this Law.

(11) An investment brokerage company and credit institution the home Member State of which is the Republic of Latvia and which provides direct electronic access to a trading venue to clients shall notify thereof the Commission and the competent authority of its home Member State of the trading venue at which the investment brokerage company or credit institution provides direct electronic access.

(12) The Commission has the right to request at any time that the investment brokerage company and credit institution provide a description of the systems and controls referred to in Paragraph eight of this Section, and also evidence that those have been applied. The Commission may provide the information received from the investment brokerage company or credit institution to the competent authority of the home country of a trading venue, upon request, in which the investment brokerage company or credit institution ensures direct electronic access.

(13) The investment brokerage company and credit institution shall arrange for records and notes to be kept in relation to all activities referred to in this Section in relation to direct electronic access, and also shall ensure that those records and notes are drawn up in a manner to enable the Commission to adequately monitor the investment brokerage company and credit institution in relation to the compliance of activity with the requirements of this Law.

(14) An investment brokerage company and credit institution that act as a clearing member for other persons shall have in place effective systems and controls to ensure clearing services are only applied to persons who meet clear criteria and that appropriate requirements are imposed on those persons to reduce risks to the investment brokerage company and credit institution and to the market. The investment brokerage company and credit institution shall ensure that there is a written agreement entered into between the investment brokerage company and credit institution and the person regarding the essential rights and obligations of both parties arising from the provision of the clearing service.

(15) More detailed requirements for the application of the requirements of this Section shall be determined by Regulation No 2017/589 and Regulation No 2017/578.

[*21 June 2018*]

**Section 133. Information to be Provided on a Regular Basis**

(1) An investment brokerage company shall draw up and submit reports to the Commission on the financial position, the proportion of own funds to the sum total of the risk-weighted assets and off-balance sheet items (calculation of capital adequacy) of the investment brokerage company, large exposures and transactions with persons which are related to the investment brokerage company, and other reports in accordance with the procedures and within time periods laid thereby.

(2) [22 May 2008]

(3) The Commission is entitled to request consolidated financial statements from an investment brokerage company and companies linked thereto, the procedures and time periods for the submission of which shall be regulated by the regulatory provisions of the Commission.

(4) The obligation of an investment brokerage company is to inform without delay the Commission of all circumstances which may affect further activities of the investment brokerage company.

[*9 June 2005; 4 October 2007; 22 May 2008*]

**Section 133.1 Trade in Financial Instruments on a Multilateral Trading Facility**

the MT facility may be organised by:

1) an investment brokerage company which has received the licence for the operation of the MT facility;

2) a credit institution to which the Commission has issued the licence for the activity of a credit institution and which has acquired the right to operate the MT facility in accordance with the procedures laid down in this Law;

3) a regulated market operator who has acquired the licence for operating a regulated market and which has acquired the right to operate the MT facility in accordance with the procedures laid down in this Law.

[*21 June 2018*]

**Section 133.2 Obligations of an Operator of a Multilateral Trading Facility**

[21 June 2018]

**Section 133.3 Members or Participants of a Multilateral Trading Facility**

(1) A member or participant in the MT facility is a person who is entitled to make transactions in this facility in accordance with the provisions referred to in Section 133.4, Paragraph four of this Law.

(2) The following may become a member or participant in the MT facility:

1) an investment brokerage company to which the Commission has issued a licence for provision of investment services, or a credit institution to which the Commission has issued a licence to operate a credit institution and which has commenced the provision of investment services in accordance with the procedures laid down in this Law;

2) an investment brokerage company or a credit institution of other Member State which in the country of incorporation thereof has obtained a licence for provision of investment services.

(3) An operator of MT facility is entitled to grant the status of a member or participant also to a person other than referred to in Paragraph two of this Section but who according to the criteria approved by the facility operator is appropriate and conforming, who has sufficient level of skills and competence in respect of trading on the MT facility and who has sufficient resources and organisational structure in order to perform the obligations of the member or participant of the MT facility and to guarantee due settlements for transactions.

[*21 June 2018*]

**Section 133.4 Trading Process and Finalisation of Transactions in a Multilateral Trading Facility and an Organised Trading Facility**

(1) Investment brokerage companies, credit institutions, and regulated market operators operating MT facilities or OT facilities shall establish transparent rules and procedures for fair and orderly trading and establish objective criteria for the efficient execution of orders. The operator of the MT facility or OT facility shall implement measures in relation to the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with risks of systems disruption.

(2) An operator of the MT facility or OT facility shall develop and approve the provisions regarding the criteria for financial instruments that can be traded on its systems.

(3) An operator of the MT facility or an OT facility shall provide public access to information to enable its users to evaluate financial instruments and to take investment decisions, taking into account both the nature of the users and the types of instruments traded. The operator of the MT facility or OT facility need not publish the abovementioned information if it is certain that such information is available to the public.

(4) An operator of the MT facility or OT facility shall develop, publish, keep, and implement transparent and non-discriminatory rules that are based on objective criteria and govern access to its facility.

(5) An operator of the MT facility or OT facility shall develop measures to clearly identify and manage the potential adverse consequences in relation to the operation of the MT facility or OT facility, or in relation to the members or participants and users of the operator of the MT facility or OT facility, or any conflict of interest between the interest of the MT facility, the OT facility, their owners, the operator of the MT facility or OT facility and the sound functioning of the MT facility or OT facility.

(6) An operator of the MT facility or OT facility shall comply with the requirements of Sections 35.1 and 35.2 of this Law and introduce all the necessary effective systems, procedures, and arrangements to do so.

(7) An operator of the MT facility or OT facility clearly inform its members or participants of their respective obligations and responsibility for the settlement of the transactions executed in the abovementioned facility. The organiser of the MT facility or OT facility shall determine the measures and procedures necessary to facilitate the efficient settlement of the transactions concluded under the relevant MT facility or OT facility.

(8) An organiser of the MT facility or an OT facility shall ensure that it has at least three materially active members or participants, or users, each having the possibility and opportunity to interact with all the other members or participants, or users in respect to price formation.

(9) If transferable securities that have been admitted to trading on a regulated market are also traded on the MT facility or OT facility without the consent of the issuer, the issuer shall not be subject to any obligation relating to initial, ongoing, or ad hoc financial disclosure with regard to the abovementioned MT facility or an OT facility.

(10) An organiser of the MT facility or OT facility shall comply immediately with any instructions from the Commission in accordance with Section 138 of this Law to suspend or remove a financial instrument from trading MT facility or OT facility.

(11) An organiser of the MT facility or OT facility shall provide the Commission with a detailed description of the functioning of the MT facility or OT facility, including, without prejudice to that specified in Section 133.6, Paragraphs one, four, and five of this Law, a description of any links to other trading venues (regulated market, MT facility, OT facility) or a systematic internaliser owned by the same organiser of the MT facility or OT facility, and a list of their members or participants, or users. The Commission shall transfer that information to the European Securities and Markets Authority upon request.

(12) The Commission shall send a notification regarding every authorisation granted to an organiser of the MT facility or OT facility to operate as the MT facility and OT facility to the European Securities and Markets Authority.

(13) The description referred to in Paragraph eleven and the content and format of the notification referred to in Paragraph twelve of this Section shall be determined by Commission Implementing Regulation (EU) 2016/824 of 25 May 2016 laying down implementing technical standards with regard to the content and format of the description of the functioning of multilateral trading facilities and organised trading facilities and the notification to the European Securities and Markets Authority according to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

[*21 June 2018; 20 June 2019*]

**Section 133.5 Special Requirements for a Multilateral Trading Facility**

(1) Investment brokerage companies, credit institutions, and regulated market operators operating MT facilities, in addition to the requirements laid down in Section 133.4 of this Law, shall develop and implement rules for the execution of orders in the system.

(2) An organiser of the MT facility shall ensure that the rules of the MT facility for access to such facility which have been developed in accordance with Section 133.4, Paragraph four of this Law comply with the requirements laid down in Section 36 of this Law.

(3) An organiser of the MT facility shall ensure:

1) adequate equipment to manage the risks to which it is exposed, by implementing the necessary arrangements and systems to identify all significant risks to its operation, and also effective measures to mitigate the abovementioned risks;

2) efficient and timely finalisation of transactions performed in the system;

3) continuously available sufficient financial resources to ensure orderly functioning of the MT facility, having regard to the nature and extent of the transactions concluded on the market and the risks which are related to the operation of the MT facility.

(4) In relation to transactions concluded according to the rules of the MT facility between members or participants of the MT facility or between the MT facility and a member or participant of the MT facility, the requirements referred to in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law shall not be applied. Members or participants of the MT facility shall fulfil the obligations provided for in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law in relation to their clients, if, acting on behalf of the clients, they execute their orders in the MT facility.

(5) An operator of the MT facility is prohibited from executing client orders, performing transactions on its own behalf, and engaging in matched principal trade.

[*21 June 2018*]

**Section 133.6 Special Requirements for an Organised Trading Facility**

(1) Investment brokerage companies, credit institutions, and regulated market operators operating OT facilities may not execute client orders in their OT facility, performing transactions on their own behalf or on account of another entity or legal person that is part of the same group as the organiser of the OT facility or of a group of companies. The organiser of the OT facility shall develop relevant rules or procedures determining conformity with the provisions of this Paragraph.

(2) An operator of the OT facility may engage in matched principal trading in bonds, structured finance products, emission allowances and certain derivatives only where the client has consented to the process.

(3) An operator of the OT facility shall not engage in matched principal trading to execute client orders in the OT facility organised thereby, in derivatives pertaining to a class of derivatives that has been declared subject to the clearing obligation in accordance with Article 5 of Regulation (EU) No 648/2012.

(4) An operator of the OT facility shall implement measures, ensuring that the matched principal trading performed thereby conforms to the explanation of the term referred to in Section 1, Paragraph one, Clause 80 of this Law.

(5) An operator of the OT facility is entitled to engage in dealing on own account other than matched principal trading only with regard to sovereign debt instruments for which there is not a liquid market.

(6) One legal person may not concurrently be an organiser of the OT facility and a systematic internaliser. The OT facility may not be connected with a systematic internaliser in a way which enables orders submitted in the OT facility and orders or quotes submitted in a systematic internaliser to interact and affect each other. The OT facility may not be connected with another OT facility in a way which enables the submitted orders in different OT facilities to interact and affect each other.

(7) An operator of the OT facility may engage another investment brokerage company or credit institution which is operating as a market maker on the OT facility operated thereby on an independent basis. Within the meaning of this Section, such investment brokerage company or credit institution which has close links with the operator of the OT facility shall not be deemed an investment brokerage company or credit institution which is operating as a market maker on an independent basis.

(8) The execution of orders on the OT facility is carried out at the discretion of an operator of the OT facility in the following manner:

1) the operator of the OT facility shall exercise discretion only in either or both of the following circumstances:

a) when deciding to place an order on the OT facility it operates or to retract an order on the OT facility it operates;

b) when deciding not to match a specific client order with other orders available in the systems at a given time, provided it is in compliance with specific instructions received from a client and with the obligations specified in Section 128.2 of this Law;

2) the operator of the OT facility may decide if, when and how much of two or more orders it wants to match within the system. In accordance with Paragraphs one, two, three, four, six, and seven of this Section and without prejudice to Paragraph five, with regard to a system that arranges transactions in non-equities, the operator of the OT facility may facilitate negotiation between clients so as to bring together two or more potentially compatible trading interest in a transaction.

(9) The obligations specified in Paragraph eight of this Section shall be without prejudice to Section 128.2 and 133.4 of this Law.

(10) The Commission has the right to require, either when an investment brokerage company, credit institution, or regulated market operator submits a request to be authorised for the operation as an operator of the OT facility or on ad-hoc basis, that a detailed explanation is developed why the system does not correspond to and cannot operate as a regulated market, MT facility, or systematic internaliser, and a detailed description is developed as to how discretion referred to in Paragraph eight, Clause 1 of this Section will be exercised, in particular when an order to the OT facility may be retracted, and also when (and how) two or more client orders will be matched within the OT facility. The operator of the OT facility shall provide the Commission with the information requested thereby, explaining its use of matched principal trading. The Commission shall monitor engagement of the operator of the OT facility in matched principal trading, ensuring that it continues to fall within the definition of such trading and does not give rise to conflict of interest between the operator of the OT facility and its clients.

(11) For transactions which have been concluded on the OT facility, the requirements laid down in Sections 126.2, 128, 128.1, 128.2, and 128.3 of this Law shall be applied.

[*21 June 2018*]

**Section 133.7 Monitoring of Compliance with the Rules of the Operator of the Multilateral Trading Facility or the Organised Trading Facility and with Other Legal Obligations**

(1) Investment brokerage companies, credit institutions, and regulated market operators operating MT facilities or OT facilities shall develop and maintain effective procedures and implement measures for the regular monitoring of the compliance by their members or participants or users with the rules of the MT facility or OT facility. The operator of the MT facility or an OT facility shall monitor the orders submitted, including cancelled orders, and the transactions concluded by its members or participants or users in order to identify violations of the rules of the system, disorderly trading conditions, potential violations of Regulation No 596/2014, or system disruptions in relation to a financial instrument, and shall deploy the resources necessary to ensure that such monitoring is effective.

(2) An operator of the MT facility or OT facility shall inform the Commission immediately of significant violations of its rules, disorderly trading conditions, potential violations of Regulation No 596/2014, or system disruptions in relation to a financial instrument. The Commission shall send the received information to the European Securities and Markets Authority and the relevant supervisory authorities of other Member States. The Commission shall inform the European Securities and Markets Authority and the relevant supervisory authorities of other Member States of potential violations of Regulation No 596/2014, if it is being certain that the requirements of Regulation No 596/2014 have been actually infringed.

(3) An operator of the MT facility or OT facility shall provide to the Commission or the relevant law enforcement institutions the information necessary for the determination of facts and circumstances which is related to potential violations of Regulation No 596/2014.

(4) The circumstances characterising the cases referred to in Paragraph two of this Section shall be determined by Regulation No 2017/565.

[*21 June 2018*]

**Section 133.8 Suspension and Removal of Financial Instruments from Trading on an Multilateral Trading Facility or an Organised Trading Facility**

(1) Without prejudice to the right of the Commission under Section 138 of this Law to demand suspension or removal of a financial instrument from trading on the MT facility or OT facility, investment brokerage companies, credit institutions, or operators of the MT facility or OT facility may suspend or remove from trading on the MT facility or OT facility a financial instrument if the financial instrument no longer corresponds to the rules of the MT facility or an OT facility, except when such suspension or removal would be likely to cause significant damage to the investors’ interests or the orderly functioning of the market.

(2) An operator of the MT facility or OT facility that suspends or removes from trading on the MT facility or OT facility a financial instrument shall also suspend or remove the derivative referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law that relates or is referenced to the relevant financial instrument if it is necessary to support the objectives of the suspension or removal of the abovementioned financial instrument. The operator of the MT facility or OT facility shall make public the decision to suspend or remove the financial instrument and any related derivatives from trading on the MT facility or OT facility and inform the Commission of taking of such decision. The Commission shall request suspension of trade in financial instruments or removal from a trading venue also in other regulated markets, MT facilities, OT facilities, and systematic internalisers in the Republic of Latvia where the same financial instruments and the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referenced are being traded, if the suspension or removal is due to suspected market abuse, a take-over bid, or the non-disclosure of inside information on the issuer or financial instrument violating Articles 7 and 17 of Regulation (EU) No 596/2014, except for the cases where such suspension or removal could cause significant damage to the investors’ interests or the orderly functioning of the market. The Commission shall, without delay, make public such decision and notify the European Securities and Markets Authority and the relevant supervisory authorities of other Member States thereof.

(3) If the Commission has received information from the relevant competent authority of another Member State on suspension of trade in financial instruments or removal thereof from the MT facility or OT facility, the Commission shall request suspension of trade in financial instruments or removal from a trading venue also in other regulated markets, MT facilities, OT facilities, and systematic internalisers in the Republic of Latvia where the same financial instruments and the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referenced are being traded, if the suspension or removal is due to suspected market abuse, a take-over bid, or the non-disclosure of inside information on the issuer or financial instrument infringing Articles 7 and 17 of Regulation (EU) No 596/2014, except for the cases where such suspension or removal could cause significant damage to the investors’ interests or the orderly functioning of the market. The Commission shall inform the European Securities and Markets Authority and the relevant competent authorities of other Member States of its actions. If the Commission has taken the decision not to suspend or remove a financial instrument or the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referencing it, it shall append an explanation of such decision.

(4) The procedures referred to in Paragraphs two and three of this Section shall also be conformed if the decision to suspend trading in or to remove from the MT facility or OT facility a financial instrument or the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referencing it is revoked.

(5) The procedures referred to in Paragraphs two and three of this Section shall also be conformed to if the decision to suspend trading in or to remove from the MT facility or OT facility a financial instrument or the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referencing it, or on revocation of such decision has been taken by the Commission in accordance with Section 138 of this Law.

(6) The situations and cases when the derivatives referred to in Section 3, Paragraph two, Clauses 4, 5, 6, 7, 8, 9, and 10 of this Law which are related to the relevant financial instrument or are referencing it are to be suspended or removed concurrently with the suspension and removal of a financial instrument from the MT facility or OT facility are determined by Regulation No 2017/569.

(7) The format and period for the fulfilment of the requirements laid down in Paragraphs two, three, four, and five of this Section are determined by Regulation No 2017/1005.

(8) The situations which, within the meaning of this Section, significantly harm the investors’ interests and the orderly functioning of the market are determined by Regulation No 2017/565.

[*21 June 2018*]

**Chapter XII.1**

**Transparency Requirements for Financial Markets**

[21 June 2018]

**Section 133.6 Notifications on Transactions in Financial Instruments**

[21 June 2018]

**Section 133.7 Obligation to Disclose Pre-trade Information of Investment Brokerage Company and Credit Institution which are Systematic Internalisers**

[21 June 2018]

**Section 133.8 Requirements for Disclosure of Post-trade Information for Investment Brokerage Companies and Credit Institutions**

[21 June 2018]

**Section 133.9 Requirements for Disclosure of Pre-trade Information in a Multilateral Trading Facility**

[21 June 2018]

**Section 133.10 Requirements for Disclosure of Post-trade Information in a Multilateral Trading Facility**

[21 June 2018]

**Chapter XII.2**

**Growth Markets of Small and Medium-sized Enterprises**

[*21 June 2018*]

**Section 133.11 Growth Markets of Small and Medium-sized Enterprises**

(1) An operator of the MT facility may request the Commission to grant the status of a growth market of small and medium-sized enterprises to the MT facility operated thereby.

(2) The Commission shall grant the status of a growth market of small and medium-sized enterprises to the MT facility after receipt of a relevant submission of the organiser of the MT facility, if the MT facility meets that referred to in Paragraph three of this Section.

(3) Rules, systems, and procedures shall be developed and introduced for the MT facility, ensuring that:

1) at least 50 % of the issuers the financial instruments issued by which are admitted to trading on the MT facility are small and medium-sized enterprises at the time when the MT facility is granted the status of a growth market of small and medium-sized enterprises and in each year thereafter;

2) appropriate criteria are set for admission of financial instruments for trading on the MT facility, the criteria being constantly conformed to while the financial instrument is admitted for trading on the MT facility;

3) on initial admission to trading of financial instruments on the MT facility there is information available to the public enabling investors to make an informed decision on investing in such financial instruments, either an appropriate admission document or a prospectus if the requirements for expressing an offer of securities to the public are applicable;

4) issuers or their authorised persons regularly publish financial statements, including audited annual statements;

5) issuers in accordance with point (21) of Article 3(1) of Regulation No 596/2014, a person discharging managerial responsibilities in accordance with point (25) of Article 3(1) of Regulation No 596/2014, and persons closely associated with them in accordance with point (26) of Article 3(1) of Regulation No 596/2014 comply with relevant requirements of Regulation No 596/2014;

6) the information regularly provided by issuers is stored and published;

7) there are effective systems and control to detect and prevent market abuse in accordance with Regulation No 596/2014.

(4) The criteria referred to in Paragraph three of this Section shall be without prejudice to the obligation of the MT facility to comply also with other requirements laid down this Law in relation to the operation of MT facility. The operator of the MT facility has the right to impose additional requirements to the criteria referred to in Paragraph three of this Section.

(5) The Commission may revoke the status of a growth market of small and medium-sized enterprises for the MT facility if:

1) the organiser of the MT facility has submitted a relevant submission for the revocation of the status of a growth market of small and medium-sized enterprises for the MT facility operated thereby;

2) the MT facility does not meet the criteria referred to in Paragraph three of this Section.

(6) Having taken the decision to grant the status of a growth market of small and medium-sized enterprises to the MT facility or to revoke the status of a growth market of small and medium-sized enterprises for the MT facility, the Commission shall, without delay, notify the European Securities and Markets Authority thereof.

(7) A financial instrument which has been admitted for trading on any growth market of small and medium-sized enterprises may be admitted for trading also on another growth market of small and medium-sized enterprises, if the issuer of such financial instruments has been informed thereof and has not objected against it. In such case, the issuer shall not be subject to any obligation against a growth market of small and medium-sized enterprises to which the financial instruments of the issuer have been admitted without initiative of the issuer, to conform to the requirements relating to corporate governance or initial, ongoing or ad hoc disclosure of information.

(8) The application of the requirements laid down in Paragraph three of this Section shall be determined by Regulation No 2017/565.

(9) Within the meaning of this Section, small and medium-sized enterprises are enterprises the average market capitalisation of which is less than EUR 200 000 000 on the basis of end-year quotes for the previous three calendar years.

[*21 June 2018*]

**Chapter XII.3**

**Access to Central Counterparties, Clearing and Settlement Facilities**

[*21 June 2018*]

**Section 133.12 Access to Central Counterparties, Clearing and Settlement Facilities and Right to Designate Settlement System**

(1) Without prejudice to Title III, IV, or V of Regulation No 648/2012, central counterparties, clearing and settlement systems in the Republic of Latvia shall ensure that investment brokerage companies and credit institutions from other Member States have the possibility to directly or indirectly access thereto for the purposes of finalising or arranging the finalisation of transactions in financial instruments. Direct and indirect access of the investment brokerage company or credit institution of another Member State to central counterparties, clearing and settlement systems in the Republic of Latvia shall be subject to the same non-discriminatory, transparent, and objective criteria as apply to the members or participants of central counterparties, clearing and settlement systems registered in the Republic of Latvia.

(2) A regulated market operator shall, within its territory, offer all the members or participants of the regulated market operated thereby the possibility to designate the system for the settlement of transactions in securities undertaken on that regulated market with financial instruments, if the following conditions are met:

1) such links between the relevant securities settlement system and the trading infrastructure of the regulated market or any other system or infrastructure as are necessary to ensure efficient and economically justified settlement have been established;

2) the permit of the Commission to use the relevant securities settlement system has been received.

(3) The Commission shall issue the permit referred to in Paragraph two, Clause 2 of this Section for the use of the securities settlement system, if it has evaluated and deemed that technical conditions of the relevant securities settlement system do not jeopardise stable functioning of the financial market.

(4) Prior to issuing the permit referred to in Paragraph two, Clause 2 of this Section, the Commission shall consult with institutions exercising supervision and monitoring of the securities settlement system selected by members or participants of the regulated market. The evaluation of the Commission referred to in Paragraph three of this Section shall be without prejudice to the competencies of the national central banks as overseers of settlement systems or other supervisory authorities with competence in relation to such systems. The Commission shall take into account system control and supervision exercised by other control or supervisory authorities of clearing and settlement systems.

[*21 June 2018*]

**Section 133.13 Provisions for Central Counterparties, Clearing and Settlement Arrangements in Multilateral Transaction Facilities**

(1) An investment brokerage company, credit institution, and regulated market operator operating MT facilities has the right to use central counterparties or clearing house and a settlement system of another Member State with a view to prove the clearing or settlement of some or all transactions concluded by the members or participants of the MT facility under the MT facility operated thereby.

(2) The Commission has the right not to allow the operator of the MT facility to use central counterparties or clearing houses and settlement systems in another Member State, if it is necessary to maintain the orderly functioning of the MT facility, taking into account the conditions for settlement systems laid down in Section 133.12 of this Law. In order to avoid undue duplication of control, the Commission shall take into account, in case of the exercise of the abovementioned rights, the supervision of the clearing and settlement system already exercised by the central banks as overseers of clearing and settlement systems or by other supervisory authorities with competence in relation to such systems.

[*21 June 2018*]

**Chapter XII.4**

**Position Limits and Position Management Controls in Commodity Derivatives and Reporting on Positions**

[*21 June 2018*]

**Section 133.14 Position Limits and Position Management Controls in Commodity Derivatives**

(1) The Commission shall issue the regulatory provisions, determining position limits on the size of a net position of commodity derivatives which a person can hold at all times in relation to commodity derivatives traded on trading venues and economically equivalent over-the-counter contracts. When determining the abovementioned position limits, the Commission shall use the calculation methodology laid down in Commission Delegated Regulation (EU) 2017/591 of 1 December 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the application of position limits to commodity derivatives (hereinafter – Regulation No 2017/591). Such limits shall be determined on the basis of all positions held by the person itself, and also those held on its behalf at an aggregate group level in order to:

1) prevent market abuse;

2) support orderly pricing and settlement conditions, including preventing market distorting positions, and ensuring, in particular, convergence between prices of derivatives in the delivery month and spot prices for the underlying commodity, without prejudice to price discovery on the market for the underlying commodity.

(2) Position limits shall not apply to positions held by or on behalf of a non-financial entity and which are objectively measurable as reducing risks directly relating to the commercial activity of that non-financial entity.

(3) Position limits shall specify clear quantitative thresholds for the maximum size of a position in a commodity derivative that persons can hold.

(4) The Commission shall determine limits for each contract in commodity derivatives traded on trading venues the home Member State of which is the Republic of Latvia. The abovementioned position limit shall also apply to economically equivalent over-the-counter contracts. The Commission shall review position limits if significant changes on the market occur.

(5) The Commission shall notify the European Securities and Markets Authority of the exact position limits it intends to set. The Commission shall approve the position limits only after an opinion of the European Securities and Markets Authority on the compatibility of the specified limits with the calculation methodology referred to in Paragraph one of this Section has been received. If it is indicated in the opinion of the European Securities and Markets Authority that the planned position limits should be modified and the Commission agrees to the opinion of such institution, it shall approve the position limits in accordance with that indicated in the opinion of the European Securities and Markets Authority. If the Commission does not agree to the opinion of the European Securities and Markets Authority, it shall provide a justification to this institution why it considers that the change is considered to be unnecessary. If the Commission approves such position limits in which that indicated in the opinion of the European Securities and Markets Authority has not been taken into account, it shall immediately publish on its website a notice fully explaining its reasons for doing so.

(6) If trading in significant volumes in the same commodity derivative which is traded at a trading venue the home Member State of which is the Republic of Latvia is occurring in another or several other trading venues the home Member State of which is not the Republic of Latvia, the competent authority of the home Member State of the trading venue where the largest volume of trading takes place (hereinafter – the central competent authority) shall determine the single position limits in relation to this commodity derivative. Such single position limits shall be applied to the whole trade related to contracts of the relevant commodity derivatives.

(7) If the Commission is the central competent authority, it shall, upon determining or reviewing single position limits, consult the competent authorities of other trading venues on which the relevant derivative is traded in significant volumes.

(8) If the central competent authority consults with the Commission and the Commission is of the opinion that the single position limits planned by the central competent authority do not conform to the calculation methodology referred to in Paragraph one of this Section, it shall state in writing the full and detailed reasons to the central competent authority why the Commission is of such opinion. Any disputes arising between the competent authorities shall be settled in accordance with that specified in Article 19 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC.

(9) The Commission shall implement cooperation measures, including exchange the relevant data with each other, with the competent authorities of the home Member States of such trading venues where the same commodity derivative which is traded at a trading venue the home Member State of which is not the Republic of Latvia is traded and with the competent authorities of the country of position holders in the relevant commodity derivative in order to enable the monitoring of conformity with the single position limit.

(10) An investment brokerage company, credit institution, or regulated market operator at the trading venue operated by which commodity derivatives (hereinafter in this Section – the operator of the trading venue) are traded shall implement position management controls. In order to implement the abovementioned position management controls, the operator of the trading venue has the right to:

1) monitor the open interest positions of persons;

2) request that persons provide information or to access information, including all relevant documents regarding the position and risks of persons arising in relation to commodity derivatives, the size and purpose thereof, and also information on beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market;

3) request that a person temporarily suspends, terminates, or reduces activities if it is necessary, or if the abovementioned person does not comply with the request – to unilaterally ensure the suspension, termination, or reduction of the abovementioned activities;

4) where appropriate, request that a person provides liquidity back into the market at the agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.

(11) The operator of the trading venue shall ensure that the position limits and position management controls are transparent and non-discriminatory and shall specify how they apply to persons, taking into account the nature and composition of market participants, and how they use the commodity derivative contracts submitted for trading.

(12) The operator of the trading venue shall provide detailed information to the Commission on position management controls. The Commission shall notify such information, and also information on the position limits stipulated thereby to the European Securities and Markets Authority.

(13) A summary on all current position limits and position managements controls shall be available in the database on the website of the European Securities and Markets Authority.

(14) The Commission shall determine the position limits referred to in Paragraph one of this Section and the conformity therewith in accordance with Section 138, Paragraph one, Clause 16 of this Law.

(15) More detailed requirements for the application of this Section are determined by Regulation No 2017/591.

(16) The Commission may determine limits which are more restrictive than those adopted in accordance with Paragraph one of this Section, if they are objectively justified and proportionate, taking into account the liquidity of the specific market and the orderly functioning of that market. The Commission shall publish on its website information on the more restrictive position limits. When determining more restrictive position limits, they may be initially determined for a period not exceeding six months from the date of their publication on the website of the Commission. The period for which more restrictive position limits have been initially determined may be renewed for a further period not exceeding six months at a time, if the grounds for the necessity of such more restrictive position limits continue to be applicable. If the period for the determined more restrictive position limits is not renewed, they shall automatically expire after six months.

(17) If the Commission plans to determine more restrictive position limits, it shall notify the European Securities and Markets Authority thereof. The notification shall include a justification for the more restrictive position limits. The Commission shall approve the more restrictive position limits only after the European Securities and Markets Authority has published an opinion on its website on whether the more restrictive position limits are necessary in the particular case. If the Commission has determined the more restrictive position limits which do not conform to the opinion of the European Securities and Markets Authority, it shall immediately publish on its website a notice fully explaining its reasons for doing so.

(18) The Commission is entitled to impose the sanctions specified in this Law for the violation of position limits determined in this Section:

1) in relation to positions held by persons situated or operating in the territory of the Republic of Latvia or outside it which exceed the limits on commodity derivative contracts determined by the Commission in relation to commodity derivatives sold at trading venues situated or operating in the territory of the Republic of Latvia or economically equivalent contracts;

2) in relation to positions held by persons situated or operating in the territory of the Republic of Latvia which exceed the limits on commodity derivative contracts determined by the competent authorities in other Member States.

[*21 June 2018; 20 June 2019*]

**Section 133.15 Reporting on Positions by Categories of Position Holders**

(1) An investment brokerage company, credit institution, or regulated market operator at the trading venues operated by which commodity derivatives or emission allowances, or their derivatives (hereinafter in this Section – the operator of the trading venue) are traded shall perform the following activities:

1) if the number of persons and their open positions exceed the minimum threshold, the operator of the trading venue shall weekly make public and send a report to the Commission and the European Securities and Markets Authority with the aggregate positions held by the different categories of persons for the different commodity derivatives, emission allowances or derivatives thereof traded at the trading venue operated by the operator of the trading venue, specifying:

a) the number of long and short positions by such categories and changes thereto since the previous report;

b) the percentage of the total open interest represented by each category;

c) the number of persons holding a position in each category in accordance with Paragraph five of this Section;

2) provide the Commission with a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on that trading venue, at least on a daily basis.

(2) The following shall be distinguished in the notice referred to in Paragraph one, Clause 1 of this Section and in the report referred to in Paragraph one, Clause 2 of this Section:

1) positions which in an objectively measurable way reduce risks directly relating to the relevant commercial activities;

2) other positions.

(3) If an investment brokerage company and credit institution trades in commodity derivatives or emission allowances, or derivatives thereof outside a trading venue, it shall, at least on a daily basis, provide the competent authority or the central competent authority, if the commodity derivatives or emission allowances, or derivatives thereof are traded in significant volumes on several trading venues in more than one jurisdiction, with a report on trading venues where such commodity derivatives or emission allowances, or derivatives thereof are traded with a complete breakdown of the positions taken in commodity derivatives or emission allowances, or derivatives thereof traded on all trading venues and economically equivalent over-the-counter contracts, and also on positions of their clients and the clients of those clients until the end client is reached, in accordance with Article 26 of Regulation (EU) No 600/2014 and Article 8 of Regulation (EU) No 1227/2011.

(4) The operator of the trading venue shall ensure that members or participants of a regulated market and MT facility and clients of the OT facility report to the operator of the trading venue on own positions held through contracts traded on that trading venue at least on a daily basis, and also on the positions of their clients and the clients of those clients until the end client is reached.

(5) The operator of the trading venue shall classify persons holding the positions of derivatives or emission allowances, or derivatives thereof according to the nature of their main business, taking account the following division:

1) investment brokerage companies or credit institutions;

2) investment funds within the meaning of the law On Investment Management Companies or alternative investment funds within the meaning of the Law on Alternative Investment Funds and Managers Thereof;

3) other financial institutions, including insurance and reinsurance companies within the meaning of the Insurance and Reinsurance Law and pension funds within the meaning of the law On Private Pension Funds;

4) performers of economic activity;

5) in case of emission quotas or derivatives thereof – operators to whom the obligations specified in the law On Pollution are binding.

(6) The content and format of the notice referred to in Paragraph one, Clause 1 of this Section and the report referred to in Paragraph one, Clause 2 of this Section shall be determined by Commission Implementing Regulation (EU) 2017/1093 of 20 June 2017 laying down implementing technical standards with regard to the format of position reports by investment firms and market operators.

(7) The minimum thresholds referred to in Paragraph one, Clause 1 of this Section shall be determined by Regulation No 2017/565.

(8) The day and time when the notice referred to in Paragraph one, Clause 1 of this Section shall be sent to the European Securities and Markets Authority shall be determined by Commission Implementing Regulation (EU) 2017/953 of 6 June 2017 laying down implementing technical standards with regard to the format and the timing of position reports by investment firms and market operators of trading venues pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

[*21 June 2018; 20 June 2019*]

**Chapter XII.5**

**Product Management Requirements**

[*21 June 2018*]

**Section 133.16 Product Management Obligations in Relation to Investment Brokerage Companies and Credit Institutions Manufacturing Financial Instruments**

(1) In manufacturing financial instruments which encompasses the creation, improvement, or issuance of financial instruments, an investment brokerage company and credit institution shall conform to the requirements of this Section. Upon applying the requirements laid down in Paragraphs two, three, four, five, six, seven, eight, nine, ten, eleven, twelve, thirteen, fourteen, fifteen, and sixteen of this Section, the investment brokerage company and credit institution shall comply, in a way that is appropriate and proportionate, with them, taking into account the nature of the financial instrument, the investment service and the target market for the product.

(2) An investment brokerage company and credit institution shall establish, implement, and maintain procedures and measures to ensure that the manufacturing of financial instruments corresponds to the requirements for the proper management of conflicts of interest, including remuneration of employees. In particular, the investment brokerage company and credit institution manufacturing financial instruments shall ensure that the design of the financial instrument, including its features, does not adversely affect end clients and does not lead to problems with market integrity by enabling the investment brokerage company or credit institution to mitigate or dispose of its own risks or exposure to the underlying assets of the product, if the investment brokerage company or credit institution already holds the underlying assets on own account.

(3) An investment brokerage company and credit institution have an obligation to analyse potential conflicts of interest each time a financial instrument is manufactured. In particular, the investment brokerage company and credit institution shall assess whether the financial instrument creates a situation where end clients may be adversely affected if they incur:

1) an exposure opposite to the one previously incurred by the investment brokerage company and credit institution itself;

2) an exposure opposite to the one that the investment brokerage company and credit institution wishes to incur after the sale of the product.

(4) An investment brokerage company and credit institution shall asses whether the financial instrument may jeopardise the orderly functioning and integrity of financial markets before deciding on the placement of a product on the market.

(5) An investment brokerage company and credit institution shall ensure that the relevant staff involved in the manufacturing of financial instruments possess the necessary specific expertise to understand the characteristics and risks of the financial instruments they intend to manufacture.

(6) An investment brokerage company and credit institution shall ensure that its board has effective control over the product management process of the investment brokerage company and credit institution. The board of the investment brokerage company and credit institution shall systematically include in the activity compliance reports information on the financial instruments manufactured by the investment brokerage company and credit institution, including information on the distribution strategy. The investment brokerage company and credit institution shall submit activity compliance reports to the Commission upon request.

(7) An investment brokerage company and credit institution shall ensure that, within the scope of performance of its activity compliance function, the development and periodic review of product management procedures are monitored to detect any risk of failure to fulfil the obligations set out in this Section.

(8) If an investment brokerage company and credit institution collaborate with persons which are not licensed and supervised in the field of investment services, or with foreign investment brokerage companies to create, develop, or issue a product, they shall enter into a written agreement outlining their mutual commitments.

(9) An investment brokerage company and credit institution shall identify at a sufficiently granular level the potential target market for each financial instrument and specify the type of clients with whose needs, characteristics, and objectives the financial instrument is compatible. As part of this process, the investment brokerage company and credit institution shall identify any group of clients with the needs, characteristics, and objectives of which the financial instrument is not compatible. If the investment brokerage company and credit institution collaborate to manufacture a financial instrument, only one target market needs to be identified. The investment brokerage company and credit institution manufacturing financial instruments that are distributed through other investment brokerage companies and credit institutions shall determine the needs and characteristics of clients with whom the product is compatible based on their theoretical knowledge of and past experience with the financial instrument or similar financial instruments, the financial markets and the needs, characteristics, and objectives of potential end clients.

(10) An investment brokerage company and credit institution shall undertake a scenario analysis of their financial instruments to be manufactured, assessing the risks of poor outcomes for end clients posed by the product and in which circumstances these outcomes may occur. The investment brokerage company and credit institution shall assess the financial instruments under negative conditions covering what would happen if:

1) the market environment deteriorated;

2) the manufacturer or a third party involved in the manufacturing or functioning of the financial instrument experiences financial difficulties or other counterparty risk materialises;

3) the financial instrument fails to become commercially viable;

4) demand for the financial instrument is much higher than anticipated, putting a strain on the resources of the investment brokerage company and credit institution or on the market of the underlying instrument.

(11) An investment brokerage company and credit institution shall determine whether a financial instrument meets the identified needs, characteristics, and objectives of the target market, including by examining the following elements:

1) the conformity of the financial instrument’s risk and reward profile with the target market;

2) whether financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

(12) When determining the charging structure proposed for the financial instrument,an investment brokerage company and credit institution shall assess and take into account:

1) how financial instrument’s costs and charges are compatible with the needs, objectives, and characteristics of the target market;

2) whether charges do not undermine the financial instrument’s return expectations;

3) whether the charging structure of the financial instrument is appropriately transparent for the target market.

(13) An investment brokerage company and credit institution shall ensure that the provision of information on a financial instrument to distributors includes information on the appropriate channels for distribution of the financial instruments, the product approval process, and the target market assessment and is of an adequate standard to enable distributors to understand and recommend or sell the financial instrument properly.

(14) An investment brokerage company and credit institution shall review the financial instruments they manufacture on a regular basis, taking into account all events that could materially affect the potential risk to the identified target market. The investment brokerage company and credit institution shall consider if the financial instrument remains consistent with the needs, characteristics, and objectives of the target market and if it is being distributed to the target market, or is reaching clients with the needs, characteristics, and objectives of which the financial instrument is not compatible.

(15) An investment brokerage company and credit institution shall review financial instruments prior to any further issue or re-launch, if they are aware of any event that could materially affect the potential risk to investors and assess at regular intervals whether the financial instruments function as intended. The investment brokerage company and credit institution shall determine how regularly their financial instruments are reviewed based on relevant factors, including factors linked to the complexity or the innovative nature of the investment strategies pursued. The investment brokerage company and credit institution shall also identify crucial events that could affect the potential risk or return expectations of the financial instrument, such as:

1) the crossing of a threshold that will affect the return profile of the financial instrument;

2) the solvency of certain issuers whose securities or guarantees may impact the performance of the financial instrument.

(16) Upon occurrence of any of the events referred to in Paragraph fifteen of this Section, an investment brokerage company and credit institution shall take appropriate measures which may consist of the following activities:

1) the provision of all the relevant information on the relevant event and its consequences on the clients or distributors of the financial instrument if the investment brokerage company or credit institution does not offer or sell the financial instrument directly to the clients;

2) changing the product approval process;

3) stopping further issuance of financial instruments;

4) changing the financial instrument to avoid unfair contract terms;

5) considering whether the sales channels through which the financial instruments are sold are appropriate if the investment brokerage company or credit institution becomes aware that the financial instrument is not being sold as envisaged;

6) contacting the distributor to discuss a modification of the distribution process;

7) terminating the relationship with the distributor;

8) informing the relevant competent authority.

[*21 June 2018*]

**Section 133.17 Product Management Obligations for Distributors**

(1) An investment brokerage company and credit institution shall, when deciding on the range of financial instruments issued by themselves or another investment brokerage company or credit institution and services they intend to offer or recommend to clients, comply in an appropriate and proportionate manner with the requirements laid down in Paragraphs two, three, four, five, six, seven, eight, nine, and ten of this Section, taking into account the nature of the financial instrument, the investment service, and the target market for the product. The investment brokerage company and credit institution shall also comply with the requirements of this Law when offering or recommending financial instruments manufactured by persons that are not subject to this Law.

(2) An investment brokerage company and credit institution shall introduce suitable product management procedures to ensure that products and services they intend to offer or recommend correspond to the needs, characteristics, and objectives of the identified target market and that the intended distribution strategy is consistent with the identified target market. The investment brokerage company and credit institution shall appropriately identify and assess the circumstances and needs of the clients they intend to focus on to ensure that clients’ interests are not compromised as a result of commercial or funding pressures.

(3) An investment brokerage company and credit institution shall, when deciding on the range of financial instrument and services that they offer or recommend and the respective target market, maintain procedures and measures to ensure compliance with all applicable requirements in accordance with this Law, including the requirements relating to disclosure, assessment of suitability or appropriateness, inducements within the meaning of Section 133.18, and proper management of conflict of interest.

(4) An investment brokerage company and credit institution shall periodically review and update their product management procedures to ensure that they remain robust and fit for their purpose, and make appropriate changes where necessary.

(5) An investment brokerage company and credit institution shall review the investment products they offer or recommend and the services they provide on a regular basis, taking into account any corporate action that could materially affect the potential risk to the identified target market. The investment brokerage company and credit institution shall assess at least whether the product or service remains consistent with the needs, characteristics, and objectives of the identified target market and whether the intended distribution strategy remains appropriate.

(6) An investment brokerage company and credit institution shall ensure that, within the scope of performance of its activity compliance function, the development and periodic review of product governance arrangements are monitored in order to detect any risk of failure to comply with the obligations set out in this Section.

(7) An investment brokerage company and credit institution shall ensure that the relevant staff possess the necessary specific expertise to understand the characteristics and risks of the products which are intended to be offered or recommended and the services provided, and also the needs, characteristics, and objectives of the identified target market.

(8) An investment brokerage company and credit institution shall ensure that the board has effective control over the product management process of the investment brokerage company and credit institution to determine the range of investment products that they offer or recommend and the services provided to the respective target markets. The board of the investment brokerage company and credit institution shall systematically include in activity compliance reports information on the products offered or recommended thereby and the services provided. The investment brokerage company and credit institution shall submit activity compliance reports to the Commission upon request.

(9) Distributors shall provide manufacturers with information on product sales and, where appropriate, information on the reviews of products referred to in this Section, thus supporting product reviews carried out by manufacturers.

(10) If several investment brokerage companies or credit institutions work together in the distribution of a product or service, the investment brokerage company or credit institution with the direct links with the client shall have ultimate responsibility for the product management requirements set out in this Section. The investment brokerage company and credit institution operating as an intermediary in product distribution shall:

1) ensure that the relevant product information is passed from the manufacturer to the final distributor in the chain;

2) if the manufacturer requests information on product sales to fulfil their own product management obligations, enable them to obtain it;

3) apply the product management obligations laid down for manufacturers to the service provided thereby as appropriate.

[*21 June 2018*]

**Chapter XII.6**

**Inducements**

[*21 June 2018*]

**Section 133.18 General Requirements for Inducements**

(1) An investment brokerage company and credit institution paying or being paid any fee or commission or providing or being provided with any non-financial benefit (hereinafter – the inducement) in connection with the provision of an investment service or ancillary investment service to the client shall ensure that all the conditions and requirements laid down in Section 128, Paragraphs twelve, 12.1, and 12.2 of this Law and Paragraphs two, three, four, five, six, seven, and eight of this Section are met at all times.

(2) A fee, commission, or non-financial benefit shall be considered to be designed to enhance the quality of the relevant service to the client if all of the following conditions are met:

1) it is justified by the provision of an additional or higher level service to the relevant client, proportional to the level of inducements received, including:

a)| the provision of non-independent investment advice on wide range of suitable financial instruments and access thereto, including an appropriate number of instruments from third party product providers having no close links with the investment brokerage company or credit institution itself;

b) the provision of non-independent investment advice combined with either an offer to the client, on an annual basis, to assess the continuing suitability of the financial instruments in which the client has invested, or with another on-going service that is likely to be of value to the client;

c) the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of financial instruments from third party product providers having no close links with the investment brokerage company or credit institution;

2) it does not directly benefit the recipient investment brokerage company or credit institution, its shareholders, participants, or employees without tangible benefit to the relevant client;

3) it is justified by the provision of an on-going benefit to the relevant client in relation to an on-going inducement.

(3) A fee, commission, or non-financial benefit shall not be considered acceptable if the provision of relevant services to the client is biased or distorted.

(4) The investment brokerage company and credit institution shall fulfil the requirements laid down in Paragraphs two and three of this Section on an ongoing basis as long as they continue to pay or receive the fee, commission, or non-financial benefit.

(5) An investment brokerage company and credit institution shall keep evidence that any fees, commissions, or non-financial benefits paid or received by the investment brokerage company and credit institution are designed to enhance the quality of the relevant service provided to the client:

1) by keeping a list of all fees, commissions, and non-financial benefits received by the investment brokerage company and credit institution from a third party in relation to the provision of investment services or ancillary investment services;

2) by documenting how the fees, commissions, and non-financial benefits paid or received by the investment brokerage company or credit institution, or that it intends to use, enhance the quality of the services provided to the relevant clients and the steps taken in order not to impair the obligation of the investment brokerage company and credit institution to act honestly, fairly, and professionally in accordance with the best interests of the client.

(6) In relation to any payment or benefit received from or paid to third parties, an investment brokerage company and credit institution shall disclose the following information to the client:

1) prior to the provision of the relevant investment service or ancillary investment service, the investment brokerage company and credit institution shall disclose to the client information on the payment or benefit concerned in accordance with Section 128, Paragraph 12.1 of this Law. Minor non-financial benefits may be described in a generic way. Other non-financial benefits received or paid by the investment brokerage company or credit institution in connection with the investment service provided to a client shall be priced and information thereon shall be disclosed separately;

2) if the investment brokerage company or credit institution was unable to ascertain on an *ex-ante* basis the amount of any payment or benefit to be received or paid, and instead disclosed to the client the method of calculating that amount, it shall also provide its clients with information of the exact amount of the payment or benefit received or paid on an *ex-post* basis;

3) at least once a year, as long as on-going inducements are received by the investment brokerage company or credit institution in relation to the investment services provided to the relevant clients, it shall inform its clients on an individual basis of the actual amount of payments or benefits received or paid. Minor non-financial benefits may be described in a generic way.

(7) In implementing the requirements referred to in Paragraph six of this Section, an investment brokerage company and credit institution shall take into account the rules on costs and charges referred to in Section 128, Paragraph six, Clause 3 of this Law and in Article 50 of Commission Delegated Regulation No 2017/565.

(8) If several investment brokerage companies or credit institutions are involved in a distribution channel, each investment brokerage company and credit institution providing investment services or ancillary investment services shall comply with its obligations as regards the disclosure of information to its clients.

[*21 June 2018*]

**Section 133.19 Inducements in Respect of Investment Advice on an Independent Basis or Portfolio Management Services**

(1) An investment brokerage company and credit institution providing investment advice on an independent basis or portfolio management services shall return to clients any fees, commissions or any financial benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to the abovementioned client as soon as reasonably possible after receipt. All fees, commissions, or financial benefits received from third parties in relation to the provision of independent investment advice and portfolio management shall be transferred in full to the client.

(2) An investment brokerage company and credit institution shall set up and implement a policy to ensure that any fees, commissions, or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of independent investment advice and portfolio management are allocated and transferred to each individual client accordingly.

(3) An investment brokerage company and credit institution shall inform clients of the fees, commissions, or any monetary benefits transferred to them.

(4) An investment brokerage company and credit institution providing investment advice on an independent basis or portfolio management services shall not accept non-financial benefits that do not qualify as acceptable minor non-monetary benefits in accordance with Paragraphs five and six of this Section.

(5) The following benefits shall qualify as acceptable minor non-financial benefits only if they are:

1) information or documentation relating to a financial instrument or an investment service, which is generic in nature or personalised to reflect the circumstances of an individual client;

2) written information material from a third party that is commissioned and paid for by an issuer or potential issuer to promote a new issuance, or if the third party is contractually engaged with the issuer and paid by the issuer to produce such information material on an ongoing basis, provided that the relationship is clearly disclosed in the information material and that the material is made available at the same time to any investment brokerage companies or credit institutions wishing to receive it or to the general public;

3) participation in conferences, seminars, and other training events on the benefits and features of a specific financial instrument or an investment service;

4) hospitality of a reasonable *de minimis* value;

5) flowers, souvenirs, books, or representation articles if the total value of non-financial benefits provided by one entity within one year in monetary terms does not exceed the amount of one minimum monthly wage;

6) services and rebates of different types which are offered by commercial companies or individual merchants and which are available to the public.

(6) Acceptable minor non-financial benefits shall be reasonable and proportionate and of such a scale that they are unlikely to influence the behaviour of an investment brokerage company or credit institution in any way that is detrimental to the interests of the relevant client.

(7) Minor non-financial benefits shall disclosed to clients before the provision of the relevant investment services or ancillary investment services. In accordance with Section 133.18, Paragraph six, Clause 1 of this Law, minor non-financial benefits may be described in a generic way.

[*21 June 2018*]

**Section 133.20 Inducements in Relation to Research**

(1) The research developed by third parties for investment brokerage companies and credit institutions which provide portfolio management services or other investment services or ancillary investment services to clients shall not be regarded as an inducement unless those are received in return for either of the following payments:

1) direct payments by the investment brokerage company and credit institution out of its own resources;

2) payments from a separate research payment account controlled by the investment brokerage company or credit institution, provided that the following conditions relating to the operation of the account are met:

a) the funds of the account consist of a research charge collected from the client;

b) upon establishing a research payment account and agreeing on the research charge with their clients, the investment brokerage company and credit institution introduce measures which determine setting and regular assessment of a research budget;

c) the investment brokerage company and credit institution are responsible for the research payment account;

d) the investment brokerage company and credit institution regularly assesses the quality of the research purchased based on robust quality criteria and their ability to contribute to better investment decisions.

(2) If an investment brokerage company or credit institution makes use of the research payment account referred to in Paragraph one, Clause 2 of this Section, it shall provide the following information to its clients:

1) before the provision of an investment services to clients – information on the budgeted amount for research and the amount of the estimated research charge for each client;

2) annual information on the total costs that each client has incurred for the provision of third party research.

(3) If an investment brokerage company and credit institution operate a research payment account, the investment brokerage company and credit institution shall also be required, upon request by their clients or by the Commission, to provide a summary of the providers of the research paid from this account – the total amount they were paid over a defined period, the benefits and services received by the investment brokerage company or credit institution, and how the total amount spent from the account compares to the budget set by the investment brokerage company or credit institution for the abovementioned period, noting any rebate or carry-over if residual funds remain in the account. The research charge referred to in Paragraph one, Clause 2, Sub-clause “a” of this Section shall:

1) only be based on a research budget set by the investment brokerage company and credit institution for the purpose of establishing the need for third party research in respect of investment services rendered to its clients;

2) not be linked to the volume or value of transactions executed on behalf of the clients.

(4) If the research charge is not collected from the client separately but alongside a transaction commission, a separately identifiable research charge shall be indicated to the client, fully complying with Paragraph one, Clause 2 and Paragraph two of this Section.

(5) The total amount of research charges received from clients may not exceed the research budget.

(6) An investment brokerage company and credit institution shall agree with a client in an agreement on the research charge to be collected by the investment brokerage company or credit institution from the client according to the research budget and the frequency with which the specific research charge will be deducted from the funds of the client over the year. The research budget shall only be increased after clear information has been provided to the client on such intended increase. If there is a surplus in the research payment account at the end of a period, the investment brokerage company and credit institution shall apply a procedure to repay those funds to the client or to offset them against the research budget and charge calculated for the following period.

(7) The research budget referred to in Paragraph one, Clause 2, Sub-clause “b” of this Section shall be managed by an investment brokerage company or credit institution itself based on a reasonable assessment of the need for third party research. The investment brokerage company and credit institution shall control and supervise the use of the research budget funds for the purchase of third party research in order to ensure that the research budget is managed and used in the best interests of the clients of the investment brokerage company and credit institution. The abovementioned control shall also include a clear audit trail of payments made to research providers and how the amounts paid were determined considering the quality criteria referred to in Paragraph one, Clause 2, Sub-clause “d” of this Section. The investment brokerage company and credit institution shall not use the research budget and research payment account to fund internal research.

(8) When applying Paragraph one, Clause 2, Sub-clause “c” of this Section, administration of the research payment account may be delegated to a third party, provided that the arrangement facilitates the purchase of third party research and payments to research providers in the name of an investment brokerage company or credit institution without any undue delay in accordance with the instructions of the investment brokerage company or credit institution.

(9) When applying Paragraph one, Clause 2, Sub-clause “c” of this Section, the investment brokerage company and credit institution shall include all necessary elements in a written policy and provide it to their clients.

(10) The investment brokerage company and credit institution which provides order execution services shall identify separate charges for these services that only reflect the cost of executing the transaction. A separately identifiable charge shall be applied to other benefits or services provided by the same investment brokerage company or credit institution to investment brokerage companies or credit institutions established in the European Union, and the provision of and charges for the abovementioned benefits or services shall not be influenced and conditioned by the amount of payment made for order execution services.

[*21 June 2018*]

**Chapter XIII**

**Registration of Providers of Investment Services Registered in Foreign Countries**

[21 June 2018]

**Section 134. Rights of Providers of Investment Services Registered in Foreign Countries**

[21 June 2018]

**Section 135. Registration with the Commission**

[21 June 2018]

**Section 136. Obligations of a Registered Company**

[21 June 2018]

**Section 137. Deletion from the Register**

[21 June 2018]

**Section 137.1 Supervisory Authorities**

[21 June 2018]

**Chapter XIV**

**Supervision of the Fulfilment of the Requirements of the Law**

[*21 June 2018*]

**Section 137.2 Rights of the Commission in Supervising the Fulfilment of the Requirements of the Law**

(1) The provision of investment services and ancillary investment services shall be supervised by the Commission according to its competence.

(2) The Commission shall introduce corresponding supervisory measures which ensure fulfilment of the requirements laid down in this Law for investment brokerage companies and credit institutions.

(3) The Commission has the right to issue regulatory provisions:

1) regarding the provision of information on operation in the field of provision of investment services and ancillary investment services;

2) regarding the procedures for the provision of information on transactions in financial instruments.

[*21 June 2018*]

**Section 137.3 Reporting on Potential and Actual Violations**

[12 December 2019]

**Section 138. Supervisory Activities Applicable by the Commission**

(1) In addition to the rights specified in the Law on the Financial and Capital Market Commission, this Law, and directly applicable legal acts of the European Union in relation to the provision of investment services and ancillary investment services, the operation of a regulated market operator, the provision of data reporting services, and the requirements laid down in Chapter XII.4 of this Law, the Commission is entitled to implement one or several of the following activities:

1) to request from any person information with regard to its activities in the finance and capital market, and also to invite such person to appear before the Commission and provide information in person;

2) to become acquainted with the documents or other data in any form necessary for the performance of the tasks and functions of the Commission and to receive their copies;

3) to carry out the reviews referred to in Section 139, Paragraph one of this Law;

4) to request and receive from the participants of the financial instrument market the print-outs of telephone conversations, records of electronic communication, and other types of data transmission records;

5) to request freezing of assets or restrictions of another kind on the use of a property;

6) to temporarily restrict the operation of a participant of the financial instrument market, including to restrict the rights of an investment brokerage company or credit institution to provide investment services or hold financial instruments;

7) to request that auditors of investment brokerage companies, regulated markets, and data reporting services providers provide information;

8) to address law enforcement institutions with an application for the initiation of criminal proceedings;

9) to authorise auditors or specialists to carry out reviews;

10) to request information, including all the relevant documents, from any person on the scale of the position or risk and the objective arising in relation to a commodity derivative, and on all assets or liabilities on the relevant market;

11) to request that members of a financial instrument market cease any practice which is in contradiction to the requirements of this Law and Regulation No 600/2014;

12) to implement measures of any kind to ensure the conformity of the operation of such investment brokerage companies, credit institutions, regulated market operator, and other persons to which the requirements of this Law or Regulation No 600/2014 apply;

13) to suspend trade in the financial instruments;

14) to request that financial instruments are removed from the trading venue;

15) to request any person that it implements appropriate measures for the reduction of the amount of the position or risk transaction;

16) to restrict the possibility for any person to access a commodity derivative, including by determining limits in relation to the amount of a position which any person may hold for the whole period in accordance with the requirements laid down in Section 133.14 of this Law for position limits and position management controls in commodity derivatives;

17) to provide public notifications;

18) insofar as permitted by laws and regulations, to request existing records of the data flow which are at the disposal of a telecommunications operator, if there are justified suspicions of a violation and if such records may be useful when carrying out reviews in relation to violations of the requirements of this Law or Regulation No 600/2014;

19) to suspend the advertising, distribution, or selling of financial instruments or structured deposits in accordance with that specified in Article 40, 41, or 42 of Regulation No 600/2014;

20) to suspend the advertising, distribution, or selling of financial instruments or structured deposits, if the investment brokerage company or credit institution has not developed or implemented an efficient process for the approval of products or in any other way has not conformed to the requirements of Section 124, Paragraph one, Clause 13 and Section 127, Paragraph eleven of this Law;

21) to request that a member of the board or council of an investment brokerage company, credit institution, or regulated market operator is removed from the office;

22) to give binding written instructions to the management bodies of financial instrument market participants, their heads and members which are necessary to prevent situation in which the norms of this Law or directly applicable legal acts of the European Union are being violated.

(2) The Commission may apply the supervisory activities specified in Paragraph one, Clauses 15 and 16 of this Section also if they are necessary for the achievement of the supervisory objective of the supervisory authority of another Member State.

[*21 June 2018*]

**Section 139. Supervision of Investment Brokerage Companies**

(1) The Commission and authorised persons thereof have the right to review the activities of investment brokerage companies, including internal reviews at investment brokerage companies.

(11) Each year the Commission shall prepare a supervisory review programme for investment brokerage companies indicating the following:

1) the arrangements which are provided for the performance of the functions and duties of the Commission laid down in the Law on the Financial and Capital Market Commission, this Law and other laws, and also the resources necessary for such arrangements;

2) the planned supervisory measures to be applied to the following:

a) investment brokerage companies in which results of the stress tests referred to in Paragraph 11.3, Clauses 4 and 5 of this Section or whose assessment carried out by the Commission in accordance with Paragraph nine of this Section point to the risks which pose a significant threat to the financial stability of the relevant investment brokerage company or to the violations of the requirements laid down in this Law, directly applicable legal acts issued by the European Union authorities, or regulatory provisions issued by the Commission,

b) investment brokerage companies which pose a systemic risk to the financial system,

c) other investment brokerage companies at the Commission’s discretion;

3) investment brokerage companies which are intended to be put under enhanced supervision and the measures to be applied thereto;

4) a plan for on-site reviews of investment brokerage companies by separately indicating the planned on-site reviews in branches of investment brokerage companies in other Member States, subsidiaries of investment brokerage companies and the parent undertaking of investment brokerage companies which is a financial holding company or a mixed financial holding company, or in another subsidiary of such financial holding company or mixed financial holding company.

(12) If such necessity has been established in the assessment which has been carried out in accordance with the requirements laid down in Paragraph nine of this Section, the Commission is entitled to make the following arrangements:

1) to increase the number and frequency of on-site reviews in an investment brokerage company;

2) to assign an authorised person to constantly be located in an investment brokerage company;

3) to request that an investment brokerage company submits additional reports or submits reports more often;

4) to carry out additional or more frequent reviews of operative, strategic, or business plans of an investment brokerage company;

5) to carry out target reviews in order to control specific risks which are expected to occur.

(2) [9 June 2005]

(3) The representatives authorised by the Commission have the right to become acquainted with all the documents, account books, and databases of an investment brokerage company, transcribe any part thereof, make true copies (copies), and also to receive the explanations and information necessary for carrying out reviews from members of management bodies and other responsible persons.

(4) Upon a written motivated request by the Commission, an investment brokerage company shall submit to the Commission true copies (copies) or other information related to the activities of the investment brokerage company.

(5) The Commission shall submit to an investment brokerage company a written report on the results of the review which shall specify violations and provide instructions for the necessary changes in the further activities of the investment brokerage company.

(6) If an investment brokerage company does not agree with the report of the Commission on the review carried out, it is entitled to submit a complaint to the council of the Commission. The council of the Commission is entitled to warrant a new review or to decide on making amendments to the report on the review carried out, or to dismiss the complaint.

(7) The Commission has the right to prohibit an investment brokerage company from establishing close links or to request the termination of close links with third parties, or to forbid transactions therewith where such relations may or do endanger the financial stability of the investment brokerage company or restrict the rights of the Commission to perform the supervisory functions laid down in the law.

(8) The Commission has the right to revoke the decisions of the management bodies of an investment brokerage company on the appointment of members of the board and council (where such has been established) if they do not meet the requirements of this Law.

(9) The Commission shall review the strategy, procedures, and measures which an investment brokerage company has implemented in order to comply with the requirements laid down in this Law, other laws and regulations, directly applicable legal acts issued by the European Union and regulatory provisions issued and decisions taken by the Commission, and also shall assess the following:

1) the inherent and likely risks of the activities of the investment brokerage company;

2) the risks identified in the systematic risk assessment carried out in accordance with the guidelines of the European Banking Authority and the recommendations of the European Systematic Risk Board which posed to the financial system by the activities of the investment brokerage company;

3) the risks established during stress testing taking into consideration the volume, diversity, and complexity of the operations (transactions) performed.

(10) The Commission shall determine the amount and regularity of the assessments referred to in Paragraph nine of this Section depending upon the size of the investment brokerage company, systemic importance, and the volume, diversity, and complexity of the operations (transactions) performed. The Commission shall, at least once a year, review and update the information included in the assessment referred to in Paragraph nine of this Section on at least the investment brokerage companies included in the supervisory inspection programme.

(11) On the basis of the review and assessment carried out, the Commission shall assess whether the strategy, procedures, and measures implemented by an investment brokerage company ensure sufficient risk management and whether own funds of an investment brokerage company are sufficient for covering the inherent and likely risks of its activities.

(111) The Commission shall inform the European Banking Authority of the organisation of the review and assessment process referred to in Paragraphs nine, ten, and eleven of this Section.

(112) The Commission shall, without delay, inform the European Banking Authority of any brokerage companies which are recognised as systematically important as a result of the assessment referred to in this Section.

(113) In the assessment referred to in Paragraph nine of this Section, the Commission shall assess at least the following in addition to the assessment of credit risk, operational risk, and market risks:

1) management, corporate culture and values of an investment brokerage company, and also the capability of the members of the board or council, if such has been established, to fulfil their duties;

2) business model of an investment brokerage company;

3) systemic risk assessment in accordance with Paragraph nine of this Section;

4) results of the stress tests carried out in accordance with the requirements of Regulation No 575/2013, if an investment brokerage company has received a permit for the use of the internal model in order to calculate the capital requirements for credit risk;

5) results of the stress tests carried out in accordance with the requirements of Regulation No 575/2013, if an investment brokerage company has received a permit for the use of the internal model in order to calculate the capital requirements for market risk;

6) exposure of an investment brokerage company to concentration risk and management thereof, including conformity with the requirements of Regulation No 575/2013 with regard to the restrictions of large exposures;

7) geographic location of exposures of an investment brokerage company;

8) impact of diversification effects and inclusion thereof in the risk assessment system;

9) possibility that an investment brokerage company may incur significant losses due to the interest rate risk of exposures in the non-trading portfolio and observations on the possible circumstances of the incurrence of such losses;

10) exposure of an investment brokerage company to risk of excessive leverage;

11) other risks of importance to an investment brokerage company.

(114) The Commission shall at least once a year carry out the stress testing of an investment brokerage company, and the results thereof shall be taken into consideration in the assessment which is carried out in accordance with the requirements laid down in Paragraph nine of this Section. Methodology of stress testing shall conform to the guidelines of the European Banking Authority.

(115) If the Commission establishes that an investment brokerage company does not comply with, or if the Commission has a reason to deem that within 12 months from the moment of starting the application of the measures referred to in Paragraph 11.7 of this Section an investment brokerage company will not comply with the requirements laid down in this Law or Regulation No 575/2013, the Commission shall request that an investment brokerage company timely implements the measures necessary for the prevention of the relevant problems. For this purpose the Commission may apply any of the measures referred to in Paragraph 11.7 of this Section.

(116) In carrying out the assessment referred to in Paragraph nine of this Section, the Commission may apply the same or similar approach to investment brokerage companies with similar risk profile (similar business model, geographic location of exposures or other similar approach) which are or may be exposed to similar risks or which pose or may pose similar risks to the financial system.

(117) In order to apply the requirements laid down in Paragraphs nine and eleven of this Section, and also Regulation No 575/2013, the Commission is entitled to request that an investment brokerage company:

1) maintains a higher level of own funds than that required in Regulation No 575/2013 which is increased by the requirements for total capital buffers calculated in accordance with Sections 35.22, 35.23, 35.24, and 35.25 of the Credit Institution Law in order to cover the inherent and likely risks of the operation of the investment brokerage company and elements thereof not provided for in Regulation No 575/2013;

2) improves its strategy, procedures, and measures that are to be implemented in order to conform to the requirements laid down in Sections 122.1, 122.2, 123.1, and Section 124, Paragraph one, Clause 11 of this Law;

3) draws up a plan for the restoration of the conformity with the requirements laid down in this Law, other laws and regulations, directly applicable legal acts issued by the European Union authorities, and regulatory provisions issued by the Commission by determining time periods for the implementation of the measures included in the plan;

4) applies a policy of recognition and assessment of special provisioning or assets for the purpose of calculation of own funds;

5) limits or restricts commercial activities, activities or network of institutions, disclaims the areas of activities which excessively pose a threat to its stability; reduces the risks inherent to the systems established for its activities, products or provision of activities;

6) determines such restriction on the variable component of remuneration of officials and employees which is expressed in percentage of net income and allows an investment brokerage company to maintain a stable capital basis;

7) channels the profit after tax into strengthening of its own funds;

8) reduces or does not perform distribution of profit or interest payments to its shareholders (members), members or holders of the instruments included in Additional Capital Tier 1, unless it causes default on obligations;

9) provides additional reports or provides reports more often, including reports on capital and liquidity positions of an investment brokerage company.

(118) The Commission shall require that an investment brokerage company conforms to the requirement laid down in Paragraph 11.7, Clause 1 of this Section at least in the following cases:

1) the investment brokerage company has not conformed to the requirements laid down in Sections 122.1, 123.1, or Section 124, Paragraph one, Clause 11 of this Law or the restrictions on large exposures determined in Regulation No 575/2013;

2) risks or risk elements have been identified which are not covered in accordance with the capital requirements or requirements for total capital buffers determined in Regulation No 575/2013;

3) there is a reason to deem that the application of other administrative measures alone will not be sufficient to appropriately improve the structure, processes, mechanisms, and strategy of the investment brokerage company within reasonable time periods;

4) capital requirements are not sufficient, because the investment brokerage company has not taken into consideration a possibility to sell within a short time period or to restrict the risks associated with these positions without significant loss under circumstances of a functioning market when making adjustments to the value of trading portfolio positions, or because the investment brokerage company which has received the permit for the use of the internal models to calculate capital requirements does no longer conforms to the provisions for receipt of such permit;

5) there is a reason to deem that the risks inherent to the activities of the investment brokerage company have been assessed too low, although the requirements laid down in this Law and Regulation No 575/2013 are conformed to;

6) the investment brokerage company has received the permit for the use of the internal model to calculate the capital requirements for the correlation trading portfolio but its submitted reports show that results of stress testing significantly exceed the capital requirements calculated in accordance with the internal model.

(119) On the basis of the assessment carried out in accordance with the requirements of this Section, the Commission shall assess whether own funds requirements should be determined in addition to those necessary for the coverage of the inherent and likely risks of the activities of an investment brokerage company taking into consideration the following:

1) qualitative and quantitative results of the assessment carried by the investment brokerage company in accordance with the requirements of Section 123.1 of this Law;

2) operation of the internal control system of the investment brokerage company developed in accordance with the requirements laid down in Section 122.2 and Section 124, Paragraph one, Clause 11 of this Law, and also recovery and adjustment plans thereof;

3) results of the assessment carried out by the Commission in accordance with the requirements laid down in Paragraph nine of this Section;

4) systemic risk assessment.

(12) [24 April 2014]

(13) The Commission shall determine the procedures conforming to the guidelines of the European Banking Authority by which reduction in the economic value of the investment brokerage company shall be calculated due to sudden and unexpected changes in interest rates.

(14) If the calculation referred to in Paragraph thirteen of this Section indicates that the economic value of an investment brokerage company will decrease by 20 per cent or more of its own funds due to sudden and unexpected changes in interest rates by 200 base points or due to other changes determined in the guidelines of the European Banking Authority, the Commission shall request that the investment brokerage company implements measures which would ensure conformity of own funds with the amount of interest rate risk of exposures in the non-trading portfolio.

(15) When exercising supervision of such investment brokerage company which has received a permit for the use of risk-weighted amounts in its internal approach or own funds requirements for the calculation, the Commission shall apply Sections 105.3 and 105.4 of the Credit Institution Law.

(16) The Commission shall apply the requirements laid down in this Section on an individual basis and at the level of consolidation groups, or on a sub-consolidated basis in accordance with the level of application of the requirements of Title II of Part one of Regulation No 575/2013. If an investment brokerage company is released from the obligation to conform to the own funds requirements at the consolidation group level in accordance with the requirements of Article 15 of Regulation No 575/2013, the Commission shall apply the requirements laid down in Paragraphs nine, ten, eleven, and 11.2 of this Section to such investment brokerage company on an individual basis.

(17) The requirements laid down in Paragraphs nine, ten, eleven, 11.1, 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, thirteen, fourteen, fifteen, and sixteen of this Section shall be applied to the supervision of such investment brokerage company which is an institution within the meaning of Regulation No 575/2013.

(18) The Commission shall inform the European Banking Authority of the principles for taking the abovementioned decisions by the Commission.

[*9 June 2005; 22 March 2012; 24 April 2014*]

**Section 139.1 Significant Branches of Investment Brokerage Companies**

(1) A branch of an investment brokerage company registered in a Member State and subject to the regulatory capital adequacy requirements in accordance with the laws and regulations governing financial instrument market and limits to large exposures which is registered in the Republic of Latvia shall be recognised as significant. The Commission shall, by providing a justification, send a request to the supervisory authority or the home Member State of the investment brokerage company or supervisory authority of the consolidation group to which such investment brokerage company belongs with a branch registered in the Republic of Latvia, to harmonise opinions for decision taking (hereinafter – the harmonised decision) in order to recognise the branch registered in the Republic of Latvia as significant.

(2) In order to recognise a branch to be significant, the conformity thereof with the following criteria shall be taken into account:

1) suspension or closure of the activities of the branch is likely to affect financial market liquidity and the payment, clearing and settlement systems in the host Member State;

2) the volume of transactions of the branch and number of its clients are important for the capital market or financial system of the host Member State.

(3) The Commission and the supervisory authority of the home Member State or supervisory authority of the consolidation group of the branch shall co-operate and undertake all the necessary activities in order to take the harmonised decision to recognise a branch as significant within two months from the day of sending the request referred to in Paragraph one of this Section.

(4) The decision referred to in Paragraph three of this Section may be appealed in the home Member State of the consolidated supervisory authority or the branch in accordance with the laws and regulations governing the appeal procedures of the relevant state.

(5) If within two months from sending the request referred to in Paragraph one of this Section the harmonised decision is not taken, the Commission shall, in conformity with the opinion of the supervisory authority of the home Member State or the supervisory authority of the consolidation group, take the decision to recognise the relevant branch as significant within the following two months without harmonising opinions.

(6) A supervisory authority of another Member State may turn to the Commission with a request to recognise a branch of the investment brokerage company registered in the Republic of Latvia which is registered in such Member State to be significant or, if the Commission is the supervisory authority of the consolidation group, with a request to recognise a branch of the investment brokerage company included in the consolidation group which is registered in another Member State to be significant. The Commission shall implement all the necessary measures in order to, within two months from the day of receipt of the request, take the harmonised decision to recognise a branch to be significant.

(7) The decision referred to in Paragraph six of this Section may be appealed against to the Regional Administrative Court.

(8) The Commission shall notify the decision taken to recognise a branch to be significant to the relevant supervisory authorities of the Member States.

(9) The Commission shall co-operate with supervisory authorities of host Member States of significant branches of investment brokerage companies registered in the Republic of Latvia, when receiving information on negative development trends of the investment brokerage companies which may materially influence the activity of the investment brokerage companies, and also on sanctions and supervisory measures which are implemented by the supervisory authorities of host Member States in respect of investment brokerage companies, including imposition of an obligation to maintain a higher level of own funds than the total sum of minimum capital requirements and any restrictions on the use of the advanced operational risk measurement approach. The Commission shall participate in preparatory arrangements for emergency situations and arrangements for the management of emergency situations, including such emergency situations which may develop in case of deterioration of the financial position of the investment brokerage company, or due to the impact of unfavourable development of financial markets. The supervisory activities provided for emergency situations shall include the preparation of a joint assessment of the situation, introduction of a crisis management plan, and provision of public information. During the exchange process of the necessary information already established types of exchange of information shall be used as much as possible for the provision of crisis management.

(10) If the Commission identifies an emergency situation, including unfavourable trends in the development of financial markets which have an impact on the situation in an investment brokerage company, it shall, in accordance with the provisions for the disclosure of restricted access information and using already established types of exchange of information as much as possible, immediately warn the central banks of host Member States included in the European System of Central Banks, the European Central Bank, and the European Systemic Risk Board of the emergency situation, and shall notify all the material information related to the performance of the tasks thereof.

(11) If an investment brokerage company registered in the Republic of Latvia has significant branches in other Member States, but the investment brokerage company is not included in the consolidation group, the Commission shall, together with the supervisory authorities of such Member States in which the significant branches of the investment brokerage company have been registered, establish and manage a board of supervisors in order to ensure co-operation with the supervisory authorities of the relevant Member States when implementing the activities referred to in Paragraphs nine and ten of this Section. The Commission shall establish a board of supervisors by entering into a co-operation agreement with the supervisory authorities of the host Member States.

(12) The Commission shall, taking into account the importance of the planned or co-ordinated supervisory activities for the supervisory authorities of the host Member States and the potential impact on the stability of the financial system in the relevant Member States, particularly in emergency situations, determine those supervisory authorities which have an obligation to participate in meetings of the board of supervisors.

(13) The Commission shall, in due time, inform all participants of the board of supervisors of organising meetings of the board of supervisors, the main issues to be examined and the planned activities, and also the decisions taken or the measures implemented in the meetings.

[*13 January 2011; 24 April 2014; 21 June 2018*]

**Section 140. Supervision of an Investment Brokerage Company Registered in Another Member State**

(1) The Commission shall supervise conformity of a branch of an investment brokerage company registered in another Member State which operates in the Republic of Latvia with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014. The Commission has the right to inspect measures implemented by such branch for ensuring such requirements. If the Commission establishes that a branch of an investment brokerage company registered in this Member State which operates in the Republic of Latvia undertakes activities which are in contradiction with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014, it shall, without delay, request the investment brokerage company of such Member State to cease such activities.

(2) If a branch of an investment brokerage company registered in another Member State which operates in the Republic of Latvia continues activities which are in contradiction with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014, the Commission shall inform the supervisory authority of the home Member State and implement measures to remedy such violations. Within the framework of such measures the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such violations are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority of the measures implemented in accordance with the requirements of Section 147 of this Law. The Commission is entitled to address the European Securities and Markets Authority with a request, according to the authorisation granted thereto, to examine a violations of such branch of an investment brokerage company which operates in the Republic of Latvia.

(3) If the Commission establishes that a branch of investment brokerage company registered in another Member State which operates in the Republic of Latvia undertakes activities which are in contradiction with the requirements of the applicable laws and regulations of the Republic of Latvia governing financial instrument market, other than referred to in Paragraph one of this Law, the Commission shall, without delay, inform the supervisory authority of the home Member State thereof and ask it to remedy the established violations, and also inform the Commission of the implemented measures.

(4) If the Commission establishes that an investment brokerage company registered in another Member State which provides investment services without opening a branch, carries out the activities that are in contradiction with the laws and regulations governing financial instruments market in force in the Republic of Latvia, it shall, without delay, inform the supervisory authority of the home Member State thereof, and request it to rectify the established violations, and also inform the Commission of the implemented measures.

(5) If a branch of an investment brokerage company registered in another Member State which operates in the Republic of Latvia, or such investment brokerage company registered in other Member State which provides investment services in the Republic of Latvia without opening a branch continues activities which are in contradiction with the applicable laws and regulations of the Republic of Latvia governing financial instruments market, it shall inform the supervisory authority of the home Member State and implement measures to remedy such violations. Within the framework of these activities, the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such violations are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority of the measures implemented in accordance with the requirements of Section 147 of this Law. The Commission is entitled to address the European Securities and Markets Authority with a request, according to the authorisation granted thereto, to examine a violation of such branch of an investment brokerage company which operates in the Republic of Latvia.

(6) The requirements laid down in Paragraphs one, two, three, and four of this Section do not prohibit the Commission from carrying out activities to prevent violations that are in contradiction with the laws of the Republic of Latvia protecting the public interest. Within the framework of these activities the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such violations are rectified.

(7) The provisions of this Section do not restrict the right of an investment brokerage company registered in other Member State to disseminate information in the Republic of Latvia and advertise the services provided thereby, if such information and advertising is not in contradiction with the laws and regulations protecting the public interest.

(8) The Commission has the right to, upon its own initiative or upon request of the supervisory authority of the home Member State, to perform internal control at the branch in the Republic of Latvia of an investment brokerage company registered in a Member State. Supervisory authorities of the home Member State are entitled to perform internal control at the branch of an investment brokerage company in the Republic of Latvia or authorise other persons to perform this control by informing the Commission thereof in advance.

(9) The Commission has the right to, under a reasoned decisions and by informing also the European Securities and Markets Authority thereof, refuse a supervisory authority of another Member State to conduct a control within the territory of the Republic of Latvia upon request of the supervisory authority of such Member State, and also to reject the participation of authorised representatives of a supervisory authority of another Member State in such a control or to provide information to the supervisory authority of the Member State, if:

1) such examination or participation of authorised representatives of the supervisory authority of another Member State therein has an adverse effect on the national sovereignty, security, or State policy of the Republic of Latvia;

2) court proceedings for the same violation and against the same persons have already been initiated in the Republic of Latvia;

3) a judgment has been given on the same violation and towards the same persons.

(10) The Commission shall prohibit a branch of an investment brokerage company registered in another Member State which operates in the Republic of Latvia or an investment brokerage company registered in another Member State which provides investment services in the Republic of Latvia without opening a branch from continuing the provision of investment services if it has received a notification from the supervisory authority of the home Member State on the cancellation of the licence issued to the investment brokerage company.

(11) The Commission has the right to directly address an investment brokerage company registered in other Member State which is a member of a regulated market operator registered in the Republic of Latvia and makes transactions on a regulated market without opening a branch, by informing the supervisory authority of the relevant Member State thereof.

(12) Information which may be requested when performing internal controls in accordance with Paragraph eight of this Section shall be determined by Commission Delegated Regulation (EU) 2017/586 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the exchange of information between competent authorities when cooperating in supervisory activities, on-the-spot verifications and investigations.

(13) The sample forms, templates, and procedures necessary for the supervisory activities and on-site controls shall be determined by Commission Implementing Regulation (EU) 2017/980 of 7 June 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for cooperation in supervisory activities, for on-site verifications, and investigations and exchange of information between competent authorities in accordance with Directive 2014/65/EU of the European Parliament and of the Council (hereinafter – Regulation No 2017/980).

(14) For statistical purposes or for ensuring the supervision of the fulfilment of the obligations specified in this Section, the Commission has the right to request that an investment brokerage company registered in another Member State or a branch of a credit institution operating in the Republic of Latvia regularly reports on its activities.

(15) The requirements laid down in Paragraph fourteen of this Section may not be more stringent that those laid down for investment brokerage companies or credit institutions licensed in Latvia.

[*4 October 2007; 22 May 2008; 22 March 2012; 21 June 2018; 20 June 2019; 12 December 2019*]

**Section 140.1 Supervision of a Branch of a Credit Institution Registered in Another Member State which Provides Investment Services in the Republic of Latvia**

(1) The Commission shall supervise conformity of branches of a credit institution registered in another Member State which provide investment services in the Republic of Latvia with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014. The Commission has the right to inspect measures implemented by such branch for ensuring such requirements. If the Commission establishes that the branch of a credit institution registered in this Member State which operates in the Republic of Latvia undertakes activities that are in contradiction with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014, it shall, without delay, request the branch to cease such activities.

(2) If a branch of a credit institution registered in another Member State which operates in the Republic of Latvia continues activities that are in contradiction with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3 of this Law and Regulation No 600/2014, the Commission shall inform the supervisory authority of the home Member State and implement measures to remedy such violations. Within the scope of these measures, the Commission is entitled to, until rectification of such violations, prohibit the relevant branch from continuing the provision of investment services in the Republic of Latvia. The Commission shall inform the European Commission and the European Securities and Markets Authority of the measures implemented in accordance with the requirements of Section 147 of this Law.

[*21 June 2018*]

**Section 140.2 Supervision of the Operation of a Multilateral Trading Facility and Organised Trading Facility Registered in Another Member State**

(1) If the MT facility or OT facility registered in another Member State which operates in the Republic of Latvia undertakes activities which are in contradiction with the applicable laws and regulations of the Republic of Latvia governing financial instrument market, the Commission shall, without delay, inform the supervisory authority of the home Member State thereof and ask to remedy the established violations, and also inform it of the implemented measures.

(2) If the MT facility or OT facility registered in another Member State which operates in the Republic of Latvia continues activities which are in contradiction with the applicable laws and regulations of the Republic of Latvia governing financial instrument market or if the measures implemented by the supervisory authority of the Member State turn out ineffective, the Commission shall inform the supervisory authority of the home Member State thereof and implement measures to remedy such violations. Within the scope of such activities, the Commission is entitled to, until rectification of such violations, prohibit the relevant regulated market operator, MT facility, or OT facility from continuing activities in the Republic of Latvia. The Commission shall inform the European Commission and the European Securities and Markets Authority of the measures implemented in accordance with the requirements of Section 147 of this Law.

(3) The Commission shall inform the relevant MT facility or OT facility of the measures implemented in Paragraph two of this Section or the prohibition imposed.

[*21 June 2018*]

**Section 141. Supervision of an Investment Brokerage Company Registered in the Republic of Latvia which Provides Investment Services in a Member State**

(1) The Commission shall inform the supervisory authority of the relevant Member State prior to carrying out any internal control at a branch of such investment brokerage company registered in the Republic of Latvia which provides investment services in a Member State.

(2) The supervisory authority of a Member State is entitled to, upon its own initiative and also upon request of the Commission, carry out internal control at the branch of an investment brokerage company registered in the Republic of Latvia and operating in its territory.

(3) The Commission shall, without delay, inform the supervisory authorities of the relevant Member States of the cancellation of any licence of such investment brokerage companies registered in the Republic of Latvia the branches of which operate in Member States or which provide investment services in Member States without opening a branch.

**Section 141.1 Collection of Information Related to Remuneration Policy and Practice**

(1) The Commission shall collect the information related to remuneration policy and practice made public by investment brokerage companies with a licence which allows them to provide the investment services referred to in Section 3, Paragraph four, Clauses 3 and 6 of this Law in accordance with the requirements of Regulation No 575/2013, and also the information provided by such investment brokerage companies in accordance with the requirements laid down in Section 124, Paragraph 1.6 of this Law, and evaluate remuneration trends and practice. The Commission shall submit the abovementioned information to the European Banking Authority.

(2) Using an interval amounting to one million euros, the Commission shall collect the information made public by investment brokerage companies with a licence which allows them to provide the investment services referred to in Section 3, Paragraph four, Clauses 3 and 6 of this Law in accordance with the requirements of Regulation No 575/2013 with regard to the number of its officials and employees whose remuneration during the reporting year is equal to or greater than one million euros, including information on the duties, scope of activities, and major remuneration components of such officials and employees. The Commission shall submit the abovementioned information to the European Banking Authority.

[*24 April 2014; 21 June 2018*]

**Section 142. Supervision on Consolidated Basis**

The Commission shall exercise supervision of a parent investment brokerage company in the Republic of Latvia and a parent investment brokerage company of the European Union registered in the Republic of Latvia on consolidated basis by applying the provisions of Chapter VII.1of the Credit Institution Law regarding supervision of a parent credit institution in the Republic of Latvia and a parent credit institution of the European Union registered in the Republic of Latvia to the supervision of investment brokerage companies on consolidated basis by analogy.

[*13 January 2011*]

**Division F1**

**Provision of Outsourced Services**

[*9 June 2005*]

**Section 142.1 Procedures for Commencing Provision of Outsourced Services**

(1) Within the meaning of this Law, a recipient of outsourced service may be a regulated market operator, the central securities depository, and an investment brokerage company. If the outsourced service recipient and the outsourced service provider are members of the same group of commercial companies, the outsourced service recipient may, for the purposes of complying with the requirements of this Section, take into account the extent to which it controls the outsourced service provider or the extent to which the outsourced service provider is subject to consolidated supervision of the group.

(2) Only such outsourced service provider having experience of at least three years in the provision of such outsourced services which a regulated market operator, the central securities depository, or an investment brokerage company plans to delegate to the outsourced service provider, is entitled to provide the outsourced services to a regulated market operator, the central securities depository, and investment brokerage company.

(3) At least 30 days prior to receipt of outsourced service, a regulated market operator, the central securities depository, and an investment brokerage company shall submit a motivated written submission to the Commission regarding receipt of the planned outsourced service. A description of the outsourced service policy and procedures and the original copy or certified copy of the outsourced service contract shall be appended to the submission.

(4) A regulated market operator, the central securities depository, and an investment brokerage company shall submit amendments to the description of the outsourced service policy and procedure not later than on the following working day after approval of the relevant amendments.

(5) The following shall be determined in an outsourced service contract:

1) a description of the outsourced service to be received;

2) precise requirements for the amount and quality of outsourced service;

3) the rights and obligations of the recipient and the provider of outsourced services, including:

a) the right of the outsourced service recipient to constantly supervise the quality of the outsourced service provision, the right to become acquainted with all documents, the document and accounting registers, and also to request information from the outsourced service provider related to the outsourced service provision;

b) the right of the recipient of outsourced service to give the provider of outsourced services instructions to be compulsory enforced in issues which are related to execution of outsourced service in good faith, good quality, timely manner and corresponding to laws and regulations;

c) the right of the outsourced service provider to submit a motivated written request to the outsourced service provider to terminate the outsourced service contract without delay, if the outsourced service recipient has established that the outsourced service provider does not fulfil the requirements laid down in the outsourced service contract for the amount or quality of the outsourced service;

d) the obligation of the outsourced service provider to ensure the outsourced service recipient with a possibility to continuously supervise the quality of the outsourced service provision;

e) the obligation of the outsourced service provider to terminate the outsourced service contract without delay after receipt of a motivated written request from the outsourced service recipient;

f) the obligation of the outsourced service provider to ensure the quality of outsourced service provision and due management of the risks related to outsourced service provision;

g) the obligation of the outsourced service provider to inform the outsourced service recipient of changes which may impact the ability thereof to provide the outsourced service effectively, in due amount, quality and in accordance with the requirements laid down in this Law;

h) the obligation of the outsourced service provider not to disclose information related to the outsourced service recipient or client and which in accordance with the requirements of the law contains business secrets;

4) the right of the Commission to become acquainted with all the documents, accounting and document registers and to request from the outsourced service provider any information which is related to the provision of outsourced services and performance of the functions of the Commission;

5) actions of the outsourced service provider for addressing consequences under emergency situations, including introduction and periodic testing of backup facilities, where necessary, in order to ensure continuous provision of investment service and protection of client interests with regard to the function, service, or activity that has been outsourced to the outsource service provider.

(6) A regulated market operator, the central securities depository, or an investment brokerage company which plans to receive an outsourced service in accordance with the procedures laid down in this Law shall develop the relevant policy and procedures. The following shall be determined in the outsourced service procedure:

1) the internal procedures by which decisions on receipt of outsourced services are taken;

2) the procedures for entering into an outsourced service contract, the supervision of execution and termination thereof;

3) regarding co-operation with the outsourced service provider and regarding the persons and units responsible for the supervision of the amount and quality of the outsourced service received, and also the rights and obligations of the relevant persons;

4) the action of the outsourced service recipient in cases when the outsourced service provider does not fulfil or is going to be unable to fulfil the provisions of the outsourced service contract;

5) the risk assessment and management procedures related to receipt of the outsourced service.

(7) The Commission has the right to conduct an inspection of activities of the outsourced service provider at the location thereof or at the location of outsourced service provision, including to become acquainted with all the documents, document and accounting registers, to make copies of the documents, and also to request information from the outsourced service provider which is related to the outsourced service provision or which is necessary for the performance of the functions of the Commission.

(8) The outsourced service provider shall commence the outsourced service provision if the outsourced service recipient has not received a prohibition from the Commission to receive outsourced service within 30 days from the day of submitting the submission referred to in Paragraph three of this Section.

(9) An outsourced service provider is entitled to delegate the outsourced service provision further to another person only after approval in writing has been received from the relevant outsourced service recipient. A regulated market operator, the central securities depository, and an investment brokerage company shall, prior to further delegating of the outsourced service, inform the Commission thereof in writing and submit the documents referred to in Paragraph three of this Section. The provisions of this Law shall apply to further delegation of the outsourced service provision and the final provider of outsourced services.

(10) The criteria for the importance of a delegated outsourced service, more detailed procedures for delegation, including for foreign service providers, are determined in Articles 30, 31, and 32 of Regulation No 2017/565.

[*4 October 2007; 14 September 2017; 21 June 2018*]

**Section 142.2 Restriction on the Provision of Outsourced Services**

(1) The Commission shall prohibit a regulated market operator, the central securities depository, or an investment brokerage company to receive the planned outsourced service if:

1) the provisions of this Law have not been conformed to;

2) the receipt of the outsourced service may restrict the possibility of a regulated market operator, the central securities depository, or an investment brokerage company to provide the services laid down in this Law, and also may infringe the lawful interests of its clients or deteriorate the conditions on the basis of which the Commission has issued a licence to the outsourced service recipient for the performance of the relevant professional activity;

3) the receipt of the outsourced services may restrict the possibility of the administrative bodies of the outsourced service recipient to perform the obligations laid down for them in laws and regulations, the articles of association of the outsourced service recipient, or in other internal instruments of the outsourced service recipient;

4) the receipt of the outsourced services will prohibit or restrict the possibility of the Commission to perform the functions laid down in the law;

5) the outsourced service contract does not conform to the law and does not provide a clear and true idea of the intended co-operation of the outsourced service recipient and the outsourced service provider and the amount and quality of the outsourced service.

(2) The receipt of the outsourced service shall not exempt a regulated market operator, the central securities depository, and an investment brokerage company from the responsibility laid down in the law or in the contract with their clients. The outsourced service recipient shall be responsible for the performance of the outsourced service provider to the same extent as for its own performance.

(21) The Commission has the right to request information from an outsourced service recipient which is related to the outsourced service provision or which is necessary for the performance of the functions of the Commission.

(3) The Commission has the right to request that an outsourced service recipient rectifies the deficiencies which have been caused by the receipt of outsourced service, and to determine the time period for rectification of such deficiencies. If the deficiencies are not rectified within the time period stipulated by the Commission, the Commission shall request the outsourced service recipient to terminate the outsourced service contract, and shall determine the time period for its termination.

(4) The Commission is entitled to request that an outsourced service recipient immediately terminates the outsourced service contract in effect if it establishes:

1) that the outsourced service recipient does not continuously supervise the outsourced service or supervises it irregularly and inadequately;

2) that the outsourced service recipient does not manage the risk related to the outsourced service provision or manages it irregularly and inadequately;

3) material deficiencies in the activity of the outsourced service provider which endanger or may endanger performance of the obligations of the outsourced service recipient;

4) that any of the circumstances referred to in Paragraph one of this Section sets in.

(5) An outsourced service recipient shall, without delay, inform the Commission if it has established that the outsourced service provider does not comply with the amount or quality requirements laid down for the the outsourced service in the outsourced service contract.

(6) The receipt of an outsourced service shall not release the outsourced service recipient from the obligation to manage the risks related to the activities thereof laid down in laws and regulations.

(7) Appeal of the administrative act issued by the Commission referred to in Paragraphs one, three, and four of this Section shall not suspend its enforcement.

[*4 October 2007; 14 September 2017; 21 June 2018*]

**Division G**

**Exchange of Information and Cooperation**

[*21 June 2018*]

**Section 143. Exchange of Information and Cooperation with Supervisory Authorities of Other Member States to Ensure Supervision over the Provision of Investment Services**

(1) The Commission shall be responsible for the cooperation and exchange of information with the supervisory authorities of other Member States which have been recognised as a contact person in exchange of information to fulfil the obligations specified in this Law and Regulation No 600/2014, including supervisory activities or examination, and to ensure recovery of a fine. The Commission may exercise its authority for cooperation objectives also if the activities investigated thereby are not a violation of the legal norms in force in the relevant Member State.

(2) On the basis of a relevant motivated request, the Commission shall provide the supervisory authorities of other Member States with information on members of the board and council (if such has been established) and the owners of those investment brokerage companies which provide investment services in the territory of the relevant Member States or which have close relations to any licensed investment brokerage companies or yet-to-be-licensed investment brokerage companies in Member States.

(3) The Commission shall notify the supervisory authority of the relevant Member State of sanctions and restrictions on activities it has imposed on such investment brokerage companies registered in the Republic of Latvia which provide investment services in the territory of the relevant Member State.

(4) If the Commission has at its disposal information that a commercial company which is not subject to its supervision carries out activities in another Member State which are in contradiction with the legal acts of this Member State in the field of financial instrument market, the Commission shall inform the supervisory authority of the relevant Member State and the European Securities and Markets Authority.

(5) The Commission shall, in accordance with the requirements of Article 15 of Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (hereinafter – Regulation No 1287/2006), exchange information with the supervisory authority of another Member State which has been recognised a contact person in exchange of information for the objectives referred to in this Section.

(6) The Commission has the right to indicate that the information referred to in this Section may be disclosed to third parties to which it is necessary for the performance of the functions laid down in the law only with a prior written consent of the Commission.

(7) The Commission shall inform the European Securities and Markets Authority of the supervisory activities within the scope the following has been performed:

1) any requests to reduce the amount or risk of a position in accordance with Section 138, Paragraph one, Clause 15 of this Law;

2) any restrictions on the ability of person to conclude transactions regarding commodity derivatives in accordance with Section 138, Paragraph one, Clause 16 of this Law.

(8) The description of the request made in accordance with Section 138, Paragraph one, Clause 10 of this Law shall be indicated in the information referred to in Paragraph seven of this Section, including the identity of the persons to whom the request was addressed, and its grounds, and also the scope of such restrictions which have been specified in accordance with Section 138, Paragraph one, Clause 16 of this Law, including information on the relevant person, the financial instruments applicable thereto, any restrictions in relation to to the amount of such positions which may be held by the person for the whole period, and also any exceptions related thereto and granted in accordance with Section 133.14 of this Law and the relevant reasons.

(9) The Commission shall send the information referred to in Paragraph seven of this Section not later than within 24 hours before taking the planned supervisory activity. The abovementioned condition need not be conformed to if there are objective reasons for it.

(10) If the activities referred to in Paragraph seven of this Section apply to retail energy products, the Commission shall also send information to the Agency for the Cooperation of Energy Regulators which has been founded in accordance with Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.

(11) In relation to emission allowances, the Commission shall cooperate with State institutions competent for the oversight of spot and auction markets and competent authorities, registry administrators and other State institutions charged with the supervision of compliance in the field of emission allowance trading in order to ensure consolidated information on emission allowances markets.

(12) In relation to agricultural commodity derivatives, the Commission shall cooperate with State institutions competent for the oversight, administration and regulation of physical agricultural markets and shall provide information to them in accordance with Regulation No 1308/2013.

(13) If activities of a trading venue registered in another Member State in the Republic of Latvia in accordance with the criteria laid down in Article 16 of the European Commission Regulation No 1287/2006 become substantially important for the operation of the financial instrument market and protection of investors, the Commission shall agree with the supervisory authority of the relevant Member State on the commensurate cooperation methods.

(14) The criteria by which the activities of a trading venue in a host Member State might be deemed activities which are of substantial importance for the operation of the financial instrument market and protection of investors in the relevant host Member State shall be determined by Regulation No 2017/565.

(15) The sample forms, templates, and procedures necessary for the exchange of the information referred to in Paragraph thirteen of this Section shall be determined by Commission Implementing Regulation (EU) 2017/988 of 6 June 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for cooperation arrangements in respect of a trading venue whose operations are of substantial importance in a host Member State.

(16) The sample forms, templates, and procedures necessary for the exchange of the information referred to in this Section shall be determined by Regulation No 2017/980.

[*21 June 2018; 20 June 2019*]

**Section 144. Exchange of Information with Supervisory Authorities of Member States to Ensure Supervision of the Prohibition against the Use of Inside Information and Market Manipulations**

(1) The Commission shall co-operate with supervisory authorities of Member States in supervision of the prohibition against the use of inside information and market manipulations in accordance with the provisions of Regulation No 596/2014.

(2) If the Commission does not have information at its disposal which has been requested by the supervisory authority of the Member State, on the basis of a motivated request, and which is necessary thereto in order to perform its duties of supervision of the prohibition against the use of inside information and market manipulation, the Commission shall carry out activities within its competence in order to obtain the information requested.

(3) If it is impossible for the Commission to obtain the information requested by the supervisory authority of a Member State, the Commission shall notify the relevant Member State supervisory authority thereof, specifying the reasons due to which it cannot provide the requested information.

[*26 May 2016*]

**Section 144.1 Exchange of Information with Supervisory Authorities of Member States for the Purpose of Ensuring Admission of an Offer of Securities to the Public and Financial Instruments to Trading on a Regulated Market**

[12 December 2019]

**Section 144.2 Exchange of Information with Supervisory Authorities of Member States to Ensure Supervision over the Share Buy-back Offers**

(1) The Commission shall be responsible for the exchange of information with the supervisory authorities of other Member States the purpose of which is to ensure supervision of the course of share buy-back offers in the territory of all Member States.

(2) The Commission shall, on the basis of a relevant motivated requests, provide information and documents to the supervisory authorities of the Member States regarding share buy-back offer, shareholders of a target company, transactions with the shares of the target company, and other information which is necessary for the supervisory authorities of the Member States for ensuring supervision of share buy-back offers or for the investigation of potential violations related to share buy-back offers.

[*15 June 2006*]

**Section 144.3 Exchange of Information with Supervisory Authorities of Member States to Ensure Disclosure of the Regulated Information**

(1) The Commission is responsible for co-operation with competent authorities of Member States in order to ensure fulfilment of the duties and exercising of powers laid down for it in Section 54 of this Law, and also in Division D, Chapters III, IV, and VI of this Law.

(2) The Commission shall, on the basis of a relevant motivated request, provide information to the competent authorities of Member States necessary for the performance of their functions.

[*29 March 2007; 21 September 2017*]

**Section 144.4 Exchange of Information with Supervisory Authorities of other Member States on Transactions with Financial Instruments**

[21 June 2018]

**Section 145. Exchange of Information with Foreign Supervisory Authorities**

(1) The Commission is entitled to enter into agreements with foreign supervisory authorities for the exchange of information for the performance of supervisory functions, and also to accede to the agreement of International Organization of Securities Commissions for the exchange of information.

(11) The Commission is entitled to enter into an agreement for the exchange of information with foreign authorities, institutions, or other legal persons which:

1) supervises credit institutions, other financial institutions, insurance companies, and financial markets;

2) are responsible for the liquidation, bankruptcy, and other similar procedures of investment brokerage companies;

3) when performing supervisory functions, auditing investment brokerage companies and other financial institutions, credit institutions and insurance companies or which manage compensation schemes;

4) are responsible for the supervision of such bodies which are involved in the liquidation, bankruptcy, and other similar procedures of investment brokerage companies;

5) are responsible for the supervision of such persons who are carrying out auditing of investment brokerage companies, insurance companies, credit institutions, and other financial institutions;

6) are responsible for the supervision of such persons which are operating on emission allowances markets;

7) are responsible for the supervision of such persons which are operating on the markets of agricultural commodity derivatives.

(2) In order to verify the veracity of such information on a credit institution, investment brokerage company, another financial institution, financial holding company, mixed-activity company registered in a foreign country or on the subsidiary of the credit institution, investment brokerage company, financial holding company or mixed-holding company which the Commission has received during the performance of supervision on the basis of consolidated financial statements, the Commission is entitled to send a request to the supervisory authority of the relevant foreign country for the performance of internal control at the relevant company.

(3) The Commission is entitled to enter into information exchange agreements with the authorities and institutions referred to in Paragraph one and 1.1 of this Section, if the legal acts of the relevant foreign country provide for such liability which is equivalent to the liability laid down in the laws and regulations of the Republic of Latvia for unauthorised disclosure of restricted access information. Such information shall only be used to supervise the participants of the financial and capital market or the functions laid down in the law for the relevant institution. The relevant foreign institutions are entitled to disclose the received information only with a written consent of the Commission and only for the purposes for which such consent was given.

[*9 June 2005; 4 October 2007; 21 June 2018*]

**Section 146. Restricted Access Information**

(1) Information received by the Commission from a Member State supervisory authority or a foreign supervisory authority for the performance of supervisory functions, and also the information specified in Section 20 of the Law on the Financial and Capital Market Commission shall be considered to be restricted access information.

(2) The information referred to in Paragraph one of this Section may be disclosed to third parties for whom it is necessary to perform their functions as laid down in the law only with a prior written consent of the relevant Member State supervisory authority or foreign supervisory authority, and only for the purposes for which the relevant supervisory authority has agreed to disclose such information.

(3) The Commission is entitled to use restricted access information it has received from a Member State supervisory authority or foreign supervisory authority in the performance of its functions:

1) in order to verify information provided by investment brokerage companies for the purpose of obtaining a licence for the provision of investment services;

2) in order to verify the conformity of the activities of the credit institution or investment brokerage company with the requirements of the law;

3) in order to apply the liability laid down in the law for violations of this Law;

4) during court proceedings wherein the administrative acts issued by the Commission or its actual actions are being contested;

5) in order to supervise activity of the financial instrument trading venue.

(4) The provisions of this Section shall not restrict the right of the Commission to provide restricted access information to:

1) the authorities in a Member State or foreign countries which are responsible for the supervision of credit institutions, insurers, other financial institutions, and financial markets;

2) the authorities or persons responsible for bankruptcy and liquidation proceedings at investment brokerage companies in the Republic of Latvia, Member States, or foreign countries;

3) persons who carry out internal control and auditing as laid down in the law at investment brokerage companies or other financial institutions in the Republic of Latvia, Member States, or foreign countries by performing the supervisory functions of finance and capital market;

4) bodies administering investment and deposit compensation schemes, if such information is necessary thereto for the performance of their functions;

5) State institutions or structures which have an obligation to supervise the financial stability in Member States through the macroprudential regulation;

6) reorganisation structures or State institutions of Member States whose objective is to carry out reorganisation, and also to protect financial stability in accordance with laws and regulations;

7) contractual or institutional systems for client protection of Member States.

(5) The provisions of this Section do not prohibit the Commission from providing restricted access information to the European Securities and Markets Authority, the European Systematic Risk Board, the European Banking Authority, the European Insurance and Occupational Pensions Authority, Latvijas Banka, central banks of Member States, and other institutions responsible for the supervision of payment, clearing and settlement systems if such information is required by these institutions for the performance of their functions laid down in the law, and also from publishing results of the stress testing carried out according to the requirements of supervisory authorities.

(6) The provisions of this Section do not prohibit the Commission from handing over restricted access information to a regulated market operator, the central securities depository, and authorities ensuring the clearing and settlement of transactions with financial instruments in Member States, if the Commission considers that the handing over of such information is necessary to ensure appropriate action by these institutions where participants in an account fail to fulfil their obligations or there are reasonable grounds for concluding that they will not fulfil their obligations.

(7) The provisions of this Section do not prohibit the Commission to publish information on sanctions which have been imposed on persons while supervising conformity with the requirements of Articles 4, 5, 7, 8, 9, 10, and 11 of Regulation No 648/2014, unless disclosure of such information would seriously jeopardise the financial and capital market or cause incommensurate damage to the persons involved.

[*4 October 2007; 22 March 2012; 8 November 2012; 24 April 2014; 14 September 2017; 21 June 2018*]

**Section 147. Obligation of the Commission to Provide Information to the European Commission, the European Securities and Markets Authority, and the European Banking Authority**

(1) The Commission shall notify the European Commission of:

1) any issue of a licence for the provision of investment services and ancillary investment services to an investment brokerage company which is a subsidiary of a company registered in a foreign country;

2) cases where an investment brokerage company registered in the Republic of Latvia becomes a subsidiary of a company registered in a foreign country by acquiring a qualifying holding;

3) share buy-back offers which are made for target companies the shares of which are put on public circulation in Latvia.

(2) In the cases referred to in Paragraph one, Clauses 1 and 2 of this Section, the Commission shall send to the European Commission any information also on the structure of such group which includes the relevant investment brokerage company.

(3) The Commission shall inform the European Commission, and also other Member States of those financial statements for interim periods which a capital company the shares of which are admitted to trading on a regulated market prepares and disseminates in accordance with the procedures laid down in this Law, and of application of the requirements of Section 62, Paragraph four of this Law.

(4) The Commission shall notify the European Commission and the European Securities and Markets Authority of:

1) the cases referred to in Section 64.3, Paragraph three of this Law;

2) the activities which have been carried out thereby in accordance with Section 40.1, Paragraph two and Section 140, Paragraphs two and five of this Law;

3) the cases when it, in accordance with that laid down in Section 63, Paragraph one of this Law, recognises as equivalent such information which an issuer, the registered address of which is in a foreign country, provides in accordance with the requirements of the legal acts of his or her country;

4) any general difficulties in providing investment services or commencing the provision of investment services in foreign country faced by investment brokerage companies which have received the licence for the provision of investment services or ancillary investment services from the Commission.

(5) The Commission shall notify the European Securities and Markets Authority of:

1) issuing a licence for an investment brokerage company for the provision of investment services or ancillary investment services in the Republic of Latvia, indicating such type of investment service or ancillary investment service for the provision of which the investment brokerage company has received a licence, and also regarding cancellation of the licence or change of the investment services and ancillary investment services laid down in the licence;

2) contracts on exchange of information which the Commission has entered into with the supervisory authorities of foreign financial instruments markets, other authorities or legal persons;

3) restrictive measures and sanctions which the Commission has imposed on market participants for violations of the norms of this Law. If the Commission publishes information on a restrictive measure or sanction imposed on a market participant, it shall, without delay, inform the European Securities and Markets Authority thereof. Once a year the Commission shall send a summary to this authority on all restrictive measures and sanctions imposed on market participants within a year;

4) any other facts which are necessary for the European Securities and Markets Authority for the fulfilment of the obligations.

(6) The Commission has the right to inform the European Securities and Markets Authority of the cases when the supervisory authority of another Member State fails to provide information after motivated request of the Commission or does not provide information within a relevant (reasonable) time period, or, regardless of the request of the Commission, refuses the possibility for the Commission to carry out examination in the territory of such Member State or for the authorised representatives of the Commission to participate in examination, or fails to reply to such request within a relevant (reasonable) time period.

(7) The Commission shall inform the European Banking Authority of any decisions taken with regard to the violations referred to in Section 148, Paragraph fifteen of this Law and the course of appeal procedure thereof.

(8) The Commission shall inform the European Commission, the European Banking Authority, and the European Securities and Markets Authority of any laws and regulations governing establishment and activities of investment brokerage companies in the Republic of Latvia.

[*22 March 2012; 24 April 2014; 21 June 2018; 12 December 2019*]

**Division G1**

**Registration and Supervision of External Credit Assessment Institutions (Rating Agencies)**

[*13 January 2011*]

**Section 147.1 Rights and Obligations of the Commission**

(1) [8 November 2012]

(2) The Commission shall supervise the use of credit ratings by the subjects referred to in Article 4(1) of the Regulation No 1060/2009 which use credit ratings for regulatory purposes in accordance with this Regulation, and also in accordance with the provisions of the Financial Instrument Market Law.

(3) An External Credit Assessment Institution (rating agency) shall be regarded as a participant to the financial and capital market within the meaning of the Law on Financial and Capital Market Commission, and the norms of the Law on the Financial and Capital Market Commission governing the activities of the participants to the financial and capital market shall apply to it. The regulatory provisions of the Commission issued in accordance with this Law and Regulation No 1060/2009 shall be binding to an External Credit Assessment Institution (rating agency).

[*8 November 2012*]

**Section 147.2 Issuing and Appeal of Administrative Acts of the Commission**

(1) The Commission shall issue administrative acts in accordance with Section 4, Paragraph one of this Law in the cases laid down in the law and in Regulation No 1060/2009.

(2) An administrative act issued in accordance with Paragraph one of this Law may be appealed in accordance with the procedures laid down in Section 4, Paragraph two of this Law.

**Section 147.3 Payments for Funding the Activities of the Commission**

(1) The Commission shall receive funding for the registration and supervision of External Credit Assessment Institutions (rating agencies) to the extent and in accordance with the procedures laid down in Regulation No 1060/2009.

(2) An investment brokerage company shall pay the Commission for funding its activities an amount of up to 1 per cent of the quarterly average gross income from transactions of an investment brokerage company but not less than EUR 2845 per year.

(3) A regulated market operator shall pay the Commission for funding its activities an amount of up to 2 per cent of the quarterly average gross income from transactions thereof but not less than EUR 7114 per year.

(4) The central securities depository shall pay the Commission for funding its activities an amount of up to 2 per cent (inclusive) of the quarterly average gross income from transactions of the central securities depository but not less than EUR 7114 per year.

(5) The Commission shall issue regulatory provisions for the procedures for calculating the payments referred to in Paragraphs two, three, and four of this Section and the submission of reports.

(6) The payments referred to in Paragraphs two, three, and four of this Section shall be made by the thirtieth day of the month following the relevant quarter.

(7) If the payments referred to in Paragraphs two, three, and four of this Section are transferred with delay or not in full amount, late payment charge in the amount of 0.05 per cent of the unpaid amount shall be calculated for each delayed day.

(8) The payments referred to in this Section shall be transferred to the account of the Commission in Latvijas Banka.

[*24 April 2014; 14 September 2017*]

**Division G2**

**Supervision of the Requirements of Law and Regulations**

[*8 November 2012; 21 June 2018*]

**Section 147.4 Rights of the Commission in the Supervision of Transactions with Short Selling and Credit Default Swaps**

While supervising conformity with the requirements of Regulation No 236/2012, the Commission has the following rights in addition to the rights laid down in the Law on the Financial and Capital Market Commission:

1) to request a person to cease any activities which are in contradiction with the requirements of Regulation No 236/2012;

2) to request from credit institutions and investment brokerage companies that assets are frozen or sequestrated in respect of a person who is carrying out activities which are in contradiction with the requirements of Regulation No 236/2012.

[*21 June 2018*]

**Section 147.5 Rights of the Commission in Supervision of the Requirements of Regulation No 2016/1011**

While supervising the execution of the requirements of Regulation No 2016/1011, the Commission has the right, in addition to the rights specified in the Law on the Financial and Capital Market Commission, to implement one or several supervisory activities and examination referred to in Article 41(1) of Regulation No 2016/1011 directly or in cooperation with other institutions.

[*21 June 2018*]

**Division G3**

**Reporting on Potential and Actual Violations**

[*12 December 2019*]

**Section 147.6 Potential and Actual Violations**

(1) The financial instrument market participants referred to in Section 147.7, Paragraph one of this Law shall ensure the receipt and examination of reports on the following potential and actual violations:

1) in provision of data reporting services;

2) in provision of investment services and ancillary investment services;

3) in operation of a regulated market operator;

4) for the violations of the requirements laid down in Chapter XII.4 of this Law;

5) for the violations of Regulation No 575/2013;

6) for the violations of Regulation No 596/2014;

7) for the violations of Regulation No 600/2014;

8) for the violations of Regulation No 909/2014;

9) for the violations of Regulation No 1286/2014;

10) for the violations of Articles 4 and 15 of Regulation No 2015/2365;

11) for other violations of this Law.

(2) The Commission shall establish and maintain a safe reporting system on potential and actual violations referred to in Paragraph one of this Section regarding which any person may report to the Commission.

(3) The procedures by which reports on the violations referred to in Paragraph one of this Section are submitted to the Commission, and also received and examined thereby shall be determined by the regulatory provisions of the Commission.

[*12 December 2019*]

**Section 147.7 Internal Reporting Line of Financial Instrument Market Participants**

(1) A credit institution and a branch of a foreign credit institution, an investment brokerage company and a branch of a foreign investment brokerage company, the central securities depository, a regulated market operator, and a data reporting services provider shall, according to the field of their operation, develop a procedure by which an independent and dedicated internal line for reporting on violations is established, ensuring that employees of a financial instrument market participant may report on the violations referred to in Section 147.6, Paragraph one of this Law.

(2) The procedure developed by the financial instrument market participants referred to in Paragraph one of this Section in relation to the establishment of an internal line for reporting on violations shall ensure conformity with the requirements laid down in Section 147.8 of this Law.

[*12 December 2019*]

**Section 147.8 Protection of Persons**

(1) In accordance with the laws and regulations regarding personal data protection, the system established by the Commission for reporting on violations shall ensure personal data protection of such person who is reporting on the violation, and also personal data protection of such natural person regarding whom there are suspicions that he or she has committed the violation.

(2) The Commission shall ensure confidentiality for the person who is reporting on the violation, and also for the person regarding whom there are suspicions that he or she has committed the violation, except for the case when disclosure of such information is provided for by the laws and regulations of the Republic of Latvia.

(3) Reporting which, in accordance with Section 147.6, Paragraph one and Section 147.7 of this Law, is done by employees of a credit institution and a branch of a foreign credit institution, an investment brokerage company and a branch of a foreign investment brokerage company, the central securities depository, a regulated market operator, and a data reporting services provider shall not be considered as a violation of the prohibition of disclosure of information specified in an employment contract or another contract equivalent thereto, or in any law or regulation, and the person may not be held liable for such reporting.

(4) An employee of a credit institution and a branch of a foreign credit institution, an investment brokerage company and a branch of a foreign investment brokerage company, the central securities depository, a regulated market operator, and a data reporting services provider who is reporting on the violations referred to in Section 147.6, Paragraph one of this Law in the operation of his or her employer may not be subject to discriminatory or other unjust actions due to the report provided.

[*12 December 2019*]

**Section 147.9 Elimination of a Violation of the Prohibition to Cause Adverse Consequences**

If the prohibition specified in Section 147.8, Paragraph four of this Law is not conformed to and adverse consequences are caused to a person due to the information provided thereby on the violations referred to in Section 147.6, Paragraph one of this Law, such adverse consequences shall be eliminated in accordance with that specified in the relevant laws and regulations.

[*12 December 2019*]

**Division H**

**Liability for Violations of the Laws and Regulations Governing Financial Instrument Market**

[*9 June 2005*]

**Section 148. Liability**

(1) In accordance with Article 38 of Regulation No 2017/1129, for the violations specified in Article 38(1)(a) of the Regulation, the Commission is entitled to impose the following sanctions and supervisory measures:

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

2) to request that the person who is responsible for the violation ceases the relevant activity without delay and refrains from repeating such activity henceforth;

3) to impose a fine of up to double amount of the income gained as a result of the violation or potential losses avoided if the profit gained as a result of the violation or potential losses avoided can be determined;

4) to impose a fine on a legal person of up to EUR 5 000 000 or up to three per cent of the total annual turnover according to the last available audited annual statement of the abovementioned legal person. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the relevant legal acts of the home Member State, the total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant legal acts of the home Member State in the field of accounting, taking into account the last available consolidated financial statement which has been approved by the main management body of the parent undertaking;

5) to impose a fine of up to EUR 700 000 on a natural person.

(2) The Commission has the right to issue a warning or impose a fine of up to EUR 14 200 on an issuer or person seeking admission of financial instruments to trading on a regulated market for dissemination of false or misleading regulated information.

(3) [26 May 2016 / See Paragraph 55 of Transitional Provisions]

(4) If a person who has an obligation to make a mandatory share buy-back offer in accordance with the provisions of Section 66 of this Law fails to make it in accordance with specific procedures, the Commission has the right to impose a fine of up to EUR 700 000 on the person.

(5) The Commission has the right to issue a warning or impose a fine of up to EUR 14 200 on the person who violated this Law and the laws and regulations issued in accordance with it.

(6) [8 November 2012]

(7) [26 May 2016 / See Paragraph 55 of Transitional Provisions]

(71) The Commission has the right to issue a warning or impose a fine of up to EUR 14 200 on an issuer for failing to prepare a notification on corporate governance in accordance with the requirements of Section 56.2 of this Law or failing to publish it in accordance with the procedures laid down in Section 56.2 of this Law.

(8) For the violations of the provisions of this Law governing the operation of an investment brokerage company, a credit institution, a regulated market operator, a data reporting services provider, a branch of a foreign investment brokerage company, and also of the provisions of Chapter XII.4 of this Law, Regulation No 600/2014, and the regulatory provisions issued and decisions taken by the Commission, the Commission has the right:

1) to issue a warning;

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

3) to request that the natural or legal person who is responsible for the violation ceases the relevant activity without delay;

4) to impose a temporary prohibition on a member of the board or council of an investment brokerage company, a credit institution, a regulated market operator, a data reporting service provider or another natural person responsible for the violation to fulfil the duties specified for him or her;

5) to impose a temporary prohibition of activity on a member or employee of a regulated market or MT facility or a client of the OT facility;

6) to impose a fine on a legal person of up to EUR 5 000 000 or up to 10 per cent from the total turnover of the previous financial year according to the approved annual statement of the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover of the previous financial year or of the income of corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

7) to impose a fine of up to EUR 5 000 000 on the official, employee, or person who at the time of committing the violation is responsible for carrying out a certain activity on behalf or in the interests of the investment brokerage company or credit institution;

8) to impose a fine on the persons referred to in Clauses 6 and 7 of this Paragraph of up to double amount of the income gained as a result of the violation or potential losses avoided.

(81) The Commission is entitled to impose the sanctions provided for in Paragraph eight of this Section also if:

1) investment services, activity of the regulated market operator, and data reporting services are provided or the activity specified in Chapter XII.4 of this Law is performed without the relevant licence or permit;

2) the supervisory activities specified in Section 138, Paragraph one of this Law applied by the Commission are not being conformed to.

(9) [21 June 2018]

(10) For the failure to comply with the requirements of Division G.1of this Law, the Commission has the right to issue a warning or impose a fine from EUR 1400 to EUR 142 300 on the person who has violated laws and regulations.

(11) The Commission is entitled to impose a fine from EUR 1440 to EUR 14 200, if a person has acquired or increased major holding in a regulated market operator or an investment brokerage company prior to submitting the notification referred to in Section 9, Paragraph one or two of this Law or during its examination.

(12) [24 April 2014]

(13) If a participant to the financial instrument market or another person referred to in Section 4.1, Paragraphs three and four of this Law fails to meet the requirements of Section 4.1 of this Law, the Commission has the right to issue a warning or impose a fine of up to EUR 14 200 on such person.

(14) If a participant of a financial instrument market or any other person bound by the directly applicable legal acts issued by the European Union authorities in the field of the financial instrument market (unless it has been laid down otherwise in this Law) fails to conform to them, the Commission has the right to issue a warning or impose a fine on the relevant person. The fine imposed on legal persons shall not exceed EUR 142 300, but on natural persons – EUR 57 000.

(15) If an investment brokerage company does not comply with the requirements laid down in Section 122.2 and Section 124, Paragraph one, Clause 11 of this Law, Section 35.26, 35.27, or 35.28 of the Credit Institution Law or Article 28, 52, or 63 of Regulation No 575/2013 with regard to the payments to holders of instruments included in own funds, the requirements of Article 99(1), 101, 394(1), 395, 405, 415(1) and (2), 430(1), 431(1), (2), and (3), or 451(1) of Regulation No 575/2013, systematically or permanently does not conform to the requirements of Article 412 of Regulation No 575/2013, or also a member of the board or council of an investment brokerage company does not meet the requirements of Section 106.1 of this Law, the Commission is entitled:

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

2) to request that an investment brokerage company or the person who is responsible for the violation immediately ceases the relevant practice;

3) to impose a temporary prohibition on a member of the board or council of an investment brokerage company or on another natural person who is responsible for the violation to fulfil the duties specified for him or her duties in the investment brokerage company;

4) to impose a fine on a legal person in the amount of up to 10 per cent of the net income from the previous financial year that conforms to the amount which, in accordance with Regulation No 575/2013, is used to calculate the own funds requirements for operational risk according to the basic indicator approach. If 10 per cent of the net income from the previous financial year which have been calculated in accordance with the first sentence of this Clause are less than EUR 142 300, the Commission is entitled to impose a fine not exceeding EUR 142 300. If a legal person is a subsidiary of a parent undertaking, the net income from the previous financial year shall conform to the amount which, in accordance with Regulation No 575/2013, is used to calculate the own funds requirements for operational risk according to the basic indicator approach on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

5) to impose a fine of up to EUR 5 000 000 on the natural person who is responsible for the violation;

6) to impose a fine of up to double amount of the income gained as a result of the violation or potential losses avoided.

(151) The Commission shall impose the sanctions specified in the Law on the Prevention of Money Laundering and Terrorism Financing for violations of the laws and regulations in the field of the prevention of money laundering and terrorism financing.

(16) If a person has not complied with the requirements of Sections 54, 56, 56.3, 56.4, 57, 57.2, 57.3 or Chapter IV of this Law or has not fulfilled the duty imposed thereon and has not notified, according to specific procedures, of acquiring or losing major holding in a joint stock company in accordance with the requirements of Section 61 of this Law, the Commission is entitled to impose one or several of the following sanctions:

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

2) to request that the natural or legal person who is responsible for the violation discontinues the relevant activity without delay;

3) to impose a fine of the highest amount on the legal person:

a) up to EUR 10 000 000 or up to five per cent of the total turnover of the previous financial year according to the approved annual statement of the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover of the previous financial year or of the income of corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

b) up to double amount of the income gained or potential losses avoided by the person the income obtained as a result of violation or potential losses prevented can be determined;

4) to impose a fine of the largest amount on the natural person:

a) up to EUR 2 000 000;

b) up to double amount of the income obtained or potential losses prevented by the person if the income obtained as a result of violation or potential losses prevented can be determined.

(17) If the person has not complied with the requirements of Articles 14, 15, Article 16(1) or (2), Article 17 (1), (2), (4), (5), or (8), Article 18(1), (2), (3), (4), (5), or (6), Article 19(1), (2), (3), (5), (6), (7), or (11), or Article 20(1) of Regulation No 596/2014, the Commission is entitled to impose one or several of the following sanctions or supervisory measures:

1) to request that the natural or legal person who is responsible for the violation discontinues the relevant activity without delay;

2) to impose an obligation to reimburse the income obtained as a result of the violation or potential losses prevented if they can be determined;

3) to name in a public notice the natural or legal person who is responsible for the violation and the nature of the violation;

4) to temporarily suspend or cancel the licence issued to the investment brokerage company for the provision of investment services and ancillary investment services or to prohibit a credit institution to provide investment services and ancillary investment services;

5) to impose a temporary prohibition on a member of the board or council of an investment brokerage company or credit institution, or on another natural person who is responsible for the violation to fulfil the duties specified for him or her in the investment brokerage company or credit institution;

6) to remove a member of the board or council of an investment brokerage company or credit institution from the office or to prohibit another natural person who is responsible for the violation to fulfil the duties specified for him or her in the investment brokerage company, if the abovementioned persons have repeatedly violated the requirements of Article 14 or 15 of Regulation No 596/2014;

7) to impose a temporary prohibition on a member of the board or council of an investment brokerage company or credit institution or on another natural person who is responsible for the violation to make transactions on its behalf;

8) to impose a fine of up to triple amount of the income gained or potential losses avoided as a result of the violation if the income gained as a result of the violation or potential losses avoided can be determined;

9) to impose a fine on a natural person for the following in relation to Regulation No 596/2014:

a) violations of the requirements of Article 14 or 15, up to EUR 5 000 000;

b) violations of the requirements of Article 16 or 17, up to EUR 1 000 000;

c) violations of the requirements of Article 18, 19, or 20, up to EUR 500 000;

10) to impose a fine on a legal person for the following in relation to Regulation No 596/2014:

a) violations of the requirements of Article 14 or 15 in the amount of up to EUR 15 000 000 or up to 15 per cent of the total turnover of the previous financial year according to the approved annual statement of the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover of the previous financial year or of the income of corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

b) violations of the requirements of Article 16 or 17, up to EUR 2 500 000 or up to two per cent of the total turnover of the previous financial year according to the approved annual statement of the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover of the previous financial year or of the income of corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

c) violations of the requirements of Article 18, 19, or 20, up to EUR 1 000 000.

(18) If the person has not complied with the requirements of Section 55.2, 55.3, 55.5, 55.6, 55.7, 55.8, or 55.11 of this Law, the Commission is entitled to impose one or several of the following sanctions or supervisory measures:

1) issue a warning;

2) publish a public notice on the website of the Commission indicating the person who is responsible for the violation and the nature of such violation;

3) require that the person who is responsible for the violation immediately ceases the relevant activities;

4) impose a temporary prohibition on a member of the council or board of the capital company who is responsible for the relevant violation to fulfil the duties specified for him or her in the capital company for a period of up to three years;

5) impose on the capital company a fine of up to 10 per cent of the net turnover amount of the previous reporting year. If 10 per cent of the net turnover amount of the previous reporting year is less than EUR 142 300, the Commission is entitled to impose a fine of up to EUR 142 300;

6) impose a fine of up to one million euros on the natural person who is responsible for the violation.

(19) The Commission is entitled to, in accordance with Article 24 of Regulation No 1286/2014, apply the following sanctions and supervisory measures for the violations of this Regulation:

1) to express a warning in which the responsible person and the nature of the violation are indicated;

2) to prohibit the distribution of packaged private investment products;

3) to impose the obligation to temporarily suspend the distribution of packaged private investment products;

4) to prohibit the provision of a key information document which does not conform to the requirements of Article 6, 7, 8, or 10 of Regulation No 1286/2014, and to give an order to publish a new key information document conforming to this Regulation;

5) impose a fine on a legal person of up to EUR 5 000 000 or up to three per cent from the total annual turnover according to the last available audited annual statement of the respective legal person. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the relevant legal acts of the home Member State, the relevant total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant legal acts of the home Member State in the field of accounting taking into account the last available consolidated financial statement which has been approved by the main management body of the parent undertaking;

6) to impose a fine of up to EUR 700 000 on the natural person who is responsible for the violation;

7) as an alternative to that laid down in Clause 5 or 6 of this Paragraph to impose a fine of up to double amount of the income gained as result of the violation or of the prevented possible loss;

8) to impose on the person who is the creator of a packaged private investment product or provides consultations thereon, or sells it the obligation to inform its retail client whose rights and interests have been infringed of the sanction or supervisory measure imposed and also of where the client may submit a complaint or where he or she can go in order to initiate extrajudicial settlement of disputes, and also of his or her rights to bring a claim to a court.

(20) The Commission is entitled, in accordance with Article 63 of Regulation No 909/2014, to impose the following sanctions and supervisory measures for the violations referred to in Article 63(1) of the Regulation:

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

2) to request that the central securities depository or the person who is responsible for the violation ceases the relevant activity without delay and refrains from repeating such activity henceforth;

3) to impose a temporary prohibition or, for repeated substantial violations, a permanent prohibition on a member of the board or council of the central securities depository or on another natural person who is responsible for the violation to fulfil the duties specified for him or her in the central securities depository;

4) to cancel permits granted in accordance with Article 16 or 54 of Regulation No 909/2014;

5) impose a fine on a legal person of up to EUR 20 000 000 or up to 10 per cent from the total annual turnover according to the last available audited annual statement of the respective legal person. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the relevant legal acts of the home Member State, the relevant total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant legal acts of the home Member State in the field of accounting taking into account the last available consolidated financial statement which has been approved by the main management body of the parent undertaking;

6) to impose a fine of up to EUR 5 000 000 on the natural person who is responsible for the violation;

7) as an alternative to that laid down in Clause 5 or 6 of this Paragraph to impose a fine of up to double amount of the income gained or potential losses avoided as a result of the violation.

(21) The Commission is entitled, in accordance with Article 22 of Regulation No 2015/2365, to impose the following sanctions and supervisory measures for the violations referred to in Articles 4 and 15 of the Regulation:

1) to request that the person who is responsible for the violation ceases the relevant activity without delay and refrains from repeating such activity henceforth;

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

3) to temporarily suspend or cancel the licence for the person who is responsible for the violation;

4) to impose a temporary prohibition on the member of the board of the person who is responsible for the violation or on another natural person who is responsible for the violation to fulfil the duties specified for him or her;

5) to impose a fine of up to EUR 5 000 000 on the natural person who is responsible for the violation;

6) to impose the following on the legal person who is responsible for the violation:

a) for the violations of Article 4 of Regulation No 2015/2365 – a fine of up to EUR 5 000 000 or up to 10 per cent from the total annual turnover according to the last available audited annual statement of the abovementioned legal person. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the relevant legal acts of the home Member State, the relevant total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant legal acts of the home Member State in the field of accounting taking into account the last available consolidated financial statement which has been approved by the main management body of the parent undertaking;

b) violations of Article 15 of Regulation No 2015/2365 – a fine of up to EUR 15 000 000 or up to 10 per cent from the total annual turnover according to the last available audited annual statement of the abovementioned legal person. If the legal person is a parent undertaking or a subsidiary of a parent undertaking which prepares consolidated financial statements in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or consolidated financial statements in accordance with the requirements of the relevant legal acts of the home Member State, the relevant total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant legal acts of the home Member State in the field of accounting taking into account the last available consolidated financial statement which has been approved by the main management body of the parent undertaking;

7) to impose a fine of up to triple amount of the income gained or potential losses avoided as a result of the violation, even if the amount of the imposed fine exceeds the amounts referred to in Clause 5 or 6 of this Paragraph.

(22) If a person has not conformed to the requirements of Article 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 21, 23, 24, 25, 26, 27, 28, 29, or 34 of Regulation No 2016/1011, and also if a person is not cooperating or refuses to cooperate in the process of examination conducted by the Commission in accordance with Section 147.5 of this Law, the Commission is entitled to impose one or several of the following sanctions or supervisory measures:

1) to request that the administrator who is responsible for the violation within the meaning of Regulation No 2016/1011 (hereinafter in this Part – the administrator) or the supervised unit terminates the relevant activity without delay;

2) to impose a duty on the person who is responsible for the violation to reimburse the income gained or potential losses avoided as a result of the violation, if it is possible to determine them;

3) to indicate in a public notification the administrator who is responsible for the violation or the supervised unit and the nature of the violation;

4) to temporarily suspend or cancel the permit or registration granted to the administrator;

5) to impose a temporary prohibition on the natural person who is responsible for the violation to fulfil the duties specified for him or her in the administrator or the supervised data provider;

6) to impose a fine on the person who is responsible for the violation up to triple amount of the income gained or potential losses avoided as a result of the violation, if it possible to determine the income gained or potential losses avoided as a result of violation;

7) to impose a fine on a natural person for the following in relation to Regulation No 2016/1011:

a) violations of Articles 4, 5, 6, 7, 8, 9, 10, Article 11(1)(a), (b), (c), and (e), (2), and (3), Article 12, 13, 14, 15, 16, 21, 23, 24, 25, 26, 27, 28, 29, or 34, up to EUR 500 000;

b) violations of Article 11(1)(d) or (4), up to EUR 100 00;

8) to impose a fine on a legal person for the following in relation to Regulation No 2016/1011:

a) violations of Articles 4, 5, 6, 7, 8, 9, 10, Article 11(1)(a), (b), (c), and (e), (2), and (3), Article 12, 13, 14, 15, 16, 21, 23, 24, 25, 26, 27, 28, 29, or 34, up to EUR 1 000 000 or up to 10 per cent from the total turnover of the previous financial year according to the approved annual statement of the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover in the previous financial year or the income of the corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year;

b) violations of of Article 11(1)(d) or (4), up to EUR 250 00 or up to two per cent from the total turnover of the previous financial year according to the approved annual statement for the previous financial year. If the legal person is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the total turnover shall be formed by the total turnover in the previous financial year or the income of the corresponding type on the basis of the data presented by the ultimate parent undertaking in consolidated financial statements for the previous financial year.

[*29 March 2007; 4 October 2007; 22 May 2008; 13 January 2011; 22 March 2012; 8 November 2012; 19 September 2013; 24 April 2014; 26 May 2016; 15 December 2016; 21 September 2017; 14 September 2017; 26 October 2017; 21 June 2018; 12 December 2019*]

**Section 149. Collecting of Fines**

The fines collected for the violations laid down in Section 148 of this Law shall be paid into the State budget.

**Section 150. Disclosure of Sanctions and Supervisory Measures**

(1) The Commission shall publish information on sanctions and the activities referred to in Section 138 of this Law applied to persons for the violations referred to in Section 148 of this Law on its website, indicating information on the person and the violation committed thereby, and also on contesting of the administrative act issued thereby and the ruling given.

(2) If, after prior assessment, the Commission finds that the disclosure of data of such person on whom a sanction or supervisory measure has been imposed is not commensurate or the disclosure of such data can endanger the stability of the financial market, examination of the relevant administrative case, or the course of the commenced criminal proceedings, the Commission is entitled to take one of the following activities:

1) to postpone the disclosure of the information on the sanctions or supervisory measures imposed on the person until the circumstances for postponing the publication cease to exist;

2) to disclose the information referred to in Paragraph one of this Section without identifying the person if the publication ensures efficient protection of personal data;

3) not to disclose the information referred to in Paragraph one of this Section, if the activities specified in Clauses 1 and 2 of this Paragraph are considered to be insufficient to ensure the stability of the financial market and that disclosure is commensurate to the supervisory measures imposed if they are considered to be insignificant.

(21) The Commission has the right not to disclose the information referred to Paragraph one of this Section on the sanctions and supervisory measures specified in Section 148, Paragraphs seventeen, eighteen, nineteen, twenty, and twenty-one of this Law, if it finds after of prior assessment that disclosure would endanger the stability of the financial market or disclosure of such information is not commensurate with the violation committed.

(22) The Commission shall publish information on sanctions and supervisory measures imposed for the violations of Regulation No 596/2014 in accordance with the provisions of this Regulation.

(3) In the case specified in Paragraph two, Clause 2 of this Section, the disclosure of information may be postponed for a reasonable period of time, if it is expected that the basis for disclosure will cease to exist within that period without identifying the person.

(4) The information published on the website of the Commission in accordance with the procedures laid down in this Section on the violations referred to in Section 148, Paragraphs one, eight, fifteen, seventeen, eighteen, nineteen, twenty, and twenty-one of this Law shall be available for five years from the day of their publishing.

(5) The Commission shall inform the European Banking Authority of any sanctions imposed for the violations referred to in Section 148, Paragraph fifteen of this Law.

(6) The Commission shall, within five working days from the day of taking the decision, inform the Ministry of Finance of the sanctions and supervisory measures imposed for the violations referred to in Section 148, Paragraph eighteen of this Law.

(7) The Commission shall inform the European Supervisory Authority of the sanctions and supervisory measures imposed for the violations referred to in Section 148, Paragraph nineteen of this Law.

(8) The Commission shall, once a year, inform the European Securities and Markets Authority of the sanctions and supervisory measures imposed for the violations referred to in Section 148, Paragraphs twenty and twenty-one of this Law.

(9) The Commission shall inform the European Securities and Markets Authority of the sanctions and supervisory measures imposed on the persons referred to in Section 148, Paragraph eight of this Law, but not disclosed in accordance with Paragraph two, Clause 3 of this Section, including of appeal of the relevant administrative act and the result thereof, and also the sanctions and supervisory measures imposed and disclosed. The Commission shall, once a year, provide the European Securities and Markets Authority with aggregated information on all the sanctions and supervisory measures imposed on persons in accordance with Section 148, Paragraph eight of this Law.

(10) The procedure by which the information referred to in Paragraph nine of this Section shall be provided shall be determined by Commission Implementing Regulation (EU) 2017/1111 of 22 June 2017 laying down implementing technical standards with regard to procedures and forms for submitting information on sanctions and measures in accordance with Directive 2014/65/EU of the European Parliament and of the Council.

[*24 April 2014; 11 June 2015; 26 May 2016; 15 December 2016; 21 September 2017; 21 June 2018; 20 June 2019*]

**Division I**

**Special Provisions for the Renewal of Activities of an Investment Brokerage Company and Resolution, Insolvency, and Liquidation Thereof**

[*24 April 2014; 11 June 2015*]

**Section 151. Handling Funds of Clients**

(1) The liquidator or administrator of an investment brokerage company shall invite the clients of the investment brokerage company to receive the funds held by this liquidator or administrator and agree upon the procedures for the receipt thereof. The liquidator or administrator of the investment brokerage company shall send a written notification to each client, and also publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(2) Funds that are not withdrawn by the clients of an investment brokerage company shall be deposited by the liquidator or an administrator of the investment brokerage company with a credit institution registered in the Republic of Latvia and selected at his or her own discretion by concluding a written agreement. The liquidator or administrator of the investment brokerage company shall immediately send a written notification on depositing funds with credit institution to each client, and also publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(3) Fee for the custody of the funds of clients of an investment brokerage company deposited with a credit institution shall be deducted in accordance with the price list of the credit institution from the amount of funds due to the clients.

(4) If a client of an investment brokerage company has not withdrawn his or her funds within ten years from the moment the funds were deposited with a credit institution, the client shall lose the right to claim them. The funds due to the clients of the investment brokerage company and with regard to which prescription period has set in shall be transferred to the State as vacant property.

(5) Upon conclusion of a custody agreement with a credit institution, the liquidator or administrator of an investment brokerage company shall submit information to the Commission on the credit institution with which the funds have been deposited and a list of clients of the investment brokerage company, indicating identification data of each client and amount of money due to each of the clients.

(6) Upon complete expiration of liabilities of the liquidator or administrator of an investment brokerage company towards the clients of the investment brokerage company, the liquidator or administrator shall submit information to the Commission on the fact of expiration of liabilities.

**Section 152. Handling Financial Instruments of Clients**

(1) The liquidator or administrator of an investment brokerage company shall invite the clients of the investment brokerage company to receive the financial instruments held by this liquidator or administrator and agree with them on the procedures for their receipt. The liquidator or administrator of the investment brokerage company shall send a written notification to each client, and also publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(2) The financial instruments that are not withdrawn by the clients of an investment brokerage company may be transferred for holding by the liquidator or an administrator of the investment brokerage company to a credit institution registered in the Republic of Latvia and selected at his or her own discretion or another investment brokerage company by concluding a written agreement. The liquidator or administrator of the investment brokerage company shall send a written notification on the deposit of the financial instruments with a credit institution or another investment brokerage institution to each client, and also publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(3) Fee for holding the financial instruments of clients of an investment brokerage company deposited in a credit institution or an investment brokerage company shall be deducted from the clients of the investment brokerage company in accordance with a price list of the credit institution or investment brokerage company at the moment when they bring an action for receipt of financial instruments and of the value of financial instruments owned by them.

(4) If a client of an investment brokerage company has not withdrawn his or her financial instruments within ten years from the moment the financial instruments were deposited in a credit institution or another investment brokerage company, the client shall lose the right to claim them. The financial instruments due to the clients of the investment brokerage company and as regards to which prescription period has set in shall be transferred to the State as vacant property.

(5) Upon conclusion of a transfer agreement with a credit institution or another investment brokerage company, the liquidator or administrator of an investment brokerage company shall submit to the Commission information on the credit institution or investment brokerage company to which the financial instruments have been transferred for holding and the list of clients of the investment brokerage company, indicating identification data of each client and identification and number of the financial instruments due for each of the clients.

(6) The financial instruments owned by clients of an investment brokerage company for the transfer of which into holding of a credit institution or another investment brokerage company the liquidator or administrator of the investment brokerage company has not concluded an agreement may be disposed by the liquidator or administrator in a public auction. The liquidator or administrator of the investment brokerage company shall organise the auction and draw up its regulations.

(7) Upon disposal of financial instruments at an auction, the liquidator or administrator of an investment brokerage company shall invite the clients of the investment brokerage company to enter claims for the disbursement of funds in accordance with the procedures for handling the funds of clients laid down in Section 151 of this Law.

(8) After complete expiration of liabilities of the liquidator or administrator of an investment brokerage company towards clients of the investment brokerage company, the liquidator or administrator shall submit information to the Commission on the fact of expiration of liabilities.

**Section 153. Legal Framework for the Recovery of Activities and Resolution, Insolvency, and Liquidation of Investment Brokerage Companies**

(1) The provisions of this Law for the recovery of activities and resolution of an investment brokerage company shall be applicable insofar as the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies does not provide otherwise.

(2) The Commission is entitled to appoint an authorised person for an investment brokerage company in the cases laid down in the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies. The provisions of Chapter VII of the Credit Institution Law shall be applied to the appointment of the authorised person and activities thereof.

(3) The norms of the Commercial Law and the Insolvency Law governing insolvency and liquidation shall be applied to an investment brokerage company insofar as they are not in contradiction with the norms of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies.

(4) An insolvency application of the investment brokerage company shall be submitted only with the consent of the Commission.

(5) A court may initiate insolvency proceedings against the investment brokerage company in respect of which the Commission has taken the decision on further actions in accordance with the procedures laid down in the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies only on the basis of the application of the Commission.

(6) Upon receipt of the insolvency application of the investment brokerage company, the court shall inform the Commission thereof without delay regardless of whether the resolution is applied to the investment brokerage company or the decision is published in accordance with the procedures laid down in the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies.

(7) Upon fulfilling the information obligation laid down in Paragraph seven of this Section, the court may examine an insolvency application if the Commission has notified the court that it does not plan to take resolution activities in respect of the investment brokerage company, or it has not provided any reply to the court within seven days.

(8) If the Commission has, upon receipt of the information laid down in Paragraph six of this Section, notified a court that the investment brokerage company conforms to the resolution provisions and that it plans to take resolution activities in respect of the investment brokerage company, the court shall give a ruling to reject the insolvency application.

[*11 June 2015*]

**Section 154. Special Procedures for Covering the Creditors’ Claims**

(1) The funds remaining after covering the expenses of insolvency proceedings or liquidation of the investment brokerage company shall be distributed, for the satisfaction of the principal sums (without interest) of the creditors’ claims according to the following procedures:

1) disbursements to investors to whom compensation is to be disbursed in accordance with the Investor Protection Law. Disbursements shall be determined in the amount of compensation provided for in the Investor Protection Law. If the investor has received the compensation, he or she shall lose the right of claim as regards the amount received, and the relevant claim shall be treated as claims of this group. The calculation submitted by the Commission to a liquidator or administrator for the disbursements made to investors in the amount of disbursed compensations shall be regarded as the creditor’s claim that has to be satisfied as a priority before other claims of non-secured creditors;

2) after the disbursements referred to in Paragraph one, Clause 1 of this Section are covered completely – disbursements to natural persons and micro-enterprises, small and medium-sized enterprises (within the meaning of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies) above the amount disbursed in the compensation, except for disbursements for such investments which have been made using a branch of an investment brokerage company located outside the European Union.

(2) If the funds of the debtor are not sufficient to completely satisfy all the creditors’ claims referred to in Paragraph one, Clause two of this Section, the relevant claims shall be satisfied in proportion to the amount of the claim which is due to other creditor.

(3) After the disbursements referred to in Paragraph one of this Section are covered completely and creditors’ claims, other claims of non-secured creditors are covered in accordance with the procedures for covering the creditors’ claims laid down in the Insolvency Law, including claims arising from an issued debt security the initial maturity is at least one year according to the prospectus, which is not considered a derivative, which does not include a derivative, and in relation to which a lower priority has been specified in the prospectus than for such creditors’ claims which are similar to those specified in Paragraph one of this Section. An issued debt security with a variable interest rate to be determined on the basis of the base interest rate generally recognised in the financial market and an issued debt security which is not expressed in the national currency of the issuer, provided that the principal sum, sum to be repaid, and the interest rate are expressed in the same currency, shall not be considered such issued debt security in which a derived financial instrument is included only due to the indications referred to in this sentence.

(4) Creditors’ claims for funds which have been loaned by creditors to an investment brokerage company for a specific period of time under the condition that they may be requested early only in case of liquidation of the investment brokerage company shall be covered after covering of the claims specified in Paragraph three of this Section.

[*11 June 2015; 28 February 2019*]

**Transitional Provisions**

1. With the coming into force of this Law, the law On Securities (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 20; 1997, No. 14, 23; 1998, No. 22; 2000, No. 6, 13; 2001, No. 12, 23) is repealed.

2. A person who has either directly or indirectly acquired a holding in a joint stock company, the shares of which are admitted to trading on a regulated market in an amount ensuring at least 10 per cent of the number of shares with voting rights, shall submit a notification to the meeting of shareholders at which approval of the statement for the year 2003 shall be decided upon. The notification shall include all of the information referred to in Section 61, Paragraph six of this Law.

3. Within one month after the meeting of shareholders at which approval of the statement for the year 2003 was decided upon, the joint stock company the shares of which are admitted to trading on a regulated market shall publish in the official publication *Latvijas Vēstnesis* list of those persons which have either directly or indirectly acquired a holding in this joint stock company. The publication shall specify how many per cent of the number of shares with voting rights each person has acquired, and also the extent of any indirectly acquired holding by each person.

4. The meeting of shareholders of such joint stock company the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, shall, not later than until 31 December 2005, decide the issue on the admission of shares to trading on a regulated market with simple majority of the votes of participating shareholders. If, in voting on the issue regarding admission of shares to trading on a regulated market, a shareholder refrains, then it shall be regarded in such voting that the shareholder has voted against admission of shares to trading on a regulated market. If the meeting of shareholders takes the decision not to admit shares to trading on a regulated market, by counting together the votes given in favour and the votes of those shareholders who refrain from voting, the shareholders who have voted against and refrained from the voting shall make the mandatory share buy-back offer in accordance with the procedures laid down in this Law, complying with such requirements which apply to the share buy-back cases laid down in Section 66, Paragraph one, Clause 2 of this Law. If the meeting of shareholders takes the decision to admit shares to trading on a regulated market, the documents laid down in Section 48, Paragraphs one and two of this Law shall be submitted to the Commission not later than within three months counting from the day of taking of the decision. In the issue regarding admission of shares to trading on a regulated market, the meeting of shareholders shall be considered competent to take decisions regardless of the number of votes of participating shareholders. The board of the joint stock company shall be responsible for convening the meeting of shareholders.

[*9 June 2005*]

4.1 Such joint stock companies the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, and which have taken the decision to admit the shares to trading on a regulated market shall, until 31 December 2005, submit the documents laid down in Section 48, Paragraphs one and two of this Law to the Commission.

[*9 June 2005*]

4.2 For such joint stock companies the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, and which are declared to be insolvent:

1) and are under restoration process, the meeting of shareholders shall, not later than within three months after completion of the restoration, decide on the admission of shares to trading on a regulated market in accordance with the procedures laid down in Paragraph 4 of these Transitional Provisions;

2) and in respect of which bankruptcy procedure has been initiated, the Commission shall take the decision to withdraw shares from public circulation and cancel the issue certificate.

[*9 June 2005*]

4.3 If the shares of a joint stock company are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, the shareholders of such company:

1) shall submit the notification laid down in Section 61 of this Law to the Commission and joint stock company in accordance with the procedures and time period laid down in Section 61;

2) shall make the mandatory share buy-back offer in accordance with the procedures laid down in this Law in the case laid down in Paragraph one, Clause 1 of Section 66.

[*9 June 2005; 4 October 2007*]

4.4 The joint stock companies the shares of which are put into circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, and the shareholders of such companies shall be liable for violations of this Law in accordance with Section 148 of this Law.

[*9 June 2005*]

5. The shareholders who, on the day of coming into force of this Law, possess a qualifying holding in an investment brokerage company shall, within 10 days, inform the Commission thereof in accordance with the procedures laid down in this Law.

6. The provisions of Section 69, Paragraph four of this Law also apply to those restrictions on disposal of shares specified in Section 34 of the law On Joint Stock Companies if the joint stock company has not re-registered with the Commercial Register before the day of coming into force of this Law.

7. Within one month from the day of coming into force of this Law, the Central Depository shall post on its website and also publish in the newspaper *Latvijas Vēstnesis* the regulations in force which are binding to the participants of the Central Depository and ensure the performance of functions of the Central Depository laid down in this Law.

8. Investment brokerage companies which have received licence for the performance of intermediary activity from the Commission shall, within six months from the day of coming into force of this Law, re-register such licence with the Commission, specifying in the submission for re-registration what investment services and ancillary investment services they wish to provide.

9. [9 June 2005]

10. Section 22, Section 25, Paragraphs four and five, Section 28, Paragraph four, Section 36, Paragraphs three and four, Section 37, Paragraph seven, second sentence, Section 48, Paragraph three, Section 49, Section 50, Paragraphs three and seven, Section 84, Paragraph three, Section 95, Paragraphs three and four, Section 102, Paragraph four, Section 103, Paragraph four, Sections 112, 113, 140, and 141, Section 142, Paragraphs five, twelve, thirteen, and fourteen, and Section 147 of this Law shall come into force with a special law.

11. Chapter X of this Law comes into force on 1 January 2005. An investment brokerage company shall prepare annual statements for the years 2003 and 2004 in accordance with the requirements of the law On Annual Accounts of Undertakings and the law On Consolidated Annual Accounts.

12. Amendment to Section 93, Paragraph three and Section 93, Paragraph seven of this Law shall come into force on 1 January 2006.

[*9 June 2005*]

13. Such issuers which are registered in any foreign country and transferable securities of which are already admitted to trading on a regulated market shall select their competent authority of the home Member State in accordance with the requirements of this Law and notify their decision to the selected competent authority of the home Member State until 31 December 2005.

[*9 June 2005*]

14. If the Commission has taken the decision to allow to make an offer of securities to the public until 1 July 2005, the issue prospectus shall be valid for 12 months from the day of taking the decision.

[*9 June 2005*]

15. If the Commission has registered a prospectus until 1 July 2005, the requirements of Section 50, Paragraph one of this Law shall be applied.

[*9 June 2005*]

16. If the Commission has approved the issue prospectus or prospectus until 1 July 2005, but the issuer, the person making an offer, or the person seeking admission of transferable securities to trading on a regulated market wants to make an offer of securities to the public or seek admission of transferable securities to trading on a regulated market also in other Member State after coming into force of this Law, he or she must prepare a new issue prospectus or prospectus in accordance with the requirements of Division C and Division D, Chapter II of this Law.

[*9 June 2005*]

17. If the shares of the target company are put into public circulation in several Member States at the same time, one of which is Latvia, and the registered office of the target company is not located in none of them, the Commission together with the supervisory authorities of other Member States shall, within four weeks after coming into force of Section 56.1 of this Law, agree which of the supervisory authorities will supervise buy-back offers which will be made in respect of the shares of the target company. If the Commission together with the supervisory authorities of other Member States have not agreed within the time period laid down, the target company shall, on the first day following the end of the time period of four weeks, determine which of the abovementioned authorities will supervise buy-back offers that will be made in respect of the shares of the target company.

[*15 June 2006*]

18. Sections 56.1 and 57.2 of this Law shall come into force on 1 January 2007.

[*15 June 2006*]

19. The shareholders of joint stock companies (shares of which are put into public circulation) who have acquired at least 95 per cent of the total number of shares with voting rights are entitled to make a final share buy-back offer within three months from the day of coming into force of Section 69.1 of this Law.

[*15 June 2006*]

20. The shareholders of joint stock companies (shares of which are withdrawn from public circulation within 12 months before coming into force of Section 69.1 of this Law) who have acquired at least 95 per cent of the total number of shares with voting rights are entitled to make a final share buy-back offer without admitting the shares of the joint stock company to trading on a regulated market within three months from the day of coming into force of Section 69.1 of this Law.

[*15 June 2006*]

21. A person who has either directly or indirectly acquired holding in a joint stock company (shares of which are admitted to trading on a regulated market) in such amount which ensures at least one twentieth, but does not exceed one tenth of the total number of shares with voting rights, shall, within three months after the day of coming into force of Section 69.1 of this Law, inform the regulated market operator on the regulated markets of which the shares of such company are admitted to trading, and the joint stock company itself thereof.

[*15 June 2006; 21 June 2018*]

22. A shareholder to whom the requirements of Division D, Chapter IV of this Law apply shall, not later than until 30 June 2007, inform the issuer of the proportion of those voting rights and capital which are owned by him or her on the day when the information is provided, unless such shareholder has submitted equivalent information prior to the coming into force of this Law.

[*29 March 2007*]

23. An issuer shall, not later than until 30 July 2007, publish information in accordance with the requirements of Section 64.2 of this Law which it has received in accordance with the requirements of Paragraph 22 of these Transitional Provisions.

[*29 March 2007*]

24. Investment brokerage companies shall apply the advanced internal ratings based approach for the calculation of credit risk capital requirement and the advanced measurement approach for the calculation of such risk capital requirement from 1 January 2008.

[*29 March 2007*]

25. Investment brokerage companies which apply the internal ratings based approach for the calculation of risk-weighted exposure amount shall, until 31 December 2009, ensure own funds which are always greater than the amounts indicated in Paragraphs 27, 28, and 29 of these Transitional Provisions or equivalent to them.

[*29 March 2007*]

26. Investment brokerage companies which apply the advanced measurement approach for the calculation of the operational risk capital requirement shall, between 1 January 2008 and 31 December 2009, ensure own funds which are always greater than the amounts indicated in Paragraphs 28 and 29 of these Transitional Provisions or equivalent to them.

[*29 March 2007*]

27. Until 31 December 2007, the own funds of the investment brokerage company shall be at least 95 per cent of minimal own funds which are calculated in accordance with the procedures stipulated by the Commission for the calculation of capital adequacy.

[*29 March 2007*]

28. Between 1 January and 31 December 2008, the own funds of the investment brokerage company shall be at least 90 per cent of the minimal own funds which are calculated in accordance with the procedures stipulated by the Commission for the calculation of capital adequacy.

[*29 March 2007*]

29. Between 1 January and 31 December 2009, the own funds of the investment brokerage company shall be at least 80 per cent of the minimal own funds which are calculated in accordance with the procedures stipulated by the Commission for the calculation of capital adequacy.

[*29 March 2007*]

30. For the fulfilment of the requirements of Paragraphs 25, 26, 27, 28, and 29 of these Transitional Provisions, the indicators characterising the investment brokerage company shall be calculated individually or at the consolidation group level in accordance with Sections 123.3 and 123.4 of this Law.

[*29 March 2007*]

31. Until 31 December 2007, an investment brokerage company has the right to prepare the credit risk and counterparty risk capital requirement calculation in accordance with the standardised approach laid down in Section 121 of this Law, by applying the capital adequacy calculation procedures stipulated by the Commission.

[*29 March 2007*]

32. If an investment brokerage company uses the possibility referred to in Paragraph 31 of these Transitional Provisions, it has the right by 31 December 2007 to prepare the debt securities and capital securities position risk capital requirements calculation laid down in Section 121 of this Law according to the capital adequacy calculation procedures stipulated by the Commission.

[*29 March 2007*]

33. If an investment brokerage company uses the possibility referred to in Paragraph 31 of these Transitional Provisions, the requirements of Section 123.1 and 123.2 of this Law shall not be applied until 31 December 2007.

[*29 March 2007*]

34. In using the possibility referred to in Paragraph 31 of these Transitional Provisions, an investment brokerage company shall reduce the operational risk capital requirement laid down in Section 121, Paragraph one, Clause 4 of this Law by such an amount which is determined as such total exposure value which is calculated in the credit risk capital requirement in accordance with Paragraph 31 of these Transitional Provisions, in relation to the total exposure value subject to all credit risks.

[*29 March 2007*]

35. If the risk-weighted exposure for all exposures is calculated in accordance with Paragraph 31 of these Transitional Provisions, the investment brokerage company shall ensure the implementation of restrictions on large exposures and restrictions on exposures of persons related to the investment brokerage company in accordance with the procedures stipulated by the Commission prior to the coming into force of these amendments.

[*29 March 2007*]

36. Section 124, Paragraph one, Clause 10 of this Law shall come into force on 1 November 2007.

[*29 March 2007*]

37. An issuer the financial instruments of which are admitted to trading on a regulated market, shall, until 1 February 2008, submit to the Commission:

1) internal rules of procedure developed by the issuer regarding establishment and maintenance of the list of holders of inside information, and also the procedures for performing transactions by persons included in the list of holders of inside information with financial instruments or commodity derivatives of such issuer;

2) the list of holders of inside information in accordance with the requirements laid down in Section 86, Paragraph two and three of this Law. Historical information on former holders of inside information, starting from the day of establishment of the list, and updated information on existing holders of inside information shall be included in the list. The year and date when a person was included on the list shall be provided for the existing holders of inside information, the year and date when a person was included on the list of holders of inside information and the year and date when inside information of the issuer was no longer available for the person shall be provided for the former holders of inside information.

[*4 October 2007*]

38. Investment brokerage companies which have obtained a licence of the Commission for the provision of investment services, and credit institutions which have acquired the right to provide investment services in accordance with the procedures laid down in this Law, shall, until 1 February 2008, develop the policy referred to in Section 124.1 of this Law in respect of the ensuring the client status, the policy for prevention of a conflict of interest referred to in Section 127, and the order execution policy referred to in Section 128.3 of this Law.

[*4 October 2007*]

39. Investment brokerage companies which have obtained a licence of the Commission for the provision of investment services, and credit institutions which have acquired the right to provide investment services in accordance with the procedures laid down in this Law, shall, until 1 February 2008, inform the existing clients of their status in accordance with the procedures laid Section 124.1 of this Law.

[*4 October 2007*]

40. Section 56.2 of this Law shall come into force on 1 September 2008 and shall be applied to the accounting periods which end on this date or later.

[*22 May 2008*]

41. A capital company the transferable securities of which are admitted to trading on a regulated market, shall apply the provisions of Section 54.1 of this Law after establishment of the audit committee. The capital company the transferable securities of which are admitted to trading on a regulated market, shall elect members of the audit committee in the nearest meeting of shareholders or members.

[*22 May 2008*]

42. Amendments to Section 119 of this Law shall apply to statements which have been submitted to the State Revenue Service on 1 July 2008 or later.

[*29 May 2008*]

43. If an application regarding an administrative act of the Financial and Capital Market Commission has been submitted to the Administrative District Court by 1 January 2009, a decision on the application submitted shall be taken, and also the administrative case initiated shall be examined and a court adjudication in this case shall be rendered and appealed in accordance with the provisions of the Administrative Procedure Law.

[*23 October 2008*]

44. An issuer the registered office of which is in a foreign country may prepare consolidated annual financial statements and consolidated financial statements for interim periods of six-months in accordance with the generally accepted accounting principles of the Republic of India for the financial years which began until 1 January 2015.

[*8 November 2012*]

45. If a notification regarding convening of a meeting of shareholders is announced until 31 December 2009, the provisions of this Law which were in force until 31 December 2009 shall be applicable for convening the meeting of shareholders, submitting of issues and inclusion in the agenda and occurrence of the meeting or shareholders.

[*15 October 2009*]

46. Until 31 December 2011 the own funds of the investment brokerage company which has obtained an authorisation of the Commission to apply the internal ratings-based approach for calculation of the risk weighted average or to apply the advanced measurement approach for calculation of the operational risk capital requirements, is at least 80 per cent of the minimum own capital which is calculated by applying appropriate simpler approaches for determination of the credit risk and the operational risk capital requirements in accordance with the procedures for calculation of the minimum capital requirements stipulated by the Commission.

[*13 January 2011*]

47. The requirements of Division F of this Law shall be applicable to those contracts regarding transactions with the financial instruments referred to in Section 3, Paragraph two, Clause 6 of this Law which have been entered into after 1 July 2012.

[*22 March 2012*]

48. Until 31 December 2012 the own funds of the investment brokerage company which has obtained an authorisation to apply the internal ratings-based approach for calculation of the risk weighted average or to apply the advanced measurement approach for calculation of the operational risk capital requirements, is at least 80 per cent of the minimum own capital which is calculated by applying appropriate simpler approaches for determination of the credit risk and the operational risk capital requirements in accordance with the procedures for calculation of the minimum capital requirements stipulated by the Commission.

[*22 March 2012*]

49. The accumulated other income referred to in Section 1, Clause 28, Sub-clause “c” of this Law which has been reflected in the comprehensive income statement shall be included in the initial capital from 1 January 2015 in accordance with the provisions for transitional period stipulated by the Commission.

[*24 April 2014*]

50. The requirement referred to in Section 124, Paragraph 1.2, Clause 2 of this Law shall be applied to the variable component of remuneration which is determined not later than with regard to results of activities in the second half of 2014 and to the fixed component of remuneration in the relevant period, irrespective of the date of conclusion of an employment contract or an authorisation agreement.

[*24 April 2014*]

51. Amendments to Section 17.1, Paragraph three (in relation to the new wording of the first and second sentence) and Section 44.1, Paragraph four of this Law shall come into force on 1 January 2016.

[*11 June 2015*]

52. An issuer whose transferable securities are admitted to trading on a regulated market and whose home Member State is determined in accordance with Section 3.1, Paragraph four, Clause 2 of this Law or Paragraph six of this Section, but who until 27 November 2015 has not informed the competent authorities of the choice of the home Member State, shall inform the competent authority within three months from the day of coming into force of amendments to Section 3.1 of this Law.

[*26 May 2016*]

53. The requirements of Section 56, Paragraph three of this Law which are applicable to a capital company debt securities of which have been admitted to trading on a regulated market shall be applied to annual statements of the capital company which are prepared for the reporting period starting on 1 July 2016 or later, unless the capital company already prepares its financial statements in accordance with Regulation No 1606/2002.

[*26 May 2016*]

54. Application of Section 57 of this Law which has been reworded, and Section 57.2 shall be commenced with accounts of interim periods of issuers and financial information prepared for the reporting year starting on 1 July 2016 or later.

[*26 May 2016*]

55. Amendments to this Law in relation to deletion of Sections 59, 85, 86, 86.1, 87, 88, 88.1, 89, and 91, Sections 84 and 90 which have been reworded, and also amendments to Section 148 in relation to deletion of Paragraphs three and seven, Paragraph four which has been reworded, and Paragraphs sixteen and seventeen of Section 148 shall come into force on 3 July 2016.

[*26 May 2016*]

56. In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 30 per cent from the total number of shares with voting rights of the joint stock company, however, does not reach or exceed 50 per cent from the total number of shares with voting rights of the joint stock company, provisions of Section 66 of this Law (in new wording) are applied from the day when they increase the amount of their holding above the amount of the holding obtained until the day of coming into force of Section 66 of this Law (in new wording). In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 30 per cent from the total number of shares with voting rights of the joint stock company, however, does not reach or exceed 50 per cent from the total number of shares with voting rights of the joint stock company, and who have expressed such voluntary share buy-back offer until the day of coming into force of Section 66 of this Law (in new wording) which has been expressed to all shareholders of the joint stock company for all shares of the joint stock company for a price determined in accordance with the requirements of Section 74 of this Law, a mandatory share buy-back offer need not be expressed.

[*26 May 2016*]

57. In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 50 per cent from the total number of shares with voting rights of the joint stock company, the norms governing the relevant matter regarding expressing a mandatory share buy-back offer which were in force until the day of coming into force of Section 66 of this Law (in new wording), shall be applied in relation to expressing the mandatory share buy-back offer.

[*26 May 2016*]

58. Section 56, Paragraph one, Clause 5, introductory part and Clauses 3 and 4 of Section 56.2, Paragraph two which have been reworded, Section 56.2, Paragraph two, Clause 8, Paragraph 2.1 and amendment to Paragraph seven, Sections 56.3, 56.4 and 56.5 and amendment to Section 148, Paragraph sixteen (liability for non-conformity with the requirements in relation to a non-financial statement or consolidated non-financial statement) shall be applicable to annual statements and consolidated annual statements starting from the reporting year of 2017 (the reporting year which starts on 1 January 2017 or during the calendar year of 2017).

[*15 December 2016*]

59. A shareholder may exercise the rights referred to in Section 74.1 of this Law, if the administrative act of the Commission in which it establishes that the person has an obligation to express the mandatory share buy-back offer in accordance with the provisions of Section 66, Paragraph four, Clause 1 of this Law has been issued not earlier than on the following day after coming into force of Section 74.1.

[*21 September 2017*]

60. Until 1 July 2019, the central securities depository and its participant shall ensure the fulfilment of the requirements laid down in Section 93, Paragraph two of this Law in relation to contracts concluded between the central securities depository and its participant.

[*14 September 2017*]

61. Until 31 December 2017, a participant of the central securities depository shall be deemed as the holder of a securities account within the meaning of the law On Personal Income Tax whose obligation is to deduct personal income tax from the dividends disbursed to a shareholder or intermediary for publicly traded stocks and to transfer them into the State budget.

[*14 September 2017*]

62. Members of the board and council of a regulated market operator who, until 1 August 2018, have been recognised as corresponding to the requirements of the Law need not undergo re-assessment of their conformity with the requirements of the law.

[*21 June 2018*]

63. Until 3 January 2021, the clearing obligation specified in Article 4 and the risk management procedures indicated in Article 11(3) of Regulation No 648/2012 shall not apply to such energy derivative contracts which have been concluded by non-financial counterparties conforming to the conditions of Article 10(1) of Regulation No 648/2012 or non-financial counterparties which, starting from 3 January 2018, receive a licence of an investment brokerage company for the first time. Such energy derivative contracts are not deemed to be over-the-counter derivative contracts for determining the clearing threshold referred to in Article 10 of Regulation No 648/2012. All other requirements laid down in Regulation No 648/2012 shall apply to energy derivative contracts which are subject to this Transitional Provision. The exception referred to in this Paragraph shall be granted by the Commission and the European Securities and Markets Authority shall be informed thereof.

[*21 June 2018*]

64. The board of a capital company shall develop the remuneration policy referred to in Section 59.3 of this Law and submit it for approval at the next meeting of shareholders which is convened after 1 September 2019, provided that the remuneration policy is approved and made public not later than by 31 December 2020.

[*20 June 2019*]

65. A capital company shall draw up the remuneration report referred to in Section 59.4 of this Law starting from the financial year of 2020 (the financial year starting on 1 January 2020 or during the calendar year of 2020).

[*20 June 2019*]

66. A capital company shall disclose the comparison of the changes referred to in Section 59.4, Paragraph one, Clause 3 of this Law starting from the financial year of 2020 (the financial year starting on 1 January 2020 or during the calendar year of 2020) and shall provide at least for such period of the last five financial years which starts not later than on 1 January 2020.

[*20 June 2019*]

67. Sections 59.6, 59.7, 59.8, 59.9, and 59.10 of this Law shall come into force on 1 September 2020.

[*20 June 2019*]

68. If an investment brokerage company and credit institution are entitled, on the day of coming into force of Section 126.3 of this Law, to provide portfolio management services, including shares of such joint stock company in the portfolio the registered office of which is in a Member State and the shares of which are admitted to trading on a regulated market, it shall develop and publish the engagement policy in accordance with Section 126.3 of this Law by 1 November 2019.

[*20 June 2019*]

69. An investment brokerage company and credit institution shall disclose the report referred to in Section 126.3, Paragraph four of this Law on the implementation of the engagement policy and the information referred to in Paragraph five starting from 2020.

[*20 June 2019*]

70. The central securities depository, regulated market operator, and a data reporting services provider to which is subject to the requirement referred to in Section 147.7 of this Law for the creation of an internal reporting line shall create it not later than by 1 April 2020.

[*12 December 2019*]

71. The third-country group which includes more than one credit institution or investment brokerage company of a Member State and the total asset value of which in the European Union as on 27 June 2019 was at least EUR 40 billion, and which continues its activities on the day of coming into force of Section 111.2 of this Law shall, in accordance with the requirements of the abovementioned Section, establish a parent undertaking in the European Union by 30 December 2023.

[*29 April 2021*]

72. The holding company referred to in Section 111.1 of this Law which carried out activities on 27 June 2019 and continues activities on the day of coming into force of this Section shall receive a permit in accordance with the procedures laid down in the abovementioned Section within six months from the day of coming into force of Section 111.1.

[*29 April 2021*]

**Informative Reference to European Union Directives**

[*9 June 2005; 15 June 2006; 29 March 2007; 4 October 2007; 22 May 2008; 29 May 2008; 26 February 2009; 15 October 2009; 13 January 2011; 22 March 2012; 24 April 2014; 11 June 2015; 29 October 2015; 26 May 2016; 15 December 2016; 21 June 2018; 28 February 2019; 20 June 2019; 17 June 2020; 29 April 2021*]

This Law contains norms arising from:

1) Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;

2) [4 October 2007];

3) [4 October 2007];

4) European Parliament and Council Directive 95/26/EC of 29 June 1995 amending Directives 77/780/EEC and 89/646/EEC in the field of credit institutions, Directives 73/239/EEC and 92/49/EEC in the field of non- life insurance, Directives 79/267/EEC and 92/96/EEC in the field of life assurance, Directive 93/22/EEC in the field of investment firms and Directive 85/611/EEC in the field of undertakings for collective investment in transferable securities (Ucits), with a view to reinforcing prudential supervision;

5) [21 June 2018];

6) Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities;

7) Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements;

8) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

9) [21 June 2018];

10) [21 June 2018];

11) [21 June 2018];

12) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids;

13) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;

14) [21 June 2018];

15) Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;

16) Directive 2006/31/EC of the European Parliament and of the Council of 5 April 2006 amending directive 2004/39/EC on markets in financial instruments, as regards certain deadlines;

17) Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;

18) Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;

19) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings;

20) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;

21) [21 June 2018];

22) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions;

23) [21 June 2018];

24) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudent assessment of acquisitions and increase of holdings in the financial sector;

25) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies;

26) Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;

27) [21 June 2018];

28) Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;

29) Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

30) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

31) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council;

32) Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

33) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance);

34) Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC;

35) Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (market abuse directive);

36) Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

37) Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups;

38) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

39) Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;

40) Directive (EU) 2016/1034 of the European Parliament and of the Council of 23 June 2016 amending Directive 2014/65/EU on markets in financial instruments;

41) Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy;

42) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;

43) Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU;

44) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

The Law shall come into force on 1 January 2004.

The Law has been adopted by the *Saeima* on 20 November 2003.

Acting for the President, the Chairperson of the *Saeima*, I. Ūdre

Rīga, 11 December 2003