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

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

21 June 2007 [shall come into force on 19 July 2007];

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

4 December 2008 [shall come into force on 6 January 2009];

23 September 2010 [shall come into force on 22 October 2010];

24 May 2012 [shall come into force on 27 June 2012];

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

29 May 2014 [shall come into force on 25 June 2014];

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

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

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

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

The *Saeima*1 has adopted

the President has proclaimed the following law:

**Law on Savings and Loan Associations**

**Chapter I**

**General Provisions**

**Section 1. Purpose of this Law**

The purpose of this Law is to promote the availability of financial resources, and also regional development by facilitating the participation of individuals in national economy.

[*20 November 2003; 21 June 2007*]

**Section 2. Concept, Tasks, and Rights of a Savings and Loan Association**

(1) A savings and loan association is a co-operative society with variable number of members and capital and in accordance with this Law and the articles of association thereof provides the following financial services to the members of the association:

1) attracts deposits of members and other repayable funds;

2) credits members, also according to financial lease provisions;

3) makes cash and non-cash payments for the provision of services to members, also using non-cash means of payment;

4) trades with financial instruments and currency upon the instruction of members;

5) issues guarantees and other deeds of such liabilities by which it undertakes the obligation to be liable before creditors for debts of members;

6) keeps valuables of members;

7) consults members in issues of financial nature;

8) [20 November 2003];

9) provides such information which is related to the settlement of debt obligations of a member;

10) with the permission of the Financial and Capital Market Commission (hereinafter – the Commission) makes other transactions which are essentially similar to the abovementioned financial services.

(2) The main task of a savings and loan association is to develop the ability of its members to co-operate in order to create credit resources on the basis of the principles of mutual assistance and self-government, promoting economy, for the satisfaction of personal, and also economic and everyday needs of members, thus promoting their welfare.

(3) A savings and loan association shall have the status of an economic operator.

(4) The savings and loan association shall be a legal person. The savings and loan association has the right to acquire and alienate movable and immovable property, including to accept gifts, donations and inheritances, and also to undertake liabilities and be a plaintiff and defendant in a court in accordance with the procedures specified in the articles of association.

(5) Legal capacity of a savings and loan association shall set in from the moment when such association has been registered in the Enterprise Register of the Republic of Latvia.

(6) [21 June 2007]

(7) Savings and loan associations and persons to whom the requirements of this Law apply have the obligation to submit to the Commission and Latvijas Banka, within the time periods stipulated by them, all the information requested by them which is necessary for the fulfilment of the functions of the Commission and Latvijas Banka as laid down in laws.

[*20 November 2003; 21 June 2007; 29 May 2014*]

**Section 2.1 Non-Disclosable Information**

(1) The information on members of a savings and loan association and their transactions which is obtained by the savings and loan association when providing financial services shall be non-disclosable information which does not contain official secret.

(2) The non-disclosable information at the disposal of a savings and loan association shall be provided in the cases and in accordance with the procedures laid down in the Credit Institution Law.

[*29 May 2014*]

**Section 2.2 Restricted Access Information**

(1) Information regarding a savings and loan association and its members, the operation of a savings and loan association, and transactions of its members which has not been published before in accordance with the procedures laid down in the law or in respect of disclosure of which the Commission has not taken any decision, and also information related to a savings and loan association and its operation which is at the disposal of the Commission shall be deemed to br restricted access information, and it shall only be disclosed to third persons in the form of a report or summary so that it would not be possible to identify any particular savings and loan association or its member. Such information on a savings and loan association and its members, and also the operation of a savings and loan association, and transactions of its members shall also have the status of restricted access information in the case where insolvency proceedings of the savings and loan association or its members have been initiated or liquidation thereof (for a legal person) has been initiated, or the savings and loan association or its member (legal person) has been liquidated.

(2) The prohibition to disclose restricted access information shall not apply to information:

1) which is related to court proceedings in a civil case if the insolvency proceedings of a savings and loan association have been declared or liquidation thereof has been initiated, and such information is not related to third parties involved in actions to improve the financial situation of the savings and loan association;

2) which has been provided by the Commission to the person directing the proceedings in a criminal case on the basis of the relevant request;

3) on a potential criminal offence established by the Commission in the operation of a savings and loan association whereof it shall inform law enforcement institutions;

4) which is disclosed to persons who are responsible for detecting and investigating violations of laws and regulations in the field of commercial activity if the following conditions are met:

a) provision of information is necessary for detecting and investigating violations of laws and regulations governing the field of commercial activity;

b) a certification has been provided that information will be available only to such persons who are involved in the execution of the task and that the requirements for the protection of information are binding on them;

c) if the Commission has obtained the necessary information from the supervisory authority of financial market participants of another country, such information shall only be disclosed after obtaining the consent of the authority which has provided the information.

(3) Provisions of Paragraph one of this Section shall not prohibit the Commission from exchanging restricted access information with the supervisory authorities of financial market participants of another Member State and the European Central Bank, and the European Banking Authority by retaining the status of restricted access information for the information provided.

(4) The Commission is only entitled to use the information obtained in accordance with Paragraphs three, seven, and eight of this Section for the performance of its functions:

1) in order to ascertain conformity with the laws and regulations governing the founding and operation of a savings and loan association, in particular in respect of liquidity, solvency, large exposures, management, organisation of accounting, and internal control mechanisms;

2) in order to apply the supervisory measures and sanctions laid down in the law;

3) during the court proceedings wherein the administrative acts issued by the Commission or its actual actions are appealed.

(5) The Commission is entitled to request information from a savings and loan association on the basis of the request of the supervisory authority of financial market participants of another Member State and the request of such foreign supervisory authority of financial market participants with which a contract for exchange of information has been entered into. The abovementioned authorities are only entitled to disclose the information provided thereto by the Commission subject to written consent of the Commission, and may use such information only for the requested purpose thereof.

(6) The Commission is entitled to enter into contracts for exchange of information with foreign supervisory authorities of financial market participants or the authorities of the relevant foreign country the functions of which are comparable to the functions of the authorities referred to in Paragraph seven of this Section if the legal acts of this foreign country provide for the protection of restricted access information equivalent to this Section and the requirements existing in Latvia in the field of personal data protection are conformed to. Such information shall only be used for the supervision of financial market participants or the relevant authorities for the performance of the functions laid down by law.

(7) When preserving the status of restricted access information, the provisions of Paragraphs one and four of this Section shall not prohibit the Commission from exchanging restricted access information with the following:

1) the supervisory authorities of financial market participants of another Member State and the ministries of finance of such countries;

2) the authorities which have the duty to supervise the financial market or financial market participants;

3) the authorities of the Member States, including collegiate authorities and institutional units established by the Member States which have the obligation to maintain the stability of the financial system in Member States and which determine or implement macroprudential policy;

4) the authorities of the Member States which are responsible for the reorganisation of financial market participants, including collegiate authorities and institutional units established by Member States, and also the State authorities the purpose of which is to protect the stability of the financial system;

5) contractual or institutional systems for customer protection of Member States;

6) the competent authorities which are involved in insolvency proceedings or liquidation of savings and loan associations;

7) the authorities of a Member State which manage deposit compensation schemes if such information is necessary for the performance of the functions thereof;

8) the authorities which are responsible for the supervision of financial market participants in the field of the prevention of money laundering and terrorism and proliferation financing and other authorities similar to the Financial Intelligence Unit of Latvia.

(8) The provisions of this Section shall not preclude the Commission from exchanging restricted access information with the central banks of the Member States and other authorities of the Member State which are responsible for the monitoring of payment systems if provision of such information is necessary for the performance of the functions thereof laid down by law, and also with the European Systemic Risk Board.

[*23 September 2021 / The amendment regarding the replacement of the words “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 14 of Transitional Provisions*]

**Section 3. Legal Basis for the Operation of a Savings and Loan Association**

(1) The founding, operation, reorganisation, and liquidation of a savings and loan association is governed by this Law, the Cooperative Societies Law, the articles of association of the relevant savings and loan association, the regulatory provisions and decisions issued by the Commission, the international agreements entered into by the Republic of Latvia, and other laws and regulations.

(2) The provisions of the Cooperative Societies Law in relation to savings and loan associations shall be applicable insofar as it has not been otherwise provided for in this Law.

[*29 May 2014*]

**Section 4. Principles for the Creation of Savings and Loan Associations**

(1) Savings and loan associations shall be created for a specific circle of members. The circle of members shall be determined:

1) according to the territorial principle;

2) according to the employment principle;

3) according to the principle of community of interests.

(2) Each aggregate of members of a savings and loan association shall be determined in the articles of association thereof. The savings and loan association is not entitled to accept such persons as members who do not conform to the aggregate of members specified in the articles of association, except for the cases provided for in this Law.

**Section 5. Members of a Savings and Loan Association**

(1) Natural persons who are of legal age and with a capacity to act, who either live in the same administrative territory or are owners of immovable property, or perform commercial activity or employment activity in the territory, may be members of one savings and loan association. Such local government may be a member of a savings and loan association the inhabitants of which are members of the relevant savings and loan association. One savings and loan association may be created for activities also in the adjacent administrative territories.

(11) The local government referred to in Paragraph one of this Section may become a member of a savings and loan association if the savings and loan association does not conform to the status of an undertaking in difficulty in accordance with Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Text with EEA relevance).

(2) Also natural persons who are of legal age and with a capacity to act and who are employed with the same employer may be members of one savings and loan association.

(3) Natural persons who are of legal age and with a capacity to act and who are participants of one corporation (professional association) or a professional creative social organisation, or a trade union (trade union association), or a social sports organisation may be members of one savings and loan association. Also the relevant social or trade organisation may the member of such savings and loan association.

(4) It may be provided for in the articles of association of a savings and loan association that spouses of the members already admitted and their children – persons with a capacity to act – may become members thereof. A savings account may be opened for minor children in a savings and loan associations.

(5) The following persons may be a member of one savings and loan association:

1) a sole proprietorship, individual (family) undertaking, farm or fishing undertaking, if their owners are members of a savings and loan association;

2) a commercial company (partnership and capital company), participants of which are natural persons, if one or several members of the savings and loan association own more than 50 per cent of the voting rights in the equity capital of such companies;

3) a co-operative society of agricultural services, co-operative society of apartment owners, horticultural co-operative society or another society which does not have the status of an economic operator, if at least one member of the savings and loan association has voting rights in the equity capital of such societies;

4) an association members of which are only natural persons and at least one of them is a member of the savings and loan association.

(6) The legal persons referred to in Paragraph five of this Section shall have no voting rights in a savings and loan association.

(7) A member of a savings and loan association shall lose the right to claim against the savings and loan association if no transactions involving his or her account have been made for the time period of 60 years.

[*4 December 2008; 24 May 2012; 29 May 2014; 21 June 2018 / Paragraph 1.1 shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 6. Name and Legal Address of a Savings and Loan Association**

(1) The name of a savings and loan association shall contain words “savings and loan association”, and the name shall contain a feature of an aggregate of members of a savings and loan association.

(2) A person is prohibited to use the words “savings and loan association” in their name or self-promotion in any case, word combination, and derivation in a way which creates false concept about the conformity of its operation with this Law. The abovementioned prohibition shall not be attributable to associations and organisations established by savings and loan associations in the articles of association of which the representation of the interests of savings and loan associations has been determined.

(3) The location of the board of a savings and loan association shall be the legal address of the savings and loan association.

[*29 May 2014 / See Paragraph 12 of Transitional Provisions*]

**Section 7. Separation of the Liability of a Savings and Loan Association and Members Thereof**

(1) A member shall be liable for liabilities of a savings and loan association with his or her shares in the equity capital of the savings and loan association, however, he or she shall not be liable with his remaining property. The savings and loan association shall not be liable for the liabilities of the members thereof.

(2) When joining a savings and loan association, a member shall assume liability by his or her shares also for such liabilities of the association which have arisen prior to him or her joining the association.

(3) A member who has withdrawn or has been excluded from a savings and loan association shall be liable for the liabilities of the savings and loan association in the amount of the value of shares purchased by him or her until the day when he or she withdrew from the association or was excluded therefrom.

(4) Debts of individual members or other requests in relation to members may not be recovered from the equity capital of a savings and loan association. Until the day when a member has withdrawn from the savings and loan association, only the part of profit which is due to the member and received from the investment in the capital of the savings and loan association, and deposits of the member may be the subject of recovery upon such claims.

[*29 May 2014; 21 June 2018 / The new wording of Paragraph four shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 7.1 Procedures for the Alienation of Shares of a Member of a Savings and Loan Association in the Case of Withdrawal of the Member**

The board of a savings and loan association is entitled to refuse the request of a member of the savings and loan association for the alienation of shares from the savings and loan association if, as a result of the alienation of the shares of the member, the savings and loan association fails to comply with the capital adequacy requirements or disbursement of the shares could endanger solvency of the savings and loan association or safe and cautious further operation of the savings and loan association. The member of the savings and loan association has the right to submit a complaint to the general meeting of members (meeting of authorised persons) of the savings and loan association regarding the refusal to allow alienation of shares. The general meeting of members (meeting of authorised persons) of the savings and loan association shall be convened within a month for the examination of the complaint submitted regarding the decision of the board of the savings and loan association.

[*21 June 2018 / The new wording of the Section shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Chapter II**

**Founding of a Savings and Loan Association**

**Section 8. Procedures for the Founding of a Savings and Loan Association**

(1) Not less than 20 natural persons with the capacity to act who conform to the requirements laid down in Section 5 of this Law may be founders of a savings and loan association.

(2) In order to receive the special authorisation (licence) for the operation of a savings and loan association, the association to be newly founded shall submit the documents necessary for the receipt of a special authorisation (licence) to the Commission in accordance with the procedures provided for in laws and regulations and the regulatory provisions of the Commission. The Commission shall issue a special authorisation (licence) for the operation of a savings and loan association for an unspecified period of time. The savings and loan association shall be registered in the Enterprise Register of the Republic of Latvia only after the decision of the Commission on the issuance of the special authorisation (licence) for the operation of a savings and loan association has been submitted to the Enterprise Register of the Republic of Latvia.

(3) An authorised representative of the founders of a savings and loan association shall, within 15 days after the decision of the Commission on the issuance of the special authorisation (licence) for the operation of a savings and loan association has been received, submit the abovementioned decision and other documents specified for the founding of a savings and loan association in the law On the Enterprise Register of the Republic of Latvia to the Enterprise Register of the Republic of Latvia:

[*24 May 2012; 29 May 2014*]

**Section 9. Procedures for the Licensing of a Savings and Loan Association**

(1) The Commission shall determine the procedures for the issuance of the special authorisation (licence) of a savings and loan association, and also the restrictions related to the operation of a savings and loan association.

(2) After having evaluated the documents attached to the application for granting the special authorisation (licence) and conformity of members of a savings and loan association with the requirements of this Law, the Commission is entitled to determine the conditions for the operation (including for the provision of financial services) of the savings and loan association in the special authorisation (licence).

(3) The Commission shall examine an application for the granting of a special authorisation (licence) within three months after receipt of all the necessary documents. The Commission has the right not to issue the special authorisation (licence) to a newly founded savings and loan association if:

1) the operation of the savings and loan association is not economically substantiated;

2) during the founding of the savings and loan association, the regulatory provisions of the Commission have not been conformed to;

3) the documents submitted by the savings and loan association contain false information;

4) one or more of the persons referred to in Section 12 of this Law do not meet the requirements laid down in the law.

[*29 May 2014*]

**Section 10. Requirements for the Receipt of the Special Authorisation (Licence)**

In order to receive the special authorisation (licence) for the operation of a savings and loan association, the founders thereof shall:

1) prepare the foundation documents, articles of association, and documents regulating the operation of the savings and loan association which provide a clear idea regarding the planned operation and the organisation corresponding thereto;

2) make the instalment of the minimum founding equity capital;

3) propose candidates of the chairperson of the council, the chairperson of the board, and the chairperson and members of the audit commission of the savings and loan association corresponding to the requirements of law.

**Section 11. Approval of Officials of a Savings and Loan Association and Provision of a Notification on Change in the Name or Legal Address Thereof**

(1) The Commission shall determine the documents to be submitted and the procedures by which the conformity of members of the council and of the board of a savings and loan association, and also the chairperson and member of the audit commission with the requirements of this Law shall be assessed.

(2) A savings and loan association shall, in accordance with the procedures stipulated by the Commission, provide information to the Commission on the composition of the council, board, and audit commission of the savings and loan association and on the commencement of the provision of new financial services by the savings and loan association.

(3) In order to ascertain the conformity of the members of the council and the board, and also of the chairperson and member of the audit commission of a savings and loan association with the requirements of this Law, the Commission has the right to invite the relevant persons to an interview.

(4) The Commission shall, within 30 days, examine the documents submitted by a savings and loan association and take the decision to allow the members of the council and the board or the chairperson and member of the audit commission of the savings and loan association to commence the fulfilment of their duties, or if the members of the council and the board or the chairperson and member of the audit commission of the savings and loan association do not conform to the requirements of this Law – the decision to prohibit the abovementioned persons to commence to the fulfilment of their duties.

(5) The savings and loan association has an obligation, not later than 15 days after taking of the decision to change the name or legal address thereof, to notify the new name or legal address of the savings and loan association to the Commission in writing.

[*29 May 2014*]

**Section 12. Requirements for Officials of a Savings and Loan Association**

(1) The following person may be the chairperson of the boards, a member of the board, the chairperson and member of the audit commission of a savings and loan association:

1) [21 June 2007];

2) who is competent in the financial management issues;

3) who has the necessary education or professional experience in the operation of savings and loan associations;

4) who has an impeccable reputation;

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

(2) The following person may not be the chairperson of the board, a member of the board, the chairperson and member of the audit commission of a savings and loan association:

1) who has been sentenced for committing an intentional criminal offence (irrespective of extinguishing or setting aside of the criminal record);

2) who has been held criminally liable for committing an intentional criminal offence, and the criminal proceedings against him or her have been terminated for reasons other than exoneration.

(3) A person who conforms to the requirements of Paragraph one, Clauses 2, 4, and 5 of this Section may be the chairperson of the council and a member of the council of a savings and loan association. A person to whom Paragraph two, Clause 1 or 2 of this Section applies may not be the chairperson of the council and a member of the council of a savings and loan association.

[*20 November 2003; 21 June 2007; 29 May 2014*]

**Section 13. Grounds for the Cancellation of a Special Authorisation Issued for the Operation of a Savings and Loan Association**

(1) The Commission may cancel the special authorisation (licence) issued to a savings and loan association if:

1) the savings and loan association has not commenced operation within 12 months from the day when the special authorisation (licence) was issued;

2) it is established that the savings and loan association has provided false information for the receipt of the special authorisation (licence);

3) the savings and loan association does not comply with the restrictions on the operation stipulated by the Commission;

4) the savings and loan association regularly does not comply with the requirements of this Law and the regulatory provisions of the Commission;

5) the savings and loan association is declared insolvent;

6) the savings and loan association has commenced liquidation;

7) the savings and loan association has not, for more than two months after receipt of the decision of the Commission to address a warning of the cancellation of the special authorisation (licence), voluntarily and in full amount made payments into the Deposit Guarantee Fund;

8) the savings and loan association has been late in making payments for more than a month or has not made payments in full amount for the financing of the activity of the Commission in accordance with the procedures laid down in the law;

9) the savings and loan association does not comply with the conditions for the operation specified in the special authorisation (licence) issued thereto.

(2) The special authorisation (licence) of a savings and loan association may not be renewed if it has been cancelled by the Commission.

(3) The appeal of the administrative act issued by the Commission on the cancellation of the special authorisation (licence) of a savings and loan association shall not suspend its operation.

[*29 May 2014*]

**Chapter III**

**Capital and Distribution of Profit of a Savings and Loan Association**

**Section 14. Own Funds of a Savings and Loan Association**

The own funds of a savings and loan association is the difference between the assets and liabilities of the savings and loan association.

**Section 15. Equity Capital of a Savings and Loan Association**

(1) The equity capital of a savings and loan association shall be formed by the sum of nominal values of shares of all members of the savings and loan association. The member of the savings and loan association may pay for his or her shares only in cash. The minimum amount of the equity capital of the savings and loan association shall be EUR 2500.

(11) If the commercial company or cooperative society referred to in Section 5, Paragraph five, Clauses 2 and 3 of this Law becomes the member of a savings and loan association, the minimum amount of the equity capital of the savings and loan association shall be EUR 25 000.

(12) The local government referred to in Section 5, Paragraph one of this Law shall, upon making the investment in the equity capital of a savings and loan association or providing a loan to the savings and loan association, ensure conformity with the norms of the State aid control.

(2) The right to claim of a former member against a savings and loan association regarding disbursement of shares shall lapse, if the share has not been taken out within 60 years after expiry of the term of disbursement of shares and the interested person has not applied any claims regarding disbursement of shares. After expiry of the term the shares not taken out shall become the property of the savings and loan association.

[*4 December 2008; 19 September 2013; 29 May 2014; 21 June 2018 / Paragraph 1.2 shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 16. Reserve Capital of a Savings and Loan Association**

(1) A savings and loan association shall create a reserve capital, transferring at least 25 per cent from the annual net profit therein (profit after payment of taxes), until the reserve capital reaches at least 10 per cent from the total assets.

(2) Also other payments into the reserve capital may be provided for in the articles of association of a savings and loan association or by a decision of the general meeting (meeting of authorised persons).

[*21 June 2018 / Amendment to Paragraph two shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 17. Distribution of Net Profit of a Savings and Loan Association**

(1) The part of the net profit remaining after deductions into the reserve capital shall be distributed according to the provisions of the articles of association of the savings and loan association.

(11) A savings and loan association shall, a month before taking of the decision of the general meeting (meeting of authorised persons) of the members thereof, notify the Commission of the intention to disburse the part of profit due to the members which is received from investments in the capital of the savings and loan association. The Commission has the right to prohibit the savings and loan association to disburse the part of profit due to the members if, as a result of the disbursement thereof, the savings and loan association fails to comply with the requirements of capital adequacy and restrictions for exposures.

(2) The part of profit due to members of a savings and loan association shall be disbursed within 90 days after allocation, and the part of the profit not taken out within the abovementioned time period shall be deemed a claim deposit.

[*29 May 2014; 21 June 2018 / The new wording of Paragraphs 1.1 and two shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 18. Activities of a Savings and Loan Association Involving Credits**

A savings and loan association is entitled to receive a credit from a credit institution or a savings and loan association registered in the European Union, from a global Latvian credit company, from an association or foundation of savings and loan associations registered in the European Union, from State and local government funds, and also from State and local government capital companies.

[*24 May 2012; 29 May 2014*]

**Chapter IV**

**Provisions for the Operation of a Savings and Loan Association and the Regulatory Requirements Governing Its Operation**

[*29 May 2014*]

**Section 19. Provisions for the Operation of a Savings and Loan Association**

(1) After registration with the Enterprise Register of the Republic of Latvia a savings and loan association is entitled to perform the activities specified in the articles of association thereof and in the special authorisation (licence) issued by the Commission.

(2) A savings and loan association shall accept deposits only from members thereof.

(21) A savings and loan association shall ensure conducting of an electronic register of depositors and amount of their deposits (with accrued interest) and shall submit it to the Commission upon its request.

(3) A savings and loan association shall issue loans only to its members – natural persons and to the persons referred to in Section 5, Paragraph five, Clause 1 of this Law according to the credit policy provisions approved by the general meeting (meeting of authorised persons).

(4) The following shall be determined in the credit policy of a savings and loan association:

1) the objectives for which loans shall be issued;

2) the procedures for the calculation of the interest rates;

3) the time periods for which loans shall be issued;

4) the types of security depending on the objective and amount of the loan to be issued;

5) the purposes for which loans may be issued without a security, the amount of such loans, and the level of the permitted amount of loans in a loan portfolio;

6) the procedures for requesting a loan;

7) the procedures by which a loan request shall be examined and a decision on granting a loan or on refusal to grant it shall be taken;

8) the procedures for the supervision of the loans issued and for the determination of quality;

9) the procedures for the recovery of loans not paid in due time;

10) the provision that a member may use the received loan only for the purpose for which it was issued.

[*21 June 2007; 24 May 2012; 29 May 2014; 21 June 2018 / Amendment to Paragraph three shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 20. Regulatory Requirements Governing Operation of a Savings and Loan Association**

(1) The proportion of own funds of a savings and loan association to the sum total of assets and off-balance sheet items (capital adequacy) may not be less than 10 per cent.

(2) A savings and loan association shall arrange the assets thereof so that satisfaction of legally justified claims of creditors thereof could be ensured at any time. The liquidity requirements shall be determined by the regulatory provisions issued by the Commission.

(3) [4 December 2008]

(4) A savings and loan association is entitled to make investments in state issued securities of the Republic of Latvia, debt securities issued by state capital companies, and in mortgage bonds issued by credit institutions registered in the Republic of Latvia.

(5) A savings and loan association is not entitled to found commercial companies, and also to make investments in the equity capital of other commercial companies.

(6) A savings and loan association is entitled to deposit the funds not issued in loans to its members only to a credit institution or savings and loan association registered in the Republic of Latvia or a foreign country.

(7) The exposure of a savings and loan association shall be qualified as a large exposure, if the value of exposure exceeds 10 per cent of the own funds of the savings and loan association.

(8) The total value of large exposures may not exceed the own funds of a savings and loan association more than eight times.

(9) The total amount of loans issued to one member or a joint risk group shall not exceed 25 per cent of the own funds of a savings and loan association.

(10) The total amount of credits issued to members of a savings and loan association, the board, and the audit commission or their spouses, parents, or children shall not exceed 15 per cent from the own funds of the savings and loan association, except for the cases when credits issued to such persons have been secured with their shares or investments in the savings and loan association.

(11) Credits which individually or jointly exceed EUR 1400 and are allocated to the chairperson of the savings and loan association, credit committee or to any member of the board, credit committee, and audit commission shall be allocated with a decision unanimously taken by the board of the savings and loan association.

(12) The open foreign currency position of a savings and loan association in an individual foreign currency shall not exceed 10 per cent and in total in all foreign currencies – 20 per cent from the own funds.

(13) The Commission shall issue the regulatory provisions regarding the calculation of indicators of the requirements governing the operation of a savings and loan association and the evaluation of out-off-balance sheet liabilities.

[*21 June 2007; 4 December 2008; 19 September 2013; 29 May 2014; 21 June 2018 / Amendment in relation to the replacement of the words “additional shares” with the word “shares” shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 21. Cases of Repayment of Overpaid Share Value**

(1) A savings and loan association shall, within a week after the decision of the relevant administrative body of the savings and loan association on non-acceptance of a person in the savings and loan association, repay the value of the shares to the person in monetary terms.

(2) A savings and loan association shall, within a week after the decision of the relevant administrative body of the savings and loan association on rejection of the purchase of shares, repay the paid value of the shares to the person in monetary terms.

(3) The entrance fee paid in by the person shall not be repaid, if the decision on non-acceptance of the person in the savings and loan association is taken.

[*21 June 2018*]

**Chapter V**

**Organisational Structure, Accounting, and Annual Statement of a Savings and Loan Association**

**Section 22. Special Management Provisions of a Savings and Loan Association**

(1) The board of a savings and loan association shall be elected in the composition of at least three members. Also a credit committee shall be created in a savings and loan association in accordance with the procedures specified in the articles of association thereof.

(2) A member of the board and the audit commission may not be a member of the credit committee of the savings and loan association. The credit committee shall provide a report on the work thereof in accordance with the procedures specified in the articles of association of the association to the general meeting (meeting of authorised persons) and the board of the savings and loan association.

(3) [21 June 2018]

(4) A savings and loan association may provide for in the articles of association that members of the board, the credit committee, and the audit commission carry out work without remuneration.

[*4 December 2008; 24 May 2012; 29 May 2014; 21 June 2018 / Amendment to Paragraph two and amendment regarding the deletion of Paragraph three shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 23. Accounting and Annual Statement of a Savings and Loan Association**

(1) A savings and loan association shall conduct accounting in accordance with the regulatory provisions of the Commission regarding preparation of annual statements. The Commission shall issue the regulatory provisions regarding preparation of an annual statement of a savings and loan association.

(2) The board shall be responsible for the preparation of the annual statement of the savings and loan association, and the audit commission of the savings and loan association shall examine it prior to the general meeting (meeting of authorised persons) in which the report is to be approved. For a savings and loan association the assets of which at the end of the accounting year exceed EUR 400 000, the annual statement shall be examined by a sworn auditor or a commercial company of sworn auditors.

(21) A savings and loan association the annual statement of which is examined by a sworn auditor or a commercial company of sworn auditors shall submit to the Commission a copy of the report of the sworn auditor or the commercial company of sworn auditors addressed to the management of the savings and loan association within 10 days after approval of the annual statement, but not later than three months after the end of the reporting year.

(3) [22 May 2008]

(31) A savings and loan association 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 the report of the sworn auditor, if any, to the State Revenue Service together with an extract from the minutes of the general meeting (meeting of authorised persons) regarding approval of the annual statement. The savings and loan association shall submit the abovementioned documents in printed form or in electronic form.

(32) The State Revenue Service shall, not later than within five working days, hand over the documents referred to in Paragraph 3.1 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.

(33) After receipt of the documents referred to in Paragraph 3.2 of this Section, the Enterprise Register shall publish them on the website of the Enterprise Register.

(4) Each member of a savings and loan association has the right to become acquainted with a complete annual statement and receive an extract thereof for a fee not exceeding the expenditures for the copying of the report.

[*21 June 2007; 22 May 2008; 23 September 2010; 24 May 2012; 19 September 2013; 29 May 2014; 21 June 2018; 23 September 2021 / The amendment regarding the replacement of the words “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 14 of Transitional Provisions*]

**Chapter VI**

**Supervision of Operation of a Savings and Loan Association**

**Section 24. Organisation of the Supervision of Operation of a Savings and Loan Association**

(1) In order to ensure safe operation, stability, and development of savings and loan associations, the supervision of savings and loan associations shall be carried out by the Commission in accordance with this Law and other laws and regulations.

(2) An administrative act of the Commission which has been issued in accordance with this Law may be appealed to the District Administrative Court. The court shall examine the case as the court of first instance. The case shall be examined in the panel of three judges. The judgment of the Regional Administrative Court may be appealed by filing a cassation complaint.

[*4 December 2008; 29 May 2014*]

**Section 24.1 Procedures for the Commencement of the Provision of a New Financial Service**

(1) If a savings and loan association has planned to commence the provision of new financial services not provided until now or to significantly modify the procedures for the provision of any of the financial services, it shall, not later than 30 days in advance, submit a substantiated submission to the Commission to which a description of the relevant risk management policy and procedures is attached.

(2) Upon receipt of the submission referred to in Paragraph one of this Section, the Commission shall, not later than within 30 days, examine the submitted documents and evaluate the risk management policy of the provision of the planned financial service and the impact of the provision of such service on the operation of the savings and loan association and the whole sector of savings and loan associations.

(3) The Commission has the right to request additional information on the planned financial service or the procedures for the provision thereof in order to evaluate the impact of the provision of the relevant financial service on the savings and loan association and the whole sector of savings and loan associations and the quality of risk management.

(4) The Commission shall take the decision to prohibit a savings and loan association from commencing the provision of a new financial service not provided until now or to significantly modify the procedures for the provision of any of the financial services and shall notify the relevant savings and loan association thereof without delay if its planned activities endanger or might endanger stable operation of such savings and loan association or the whole sector of savings and loan associations, interferes with appropriate conduct of transactions or the provision of financial services.

(5) The appeal of the decision (the administrative act) referred to in Paragraph four of this Section shall not suspend the operation thereof.

[*29 May 2014*]

**Section 24.2 General Provisions for the Provision of Outsourcing**

(1) Within the meaning of this Law, outsourcing is the service which is related to conducting of accounting, management or development of information technologies or systems of a savings and loan association, or other service which is related to the provision of the financial service of the savings and loan association or a significant element thereof.

(2) Only such outsourced service provider is entitled to provide outsourced services to a savings and loan association which has the necessary qualification and experience to fulfil the duties delegated to him or her.

(3) A savings and loan association may not delegate the obligations of administrative bodies of the savings and loan association specified in accordance with the laws or articles of association of the savings and loan association to an outsourcing service provider, and also:

1) the attraction of deposits and other repayable funds;

2) the issuance of guarantees and deeds on such other commitments under which it has undertaken the obligation to be liable to the creditor for the debt of a third person;

3) the provision of crediting services.

(4) If a savings and loan association wants to delegate conducting of accounting, management or development of information technologies or systems as outsourcing, it shall, before receipt of the outsourcing, submit a justified submission to the Commission in writing on the planned receipt of the outsourcing. The outsourcing procedure and the original of the outsourcing contract or a certified copy thereof shall be attached to the submission.

(5) An outsourcing service provider shall commence the provision of outsourcing to a savings and loan association if it has not received a prohibition from the Commission to receive outsourcing within 30 days after the day of submitting the submission referred to in Paragraph four of this Section.

(6) If a savings and loan association wants to delegate outsourcing other than referred to in Paragraph four of this Section which is related to the provision of the financial service of the savings and loan association or a significant element thereof to an outsourcing service provider, it shall, concurrently with the commencement of the provision of the outsourcing, submit information to the Commission on the type of the planned outsourcing and outsourcing service provider.

(61) Several savings and loan associations are entitled to agree in order to receive outsourcing from the same outsourcing service provider. The outsourcing contract shall be signed by all savings and loan associations which enter into the outsourcing contract. Savings and loan associations may delegate one savings and loan association which submits information to the Commission on the planned type of outsourcing and outsourcing service provider in conformity with the provisions of this Section.

(7) Receipt of outsourcing shall not exempt a savings and loan association from the liability specified in the law or contract. The savings and loan association shall be liable for the performance of the outsourcing service provider to the same extent as for its own services.

[*29 May 2014; 21 June 2018*]

**Section 24.3 Documents Governing Outsourcing**

(1) The legal basis for receiving of outsourcing shall be a contract in which the following is included:

1) a description of the outsourced service to be received;

2) precise requirements in relation to the amount and quality of the outsourced services;

3) the rights and obligations of the savings and loan association and the outsourcing service provider, including:

a) the right of the savings and loan association to continuously supervise the quality of the provision of the outsourcing;

b) the right of the savings and loan association to give the outsourced service provider instructions to be executed on a mandatory basis in issues which are related to the execution of the outsourcing in good faith, good quality, timely manner, and in conformity with laws and regulations;

c) the right of the savings and loan association to submit to the outsourcing service provider a substantiated written request to terminate the outsourcing contract without delay if the savings and loan association has determined that the outsourcing service provider does not fulfil the requirements specified in the outsourcing contract in relation to the amount or quality of the outsourcing;

d) the obligation of the outsourcing service provider to ensure the savings and loan association with a possibility to continuously supervise the quality of provision of the outsourcing;

e) the obligation of the outsourcing service provider to terminate the outsourcing contract without delay after receipt of a substantiated written request from the savings and loan association;

4) the right of the Commission to become acquainted with all the documents, accounting and document registers and to request from the outsourcing service provider any information which is related to the provision of outsourcing and performing functions of the Commission.

(2) A savings and loan association which is planning to receive outsourcing in accordance with the procedures laid down in this Law shall develop a relevant outsourcing procedure determining the following therein:

1) the internal procedures by which decisions on receipt of outsourcing are taken;

2) the procedures for entering into an outsourced service contract, for the supervision of execution and termination thereof;

3) the procedures by which cooperation with the outsourcing service provider shall take place, regarding the persons and units responsible for the supervision of the amount and quality of the outsourcing received, and also the rights and obligations of the relevant persons;

4) the actions of the savings and loan association in cases when the outsourcing service provider does not fulfil or is going to be unable to fulfil the provisions of the outsourcing contract.

(3) The Commission has the right to inspect the operation of the outsourcing service provider at the location thereof or at the location of the provision of outsourcing, including to become acquainted with all the documents, accounting and document registers, to make copies of the documents, and also to request information from the outsourcing service provider which is related to the provision of outsourcing and is necessary for performing the functions of the Commission.

[*29 May 2014 / See Paragraph 11 of Transitional Provisions*]

**Section 24.4 Supervision of the Outsourcing**

(1) The Commission shall take a decision to prohibit a savings and loan association from receiving the planned outsourcing if:

1) the provisions of this Law have not been conformed to;

2) the receipt of the outsourcing may restrict the activities of the savings and loan association, and also may infringe the lawful interests of the members of the savings and loan association;

3) the receipt of the outsourcing may restrict the possibility of the responsible persons of the savings and loan association to fulfil the obligations specified for them in laws and regulations, the articles of association of the savings and loan association, or in other internal instruments of the savings and loan association;

4) the receipt of the outsourcing will prohibit or restrict the possibilities of the Commission to perform the supervision functions specified in the law;

5) the outsourcing contract does not conform to the law and does not provide a fair and true idea on the intended cooperation between the savings and loan association and the outsourcing service provider and the requirements in relation to the amount and quality of the outsourcing.

(2) The Commission has the right to request that a savings and loan association eliminates deficiencies which have arisen while receiving outsourcing and to determine the time period for the elimination of such deficiencies. If the deficiencies are not eliminated within the time period stipulated by the Commission, the Commission shall request that the savings and loan association terminates the outsourcing contract, and shall determine the time period for the termination thereof.

(3) The Commission has the right to request that a savings and loan association immediately terminates the outsourcing contract if the Commission establishes that:

1) the savings and loan association fails to perform continuous supervision of the quality of the outsourcing or performs it irregularly and inadequately;

2) the savings and loan association fails to perform risk management related to the outsourcing or performs it irregularly and inadequately;

3) the activities of the outsourcing service provider have significant deficiencies which endanger or may endanger the fulfilment of the liabilities of the savings and loan association;

4) any of the circumstances referred to in Paragraph one of this Section has set in.

(4) If a savings and loan association detects that the outsourcing service provider does not conform to the requirements of the outsourcing contract in relation to the amount or quality of the outsourcing, it shall, without delay, inform the Commission thereof.

(5) The receipt of the outsourcing shall not release a savings and loan association and the responsible persons thereof from the obligation to manage the risks related to the activities of the savings and loan association specified in laws and regulations.

(6) A savings and loan association shall submit the amendments made to the procedure of the outsourcing to the Commission not later than on the next working day after approval of the relevant amendments.

(7) The appeal of the administrative act issued by the Commission in accordance with the procedures laid down in this Section on the prohibition for a savings and loan association to receive the planned outsourcing shall not suspend the operation thereof.

[*29 May 2014*]

**Section 25. Application of Intensified Supervision**

[4 December 2008]

**Section 25.1 Rights of the Commission in the Supervision Process of a Savings and Loan Association**

The Commission may request convening of the general meeting (meeting of authorised persons) of members of a savings and loan association and determine the issues to be discussed. The authorised person of the Commission has the right to participate in such meetings.

[*29 May 2014; 21 June 2018 / Amendment to the Section shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 26. Appointed Person of the Commission**

(1) A natural person (also an employee of the Commission) may be an appointed person of the Commission in accordance with Section 31 of this Law who conforms to the requirements of Paragraph two of this Section and to whom the restrictions specified in Paragraph three of this Section cannot be applied.

(2) Such natural person may be an appointed person of the Commission the objectivity of whose actions in relation to the particular savings and loan association raises no doubt and who has:

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) Such natural person may not be an appointed person of the Commission who has been:

1) recognised as interested person in respect of the savings and loan association;

2) punished for committing an intentional criminal offence (irrespective of extinguishing or setting aside of the criminal record);

3) held criminally liable for committing an intentional criminal offence, and the criminal proceedings against him or her have been terminated for reasons other than exoneration.

[*29 May 2014*]

**Section 26.1 Rights of the Appointed Person of the Commission**

(1) In the decision on appointment of the appointed person of the Commission, the objective of activity of such person, the tasks and functions, the amount of powers and term of office thereof, and also other provisions which the Commission considers to be significant shall be determined.

(2) It may be determined in the decision on appointment of the appointed person of the Commission that the appointed person of the Commission:

1) is entitled to become acquainted with all the documentation, assets and liabilities of a savings and loan association and to receive explanations from the responsible persons of the savings and loan association;

2) is entitled to convene the general meeting (meeting of authorised persons) of members of a savings and loan association, meeting of the council and board thereof and to participate in it with the right to initiate the issues to be examined in the meeting and sitting (including on increasing of the equity capital of the savings and loan association, restriction of the activity or performance of liabilities of the savings and loan association);

3) is entitled to allow or not to allow a savings and loan association to make payments, enter into new transactions, and also to amend or terminate the existing transactions in order to ensure that the savings and loan association conforms to the restrictions specified in Section 31, Paragraph one, Clause 3 or 7 of this Law;

4) manages a savings and loan association.

(3) If the right to convene the general meeting (meeting of authorised persons) of members of a savings and loan association or a meeting of the council and board thereof and to participate in it is determined in the decision on appointment of the appointed person of the Commission, the decision of the relevant administrative body of the savings and loan association shall not be regarded to be taken if the appointed person of the Commission objects to it.

(4) When performing the tasks specified in Paragraph two of this Section, the appointed person of the Commission is entitled:

1) to issue binding instructions to all units of a savings and loan association and the staff thereof;

2) not to comply with the restrictions specified in the articles of association, by-laws, and regulations (policy, descriptions of procedures, and other documents governing the activities) of a savings and loan association;

3) to alienate, including transfer, the property, tangible or intangible properties, contracts and other liabilities of a savings and loan association if the purpose of such activities is to ensure refund of deposits of the savings and loan association.

[*29 May 2014; 21 June 2018 / Amendments to Section shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 26.2 Responsibility and Removal of the Appointed Person of the Commission**

In respect of other rights of the appointed person of the Commission not referred to in this Law, and also to the liability and removal thereof which is not governed by the requirements of this Law, the relevant provisions of Chapter VII of the Credit Institution Law regarding liability and removal of an authorised person shall be applied.

[*29 May 2014*]

**Section 26.3 Financing for Ensuring Activities of the Commission**

(1) A savings and loan association shall make payments for the financing of the activities of the Commission up to 0.033 per cent (including) of the average asset amount of the savings and loan association in a quarter.

(2) The Commission shall issue regulatory provisions regarding the procedures for calculating the payments referred to in Paragraph one of this Section and the submission of reports.

(3) The payments referred to in Paragraph one of this Section shall be made until the fifteenth date of the month following the relevant quarter.

(4) For delayed transfer or transfer at less than full amount of the payments referred to in this Section the late charge shall be calculated for each delayed day of payment as 0.05 per cent from the outstanding amount.

(5) The payments referred to in this Section shall be transferred to the account of the Commission in Latvijas Banka.

[*29 May 2014*]

**Section 27. Internal Control System of a Savings and Loan Association**

(1) A savings and loan association shall establish an efficient internal control system in order to ensure its risk management and asset protection, the veracity and timeliness of the information provided to the council and board of the savings and loan association, the conformity with the laws and regulations, including regulatory provisions of the Commission, and also decisions of the Commission and policy and procedures of the savings and loan association.

(2) The Commission shall issue regulatory provisions regarding establishment of the internal control system of a savings and loan association.

[*21 June 2018*]

**Section 27.1 Participation in the Credit Register**

The participation of a savings and loan association in the Credit Register shall be determined by the Law on the Credit Register.

[*24 May 2012 / The new wording of the Section shall come into force on 1 December 2012. See Paragraph 10 of Transitional Provisions*]

**Chapter VII**

**Termination and Liquidation of the Operation of a Savings and Loan Association**

[*29 May 2014*]

**Section 28. Termination of the Operation of a Savings and Loan Association by Refusing from the Special Authorisation (Licence) for the Operation of a Savings and Loan Association**

(1) The general meeting (meeting of authorised persons) of a savings and loan association is entitled to take the decision on refusal of a savings and loan association from a special authorisation (licence) for the operation of the savings and loan association without liquidating the association if the savings and loan association has refunded deposits to its members within the specified time period and in full amount in conformity with the deposit amount registered in the accounting registers and the permission of the Commission has been received.

(2) The Commission shall, within 30 days after receipt of all the necessary documents which confirm the information referred to in Paragraph one of this Section, verify whether a savings and loan association has fulfilled the liabilities before its members within the specified time period by refunding deposits in conformity with the deposit amount registered in the accounting registers, and decide on the cancellation of the special authorisation (licence) issued for the operation of the savings and loan association.

[*29 May 2014; 21 June 2018 / Amendment to Paragraph one shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 29. Liquidation of a Savings and Loan Association**

(1) The general meeting (meeting of authorised persons) of a savings and loan association is entitled to take the decision to terminate the operation of a savings and loan association if the savings and loan association is able to refund deposits to its members within the specified time period and in full amount in conformity with the deposit amount registered in the accounting registers.

(2) A savings and loan association which is preparing to terminate its operation shall, within five days after taking the decision referred to in Paragraph one of this Section, inform the Commission thereof by submitting the last statement of the savings and loan association which demonstrates the financial standing at the end of the reporting period and has been prepared in conformity with the regulatory provisions of the Commission regarding the preparation of an annual statement, and information on the potential liquidator.

(3) The Commission shall, within 30 days after receipt of all the necessary documents which confirm the information referred to in Paragraph one of this Section, verify whether a savings and loan association has fulfilled the liabilities before its members within the specified time limit and in full amount by refunding deposits in conformity with the deposit amount registered in the accounting registers, and decide on the cancellation of the special authorisation (licence) issued for the operation of the savings and loan association.

(4) If the operation of an association is terminated, it shall be liquidated, unless it has been laid down otherwise in the law.

(5) The provisions of the Cooperative Societies Law shall be applied in respect of the procedures for the liquidation of a savings and loan association, insofar as it is not in contradiction with the provisions of this Law regarding the procedures for the liquidation of savings and loan associations.

[*29 May 2014; 21 June 2018 / Amendment to Paragraph one shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 29.1 Termination of the Operation of a Savings and Loan Association on the Basis of the Law**

(1) The general meeting (meeting of authorised persons) of members of a savings and loan association, having regard to the conditions and procedures for the termination of the operation referred to in Section 29 of this Law, has an obligation to take the decision to terminate the operation of the savings and loan association if:

1) the number of members of the savings and loan association has fallen below 20;

2) the legal subject the legal relationship founded with which determined the aggregate of the members of the relevant savings and loan association ceases to exist;

3) the savings and loan association has been acquired by another association;

4) the savings and loan association has been merged with another association or other such associations and result in the founding of a new savings and loan association.

(2) If the equity capital of a savings and loan association decreases and falls below the minimum amount specified in the articles of association, the board shall, within two months, convene the general meeting (meeting of authorised persons) of members which shall decide on increasing the equity capital of the association up to the minimum amount specified in the articles of association or on the liquidation of the savings and loan association.

(3) Also other cases of terminating the operation of a savings and loan association may be specified in the articles of association thereof.

(4) If the equity capital of a savings and loan association decreases and falls below EUR 2500, the board shall, within one month, convene the general meeting (meeting of authorised persons) of members which shall decide on increasing the equity capital of the association up to EUR 2500 or on the liquidation of the savings and loan association.

(5) If the commercial company or cooperative society referred to in Section 5, Paragraph five, Clause 2 or 3 of this Law becomes the member of a savings and loan association and equity capital of the savings and loan association decreases and falls below EUR 25 000, the board shall, within one month, convene the general meeting (meeting of authorised persons) of members which shall decide on increasing the equity capital of the association up to EUR 25 000 or on the liquidation of the savings and loan association.

[*29 May 2014; 21 June 2018 / Amendments to the Section shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Section 30. Procedures for the Liquidation of a Savings and Loan Association on the Basis of the Decision of the General Meeting (Meeting of Authorised Persons)**

(1) The procedures for the liquidation of a savings and loan association laid down in this Section shall be applicable in cases when the operation of the savings and loan association is terminated and the savings and loan association is liquidated in the cases referred to in Sections 29 and 29.1 of this Law.

(2) The general meeting (meeting of authorised persons) of a savings and loan association shall elect a liquidator. Upon election of the liquidator, the powers of the members of the council and board shall expire. During the liquidation proceedings of a savings and loan association, the authorised person of the Commission has the right to become acquainted with all the documentation of the savings and loan association, all the documentation of the liquidator which is related to the savings and loan association, and also to receive explanations of the liquidator and any other necessary information which is related to the liquidation proceedings of the savings and loan association.

(3) In a savings and loan association the assets of which at the end of the reporting year exceed EUR 70 000, the liquidator may be replaced by a liquidation commission elected by the general meeting (meeting of authorised persons).

(4) The liquidator shall notify the decision on the commencement of liquidation of a savings and loan association in the official gazette *Latvijas Vēstnesis* and in the newspaper which, according to the place of distribution and number of copies thereof, includes as large number of members of the savings and loan association as possible. Creditors shall apply their claims against the savings and loan association to the liquidator of the association within 90 days from the day when the notification was published. The creditor shall append all documents justifying its claim to the application thereof.

(5) The liquidator shall take a decision on the recognition of the creditor’s claim and send to the creditor according to the address indicated thereby not more than 30 days after expiry of the deadline announced for application of creditors. The liquidator shall notify its decision to the creditor in a registered letter. The creditor may appeal a decision of the liquidator on non-recognition or partial recognition of the claim to a court within 30 days from the day when the registered letter was sent.

(6) The liquidator shall receive and recover that due to the savings and loan association, sell the property of the association and satisfy the claims against the savings and loan association in accordance with the procedures laid down in law, prepare a report on liquidation, announce the termination of the liquidation, and notify the Enterprise Register of the Republic of Latvia thereof.

(7) Claims of creditors which have been recognised by a court ruling (judgment) that has entered into effect and the recovery commenced according to which against a savings and loan association has not been completed, and also claims which, at the time of appointing a liquidator, are still in legal proceedings shall be satisfied according to general procedures of liquidation.

(8) The remuneration of the liquidator, the liquidation expenditures, and also the expenditures of the savings and loan association to be liquidated shall be approved by the general meeting (meeting of authorised persons).

(9) The order of satisfying the claims applied by creditors and recognised, in case of liquidation of a savings and loan association, shall be as follows:

1) claims of the Deposit Guarantee Fund;

2) tax and duty claims;

3) claims of work remuneration of such paid employers who are not members of the savings and loan association;

4) claims of such creditors and employees who are not members of the association;

5) claims of deposits, except for claims of members of the board, the audit commission, and the credit commission;

6) claims of other members of the association who are not members of the board, the audit commission, or the credit committee;

7) claims of members of the board, the audit commission, and the credit committee.

(10) Complaints regarding activities of a liquidator shall be examined and decisions on his or her removal and holding liable shall be taken by the general meeting (meeting of authorised persons).

[*19 September 2013; 29 May 2014; 21 June 2018 / Amendments to Section shall come into force on 1 January 2019. See Paragraph 13 of Transitional Provisions*]

**Chapter VIII**

**Liability for Violations of Laws and Regulations**

[*4 December 2008*]

**Section 31. Restriction of the Operation of a Savings and Loan Association**

(1) If the Commission establishes that a savings and loan association fails to comply with this Law or the regulatory provisions issued by the Commission, the operation of the savings and loan association does not conform to the main tasks or main principles for the establishment thereof, endangers its stability or solvency, safety or stability of the Latvian financial sector, threatens to cause significant losses to the national economy, or extreme flow of deposits or other attracted funds from the savings and loan association takes place, or if the Commission concludes that the policy and procedures of the savings and loan association and the implementation thereof do not provide sufficient risk management, the Commission is entitled to impose the following supervisory measures by taking the decision:

1) to request that the savings and loan association takes measures for the elimination of such situation without delay and submits an action plan to the Commission within the time period stipulated thereby;

2) [23 September 2021];

3) to partially or completely suspend the provision of financial services of the savings and loan association;

4) to provide written instructions binding upon administrative bodies of the savings and loan association, the heads and members thereof for the prevention of such situation;

5) [23 September 2021];

6) to appoint one or several persons (appointed persons of the Commission) in the savings and loan association;

7) to determine restrictions on the performance of deposit liabilities for the savings and loan association.

(11) For the violations of the laws and regulations in the field of the prevention of money laundering and terrorism and proliferation financing, the Commission shall apply the sanctions specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

(12) If the Commission establishes that a savings and loan association fails to comply with this Law or the regulatory provisions issued by the Commission, the operation of the savings and loan association does not conform to the main tasks or main principles for the establishment thereof, endangers its stability or solvency, safety or stability of the Latvian financial sector, threatens to cause significant losses to the national economy, or extreme flow of deposits or other attracted funds from the savings and loan association takes place, or if the Commission concludes that the policy and procedures of the savings and loan association and the implementation thereof do not provide sufficient risk management, the Commission is entitled to impose the following sanctions:

1) to warn the savings and loan association;

2) to impose a fine;

3) to cancel the special authorisation (licence) in accordance with Section 13, Paragraph one of this Law.

(2) The Commission may take the decision to determine restrictions for the performance of deposit liabilities only in relation to the savings and loan association which on the day when such decision is taken is able to satisfy legitimate claims notified by its creditors. Such decision may be taken also upon a request of the relevant savings and loan association.

(3) The types of restrictions and their duration which may not exceed 12 months shall be indicated in the decision to determine restrictions for the performance of deposit liabilities.

(4) The Commission may provide instructions binding on a savings and loan association on how the decision to determine restrictions for the performance of deposit liabilities shall be enforced.

(5) The appeal of the administrative act issued by the Commission in relation to the issues referred to in this Section shall not suspend its operation.

[*29 May 2014; 26 October 2017; 23 September 2021* / *The amendment regarding the replacement of the words “appeal” with the words “contestation and appeal” and amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka”, and also the amendment regarding the replacement of the words “regulatory provisions” with the word “provisions” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 14 of Transitional Provisions*]

**Section 31.1 Continuation of the Activities of a Savings and Loan Association without the Special Authorisation (Licence)**

For continuation of the operation of a savings and loan association without the special authorisation (licence), the Commission is entitled to impose a sanction – a fine of up to EUR 7100 – on a person responsible for the violation.

[*23 September 2021*]

**Section 32. Amount of a Fine**

(1) [24 May 2012]

(2) The Commission is entitled to impose a fine from EUR 142 to EUR 7100 on a savings and loan association for the activities as a result of which the requirements of this Law or of the laws and regulations issued in accordance thereby, or of directly applicable legal acts issued by the authorities of the European Union have been violated.

(3) The fines referred to in this Law shall be transferred into the State budget.

[*24 May 2012; 19 September 2013; 29 May 2014*]

**Transitional Provisions**

1. Section 13, Clause 7 and Section 30, Paragraph nine, Clause 1 of this Law shall come into force concurrently with the relevant amendments to the Law on Deposit Guarantees of Natural Persons.

2. Until the time when the regulatory provisions and orders of the Commission come into force, the norms of Latvijas Banka shall be binding on savings and loan associations.

3. Until the day of the coming into force of a law on occupational activity, the term “occupational activity” used in this Law shall mean “individual work”.

4. The special authorisations (licences) issued to savings and loan associations for the operation of a credit institution which have been issued on the basis of laws and regulations that were in force until the day of coming into force of this Law shall be recognised as valid.

5. The Cabinet shall, by 1 September 2001, submit amendments to the *Saeima* to the Credit Institution Law, to the Law on the Financial and Capital Market Commission, tax laws and other laws related to the coming into force of this Law.

[*20 November 2003*]

6. Section 27.1 of this Law shall come into force on 1 January 2008.

[*21 June 2007*]

7. Amendments to Section 23 of this Law shall be applicable to financial statements which have been submitted to the State Revenue Service on 1 July 2008 or later.

[*22 May 2008*]

8. Until legal regulation is provided for agricultural farms and fish farms according to the Law on Agricultural Farms and Fish Farms, an agricultural farm or a fish farm may be one member of the savings and loan association without the right to vote, if the member of the savings and loan associations owns 100 per cent shares of the relevant farm.

[*4 December 2008*]

9. Amendments to Section 24 of this Law regarding the supplementation thereof with Paragraph two (in relation to appealing of an administrative act in the District Administrative Court) shall come into force on 1 January 2009. If the application on an administrative act of the Financial and Capital Market Commission has been submitted to the District Administrative Court by 1 January 2009, the decision on the submitted application shall be taken, and also the initiated administrative case shall be examined and a court ruling in this case shall be taken and appealed in accordance with the provisions of the Administrative Procedure Law.

[*4 December 2008*]

10. Amendments to Sections 27.1 and 32 of this Law, and also amendment in relation to the deletion of the informative reference to the European Union directive shall come into force from 1 December 2012.

[*24 May 2012*]

11. A savings and loan association shall ensure the conformity of its operation with amendments to Section 15, Paragraph 1.1, Section 19, Paragraph 2.1, Section 22, Paragraph one (in respect of the number of members of the board), Sections 24.2 and 24.3 of this Law within six months after the day of coming into force of these amendments.

[*29 May 2014*]

12. Legal subjects the name of which does not conform to amendments to Section 6, Paragraph two (regarding the prohibition to use the words “savings and loan” in their name or self-promotion) shall ensure the conformity of their name with the requirements of this Law until 1 January 2015.

[*29 May 2014*]

13. Amendments by which the “meeting of representatives” (in the relevant case) is replaced with the words “meeting of authorised persons” (in the relevant case), Section 5, Paragraph 1.1, amendments to Section 7, Paragraph four and Section 7.1 regarding expressing in the new wording, Section 15, Paragraph 1.2, amendments to Section 17, Paragraph 1.1 and two regarding the new wording, amendments to Section 20, Paragraph ten, Section 22, Paragraph three in respect of the deletion of Paragraph three and Section 23, Paragraph two regarding the new wording shall come into force on 1 January 2019.

[*21 June 2018*]

14. Amendments to this Law regarding the replacement of the word “Commission” with the words “Latvijas Banka” in the entire Law, except for the phrase “Commission Regulation of 17 June 2014” in Section 5, Paragraph 1.1 and Transitional Provisions, and the replacement of the words “regulatory provisions” with the words “provisions” in the entire Law, except for Transitional Provisions, amendment regarding the new wording of Section 2, Paragraph one, Clause 10 and Paragraph seven, amendments to Section 13, Paragraph three, Section 24.1, Paragraph five, Section 24.4, Paragraph seven, amendment regarding the new wording of Section 26.3, and amendment to Section 31, Paragraph five shall come into force concurrently with the Law on Latvijas Banka.

[*23 September 2021 / The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

15. The regulatory provisions issued by the Financial and Capital Market Commission on the basis of this Law, until the day of coming into force of the Law on Latvijas Banka, shall be applied until the day of coming into force of the relevant regulations of Latvijas Banka, but not longer than until 31 December 2024.

[*23 September 2021*]

16. The Enterprise Register shall, in relation to the documents referred to in Section 23, Paragraph 3.2 of this Law and received before the day of coming into force of the amendments to Section 23, Paragraph 3.3 of this Law, not later than within five working days, publish a notification in the official gazette *Latvijas Vēstnesis* that the relevant annual statements, a report by a sworn auditor, and copies of accompanying documents are available in electronic form in the Enterprise Register.

[*23 September 2021*]

**Informative Reference to Directive of the European Union**

[24 May 2012 / See Paragraph 10 of Transitional Provisions]

The Law shall come into force on 1 January 2002.

The *Saeima* adopted this Law on 29 March 2001.

President V. Vīķe-Freiberga

Rīga, 18 April 2001