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

11 January 2018 [shall come into force on 7 February 2018];

27 May 2021 [shall come into force on 10 June 2021];

24 March 2022 [shall come into force on 21 April 2022].

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:

**Deposit Guarantee Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

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

1) **deposit**– a credit balance which has resulted from crediting financial means to a depositor’s account or from daily transactions of a credit institution and which a deposit taker has an obligation to repay in accordance with the provisions of the law or the terms and conditions of a contract, including a term deposit and a savings deposit. Such credit balance shall not be considered a deposit:

a) the existence of which may only be proved by the financial instruments referred to in Section 3, Paragraph two of the Financial Instrument Market Law, except for the financial instrument which is a savings product that is proved by a confirmation issued to a specific person;

b) the principal amount of which is not repayable in nominal value;

c) the principal amount of which is only repayable in nominal value according to a specific guarantee or agreement ensured by a credit institution or a third person;

2) **eligible deposit**– a deposit, except for such deposits for which a guaranteed compensation is not disbursed in accordance with the provisions of this Law;

3) **covered deposit**– a part of the eligible deposit which is disbursed as a guaranteed compensation in case of the unavailability of deposits in accordance with the procedures and in the amount laid down in this Law including therein also the interest accumulated for the deposits made;

4) **joint deposit**– a deposit made jointly by two or more persons or the right to the use of which has been defined for two or more persons in a contract entered into with a deposit taker in writing;

5) **deposit taker**– a credit institution, a savings and loan association registered in Latvia, a branch of a credit institution in Latvia registered in a foreign country, a branch of a credit institution in Latvia registered in a European Union Member State (hereinafter – the Member State) which participates in a deposit guarantee fund in accordance with the procedures laid down in laws and regulations;

6) **unavailability of deposits**– inability of a deposit taker to disburse deposits if at least one or more of the circumstances referred to in this Clause have set in, irrespective of the order of the setting-in thereof:

a) a court has declared the deposit taker insolvent;

b) the Financial and Capital Market Commission (hereinafter – the Commission) has cancelled a permit (licence) for the activities of a credit institution or savings and loan association;

c) the Commission has detected that the deposit taker is not able to disburse a deposit to a depositor due to deterioration of the financial situation of the deposit taker and has taken the decision on the setting-in of the unavailability of deposits;

7) **depositor**– a person or, in the case of a joint deposit, each of the persons who have a deposit in the deposit taker;

8) **deposit guarantee fund**– a set of property which consists of the payments made by deposit takers and the management of which is ensured by the Commission;

9) **target level**– a sum of financial means available in a deposit guarantee fund which is to be accumulated in accordance with the procedures laid down in this Law;

10) **available financial means**– cash, deposits, and low-risk assets which can be liquidated within seven working days;

11) **payment commitments**– payment commitments of a deposit taker towards a deposit guarantee fund which are fully collateralised by low-risk assets, if the collateral is not encumbered by any third person encumbrance.

(2) Any other terms used in the Law shall conform to the terms used in 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 (Text with EEA relevance).

[*24 March 2022*]

**Section 2. Purpose of the Law and Subjects of the Application Thereof**

(1) The purpose of this Law is to promote safe and stable operation of a deposit guarantee scheme that would increase depositor confidence in the financial sector in general.

(2) The Law prescribes the general principles of guarantees in respect of deposits in the deposit takers, the procedures for establishing, managing, and using a deposit guarantee fund, and also the mutual cooperation among deposit guarantee funds.

(3) The provisions of this Law shall be applicable to the following:

1) credit institutions and their branches, savings and loan associations registered in Latvia, and also branches of credit institutions in Latvia registered in foreign countries;

2) branches of credit institutions in Latvia registered in the Member States if they participate in a deposit guarantee fund.

(4) The deposit takers referred to in Paragraph three of this Section are not entitled to accept deposits, unless they participate in a deposit guarantee fund or a deposit guarantee fund of another Member State.

(5) If the provisions of this Law are applicable to branches of credit institutions in Latvia registered in the Member States, unavailability of deposits shall set in from the moment when it has set in in accordance with the legal acts of the relevant Member State.

(6) The provisions of this Law, except for the case referred to in Section 25, Paragraph 6.1, shall not be applicable to branches of credit institutions in Latvia registered in the Member States if the legal acts of those countries provide for deposit guarantee in branches of credit institutions in other countries, including Latvia, and cover all deposits provided for in this Law, moreover the guaranteed compensation is not lower than the guaranteed compensation specified in this Law.

(7) The provisions of this Law shall not be applicable to a deposit taker in respect of which deposits have become unavailable by the day of coming into force of this Law.

(8) The Commission shall take the decision on the setting in of the unavailability of deposits within five working days from the day when it has detected that the deposit taker is not able to pay deposits.

(9) The Commission, having taken the decision referred to in Paragraph eight of this Section on the setting-in of unavailability of deposits, shall immediately inform the Ministry of Finance of the amount of covered deposits of the deposit taker and the financial means available in the deposit guarantee fund, and also provide any other information thereto which may significantly affect the possibility of ensuring the means of the deposit guarantee fund for the disbursement of guaranteed compensation in accordance with the procedures laid down in this Law.

[*24 March 2022*]

**Section 3. Guaranteed Compensation**

(1) Irrespective of the day a deposit is made, the guaranteed compensation for one depositor in respect of the deposit made in the deposit taker shall be in the amount of the eligible deposit but not more than EUR 100 000.

(2) The right of the depositor to the guaranteed compensation and the commitments thereof towards the deposit taker which will fall due by or on the day when the deposits become unavailable are set off, and it shall be taken into account when calculating the eligible deposit.

(3) The guaranteed compensation shall be disbursed in euros.

(4) The depositor shall lose the right of action against a deposit guarantee fund for the disbursement of the guaranteed compensation on the day when five years have lapsed since the day when deposits have become unavailable or from the day when circumstances have terminated underlying the deferral of disbursement of the guaranteed compensation specified in Section 27, Paragraph one of this Law.

(5) Paragraph two of this Section shall not be applicable to the claims which have been included in the cover assets, and also in the case of implementation of the cross-border programme in accordance with the Covered Bonds Law.

[*11 January 2018; 27 May 2021; 24 March 2022*]

**Section 4. Additional Guaranteed Compensation**

(1) In addition to the provisions of Section 3, Paragraph one of this Law, the guaranteed compensation shall be ensured for one depositor in the amount of not more than EUR 200 000 within three months from the day the initial deposit is made in respect of the deposits of natural persons:

1) which consist of monetary amounts from transactions involving residential immovable property owned by a person;

2) which consist of the social benefits, compensations disbursed to the person, and deposits intended for other social purposes in the cases specified in laws and regulations;

3) which have been disbursed as a compensation for damage of criminal nature or wrongful conviction of the person in accordance with the procedures laid down in laws and regulations.

(2) The depositor shall provide the information necessary for the deposit taker which confirms that the deposit corresponds to the provisions of Paragraph one of this Section.

**Section 5. Guaranteed Compensation for a Joint Deposit, Several Deposits or the Deposit of a Minor**

(1) The guaranteed compensation for a joint deposit shall be disbursed to each person who has made the joint deposit according to his or her share of the deposit which has been specified in the contract entered into with the deposit taker. If the share of each person in the joint deposit has not been specified, the joint deposit shall be divided in equal shares.

(2) If a depositor manages resources in the deposit taker which belong to another person, this person has the right to receive the guaranteed compensation if he or she can prove his or her rights of action to the resources managed by the depositor, provided that the deposit taker has identified this person prior to the day the deposits have become unavailable.

(3) Several deposits or several shares of a joint deposit, irrespective of the currency of the deposit, are aggregated as an eligible deposit for the purpose of calculating one covered deposit.

(4) In accordance with the Commission decision on the manner and procedures for disbursing the guaranteed compensation, the guaranteed compensation of a minor depositor may be transferred to such an account which has been opened in the name of the minor in another deposit taker and the conditions for the use of funds of this account are similar to those specified for the use of funds of the account by the deposit taker in respect of which deposits have become unavailable. In the decision on the manner and procedures for disbursing the guaranteed compensation the Commission shall provide for the procedures by which the lawful representative of a minor depositor is informed of the transferring of the guaranteed compensation of a minor depositor.

[*27 May 2021*]

**Chapter II**

**Deposit Guarantee Fund**

**Section 6. Competence of the Commission**

(1) The Commission shall ensure supervision of the deposit takers in accordance with the provisions of this Law, accumulation of resources in a deposit guarantee fund, management of the deposit guarantee fund, and disbursement of the guaranteed compensation, and also implement the creditors’ right of action against the deposit taker in the amount of the guaranteed compensation disbursed.

(2) The Commission shall perform a stress test of the deposit guarantee fund at least once every three years.

(3) The information obtained for the performance of stress tests shall only be used for the analysis of those tests and shall be stored for as long as necessary for the needs of the stress test.

(4) The Commission shall, by 1 July of each year, draw up a report on the operation of the deposit guarantee fund and publish it on its website.

[*24 March 2022*]

**Section 7. Obligation to Submit Information to the Consultative Council of the Financial and Capital Market**

The Commission shall provide the Consultative Council of the Financial and Capital Market with information on the accumulation of resources of the deposit guarantee fund and the disbursement of the guaranteed compensation.

**Section 8. Payments into the Deposit Guarantee Fund**

(1) The deposit guarantee fund shall consist of the payments made by the deposit takers in the amount and in accordance with the procedures laid down in this Law.

(2) A credit institution shall, within a month from obtaining a permit (licence) for the activities of a credit institution, make a one-time initial payment into the deposit guarantee fund in the amount of 1.5 per cent of the initial capital, a branch of a foreign credit institution shall, within a month after obtaining a permit (licence) for the activities of a credit institution, make a one-time initial payment into the deposit guarantee fund in the amount of EUR 150 000 but a savings and loan association shall, within a month after obtaining a permit (licence) for the activities of a savings and loan association, make a one-time initial payment into the deposit guarantee fund in the amount of EUR 150.

(3) A credit institution or a savings and loan association registered in Latvia, a branch of a credit institution in Latvia registered in a foreign country shall, on a quarterly basis, make a payment into the deposit guarantee fund in the amount of 0.05 per cent of the average balance of the covered deposits in the deposit taker in the previous quarter, multiplied by the adjustment coefficient which has been calculated in accordance with the procedures stipulated by the Commission. Upon laying down the procedures for calculating the adjustment coefficient, the Commission shall take into account indicators of the capital adequacy, liquidity, large exposures of the deposit taker, the quality of credit portfolio of the deposit taker in the previous calendar year, and also the business plan and strategy of the deposit taker.

(4) A branch of a credit institution of a Member State which participates in the deposit guarantee fund shall, on a quarterly basis, make a payment into the deposit guarantee fund in the amount of 0.05 per cent of the average balance of the covered deposits attracted by the branch in the previous quarter.

(5) Upon fixing the adjustment coefficient, the payment to be made into the deposit guarantee fund may not be reduced by more than 25 per cent or increased by more than 100 per cent.

(6) The deposit taker shall make payments in euros.

(7) The deposit taker shall make payments into the deposit guarantee fund until the moment when the paid amount reaches the amount which ensures disbursement of the compensation guaranteed in this Law to the depositors of this deposit taker who have the right to such compensation in accordance with this Law.

(8) Upon calculating the payments to be made into the deposit guarantee fund, the deposit taker shall take into account the amount of the covered deposits referred to in Section 3, Paragraph one of this Law which does not exceed EUR 100 000.

[*11 January 2018*]

**Section 9. Target Level of the Deposit Guarantee Fund and Payment Commitments**

(1) The Commission shall ensure that the target level of the deposit guarantee fund is not less than 0.8 per cent of the amount of the covered deposits of members in the deposit guarantee fund.

(2) After the deposit guarantee fund has reached the target level and disbursements have been made from the deposit guarantee fund as a result of which the financial means available in the deposit guarantee fund have fallen below 0.53 per cent of the total amount of the covered deposits of members in the deposit guarantee fund, the Commission shall fix regular payments to be made into the deposit guarantee fund in the amount which allows to reach the target level referred to in Paragraph one of this Section within six years at the latest.

(3) Upon fixing the regular payments to be made into the deposit guarantee fund in order to reach the target level specified in this Section, the Commission shall take into account the phase of the national economy cycle, and also the impact procyclical payments into the deposit guarantee fund may have on the deposit taker.

(4) The financial means available in the deposit guarantee fund may include payment commitments of the deposit taker in the amount of not more than 30 per cent of the total amount of the financial means available in the deposit guarantee fund.

(5) The Commission shall issue regulatory provisions regarding the procedures for including payment commitments of the deposit takers into the deposit guarantee fund.

**Section 10. Additional Payments into the Deposit Guarantee Fund**

(1) If there are insufficient financial means in the deposit guarantee fund to disburse the guaranteed compensation to depositors, the Commission shall request the deposit taker to make, within the time period stipulated by it, additional payments into the deposit guarantee fund not exceeding 0.5 per cent of the covered deposits of the deposit taker at the end of the previous calendar year. If the Commission detects exceptional circumstances, it is entitled to increase the amount of the additional payments.

(2) If the Commission detects that making of additional payments of the deposit taker into the deposit guarantee fund jeopardises or may jeopardise stable operation of the financial sector, jeopardises or may jeopardise solvency or liquidity of the deposit taker, the Commission shall decide to defer the additional payments fully or partly until the moment when making of such additional payments no longer jeopardises solvency or liquidity of the deposit taker.

**Section 11. Preparation, Provision, and Processing of Information Necessary for the Management of the Deposit Guarantee Fund**

The Commission shall determine the procedures and the time period for:

1) calculating payments of the deposit taker into the deposit guarantee fund by specifying the manner in which the abovementioned payments are to be made;

2) drawing up and submitting a report to the Commission on the covered deposits;

3) collecting and providing information to the Commission on the guaranteed compensation.

[*11 January 2018*]

**Section 12. Review by a Sworn Auditor**

(1) A credit institution or a branch thereof shall ensure that once a year a sworn auditor, concurrently with performing an audit of an annual financial statement, verifies whether a report of the deposit taker on the covered deposits and payments into the deposit guarantee fund has been prepared in accordance with laws and regulations. The sworn auditor shall perform the review in accordance with the law On Sworn Auditors and submit to the Commission a written report on the review referred to in this Section.

(2) The requirements referred to in Paragraph one of this Section shall also be applicable to a savings and loan association if the assets thereof exceed EUR 400 000 at the end of the reporting year.

**Section 13. Calculation of the Average Balance of the Covered Deposits**

The average balance of the covered deposits in the previous quarter shall be calculated as the arithmetic mean of balances of the covered deposits presented in reports on the covered deposits of three months in the relevant quarter.

**Section 14. Time Period for the Payments to the Deposit Guarantee Fund and Legal Status of the Payments**

(1) The deposit taker shall, by the 20th day of the first month of each quarter, make payments into the deposit guarantee fund in the amount specified in Section 8 of this Law by crediting resources to the account with the Bank of Latvia.

(2) Payments of the deposit taker into the deposit guarantee fund shall not be deemed the Commission’s commitments towards the deposit taker and shall not be repaid.

(3) Payments of the deposit taker into the deposit guarantee fund may be included in the expenditures of the deposit taker.

**Section 15. Fine**

(1) The deposit taker has an obligation to calculate and pay a fine for the amounts which consist of payments that have not been made into the deposit guarantee fund within the specified time period. This fine shall be paid into the account with the Bank of Latvia.

(2) The fine for the amounts which have not been paid into the deposit guarantee fund within the specified time period shall be 0.05 per cent of the outstanding amount not made within the time period for each day of delay. The fine shall be calculated for a period for which the deposit taker has failed to make the calculated payment for each quarter.

(3) If a branch of a credit institution in Latvia registered in a Member State or a branch of a credit institution in Latvia registered in a foreign country has missed the specified payment period by more than 30 days, the Commission shall immediately inform the supervisory authority of the relevant deposit taker of this fact.

**Section 15.1 Publishing of Sanctions and Administrative Measures**

[*Section shall come into force on 1 January 2023 and shall be included in the wording of this Law as of 1 January 2023. See Paragraph 19 of Transitional Provisions*]

**Section 16. Management of the Deposit Guarantee Fund**

(1) [24 March 2022]

(2) The deposit guarantee fund shall be managed in accordance with the regulatory provisions of the Commission. Resources of the deposit guarantee fund shall be invested so that the risk is low but investments – sufficiently diversified. Resources of the deposit guarantee fund shall be stored in an account with the Bank of Latvia.

(3) According to a decision of the Commission, the management of the deposit guarantee fund may be transferred to another manager by entering into a relevant contract.

(4) Income (yield) coming from the management of the deposit guarantee fund shall be paid into this fund.

(5) [24 March 2022]

[*24 March 2022*]

**Section 17. Obligation to Provide Information on Eligible Deposits**

(1) The deposit taker shall constantly provide information in its accounting registers on eligible deposits, depositors thereof, and the amount of covered deposits. Information shall be updated at least once a day so that accounting registers reflect the current amount of the guaranteed compensation.

(2) [11 January 2018]

(3) A deposit taker has an obligation to submit the information referred to in Paragraph one of this Section within one working day after receipt of a request from the Commission.

[*11 January 2018; 24 March 2022*]

**Section 18. Obligation to Submit Information to the European Banking Authority**

(1) The Commission shall inform the European Banking Authority of the home Member State of the deposit guarantee fund the member of which is the relevant credit institution.

(2) The Commission shall, by 31 March of each year, inform the European Banking Authority of the total amount of covered bonds and the amount of the financial means available in the deposit guarantee fund on 31 December of the previous year.

**Chapter III**

**Using of Means of the Deposit Guarantee Fund**

[*24 March 2022*]

**Section 19. General Provisions for Using the Means of the Deposit Guarantee Fund and the Disbursement of the Guaranteed Compensation**

(1) Means of the deposit guarantee fund shall be used for:

1) the disbursements of the guaranteed compensation;

2) the repayment of the means lent for the disbursement of the guaranteed compensation specified in this Law;

3) the payments for financing the application of resolution tools in accordance with the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms;

4) the payment to the manager if the management of the deposit guarantee fund has been transferred to another manager in accordance with Section 16, Paragraph three of this Law;

5) the payment for the services of the independent valuer referred to in Section 25, Paragraph two of this Law.

(2) It is prohibited to use other means of the Commission which are not resources of the deposit guarantee fund for the purposes referred to in Paragraph one of this Section.

(3) The guaranteed compensation shall be disbursed to a depositor who has the right to the guaranteed compensation in accordance with the provisions of this Law. Disbursements of the guaranteed compensation shall be determined according to the information in accounting registers of the deposit taker on the day when the deposits become unavailable. It shall not be required for the depositor to submit a submission to the deposit taker or any other documents supporting the rights of the depositor to the guaranteed compensation.

(4) The deposit taker shall prepare a list of depositors to whom the guaranteed compensation is to be disbursed. The list shall include depositors who have the right to the guaranteed compensation in accordance with the provisions of this Law and contain information on the day when deposits have become unavailable. The deposit taker shall submit the list to the Commission not later than the day following that on which the deposits have become unavailable.

(5) The Commission or an authorised person thereof shall disburse the guaranteed compensation to depositors according to the list referred to in Paragraph four of this Section.

(6) If a sworn bailiff or tax administration has applied recovery of financial means of a depositor, the amounts to be recovered shall be disbursed to the bailiff or tax administration respectively.

(7) If, within five years from the day when the deposits become unavailable, a sworn bailiff or tax administration has not applied recovery of financial means of a depositor, the restrictions imposed by the sworn bailiff or tax administration on the disbursement of the guaranteed compensation shall expire.

[*24 March 2022*]

**Section 20. Overpayment of the Guaranteed Compensation**

(1) If the Commission, the deposit taker, an authorised person thereof, an administrator or liquidator detects that the guaranteed compensation has been disbursed to a person who, in accordance with the provisions of this Law, did not have the right to the guaranteed compensation or it has been disbursed in a greater amount, the person has an obligation to repay the guaranteed compensation disbursed unjustifiably upon request of the Commission, the deposit taker, the authorised person hereof, the administrator or the liquidator.

(2) If the person fails to repay the compensation referred to in Paragraph one of this Section voluntarily, the Commission, the deposit taker, the authorised representative thereof, the administrator or the liquidator has an obligation to bring an action for the repayment of the abovementioned financial means to the deposit guarantee fund.

**Section 21. Contract for Lending Resources to the Deposit Guarantee Fund**

(1) If there are insufficient financial means in the deposit guarantee fund to disburse the guaranteed compensation in accordance with this Law, the Commission may enter into a loan contract for borrowing the missing amount from a credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State, or a deposit guarantee fund of another Member State.

(2) A credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State may only offer the Commission to borrow from it the missing amount necessary for the disbursements of the guaranteed compensation if entering into a loan contract with the Commission does not affect the ability of the relevant credit institution registered in Latvia, the branch of the credit institution in Latvia registered in a Member State to comply with the requirements governing the activities thereof which have been specified in laws and regulations.

(3) Upon selecting a credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State, or a deposit guarantee fund of another Member State with which to enter into a loan contract for the missing amount necessary for the disbursements of the guaranteed compensation, the provisions of the Public Procurement Law shall not be applicable. The Commission shall select the credit institution registered in Latvia, the branch of the credit institution in Latvia registered in a Member State, or the deposit guarantee fund of another Member State which offers to the Commission the lowest lending interest rate. If the tenders made are the same, the Commission shall select the tender which has been submitted first.

(4) If, within three working days from the day the deposits become unavailable, the Commission does not receive tenders from a credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State, or deposit guarantee funds of other Member States regarding lending the missing amount necessary for the disbursements of the guaranteed compensation or detects that the tenders made do not correspond to the provisions of Paragraph two of this Section or do not ensure the most favourable and economically advantageous solution for the interests of depositors or deposit guarantee fund, or fails to enter into a loan agreement with any of the credit institutions registered in Latvia, branches of credit institution in Latvia registered in a Member State, or deposit guarantee funds of other Member States due to other reasonable circumstances, the Commission shall immediately inform the Ministry of Finance of the fact that there are insufficient financial resources in the deposit guarantee fund. Funds from the State budget are allocated for the disbursement of the guaranteed compensation specified in this Law in accordance with the appropriation procedures or in the form of a loan in conformity with the procedures laid down in the law On Budget and Financial Management. The Ministry of Finance shall ensure availability of the funds from the State budget allocated for the disbursement of the guaranteed compensation specified in this Law so that the disbursements of the guaranteed compensation are made within the time periods specified in this Law.

(5) Financial means lent for the disbursements of the guaranteed compensation by a credit institution registered in Latvia, a branch of a credit institution in Latvia registered in a Member State, or a deposit guarantee fund of another Member State, and also the State budget loan shall be repaid by the Commission from the deposit guarantee fund.

[*11 January 2018*]

**Section 22. Right of Action of the Commission against the Deposit Taker**

(1) After disbursing the guaranteed compensation to depositors, the Commission shall acquire the right of action against the deposit taker in the amount of the guaranteed compensation disbursed. The deposit taker shall cover the claims according to the calculation submitted by the Commission. The means acquired through subrogation shall be paid into the deposit guarantee fund.

(2) In the case of insolvency of the deposit taker, the calculation submitted by the Commission as a creditor’s claim for the repayment of means of the deposit guarantee fund in the amount of the guaranteed compensation disbursed shall be satisfied as a priority before claims of other creditors of the deposit taker.

**Section 23. Deposits for which the Guaranteed Compensation is not Disbursed**

The guaranteed compensation is not disbursed for:

1) deposits of credit institutions and savings and loan associations;

2) deposits of financial institutions;

3) deposits of local governments the annual budget of which exceeds EUR 500 000 and of direct administration institutions;

4) deposits related to money laundering or recognised as proceeds from crime if a court judgement of conviction has entered into effect;

5) deposits the depositor of which has not been identified as a client in accordance with the provisions of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

6) deposits which, in accordance with Article 62 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, constitute own funds of the deposit taker, including the amortised part thereof in accordance with Article 64 of the abovementioned Regulation;

7) deposits of insurance and reinsurance companies;

8) deposits of investment firms;

9) deposits of investment management companies;

10) deposits of private pension funds;

11) deposits of alternative investment fund managers;

12) debt securities issued by a credit institution, and also liabilities arising from promissory notes thereof, including bills of exchange;

13) deposits in which no transactions have been made over the last two years from the day the deposits have become unavailable and the value of which is less than EUR 10.

[*24 March 2022*]

**Section 24. Guaranteed Compensation for Deposits in Foreign Currency**

Deposits in foreign currency for the disbursement of the guaranteed compensation are converted in euros according to the foreign currency rate used in accounting on the day the deposits become unavailable.

**Section 25. Manner and Procedures for Disbursing the Guaranteed Compensation**

(1) Disbursement of the guaranteed compensation within the time period referred to in Section 26 of this Law shall be ensured in one of the following manners:

1) the guaranteed compensation is disbursed from the deposit guarantee fund through one or more credit institutions or payment institutions selected by the Commission;

2) the guaranteed compensation is disbursed through a credit institution or payment institution to which, according to the decision of the Commission, the deposit taker has transferred the covered deposits together with the assets of the deposit taker which fully or partially cover the guaranteed compensation;

3) the guaranteed compensation is disbursed through the Commission;

4) the guaranteed compensation is disbursed from the resources of the deposit taker and the deposit guarantee fund through the deposit taker in respect of which the deposits have become unavailable.

(11) When ensuring the manner of disbursement of the guaranteed compensation referred to in Paragraph one, Clauses 1 and 2 of this Section, the credit institution or payment institution to which the covered deposits have been transferred according to a decision of the Commission shall disburse the guaranteed compensation without carrying out a repeat customer due diligence of the depositors.

(12) When ensuring the manner of disbursement of the guaranteed compensation referred to in Paragraph one, Clause 3 of this Section, the Commission shall disburse the guaranteed compensation without carrying out a repeat customer due diligence of the depositors.

(2) If, in accordance with Paragraph one, Clause 2 of this Section, for the purpose of ensuring disbursement of the guaranteed compensation, the covered deposits transferred by the deposit taker are not covered by the assets of the deposit taker transferred in the equivalent amount, the Commission may decide to allocate the missing financial means for the disbursement of the guaranteed compensation to the acquirer of the covered deposits from the deposit guarantee fund. The value of the assets of the deposit taker to be transferred for disbursement of the guaranteed compensation (if the means are not held in correspondent bank accounts) shall be determined by an independent valuer involved by the Commission.

(3) If the guaranteed compensation is disbursed from the financial means of the deposit taker in accordance with Paragraph one, Clause 4 of this Section and the deposit taker has not yet completed the disbursement of the guaranteed compensation but transfers the financial means intended for it to the deposit guarantee fund, these financial means shall be included in the revenues of the deposit guarantee fund.

(4) In selecting a credit institution or payment institution through which the guaranteed compensation is to be disbursed, the Commission shall not apply the provisions of the Public Procurement Law. In order to ensure the interests of depositors, the Commission shall select a credit institution or payment institution which provides for the conditions for the receipt of the guaranteed compensation which are the most favourable to the depositors.

(5) In ensuring the disbursement of the guaranteed compensation through one or more credit institutions selected by the Commission, the Commission shall enter into a contract with the credit institution or payment institution. The contract may provide for a payment for the customers attracted to this credit institution or payment institution as a result of ensuring the disbursement of the guaranteed compensation, and this payment shall be made into the deposit guarantee fund. The amount of such payment shall be determined depending on the number of the depositors who, upon receipt of the guaranteed compensation, have expressed their wish to become and have also become customers of the particular credit institution or payment institution, or it shall be determined on the basis of other financial factors.

(6) The Commission shall decide on the manner and procedures for disbursing the guaranteed compensation, including on the issue whether the deposit taker in respect of which deposits have become unavailable may partly or fully disburse the guaranteed compensation or transfer financial means to deposit guarantee fund for partial or full disbursement of the guaranteed compensation if the Commission has detected that the deposit taker has sufficient financial means, and also on the time and place of the disbursement of the guaranteed compensation, and shall publish this information in the official gazette *Latvijas Vēstnesis*, and also post it on the website created by the Commission.

(61) Credit institutions registered in Latvia and Latvian branches of credit institutions registered in Member States shall provide their customers with the possibility to apply for the disbursement of the guaranteed compensation and receive the guaranteed compensation in accordance with the procedures and within the time periods stipulated the Commission.

(7) If the administrative act issued by the Commission regarding the manner and procedures for disbursing the guaranteed compensation is appealed, it shall not suspend the operation of such act.

[*24 March 2022*]

**Section 26. Commencement of the Disbursement of the Guaranteed Compensation and Partial Disbursement of the Guaranteed Compensation**

(1) The guaranteed compensation shall be available not later than seven working days after the day when deposits have become unavailable.

(2) If the Commission fails to ensure that the guaranteed compensation is available within the time period specified in Paragraph one of this Section, it shall decide to disburse partially the guaranteed compensation to one depositor in the amount of at least EUR 500 but not exceeding the amount of the covered deposit. The partial guaranteed compensation shall be available starting from the sixth working day after the day when deposits have become unavailable.

[*11 January 2018; 24 March 2022* / *Paragraph two is repealed on 1 January 2024. See Paragraph 18 of Transitional Provisions*]

**Section 27. Cases where There is the Right to Defer the Disbursement of the Guaranteed Compensation**

(1) The disbursement of the guaranteed compensation or partial disbursement thereof to a depositor may be deferred in the following cases:

1) there is a legal dispute regarding the rights of the person to the deposit or the rights to the guaranteed compensation, and also regarding the conformity with the requirements laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;

2) restrictions have been imposed on the disbursement of deposits in accordance with laws and regulations;

3) criminal proceedings have been initiated against the person regarding money laundering and a court judgement of conviction has not entered into effect.

(2) When deferring the disbursement or partial disbursement of the guaranteed compensation, the Commission shall assign the deposit taker to make the relevant changes in the list of recipients of the guaranteed compensation.

(3) As the circumstances cease to exist on the grounds of which the disbursement of the guaranteed compensation was deferred, the Commission shall assign the deposit taker to make the relevant changes in the list of recipients of the guaranteed compensation.

[*24 March 2022*]

**Section 28. Obligation to Inform a Depositor**

(1) Prior to commencing a business relationship with a depositor, the deposit taker has an obligation to provide the following information thereto:

1) information on the amount of the guaranteed compensation;

2) information on the procedures and the time period for the disbursement of the guaranteed compensation;

3) information on the possibility of set-off of liabilities resulting from claims;

4) contact details of the deposit guarantee fund.

(2) The Commission shall approve a standard form for the provision of the information referred to in Paragraph one of this Section and for the provision of general information on deposits for which the guaranteed compensation is not disbursed in accordance with Section 23 of this Law. The deposit taker shall obtain confirmation from a depositor that the relevant information has been received.

(21) The deposit taker shall provide the depositor with a confirmation by reference to the information contained in the form referred to in Paragraph two of this Section for the purpose of informing that the deposit is an eligible deposit. Such confirmation shall be provided by using the online banking or other means of communication of the depositor which is appropriate for conveying the specific information, but if the depositor does not have access to online banking, the deposit taker shall provide such confirmation in writing upon request of the depositor.

(3) The deposit taker shall make the form referred to in Paragraph two of this Section available to a depositor by using distance financial services (online banking) or issuing it to the depositor in paper form once a year upon request of the depositor.

[*24 March 2022*]

**Section 29. Additional Obligation to Inform a Depositor**

In the case of reorganisation or liquidation of the deposit taker, or exclusion thereof from membership in the deposit guarantee fund, in addition to the obligation to inform a depositor specified in Section 28 of this Law, the deposit taker shall make information on reorganisation, liquidation of the deposit taker, or exclusion thereof from membership in the deposit guarantee fund available to the depositor by using a contract for the provision of distance financial service entered into between the deposit taker and the depositor.

**Section 30. Rights of a Depositor in the Case of Reorganisation of a Credit Institution**

In the case of reorganisation of a credit institution, depositors of the credit institution whose deposits are transferred to another credit institution have the right to, within three months from the moment when the reorganisation takes effect, transfer their deposits and interest payments on them to another credit institution selected by the depositor or to withdraw their deposits and interest payments on them without a commission.

[*24 March 2022*]

**Section 31. Examination of Complaints and Correspondence with a Depositor**

(1) The Commission shall examine complaints related to the recognition of a person as a depositor to which the guaranteed compensation should be disbursed, and also the amount of the guaranteed compensation and the time periods for disbursement thereof. It shall include in its decision findings of fact, a list of the legal provisions applied, and information on right of the submitter of the complaint to the guaranteed compensation.

(2) Correspondence with a depositor of another Member State who has made a deposit with a credit institution by using the freedom to provide services shall be conducted in the language recognised internationally in the financial field.

**Section 32. Appeal of Administrative Acts Issued by the Commission**

An administrative act of the Commission issued in accordance with this Law may be appealed to the Regional 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 judgement of the Regional Administrative Court may be appealed by filing a cassation complaint.

**Chapter IV**

**Mutual Cooperation among Deposit Guarantee Funds**

**Section 33. Disbursement of the Guaranteed Compensation within the Scope of the Member States**

(1) The financial means necessary for the disbursement of the guaranteed compensation for deposits of a branch of a credit institution in another Member State registered in Latvia shall be provided by the Commission to the management authority of a deposit guarantee fund of the relevant Member State from the deposit guarantee fund, and the Commission shall cover the administrative costs related to the disbursement of the guaranteed compensation, and also give instructions as to the procedures for disbursing the guaranteed compensation.

(2) The disbursement of the guaranteed compensation for a deposit of a branch of a credit institution in Latvia registered in a Member State shall be commenced after the Commission has received the necessary financial means from the management authority of a deposit guarantee fund of the relevant Member State and the instructions as to the procedures for disbursing the guaranteed compensation. The management authority of the deposit guarantee fund of another Member State shall cover the administrative costs incurred by the Commission in relation to the disbursement of the guaranteed compensation.

(3) Prior to commencing the disbursement of the guaranteed compensation to depositors of a branch of a credit institution registered in a Member State, the Commission shall publish information in the official gazette *Latvijas Vēstnesis* and on the website created by the Commission on the time and place of the disbursement of the guaranteed compensation.

(4) If the Commission has complied with all instructions given by the management authority of the deposit guarantee fund of the relevant Member State, it shall be deemed that the Commission has acted in good faith and is not liable for any losses which might result from ensuring disbursement of the guaranteed compensation to depositors of a branch of a credit institution in Latvia registered in the Member State.

**Section 34. Entering into a Cooperation Agreement**

(1) The Commission shall enter into cooperation agreements with the management authorities of deposit guarantee funds of other Member States to ensure efficient operation of deposit guarantee funds. At least the following conditions shall be included in the cooperation agreement:

1) the procedures by which mutual exchange of information of deposit guarantee funds shall take place;

2) the procedures by which the management authority of the deposit guarantee fund of the relevant Member State shall represent the Commission and ensure exchange of information with the depositors of the deposit taker;

3) the procedures for disbursing the guaranteed compensation.

(2) The Commission shall inform the European Banking Authority of entering into the cooperation agreement referred to in Paragraph one of this Section.

(3) If the Commission fails to agree with the management authority of the deposit guarantee fund of another Member State on the terms and provisions of the cooperation agreement or a dispute arises between the parties over the application of the cooperation agreement, the contracting parties may refer the dispute to the European Banking Authority for examination in accordance with Article 19 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

(4) Failure to enter into a cooperation agreement shall not affect the right of depositors to the disbursement of the guaranteed compensation.

[*24 March 2022*]

**Section 34.1 Protection of Deposits of a Foreign Deposit Taker**

(1) The Commission shall ascertain that the activities of a branch of a credit institution registered in a foreign country which has its head office outside the European Union and which is not a member of a deposit guarantee fund of a European Union Member State conform to the requirements laid down in this Law in respect of the provision of deposit guarantees. If the customers of the credit institution concerned are not provided with an equivalent deposit guarantee scheme in accordance with the criteria laid down in this Law, the Commission may impose an obligation on the branch of a credit institution registered in a foreign country to become a member of the deposit guarantee fund.

(2) The branch of a credit institution registered in a foreign country referred to in Paragraph one of this Section shall provide all the relevant information on the deposit guarantee scheme in respect of deposits of existing and potential depositors in the abovementioned branch in Latvian or in a language agreed between the depositor and the deposit taker when opening the relevant account, and the abovementioned information shall be clear and comprehensible.

[*24 March 2022*]

**Section 35. Joining a Deposit Guarantee Fund of Another Member State**

(1) If a credit institution or a branch thereof wishes to join a deposit guarantee fund of another Member State, it shall inform the Commission of its intention at least six months in advance. Until the day the credit institution or a branch thereof terminates its activities in the territory of Latvia and joins a deposit guarantee fund of another Member State, it shall continue making payments into the deposit guarantee fund.

(2) If a credit institution registered in Latvia is no longer a member of the deposit guarantee fund and joins a deposit guarantee fund of another Member State, the Commission has an obligation to transfer to the deposit guarantee fund of the relevant Member State all payments which the credit institution has made into the deposit guarantee fund within twelve months prior to joining the deposit guarantee fund of another Member State, except for the additional payments made into the deposit guarantee fund by the credit institution in accordance with the procedures laid down in this Law and the paid fines.

(3) If a branch of a credit institution registered in Latvia performs activities in another Member State and joins a deposit guarantee fund of the relevant Member State, the Commission has an obligation to transfer to the deposit guarantee fund of the relevant Member State all payments which the credit institution has made into the deposit guarantee fund in proportion to the amount of the covered deposits transferred within twelve months prior to joining the deposit guarantee fund of another Member State, except for the additional payments made into the deposit guarantee fund by the credit institution in accordance with the procedures laid down in this Law and the paid fines.

**Transitional Provisions**

1. The Deposit Guarantee Law (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1998, No. 13; 2000, No. 13; 2001, No. 22; 2007, No. 9; 2008, No. 22; 2009, Nos. 6, 14; *Latvijas Vēstnesis*, 2010, No. 205; 2013, No. 192; 2014, No. 105) is repealed with the coming into force of this Law.

2. Such legal provisions governing deposit guarantee according to which it is detected that deposits are unavailable in respect of the deposit taker shall be applied to the legal relationship established in relation to the disbursement of the guaranteed compensation until the day of coming into force of this Law.

3. The Commission shall, by 3 July 2015, inform the European Banking Authority of the institution which is responsible for the deposit guarantee fund.

4. The stress test referred to in Section 6, Paragraph two of this Law shall be performed by the Commission for the first time by 3 July 2017.

5. The Commission shall reach the target level of the deposit guarantee fund referred to in Section 9, Paragraph one of this Law by 3 July 2024.

6. Section 22, Paragraph two of this Law in respect of savings and loan associations shall come into force concurrently with the relevant amendments to the Insolvency Law.

7. Section 9, Paragraph four of this Law shall come into force on 3 July 2015.

8. Section 28 of this Law shall come into force on 1 October 2015. Depositors with whom business relationships have been commenced prior to the coming into force of Section 28 of this Law and who have not been provided with the information referred to in this Section shall be provided with the relevant information by the deposit taker by 30 December 2015, posting this information on its website, or issued in paper form upon request of a depositor.

9. The Commission shall, by 3 July 2015, inform the European Banking Authority of risk-based methods approved by the Commission in order to determine and calculate risk-based payments of members of the deposit guarantee fund.

10. The time period for the disbursement of the guaranteed compensation referred to in Section 26, Paragraph one of this Law shall be applied starting from 1 January 2024.

11. The deposit taker shall first make the payment referred to in Section 8, Paragraph three of this Law into the deposit guarantee fund in accordance with Section 14 of this Law by 20 October 2015.

12. If after the day this Law comes into force deposits have become unavailable in respect of the deposit taker before 31 December 2018, the disbursement of the guaranteed compensation shall commence within 20 working days.

13. If after the day this Law comes into force deposits have become unavailable in respect of the deposit taker between 1 January 2019 and 31 December 2020, the disbursement of the guaranteed compensation shall commence within 15 working days.

14. If after the day this Law comes into force deposits have become unavailable in respect of the deposit taker between 1 January 2021 and 31 December 2023, the disbursement of the guaranteed compensation shall commence within 10 working days.

15. The depositors who had the right, on 14 June 2014, to receive the guaranteed compensation in relation to the deposits becoming unavailable in the deposit taker but who have not received it because they were minors shall lose the right of action against a deposit guarantee fund for the disbursement of the guaranteed compensation on 31 December 2029.

[*27 May 2021*]

16. Section 3, Paragraph five of this Law shall come into force concurrently with the Covered Bonds Law.

[*27 May 2021*]

18. Section 26, Paragraph two of this Law is repealed on 1 January 2024.

[*24 March 2022* / *The abovementioned amendment is included in the wording of the Law as of 1 January 2024*]

19. The new wording of Section 15 of this Law, Section 15.1, and the new wording of Section 21, and also amendments to Section 35, Paragraphs two and three of this Law shall come into force on 1 January 2023.

[*24 March 2022* / *The abovementioned amendments shall be included in the wording of the Law as of 1 January 2023.*]

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

[*24 March 2022*]

This Law contains norms arising from:

1) Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast);

2) 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.

The Law shall come into force on 1 July 2015.

The Law has been adopted by the *Saeima* on 4 June 2015.

President A. Bērziņš

Rīga, 18 June 2015