The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Law on Crypto-asset Services**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

The terms used in this Law correspond to the terms defined in Article 3 of Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (hereinafter – Regulation No 2023/1114).

**Section 2. Purpose of the Law**

The purpose of the Law is to promote the development of the field of crypto-assets and define the legal framework for the operation of the market in crypto-assets in Latvia.

**Section 3. Scope of Application of the Law**

(1) The Law applies to the persons who are engaged in the issuance, offer to the public, and admission to trading of crypto-assets or provide crypto-asset services in Latvia (hereinafter all together – the subjects of the Law).

(2) The Law determines the competent supervisory authority in accordance with Regulation No 2023/1114 and the rights and obligations of the authority.

**Section 4. Competent Supervisory Authority, Rights and Obligations Thereof**

(1) In Latvia, Latvijas Banka is the competent supervisory authority designated in accordance with Article 93(1) of Regulation No 2023/1114.

(2) Latvijas Banka has the right to determine the content and procedures for the submission of the operational reports and other information to be provided by the subjects of the Law.

(3) Latvijas Banka has the right to determine the requirements governing the operation of the subjects of the Law and the procedures for the compliance with such requirements in conformity with the decisions, guidelines, and recommendations of the European Banking Authority or the European Securities and Markets Authority in respect of the issuance, offer to the public, or admission to trading of crypto-assets, and also the provision of crypto-asset services.

(4) Latvijas Banka shall determine the criteria by which crypto-asset service providers who provide advice on crypto-assets shall ensure that natural persons who provide information about crypto-assets or a crypto-asset service, including advice on crypto-assets, on their behalf have the necessary knowledge and competence in the relevant field.

(5) Latvijas Banka has the rights specified in Article 94(1) and (3) of Regulation No 2023/1114 in the implementation of the supervision of the subjects of the Law.

**Chapter II**

**Rights and Obligations of the Subjects of the Law**

**Section 5. General Rights and Obligations of the Subjects of the Law**

(1) The subject of the Law has the obligation to immediately inform Latvijas Banka of all material changes, including of all circumstances which may negatively affect the future operation of the subject of the Law, or changes in the information submitted thereto in order to obtain the authorisation to issue, offer to the public, or admit to trading crypto-assets, or provide crypto-asset services.

(2) In order to fulfil the requirements of Article 70(3) of Regulation No 2023/1114, a crypto-asset service provider has the right to open an account with a credit institution or Latvijas Banka in order to place clients’ funds other than electronic money tokens. Latvijas Banka may open the account referred to in this Section if it conforms with the legal framework of the European Union, including the European Central Bank.

**Section 6. Payments to Latvijas Banka**

(1) A person who is planning to provide crypto-asset services (if it is not a financial market participant the operation of which is supervised by Latvijas Banka) shall submit to Latvijas Banka the application for obtaining the authorisation to provide crypto-asset services and shall pay EUR 2500 for the examination of the application.

(2) A person who is planning to offer to the public or admit to trading an asset-referenced token (if such person is not a financial market participant the operation of which is supervised by Latvijas Banka) shall submit to Latvijas Banka the application for obtaining the authorisation to offer to the public or admit to trading an asset-referenced token and shall pay EUR 2500 for the examination of the application.

(3) A financial market participant the operation of which is supervised by Latvijas Banka, including the issuer which has obtained the authorisation to offer to the public or admit to trading an asset-referenced token, shall submit to Latvijas Banka the application for obtaining the authorisation to offer to the public or to admit to trading each other asset-referenced token and shall pay EUR 1250 for the examination of the application, but the total fee to Latvijas Banka shall not exceed EUR 5000 per year irrespective of the number of applications.

(4) A crypto-asset service provider who has received the authorisation to provide crypto-asset services in accordance with Article 63 of Regulation No 2023/1114 shall pay to Latvijas Banka up to 0.6 per cent (inclusive) per year of the gross revenues related to the provision of crypto-asset services, but not less than EUR 3000 per year.

(5) A financial market participant (except for a credit institution, an investment firm, a central securities depository, and a regulated market operator) the operation of which is supervised by Latvijas Banka and which has obtained the authorisation to provide crypto-asset services in accordance with Article 60 of Regulation No 2023/1114 shall pay to Latvijas Banka up to 0.6 per cent (inclusive) per year of the gross revenues related to the provision of crypto-asset services.

**Chapter III**

**Liability**

**Section 7. Violations in the Field of Crypto-asset Services**

Latvijas Banka is entitled to impose sanctions and administrative measures if it establishes that the subject of the Law or the person responsible for the violation fails to comply with:

1) the requirements laid down in Article 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, or 14 of Regulation No 2023/1114 with regard to offer to the public and admission to trading of crypto-assets other than asset-referenced tokens or electronic money tokens, the content, form, notification, publication, modification of such crypto-asset white paper and marketing communications, the provision of the right of withdrawal of the retail holders of such crypto-assets, and also the fulfilment of the obligations of the offerors of such crypto-assets and the persons who ask for admission to trading;

2) the requirements laid down in Article 16, 17, 19, 22, 23, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 46, or 47 of Regulation No 2023/1114 with regard to the issuance of asset-referenced tokens, the offer to the public or admission to trading, the obtaining of the authorisation to perform the abovementioned activities, the provision of information to Latvijas Banka on the value of the issued asset-referenced tokens, their holders and transactions with them, the compliance with the restrictions on the issuance of asset-referenced tokens, the fulfilment of the obligations of the issuer of asset-referenced tokens, the holding of the reserves of assets, the development and maintenance of the recovery and redemption plans, their submission to Latvijas Banka, review and updating, and also the provision of information to Latvijas Banka on the changes in the size of the qualifying holding of the acquirer of the qualifying holding;

3) the requirements laid down Article 48, 49, 50, 51, 53, 54, or 55 of Regulation No 2023/1114 with regard to the issuance, offer to the public, or admission to trading of electronic money tokens, the obtaining of the authorisation to perform the abovementioned activities, the redemption of electronic money tokens, the compliance with the prohibition of granting interest, the content, form, notification, publication of such crypto-asset white paper and marketing communications, the compliance with the procedures for investing funds received in exchange for electronic money tokens, and also the development and maintenance of the recovery and redemption plans, submission to Latvijas Banka, review and updating;

4) the requirements laid down Article 59, 60, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, or 83 of Regulation No 2023/1114 with regard to the obtaining of the authorisation to provide crypto-asset services and the provision of such services, the fulfilment of the obligations of a crypto-asset service provider, the ensuring of the management procedures, the provision of information to Latvijas Banka on changes in the management structure of the crypto-asset service provider, the ensuring of the safe storage of clients’ crypto-assets and funds, the establishment and maintenance of complaint handling procedures, the identification, prevention, management, and disclosure of conflicts of interest, the use of outsourcing services, the development and maintenance of a liquidation plan, and also the provision of information to Latvijas Banka on changes in the size of the qualifying holding of the acquirer of the qualifying holding;

5) the requirements laid down in Article 88(1), (2), or (3) of Regulation No 2023/1114 with regard to the publication of inside information;

6) the requirements laid down in Article 89 of Regulation No 2023/1114 with regard to the prohibition of insider dealing;

7) the requirements laid down in Article 90 of Regulation No 2023/1114 with regard to the prohibition of unlawful disclosure of inside information;

8) the requirements laid down in Article 91 of Regulation No 2023/1114 with regard to the prohibition of market manipulation;

9) the requirements laid down in Article 92(1) of Regulation No 2023/1114 with regard to the detection and prevention of market abuse;

10) the requirements laid down in Article 94(3) of Regulation No 2023/1114 with regard to the provision of information, documents, and data to Latvijas Banka upon request or demand thereof and also with regard to the compliance with other requirements laid down by Latvijas Banka on implementing the supervision of the subject of the Law.

**Section 8. Sanctions and Administrative Measures**

(1) Latvijas Banka is entitled to impose the following sanctions on the subject of the Law or the person responsible for the violation:

1) a warning for the violations referred to in Section 7 of this Law;

2) a fine on a natural person:

a) up to EUR 700 000 or up to twice the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 1, 2, 3, or 4 of this Law;

b) up to EUR 1 000 000 or up to three times the amount of the income gained as a result of the violation or the potential loss prevented for the violation referred to in Section 7, Clause 5 of this Law;

c) up to EUR 5 000 000 or up to three times the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 6, 7, 8, or 9 of this Law;

3) a fine on a legal person:

a) up to EUR 5 000 000 or three per cent of the total turnover of the previous reporting year according to the previous approved annual statement, or up to twice the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 1 of this Law;

b) up to EUR 5 000 000 or five per cent of the total turnover of the previous reporting year according to the previous approved annual statement, or up to twice the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 4 of this Law;

c) up to EUR 5 000 000 or 12.5 per cent of the total turnover of the previous reporting year according to the previous approved annual statement, or up to twice the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 2 or 3 of this Law;

d) up to EUR 2 500 000 or up to two per cent of the total turnover of the previous reporting year according to the previous approved annual statement for the violation referred to in Section 7, Clause 5 of this Law;

e) up to EUR 15 000 000 or up to 15 per cent of the total turnover of the previous reporting year according to the previous approved annual statement, or up to three times the amount of the income gained as a result of the violation or the potential loss prevented for the violations referred to in Section 7, Clause 6, 7, 8, or 9 of this Law;

4) to prohibit, for 10 years, a member of the executive board or supervisory board of the crypto-asset service provider or another natural person responsible for the violation to hold a position in the management body of the crypto-asset service provider for repeated violations referred to in Section 7, Clause 6, 7, 8, or 9 of this Law;

5) to cancel the authorisation issued to the subject of the Law to issue, offer to the public, or admit to trading crypto-assets (including asset-referenced tokens and electronic money tokens) or provide crypto-asset services.

(2) If the subject of the Law on which the sanction referred to in Paragraph one, Clause 3 of this Section is to be imposed is a subsidiary of a parent undertaking or a branch of such subsidiary which prepares a consolidated financial statement in accordance with the Law on Annual Statements and Consolidated Annual Statements, the relevant total annual turnover shall be the total annual turnover or a type of revenues corresponding thereto in accordance with the relevant legal acts of the European Union in the field of accounting, taking into account the latest available consolidated financial statement of the ultimate parent undertaking.

(3) Latvijas Banka is entitled to impose the following administrative measures:

1) to request the natural or legal person responsible for the violation to cease the relevant activity, for the violations referred to in Section 7 of this Law;

2) to impose a temporary prohibition on a member of the executive board or supervisory of a crypto-asset service provider or another natural person responsible for the violation until the final ruling enters into effect, but not longer than for two years, to hold the position of a member of the executive board or supervisory board of a crypto-asset service provider, for the violations referred to in Section 7, Clause 4, 5, 6, 7, 8, or 9 of this Law;

3) to impose a temporary prohibition on a member of the executive board or supervisory board of a crypto-asset service provider or another natural person responsible for the violation until the final ruling enters into effect, but not longer than for two years, to make transactions on their own behalf, for the violations referred to in Section 7, Clause 5, 6, 7, 8, or 9 of this Law.

(4) Latvijas Banka is entitled to impose administrative measures separately or in addition to the sanctions.

**Section 9. Term for the Examination of an Administrative Case, the Appeal and Operation of an Administrative Act**

(1) Latvijas Banka may take the decision to impose sanctions and administrative measures within two years from the day when the administrative case has been initiated.

(2) Due to objective reasons, including if lengthy establishment of facts is necessary, Latvijas Banka may, by taking a relevant decision, extend the time limit for taking the decision specified in Paragraph one of this Section for a period not exceeding three years from the day of initiating the case. The decision on extending the time limit shall not be subject to appeal.

(3) An administrative act issued by Latvijas Banka on the basis of the requirements of Regulation No 2023/1114, other directly applicable legal acts of the European Union, this Law, and the regulations issued by Latvijas Banka in the field of crypto-assets may be appealed before the Regional Administrative Court. The court in the composition of three judges shall examine the case as the court of first instance. The judgment of the Regional Administrative Court may be appealed by filing a cassation complaint.

(4) If Latvijas Banka, based on the requirements of Regulation No 2023/1114, other directly applicable legal acts of the European Union, this Law, and the regulations issued by Latvijas Banka in the field of crypto-assets, has issued an administrative act (except for the decision to impose a fine), contesting and appealing of this act shall not suspend the operation thereof.

**Section 10. Statute of Limitation**

(1) Latvijas Banka may initiate an administrative case regarding the violation of the requirements laid down in Regulation No 2023/1114, other directly applicable legal acts of the European Union, this Law, and the regulations issued by Latvijas Banka in the field of crypto-assets not later than within five years from the day of committing the violation, but if the violation is long-lasting, from the day of termination of the violation.

(2) The calculation of the statute of limitation specified in Paragraph one of this Section shall be stopped from the day when the administrative case is initiated.

**Transitional Provisions**

1. Section 6, Paragraph one of this Law shall be applicable from 30 December 2024.

2. A crypto-asset service provider who has commenced the provision of crypto-asset services until 30 December 2024 and whose operation is supervised by the State Revenue Service in accordance with Section 45, Paragraph two, Clause 6, Sub-clause “e” of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing is entitled, until 30 June 2025, to continue the provision of crypto-asset services without obtaining the authorisation from Latvijas Banka to provide crypto-asset services in accordance with the requirements of Regulation No 2023/1114. If such crypto-asset service provider, by 30 June 2025, submits to Latvijas Banka the application for obtaining the authorisation to provide crypto-asset services in accordance with the requirements of Regulation No 2023/1114, it is entitled to continue the provision of crypto-asset services without the abovementioned authorisation until Latvijas Banka has examined its application and taken the decision to issue the authorisation to provide crypto-asset services in accordance with the requirements of Regulation No 2023/1114.

3. The State Revenue Service shall, upon request of Latvijas Banka, transfer the information at its disposal which has been obtained as a result of the implementation of the supervision function on those crypto-asset service providers who, by 30 June 2025, have submitted to Latvijas Banka the application for obtaining the authorisation to provide crypto-asset services in accordance with the requirements of Regulation No 2023/1114.

This Law shall come into force on 30 June 2024.

This Law has been adopted by the *Saeima* on 13 June 2024.

President E. Rinkēvičs

Adopted 21 June 2024