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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 December 2016 [shall come into force from 1 January 2017].

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

The *Saeima*1 has adopted

and the President has proclaimed the following Law:

**Financial Instrument Market Law**

**Part A**

**General Provisions**

**Section 1. Terms Used in this Law**

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

1) **financial instruments** — an agreement, which concurrently creates financial assets for one person, but financial liabilities or capital securities for another;

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

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

4) [4 October 2007];

5) **Member State** – a European Union Member State or a state of the European Economic Area;

6) **home Member State** — a Member State which is determined in accordance with the requirements of Section 3.1 of this Law;

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

8) **regulated market** – set of organisational, legal and technical measures which make possible entering into open and regular transactions in financial instruments;

9) **regulated market operator** – a capital company that organises a regulated market;

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

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

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

13) **initial placement** – a public offering made by an issuer or a person authorised thereby to acquire securities or other financial instruments and the first acquisition thereof;

14) **issue prospectus** – a document which includes detailed information regarding the issuer and transferable securities issued thereby, regarding which the person making an offer wishes to make a public offering;

15) **prospectus** – a document that includes detailed information regarding the issuer and any transferable securities issued thereby, which the person asking admission of transferable securities on a regulated market wishes to admit on the regulated market;

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

17) **offeror** — a person or a group of persons, which makes a mandatory, voluntary or final share buy-back offer or which has an obligation to make a mandatory share buy-back offer;

18) **Latvian Central Depository** – a capital company, which registers and accounts for financial instruments that have been issued in accordance with the procedures laid down in this Law, and also ensures financial instrument and money settlements for transactions entered into with financial instruments;

19) **financial instrument market participants** – credit institutions providing investment services or ancillary investment services, investment brokerage companies, issuers, investors, companies entitled under the law to administer collective investment undertakings, market operators, the Latvian Central Depository, and other persons performing activities governed by this Law;

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

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

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

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

c) any other relations between this person and the commercial company exist which are analogous to the requirements referred to in Sub-clauses a) or b) of this Clause;

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

22) [24 April 2014];

23) [24 April 2014];

24) [24 April 2014];

25) [24 April 2014];

26) [24 April 2014];

261) [24 April 2014];

262) [24 April 2014];

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

264) [24 April 2014];

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

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

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

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

b) by control,

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

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

a) shares, as well as other capital instruments and premium accounts thereof,

b) profit or loss brought forward from previous years,

c) accumulated other comprehensive income indicated in the comprehensive income statement,

d) other reserves,

e) profit of the current year;

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

30) **equity securities** — shares and other transferable securities equivalent to shares ensuring holding in the capital of the capital company, as well as any other type of securities giving the right to acquire any of the abovementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by the capital company belonging to the group of companies of the abovementioned issuer;

31) **depository receipts** — transferable securities issued in order to substitute financial instruments of an issuer established in a foreign state, and give the right to the acquirer thereof to exercise the rights attached to the substituted financial instruments;

32) **transferable securities** — securities, the disposal rights of which are not restricted, except for payment means. Such securities are:

a) capital securities,

b) debt securities,

c) other securities, to which the right to acquire or dispose of transferable securities are attached or which intend cash settlements determined by transferable securities, currency, interest rate, commodities, or other base asset;

33) **small and medium-sized merchants** — merchants which, according to their individual annual or consolidated accounts, meet at least two of the following three criteria:

a) average number of employees in the financial year of less than 250,

b) total assets not exceeding EUR 43,000,000,

c) annual net turnover not exceeding EUR 50,000,000;

34) **person making an offer**— a person who offers transferable securities to the public;

35) **offering programme** — a set of measures which would permit the issuance of transferable securities (except capital securities), having a similar or equal class, in a continuous or repeated manner during a specified issuing period;

36) **transferable securities issued in a continuous or repeated manner** — means issues on tap or at least two separate issues of transferable securities of a similar or equal class over a period of 12 months from the starting date of a public offering;

37) **host Member State** — the state where a public offering is made or admission of the transferable securities on a regulated market is sought, or the state where an investment brokerage company or credit institution has a branch or it provides investment services or ancillary investment services, or the state where the regulated market operator carries out corresponding measures in order to promote access by market participants existing in such state to trading in its system from distance, when different from the home Member State;

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

39) **public offering** — such information regarding provisions of the offer and offered transferable securities provided by any means, which allows for the investors to decide on the acquisition of such securities or subscribing thereto;

40) **foreign state** — a state which is not a Member State of the European Union or of the European Economic Area;

41) **competent authority** — authority, to which a Member State has delegated the function to supervise the issue prospectus and the procedures for drawing up, registering and distributing prospects and which carries out the duties related to international co-operation with competent authorities of other Member States;

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

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

44) **persons acting in concert** — offeror and persons who co-operate with the offeror or a target company according to the agreement, in order to obtain control in the target company or destroy successful offer;

45) **debt securities** — bonds or other forms of transferable securitised debts, except securities that are equivalent to equity securities;

46) **controlled commercial company** — such commercial company, which meets at least one of the following conditions:

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

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

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

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

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

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

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

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

51) [24 April 2014];

52) **securitised debt** — a set of assets (assets included in the asset book) that is transferred or sold to a commercial company established for a special purpose, which has modified it into securities;

53) **multilateral trading facility** — a system operated by an investment brokerage company, a credit institution, or a market operator and that brings together third party instructions for buying and selling financial instruments in a way that results in a contract;

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

55) **tied agent** — a natural or legal person who, under the responsibility of only one investment brokerage company or credit institution on whose behalf it acts, promotes investment services or ancillary services to clients or prospective clients, provided by the investment brokerage company or credit institution, receives and transmits instructions or orders from the clients in respect of investment services or financial instruments, places financial instruments or provides advice to clients or prospective clients in respect of those financial instruments or services;

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

57) **systematic internaliser** — an investment brokerage company or credit institution, which, in an organised way, frequently and systematically performs transactions at its own funds, fulfilling orders of clients outside regulated market or multilateral trading facility;

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

59) **provision of consultations regarding investments in financial instruments** — provision of personal recommendation suitable for a client or justified by individual circumstances of the client regarding one transaction or several transactions with financial instruments, when advising to acquire, sell, subscribe, exchange, hold, buy out, place a particular financial instrument or to exercise or refrain from exercising the rights granted by a particular financial instrument which the investment brokerage company or credit institution provides upon request of the client or its own initiative and which is not distributed to the public;

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

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

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

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

64) **record** **date** — a date six days before the meeting of shareholders. On this date at the end of the day shareholders of the relevant joint stock company and the number of shares owned by them are registered for participation in the relevant meeting of shareholders;

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

66) **commercial company with reduced market capitalisation** — a commercial company, the financial instruments of which are admitted to trading on a regulated market and the average value of market capitalisation of which, by calculating according to quoting results of financial instruments carried out at the end of previous three calendar years, is less than EUR 100,000,000;

67) **main information** – significant, structured information which is provided to investors in order to explain the essence of the securities offered to them or to be admitted to trading on a regulated market, their issuers and guarantors, and the risks related to securities, their issuer and guarantor, and which could be necessary to investors for taking of a decision to acquire securities. The main information shall contain:

a) a short description of the essential characteristics of the issuer and guarantor, including information regarding their assets, liabilities, financial position, and risks which are related to the issuer, guarantor, and investments in the relevant securities,

b) a short description of the risks associated with transferable securities and investments in the transferable securities of such type, including information regarding the rights attached to the securities,

c) general terms of the public offering and information regarding all expenses charged to the investor in relation to acquisition of securities,

d) reasons for the public offering and utilisation of net revenue obtained as a result of public offering,

e) description regarding inclusion of transferable securities in the regulated market;

68) **holding of financial instruments** — the holding and administration of financial instruments on behalf of clients, including holding of monies necessary for the ensuring of transactions to be performed with financial instruments and provision of other services related to holding or administration of financial instruments;

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

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

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

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

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

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

3) **mixed holding company** – to the term “mixed activity holding company” within the meaning of Article 4(1)(22) of Regulation No 575/2013.

(3) In addition to the terms referred to in Paragraphs one and two of this Section, the following terms are used within the meaning of Regulation No 575/2013:

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

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

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

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

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

*[9 June 2005; 15 June 2006; 29 March 2007; 4 October 2007; 22 May 2008; 26 February 2009; 15 October 2009; 13 January 2011; 22 March 2012; 19 September 2013; 24 April 2014; 26 May 2016]*

**Section 2. Purpose of this Law**

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

1) protection of the interests of investors;

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

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

**Section 3. Application of this Law**

(1) This Law regulates the procedures for making a public offering of financial instruments, public circulation of financial instruments, provision of investment services and ancillary investment services and procedures for licensing and supervision of financial instrument market participants, prescribes the rights and duties of financial instrument market participants and persons referred to in Section 4.1, Paragraphs three and four of this Law, and also the liability for failure to comply with the requirements laid down in this Law.

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

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

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

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

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

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

6) Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter – Regulation No 648/2012);

7) Regulation No 575/2013;

8) Regulation No 596/2014;

9) Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (Text with EEA relevance);

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

(2) This Law applies to the following financial instruments:

1) transferable securities;

2) investment fund units and alternative investment funds and other transferable securities, which certify holding in such funds or in equivalent collective investment undertakings;

3) money market instruments – short-term (the maturity term of which is less than 12 months) debt instruments (promissory notes, certificates of deposit, short-term debt instruments issued by commercial companies) and other instruments which are traded in money markets;

4) the following derivatives:

a) options, futures, swaps, interest-rate futures and any other derivative contracts related to securities, currencies, interest rates, yield or other derivatives, financial indexes or financial measures, and the provisions of which intend cash settlements or other financial instruments,

b) options, futures, swaps, interest-rate futures and any other derivative contracts which are related to commodities and the provisions of which intend cash settlements or possibility to settle accounts in cash by choice of any of the parties, if it is not related to breaching of the contract with failing to perform contractual obligations or other termination of contractual relations,

c) options, futures, swaps, and any other derivative contracts which are related to commodities and provisions of which intend settlements with material supply of commodities, if they are traded on the regulated market or in the multilateral trading facility,

d) options, futures, swaps and any other derivative contracts which are related to commodities, however, are not referred to in Sub-clause “c” of this Clause, the provisions of which intend settlements with material supply of commodities, not being intended for commercial purposes and having characteristics of other derivative financial instruments in accordance with Article 38 of the European Commission Regulation No 1287/2006, if clearing and settlements through recognised clearing institutions are carried out regarding them and there is an obligation to carry out guarantee payments thereon,

e) derivative credit risk transfer instruments,

f) financial contracts on difference,

g) options, futures, swaps, interest-rate futures and any other derivative contracts related to climate change, freight rates, pollution rights, inflation level or other official data of economic statistics and provisions of which intend to settle accounts in cash or a possibility to settle accounts in cash by choice of any of the parties, if it is not related to breaching of the contract in relation to failing to perform contractual obligations or other termination of contractual relations, and also any other derivative contracts related to assets, rights, obligations, indexes and measures other than referred to in this Clause and having characteristics of other derivative financial instruments in accordance with Article 38 of the European Commission Regulation No 1287/2006, if they are traded on the regulated market or in the multilateral trading facility, clearing and settlements trough recognised clearing institutions are carried out regarding them and there is an obligation to carry out guarantee payments thereon,

h) other derivatives on commodities listed in Article 39 of the European Commission Regulation No 1287/2006;

i) currency trade transactions having characteristics of derivative financial instruments referred to in Sub-clause “a” or “f” of this Clause;

5) [4 October 2007];

6) structured financial products, the provisions of which guarantee for an investor a part of the initial investment and which comprise derivative financial instrument or the yield of which is attached to any of base assets of derivative financial instruments referred to in Clause 4 of this Paragraph, if there is a possibility that the investor could lose a part of the initial investment.

(3) [13 January 2011]

(4) For the purposes of this Law investment services are:

1) the acceptance and transfer for execution of orders by investors for transactions in financial instruments;

2) execution of orders by investors for transactions in financial instruments at the expense of investors or third parties;

3) individual management of financial instruments of investors according to an authorisation given by investors (portfolio management service);

4) initial placement of financial instruments where the provider of investment services does not purchase the financial instruments or does not guarantee the purchase thereof;

5) purchase of financial instruments for initial placement or guaranteeing the purchase of financial instruments not distributed during the initial placement;

6) performance of transactions with financial instruments on behalf of a credit institution or investment brokerage company;

7) [15 June 2006];

8) the provision of consultations regarding investments in financial instruments;

9) operation of multilateral trading facility.

(5) For the purposes of this Law ancillary investment services are:

1) the holding of financial instruments;

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

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

4) provision of such services which are related to the provision of investment services specified in Paragraph four, Clause 5 of this Section;

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

6) [29 March 2007];

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

8) provision of investment services and ancillary investment services referred to in Paragraph four of this Section in relation to the base asset of the derivative instruments referred to in Paragraph two, Clause 4, Sub-clauses “b”, “c”, “d”, “g”, and “h” of this Section, if it is related to provision of investment services.

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

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

(7) The provisions of Part C of this Law shall not apply to:

1) investment fund units and opened alternative investment funds or securities equivalent thereto, which certify holding in such funds or in equivalent collective investment undertakings;

2) transferable non-equity securities issued by a Member State or by any local government or institution or agency of a Member State, by organisations which are public international bodies and in which one or more Member States are members, by the European Central Bank or by the central banks of the Member States;

3) shares in the capital of central banks of the Member States;

4) transferable securities unconditionally and irrevocably guaranteed by a Member State or by any local government or institution or agency of a Member State;

5) transferable securities issued by associations with legal status or non-profit-making bodies, recognised by a Member State, with a view to obtain the means necessary to achieve their non-profit-making objectives;

6) transferable non-equity securities issued in a continuous or repeated manner by credit institutions provided that:

a) these transferable securities are not subordinated, convertible or exchangeable,

b) these transferable securities do not give a right to subscribe to or acquire other types of transferable securities and that they are not linked to derivative instruments,

c) these transferable securities materialise reception of repayable deposits,

d) the laws and regulations of a Member State regarding deposit guarantee schemes apply to such transferable securities;

7) non-fungible shares of capital whose main purpose is to provide the holder with a right to occupy an apartment, or other form of immovable property or a part thereof and where the capital shares cannot be sold on without this right being given up;

8) securities which are included in the public offering, if total consideration calculated for 12 months for the offer in the European Union is less than EUR 5,000,000;

9) *bostadsobligationer*, issued repeatedly by credit institutions in Sweden whose main purpose is to grant mortgage loans, provided that:

a) *bostadsobligationer* issued are of the same series,

b) *bostadsobligationer* are issued on tap during a specified issuing period,

c) the terms and conditions of the *bostadsobligationer* are not changed during the issuing period,

d) the sums deriving from the issue of the abovementioned *bostadsobligationer*, according to the articles of association of the issuer, are placed in assets which provide sufficient coverage for the liability deriving from securities;

10) transferable non-equity securities issued in a continuous or repeated manner by credit institutions, if the total consideration of the public offering in the European Union is less than EUR 75,000,000, calculated over a period of 12 months, provided that these transferable securities:

a) are not subordinated, convertible, or exchangeable,

b) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument.

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

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

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

(11) [11 June 2015]

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

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

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

(2) For issue of transferable securities, admission on a regulated market or making an public offering a home member State is a Member State where:

1) the issuer has its registered office, except the cases referred to in Clause 2 of this Paragraph;

2) where the issuer has its registered office, or where the transferable securities were or are to be admitted to trading on a regulated market or where the transferable securities are offered to the public, at the choice of the issuer, the person making an offer or the person asking for the admission of transferable securities to trading on a regulated market, provided that:

a) the denomination of transferable non-equity security is at least EUR 1000,

b) they are such transferable non-equity securities, conversion of which or exercising of the rights attached therein allow to acquire transferable securities or receive money for them provided that an issuer of such transferable securities is not concurrently the issuer of own base transferable securities;

3) transferable securities are offered to the public for the first time after 27 November 2015 or where the first submission to allow trading in a regulated market is submitted accordingly at the choice of the issuer, the person making an offer or the person asking for the admission of transferable securities to trading on a regulated market. The requirements of this Clause shall be applied for those issuers of transferable securities registered in foreign states, which are not referred to in Paragraph two, Clause 2 of this Section. In a foreign state an issuer has the right to change the home Member State, if it was not initially specified at the choice of the issuer, or in accordance with the conditions referred to in Paragraph four, Clause 3 of this Section regarding the choice of the home Member State.

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

(3) The requirements of Paragraph two, Clause 2 of this Section shall be applied to the transferable non-equity securities, the denomination of which is determined not in euro, but in another currency, if the smallest denomination thereof is equal to EUR 1000.

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

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

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

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

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

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

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

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

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

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

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

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

(8) A home Member State in respect of the regulated market is a Member State where the market operator is registered and where it has obtained a licence for organising regulated market or where the management of the regulated market operator (headquarters of a commercial company) is located and where it has obtained a licence for organising regulated market.

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

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

[22 March 2012]

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

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

*[29 March 2007]*

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

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

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

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

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

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

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

3) cancel a licence for organising a regulated market;

4) suspend or prohibit trading in financial instruments;

41) exclude transferable securities from the regulated market;

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

6) request the recall of a member of a board of directors or council of the regulated market operator, the Latvian Central Depository, or an investment brokerage company;

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

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

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

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

11) determine a temporary prohibition for a member of the board of directors or council of an investment brokerage company or for other natural person responsible for the violation to fulfil his or her duties in the investment brokerage company;

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

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

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

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

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

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

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

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

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

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

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

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

*[22 March 2012; 8 November 2012]*

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

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

*[26 May 2016]*

**Section 5. Legal Guarantees**

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

**Section 6. Liability**

[9 June 2005]

**Part B**

**Qualifying Holding**

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

(1) Only a person complying with the requirements laid down in this Law for a regulated market operator, shareholders or members of the Latvian Central Depository, or an investment brokerage company and ensuring meeting the criteria laid down in Section 10, Paragraph one of this Law is entitled to acquire a qualifying holding in a regulated market operator, the Latvian Central Depository, and an investment brokerage company.

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

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

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

(5) A qualifying holding in a regulated market operator, the Latvian Central Depository, and an investment brokerage company may not be obtained by investment funds and alternative investment funds and foundations equivalent thereto.

*[26 February 2009; 9 July 2013]*

**Section 8. Holding Acquired Indirectly**

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

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

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

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

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

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

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

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

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

*[29 March 2007]*

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

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

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

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

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

*[26 February 2009]*

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

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

1) the unimpeachable reputation and conformity with the requirements laid down for the shareholders or members of a regulated market operator, the Latvian Central Depository, or an investment brokerage company;

2) the impeccable reputation and professional experience of the person who, as a result of the acquisition of the planned holding, will administer the activities of the regulated market operator or the Latvian Central Depository;

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

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

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

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

If the Commission in accordance with Paragraph two of this Section has suspended the assessment period, such suspension period shall not be included in the assessment period.

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

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

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

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

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

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

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

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

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

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

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

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

*[26 February 2009; 15 October 2009; 9 July 2013; 24 April 2014]*

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

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

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

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

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

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

*[9 June 2005]*

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

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

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

*[9 June 2005]*

**Part C**

**Making a Public Offering**

*[9 June 2005]*

**Section 14. Permit to Make a Public Offering**

(1) A public offering may be made only after a decision of the Commission on permission to make a public offering has been received and issue prospectus has been published in accordance with the requirements of Section 21 of this Law.

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

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

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

(3) The submission shall specify the following:

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

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

3) the expected starting date of sale or distribution;

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

(4) The Commission shall examine the submission and documents attached thereto and, within 10 days after receipt of all the documents laid down in the laws and regulations and developed and drawn up in conformity with the requirements of the laws and regulations, take a decision on permission to make a public offering or on refusal of such permission.

(5) If the Commission detects that the documents submitted thereto are incomplete or that additional information is required, it shall notify the issuer or person making an offer thereon within 10 working days after receipt of the submission. In such case the time period for examining a submission laid down in this Section shall be counted from the day when deficiencies indicated by the Commission are rectified and requested additional information is submitted.

(6) If a public offering is related to transferable securities that are issued by the issuer, the transferable securities of which are not admitted to trading on a regulated market and which has not previously made a public offering regarding transferable securities, the Commission is entitled to extend the time period for examining the submission up to 20 working days.

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

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

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

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

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

(9) After a decision on permission to make a public offering has been taken, the issue prospectus shall be deemed as registered with the Commission. The Commission shall post the text of the decision and issue prospectus on its website and send a copy of the prospectus to the European Securities and Markets Authority.

(10) If the Commission has not taken a decision to allow to make a public offering or to refuse to allow it within the time period referred to in this Section, it shall not give the right for an issuer or person making an offer to make a public offering. In such case the Commission shall send a motivated explanation to the issuer or person making an offer regarding postponing of the matter and indicate when the decision to allow to make a public offering or to refuse to allow it will be taken.

(11) The procedures for approving an issuing prospectus and the conditions by which the deadline for approving an emission prospectus shall be determined, shall be governed by the directly applicable legal acts of the European Union regarding emission prospectus.

*[15 June 2006;* *22 March 2012; 26 May 2016]*

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

(1) When making a public offering regarding transferable securities, the issuer or person making an offer shall draw up and publish issue prospectus.

(2) When making a public offering regarding transferable securities referred to in Section 3, Paragraph seven, Clauses 2, 4, 8, 9, and 10 of this Law, the issuer or person making an offer is entitled to voluntary draw up and publish an issue prospectus in accordance with the requirements of Part C of this Law.

(3) If transferable securities are traded further regarding which an issue prospectus should not be published in accordance with the provisions of Section 16, Paragraph two of this Law, the Commission shall evaluate whether it is to be regarded as a public offering within the meaning of this Law. When placing transferable securities through a financial intermediary, an offer shall be regarded as a public offering and issuer or person making an offer has a duty to publish issue prospectus, if none of the conditions of Section 16, Paragraph two of this Law has been met.

(4) The requirement to draw up an issue prospectus shall not apply to transferable securities, which are traded further if a valid issue prospectus is available regarding them in conformity with Section 20.1 of this Law and the issuer or a person responsible regarding drawing up of such issue prospectus agrees with further use thereof, by entering into agreement with a financial intermediary in writing. The abovementioned agreement shall be submitted to the Commission before making a public offering.

*[22 March 2012; 26 May 2016]*

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

(1) The requirement to draw up an issue prospectus shall not apply to issue of the following transferable securities:

1) shares issued in substitution for shares of the same class, if the issuing of such new shares does not involve any increase in the registered share capital;

2) transferable securities offered in connection with a takeover of a commercial company by means of an exchange offer, provided that a document is available containing information that is regarded by the Commission as being equivalent to that of the issue prospectus, taking into account the requirements of legal acts of the European Union;

3) transferable securities offered, allotted or to be allotted in connection with a merger or division of commercial companies, provided that a document is available containing information that is regarded by the Commission as being equivalent to that of the issue prospectus, taking into account the requirements of legal acts of the European Union;

4) shares for which dividends are paid out to existing shareholders in the form of shares of the same class, provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;

5) transferable securities offered, allotted or to be allotted to existing or former directors or employees of a commercial company by their employer or by an affiliated commercial company, provided that a management (headquarters of a commercial company) or registered office thereof is located in the European Union and a document is made available containing information on the number and nature of the transferable securities and the reasons for and details of the offer.

(11) Paragraph one, Clause 5 of this Section shall be applied also by commercial companies, the registered office of which is not in the European Union provided that transferable securities thereof are admitted to trading on a regulated market in the European Union or in the market of a foreign state. For commercial companies the transferable securities of which are admitted to trading on a market of a foreign state, the provisions of this Clause shall be applicable only if equivalent information regarding such securities is available, including the information included in the document referred to in Paragraph one, Clause 5 of this Section, and the European Commission has taken a decision to recognise the market of the relevant foreign state as equivalent to the regulated market in the European Union. The document referred to in this Paragraph shall be drawn up in the language, which has been recognised by the Commission as acceptable, or in the language which is used in the international financial sector.

(2) The requirement to draw up an issue prospectus shall not apply to a public offering:

1) which has been made only to qualified investors;

2) unequivocally addressed to fewer than 150 natural or legal persons per Member State, other than qualified investors;

3) in which the minimum amount of purchase of transferable securities is at least EUR 100,000 per investor, and acquiring of such one transferable security as a result of which such transferable security will be owned by several persons is not permitted;

4) whose denomination of transferable security offered per unit amounts to or is more than EUR 100,000;

5) expressed for transferable securities, for which the total consideration calculated in the European Union over a period of 12 months is equal to or less than EUR 100,000.

(3) If an offer is expressed only to qualified investors, an investment brokerage company or credit institution shall issue a list of the persons complying with the requirements and criteria laid down for the qualified investors to the issuer upon request of the issuer. When drawing up the list, the persons indicated in the information submitted by the issuer and complying with the abovementioned requirements and criteria, or the clients of the investment brokerage company or credit institution, who have given a consent to participate in the public offering, shall be included therein.

*[15 June 2006; 29 March 2007; 13 January 2011; 22 March 2012; 19 September 2013]*

**Section 16.1 Duty to Draw up an Offer Document**

When making a public offering regarding transferable securities which are included in this offer, if an offer of securities with a total consideration of EUR 100,000 to 5,000,000 is calculated over a period of 12 months, a person making an offer shall draw up and publish an offer document in accordance with the regulatory provisions of the Commission, unless the rights provided for in Section 15, Paragraph two of this Law are exercised.

*[22 March 2012; 19 September 2013]*

**Section 17. Contents of an Issuing Prospectus**

(1) The issue prospectus shall contain all information, in a form that is easy to analyse and comprehend, regarding an issuer and transferable securities to be offered to the public, and information, which is necessary to enable investors to make an informed assessment of the financial position, balance sheet, results of activities (profit and losses), and prospects of the issuer, transferable securities and of the rights attaching to such securities, and also assess the possible financial position of the issuer and any guarantor in the future.

(2) An issuer or person making an offer may draw up the issue prospectus as one document or as separate documents at his or her choice. If the issue prospectus is drawn up as separate documents, each of them must be registered with the Commission. A summary, which is drawn up in accordance with the requirements of Paragraph three, Clause 3 of this Section, shall be appended to the issue prospectus.

(3) The issue prospectus consisting of separate documents shall be comprised by:

1) a registration document, which contains information regarding the issuer;

2) a list of securities, in which information on the transferable securities to be offered to the public is included;

3) a summary, in which the key information is provided in a brief manner and in non-technical language, and in the language in which the prospectus was originally drawn up. The summary (its format and content) shall provide unequivocal information regarding the most essential indicators characterising securities so that the investor could understand whether he should invest in the relevant securities. Detailed information to be included in the summary shall be prepared in accordance with Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012 amending Regulation (EC) No 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements (Text with EEA relevance). The summary shall also contain a warning that:

a) it should be regarded as an introduction to the issue prospectus,

b) any decision to invest in the transferable securities should be based on consideration of the issue prospectus as a whole by the investor,

c) where a claim relating to the information contained in an issue prospectus is brought before a court, the plaintiff investor might, under the laws and regulations of the relevant Member State, have to bear the costs of translating the issue prospectus before the legal proceedings are initiated,

d) civil liability attaches to those persons who have submitted the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the issue prospectus.

(4) Detailed information to be included in the issue prospectus and content of the prospectus shall be determined in accordance with the European Commission Regulation No 809/2004.

(5) If information laid down in the Commission Regulation No 809/2004 to be included in an issue prospectus is inappropriate to the issuer's sphere of activity or to the legal form of the issuer or to the transferable securities to be offered to the public, the issue prospectus shall contain information equivalent to the required information. If there is no such equivalent information, the abovementioned information shall not be included in the issue prospectus.

(6) If the final price and the quantity of the transferable securities to be offered to the public cannot be provided in the issue prospectus, the provisions shall be included therein according to which the quantity or price of transferable securities will be determined, but, if this final sales price is not indicated, maximum offer price shall be indicated.

(7) If the issuer or person making an offer cannot ensure performance of the provisions referred to in Paragraph six of this Section, a person, who has subscribed for the transferable securities offered, has the right to withdraw its approval within two working days or within the time period laid down in the prospectus which is not shorter than two working days after information regarding the final price of the offer and quantity of the transferable securities to be offered to the public is submitted to the Commission and published in accordance with the requirements of Section 21, Paragraph four of this Law.

(8) If the issuer or person making an offer has taken a decision to perform an initial placement of transferable securities through a regulated market operator or to submit a submission regarding the admission of the relevant transferable securities on the regulated market immediately after completion of the initial placement, it shall draw up one prospectus, taking into consideration the requirements of this Law and of the European Commission Regulation No 809/2004 in relation to the contents of the prospectus.

(9) [26 May 2016]

*[4 October 2007; 22 March 2012; 8 November 2012; 26 May 2016]*

**Section 17.1 Content of Base Prospectus**

(1) An issuer or person making an offer may draw up a base prospectus instead of an issue prospectus for the following types of transferable securities:

1) transferable non-equity securities, including warrants in any form, issued under an offering programme;

2) transferable non-equity securities issued in a continuous or repeated manner by credit institutions in the following cases:

a) where the sums deriving from the issue of the abovementioned securities, in accordance with the laws and regulations, are placed in assets which provide sufficient coverage for the liability deriving from transferable securities until their maturity date,

b) where, in the event of insolvency of the related credit institution, the abovementioned sums are intended, as a priority, to repay the capital and interest falling due, without prejudice to the requirements of the Credit Institution Law regarding procedures for performance of obligation in case of insolvency.

(2) The base prospectus is a prospectus which contains all the information referred to in this Part regarding an issuer and transferable securities to be offered to the public and in which the issuer or person making an offer is entitled not to include the information regarding final terms of the offer.

(3) If the final terms of the offering are not included in the base prospectus or its supplements, they shall be made accessible to investors, as soon as possible, regarding each public offering prior to the beginning of the offering or prior to admission of securities to trading on a regulated market, and shall be submitted to the Commission. The Commission shall send these final terms to the competent authority of the relevant host Member State and to the European Securities and Markets Authority. In drawing up the final terms or supplements to the base prospectus, the requirements of Section 17, Paragraph six of this Law shall be applied.

(4) The base prospectus shall be registered with the Commission in accordance with the requirements of Section 14 of this Law.

(5) The information given in the base prospectus shall be supplemented, if necessary, in accordance with the requirements of Section 18 of this Law, with updated information on the issuer and on the transferable securities to be offered to the public.

*[22 March 2012; 11 June 2015; 26 May 2016]*

**Section 17.2 Incorporation of Information by Reference**

(1) Information may be incorporated in the issue prospectus by reference to one or more previously or simultaneously published documents that have been registered by the Commission or submitted to the Commission in accordance with the requirements of this Law. In such case a reference list must be provided in the issue prospectus in order to enable investors to identify easily specific items of information. Information provided by references shall be the latest available for the issuer or person making an offer. The summary shall not incorporate information by reference.

(2) The requirements for incorporation of information by reference shall be laid down by the directly applicable legal acts of the European Union regarding issue prospectus.

*[26 May 2016]*

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

An issuer or person making an offer, which already has a registration document registered with the Commission, shall draw up only a securities note and the summary when transferable securities are offered to the public. In this case a securities note shall provide information that would normally be provided in the registration document, if there has been a material change which could affect investors' assessments since the latest updated registration document in the Commission, unless such information is provided in accordance with supplements provided for in Section 18 of this Law. The securities notes and summary shall be subject to a separate registration.

*[22 March 2012]*

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

(1) If new circumstances, material mistakes or inaccuracies relating to the information included in the issue prospectus, which are capable of affecting the assessment of the securities, arise or are noted between the time when the issue prospectus is registered with the Commission and the end of the time period for allocation of transferable securities, the issuer or person making an offer shall draw up a supplement to the issue prospectus.

(2) The issuer or person making an offer shall submit supplements to the issue prospectus and text thereof in electronic form to the Commission, which shall register them within seven working days after receipt of all documents. The issuer or person making an offer shall supplement also a summary and translation thereof, if it is necessary to take into account new information contained in supplements. If the period of the final offer expires sooner than the beginning of trading of such securities on a regulated market, then the duty to supplement a prospectus shall end from the moment when trading of such securities on a regulated market is commenced.

(3) Supplements to an issue prospectus shall be published in accordance with the requirements of Section 21 of this Law, determining the final deadline for revoking the offer of investors which is not less than two working days. The text of the supplements shall be regarded as an integral part of the issue prospectus and it must always be accessible together with the relevant issue prospectus.

(4) In accordance with Paragraph three of this Section investors have the right, within two working days after publication of the supplements to an issue prospectus, to withdraw their acceptances, if the new circumstances, material mistakes or inaccuracies relating to the information included in the issue prospectus referred to in Paragraph one of this Section have arisen before the end of the term of the offer and recording of securities in the financial instrument account of the investor and if investors have already accepted the acquisition of transferable securities prior to publication of the supplements to an issue prospectus or subscribing on them. A person making an offer may indicate other time period in supplements to an issue prospectus which is not shorter than two working days for withdrawal of investors' acceptances.

*[22 March 2012; 26 May 2016]*

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

Only the Commission is entitled to exempt an issuer or person making an offer from the duty to include information in the issue prospectus, which is referred to in the Commission Regulation No 809/2004, in the following cases after receipt of the relevant submission:

1) this information is not significant and cannot affect the opinion of the potential investor regarding current and possible future financial position of the issuer, person making an offer, and guarantor, if any;

2) disclosure of such information is in conflict with the interests of society as a whole;

3) disclosure of such information could cause substantial harm to the interests of the issuer, but only provided that the failure to provide this information could not mislead potential investors regarding the circumstances and facts which are essential for assessing the issuer, person making an offer and guarantor, if any, and also regarding the rights attached to the transferable securities offered;

4) information shall be provided regarding a guarantor, if the guarantor is a Member State.

*[22 March 2012]*

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

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

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

(3) The given name, surname and position of responsible persons or the name, registered office and registration number of legal persons responsible for the veracity of the information included in such prospectus shall be indicated in the issue prospectus. The prospectus shall also include a notification by each such person stating that, according to the information available to this person, the information is in conformity with the actual circumstances, as well as that facts are not concealed which may affect the significance of the information included in the issue prospectus.

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

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

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

*[22 March 2012]*

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

(1) An issue prospectus shall be valid for 12 months after its registration with the Commission, provided that the requirements of Section 18 of this Law are complied with.

(2) In the case of an offering programme, the base prospectus, previously submitted, shall be valid for a period of up to 12 months.

(3) In the case of transferable securities referred to in Section 17.1, Paragraph one, Clause 2 of this Law, the issue prospectus shall be valid until no more of the transferable securities concerned are issued in a continuous or repeated manner.

(4) The issue prospectus shall be valid if it consists of the registration document the information included wherein is updated in accordance with the procedures laid down in Section 17.3 of this Law or which is supplemented in accordance with the requirements laid down for an issue prospectus in Section 18 of this Law, and the securities note and summary note. The registration document referred to in Section 17, Paragraph three, Clause 1 of this Law shall be valid for 12 months after registration thereof with the Commission.

*[22 March 2012]*

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

(1) Until the Commission has taken a decision on permission to express a public offering, any distribution of an issue prospectus is prohibited.

(2) An issuer or person making an offer shall, in accordance with the procedures laid down in Section 14, Paragraph one of this Law as soon as practicable and in any case, at a reasonable time in advance of, and at the latest at the beginning of, the public offering, make the issue prospectus available to the public.

(3) In case of an initial public offering of a type and class of transferable securities that is to be admitted to trading on the regulated market for the first time, the prospectus must be available at least six working days before the end of the offer. This requirement is not in force if one prospectus is drawn up in accordance with Section 17, Paragraph eight of this Law.

(4) The issue prospectus shall be deemed available to the public when published either:

1) by insertion in one or more newspapers circulated throughout, or widely circulated in, the Member States in which the public offering is made,

2) in an electronic form on the issuer's website or on the websites of their relevant financial intermediaries placing or selling the transferable securities, including paying agents,

3) in electronic form on the website of the Commission.

(5) An issuer or a person responsible for drawing up an issue prospectus, which publishes the issue prospectus in accordance with Paragraph four, Clause 1 of this Section, shall publish it also in electronic form in conformity with Paragraph four, Clause 2 of this Section. The Commission is entitled to require publication of a notice stating how the issue prospectus has been made available and where it can be obtained by the public.

(6) In case of an issue prospectus comprising several documents or incorporating information by reference, the documents and information making up the issue prospectus may be published separately provided that the abovementioned documents are made available, free of charge, to the public, in accordance with the procedures laid down in Paragraph four of this Section. Each document shall indicate where the other constituent documents of the full issue prospectus may be obtained.

(7) The text and format of the issue prospectus, and the supplements to the prospectus, published or made available to the public, shall at all times be identical to the original version registered with the Commission.

(8) Where the prospectus is made available by publication in electronic form, a paper copy must nevertheless be delivered to the investor, upon his request and free of charge, by the issuer, the person making an offer or the financial intermediary placing or selling the transferable securities.

(9) The requirements in relation to publication of an issue prospectus shall be laid down by the directly applicable legal acts of the European Union regarding issue prospectus.

*[22 March 2012; 26 May 2016]*

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

(1) An issuer or a person making an offer, if the issue prospectus and all supplements thereto are registered with the Commission, may make a public offering in one or several Member States or in a Member State other than home Member State after the Commission has informed the competent authorities of the relevant host Member State and the European Securities and Markets Authority upon request of the issuer in accordance with the requirements of Paragraphs four and five of this Section.

(2) In cases when an issuer or person making an offer of other Member State wishes to make a public offering in Latvia, the issue prospectus registered by the competent authority of the relevant home Member State and all supplements thereto shall be valid for making a public offering, if the competent authority of the relevant home Member State has informed the Commission and the European Securities and Markets Authority regarding registration of the issue prospectus.

(21) The Commission shall publish on the website thereof certifications of issue prospectuses which the competent authorities of other home Member States have submitted to the Commission, where possible, by indicating a link to the website where the competent authorities of the home Member States have published issue prospectuses.

(3) If significant new circumstances, material mistakes or inaccuracies are established, which are referred to in Section 18 of this Law and arisen since registration of the issue prospectus, only the competent authority of the relevant home Member State may request registration and publishing of supplements in conformity with the requirements of the laws and regulations of the home Member State. Competent authorities of the host Member State and the European Securities and Markets Authority are entitled only to pay attention of the competent authority of the home Member State to necessity for any new information.

(4) The Commission shall submit to the issuer or a person responsible for drawing up the issue prospectus, the competent authority of the host Member State, and the European Securities and Markets Authority a certification that the issue prospectus has been drawn up in accordance with the requirements laid down in the laws and regulations in force regarding content of the issue prospectus and procedures for the drawing up thereof, and a copy of the abovementioned issue prospectus in accordance with the following procedures:

a) within three working days after request of the issuer or the person responsible for drawing up the issue prospectus;

b) if a request is submitted together with a draft issue prospectus, within one working day after registration of the issue prospectus.

(5) Translation of the summary, for drawing up and conformity of the content of which with the original text of the issue prospectus the issuer or a person responsible for drawing up the issue prospectus shall be responsible, shall be appended to the certification referred to in Paragraph four of this Section, which is sent to the competent authority of the host Member State. The same requirements shall also apply to any supplement to the issue prospectus.

(6) If the Commission in accordance with the provisions of Section 19 of this Law has permitted an issuer or person making an offer not to include some information in the issue prospectus, the Commission shall also indicate justification for its permission when informing the competent authority of the host Member State.

*[15 June 2006; 22 March 2012]*

**Section 22.1 Use of Languages**

(1) If a public offering is made only in Latvia, the issue prospectus shall be drawn up in the official language.

(2) Where a public offering is made in one or more Member States, except Latvia, the issue prospectus, at the choice of the issuer or person making an offer, shall be drawn up in the language which the Commission and competent authorities of the relevant host Member States have recognised as acceptable, or in a language customary in the sphere of international finance.

(3) If an issuer or person making an offer of other Member State wishes to make a public offering in Latvia, he or she shall draw up a summary of the issue prospectus in the official language.

(4) Where a public offering is made in more than one Member State, including Latvia, the issuer or person making an offer shall draw up the issue prospectus and make it available in a language accepted by the competent authorities of the relevant host Member States and the Commission or in a language customary in the sphere of international finance. The issuer and person making an offer shall draw up a summary of the issue prospectus also in the official language.

*[26 February 2009]*

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

(1) The Commissions is entitled to register an issue prospectus which the issuers, having their registered office in foreign states, have drawn up in accordance with the laws and regulations of the foreign state, provided that:

1) the issue prospectus has been drawn up in accordance with international standards set by international securities commission organisations, including disclosure standards of the International Securities Market Association;

2) the information requirements, including information of a financial nature, are equivalent to the requirements laid down in this Law.

(2) In the case of a public offering of securities, issued by an issuer incorporated in a foreign state, in a Member State other than the home Member State, the requirements laid down in Sections 22 and 22.1of this Law shall apply.

**Section 24. Advertising of a Public Offering**

(1) Advertisement of a public offering shall state that an issue prospectus has been or will be published and indicate where investors are or will be able to obtain it. Advertisements shall be clearly recognisable as such.

(2) An issuer or person making an offer may not distribute information regarding a public offering of transferable securities, which is inaccurate, or misleading, and which is not included in the issue prospectus or supplements to such prospectus. This information shall also be consistent with the information contained in the issue prospectus, if already published, or with the information required to be in the issue prospectus, if the issue prospectus is published afterwards.

(3) When according to the requirements of this Law no issue prospectus is required, material information provided by an issuer or a person making an offer and addressed to qualified investors or special categories of investors, including information disclosed in the context of meetings relating to offers of securities, shall be disclosed to all qualified investors or special categories of investors to whom the offer is exclusively addressed.

(4) All information concerning the public offering disclosed in an oral or written form, even if not for advertising purposes, shall be consistent with that contained in the issue prospectus.

(5) The requirements in relation to the advertising of a public offer and the information referred to in Paragraph four of this Section disclosed in an oral or written form shall be laid down by the directly applicable legal acts of the European Union regarding issue prospectus.

*[26 May 2016]*

**Section 24.1 Rights of the Commission**

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

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

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

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

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

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

6) to prohibit a public offering, if the Commission establishes that the requirements of Part C of this Law have been infringed, or the Commission has the basis to consider that they would be infringed;

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

(2) If the Commission establishes that the issuer or financial institution, which is responsible for a public offering, has infringed the requirements of Part C of this Law or does not perform the duties laid down in Part C of this Law, it shall notify such facts to the competent authority of the home Member State and the European Securities and Markets Authority.

(3) If irrespective of the fact that the Commission has informed the competent authority of the relevant home Member State in accordance with the requirements of Paragraph two of this Section, or because that such measures have turned out to be ineffective, the issuer or financial institution, which is responsible for the public offering, continues to infringe the requirements of Part C of this Law, the Commission, after notification thereof to the competent authority of the home Member State, is entitled to carry out all necessary measures in order to protect the interests of investors, and also inform the European Commission and the European Securities and Markets Authority thereon in accordance with the requirements of Section 147 of this Law.

(4) The Commission has the right to make public the information regarding measures and sanctions carried out against an issuer or person making an offer for infringements of the requirements of Part C of this Law, except the cases when disclosure of such information may cause serious disorders in the financial market or cause incommensurate damage to the persons involved.

*[22 March 2012]*

**Part D**

**Public Circulation of Financial Instruments**

**Chapter I**

**Activities of a Regulated Market Operator**

**Section 25. Regulated Market Operator**

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

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

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

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

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

*[4 October 2007; 22 March 2012]*

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

(1) The minimum paid up share capital by a market operator shall be at least EUR 355,700.

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

*[19 September 2013]*

**Section 27. Rights and Duties of a Market Operator**

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

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

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

1) identify and manage the possible conflicts of interests between interests of the regulated market operator or its shareholders and a duty to ensure stable performance of the regulated market, as well as in order to prevent adverse effect of such conflict of interests on performance of the regulated market or interests of its members, especially if such conflicts of interests can endanger the rights of the regulated market operator to carry out the market supervision function;

2) identify risks to which he is subjected to, and to manage such risks correspondingly;

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

4) ensure effective and timely completion of transactions performed in its systems.

(3) A market operator shall ensure:

1) the fair and open inclusion of financial instruments in a regulated market and the process of trading, as well as equal treatment for all persons of the same status (for example, issuers, participants);

2) the supervision of issuers of financial instruments admitted to trading on regulated markets;

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

4) the security of entering into transactions;

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

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

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

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

(6) A market operator shall keep funds of a guarantee fund owned by members of a market operator separately from its own money resources. The market operator shall keep the funds of a guarantee fund in the account of the Bank of Latvia, informing the Bank of Latvia that the funds in the account are the funds of the guarantee fund.

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

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

1) conducting of accounting;

2) management or development of information technologies or systems;

3) organising internal control;

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

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

(10) A market operator may not:

1) delegate the duties of its administrative bodies, which are laid down in accordance with the laws and regulations or the articles or association;

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

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

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

*[9 June 2005; 4 October 2007; 22 May 2008]*

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

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

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

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

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

(5) A market operator shall lay down at least the following requirements in the regulations, which must be complied with by its members and issuers whose financial instruments are admitted to trading on any of the regulated markets organised by the market operator and which govern:

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

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

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

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

5) the procedures for admission and exclusion of members of a market operator, the rights and obligations of members, as well as the procedures for suspending the status of the member and professional requirements for employees of the company in the status of a member performing transactions on the regulated market;

6) the procedures for identifying and preventing manipulation of the market;

61) the procedures for operating the Guarantee Fund;

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

(6) A market operator, when developing the regulations referred to in Paragraph five, Clause 1 of this Section, shall take into account the requirements of Sections 35, 36, and 37 of the European Commission Regulation No 1287/2006 for admission of financial instruments on the regulated market.

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

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

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

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

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

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

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

3) of which the members of the board of directors and council comply with the requirements of this Law;

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

**Section 30. Documents to be Submitted for Obtaining a Licence**

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

1) the documents containing information regarding members of the board of directors and council of the market operator:

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

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

c) copies of documents certifying education;

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

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

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

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

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

5) a description of the management information system;

6) regulations for the protection of the information system;

7) a description of the internal audit system;

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

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

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

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

1) the firm name of the market operator;

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

3) the position;

4) citizenship;

5) education (academic degree);

6) information regarding advanced vocational training;

7) whether the relevant person has ever been convicted;

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

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

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

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

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

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

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

*[4 October 2007]*

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

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

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

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

3) who has an unimpeachable reputation;

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

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

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

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

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

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

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

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

*[4 October 2007]*

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

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

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

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

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

3) the members of the board of directors and council of a market operator do not conform to the requirements of this Law;

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

5) the information included in the documents submitted indicates that a market operator will not be able to ensure compliance with the duties laid down in Section 27, Paragraphs two, three, and four of this Law;

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

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

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

*[13 January 2011]*

**Section 33. Re-registration of a Licence and Issuing of a Duplicate**

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

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

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

(4) In the case of a loss of a licence, the market operator shall, without delay, submit to the Commission a submission regarding the issue of a duplicate.

(5) The Commission shall issue a duplicate of the licence not later than within five working days after receipt of the submission.

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

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

1) it is determined that the market operator has provided false information in order to obtain the licence;

2) the market operator systematically fails to comply with the requirements of the laws and other laws and regulations;

3) the market operator has failed to rectify infringements of laws and regulations established by the Commission within the time period laid down by the Commission;

4) the market operator has initiated liquidation proceedings;

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

6) the market operator has handed in a written submission for the cancellation of the licence;

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

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

9) it is established that the market operator fails to comply with the requirements laid down in this Law for obtaining a licence;

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

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

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

**Section 35. Duties of Administrative Bodies of a Market Operator**

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

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

2) decide regarding suspension of trade in financial instruments;

3) decide on admission and exclusion of market operator members, as well as on suspension of membership status in the market operator;

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

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

(2) If the convening of the board of directors is impossible due to objective reasons, a specially delegated member of the board of directors shall be entitled to decide on suspension of trade in financial instruments and suspension of activities of market operator members.

(3) [15 June 2006]

(4) The relevant administrative body of the market operator has a duty, on its own initiative or by order of the Commission, to recall members of the board of directors or council without delay if they have not complied with the requirements of this Law.

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

*[15 June 2006; 29 September 2007]*

**Section 36. Members of the Market Operator**

(1) A member of the market operator shall be a person entitled to perform transactions in the regulated markets organised by the market operator.

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

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

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

1) by opening a branch if direct presence of a member is necessary on the markets regulated by the market operator for performance of transactions;

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

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

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

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

(8) The market operator shall ensure equal rights for all members of the market operator. A member of the market operator, upon entering into transactions on the regulated market, is entitled not to apply the requirements referred to in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law in respect of other member of the market operator.

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

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

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

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

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

*[9 June 2005; 4 October 2007]*

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

[4 October 2007]

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

(1) A market operator shall, in accordance with the requirements of Articles 17, 29, and 30 of the European Commission Regulation No 1287/2006 during usual trading continuously and by taking into account reasonable commercial conditions, make information available to the public regarding the purchase and sales price of the shares admitted to trading on a regulated market and the amount of submitted purchase and sales assignments for such prices.

(2) The Commission has the right to exempt a market operator from the duty referred to in Paragraph one of this Section to make public information depending on the market model and type and amount of orders in the cases laid down in Articles 3, 18, 19, and 20 of the European Commission Regulation No 1287/2006, especially if the transaction size exceeds standard market size of shares or class of shares.

(3) A market operator, taking into account the requirements of Articles 3, 27, and 29 of the European Commission Regulation No 1287/2006, shall publish information regarding transactions with shares admitted to trading on a regulated market on the basis of trading conditions as close to the time of entering into transaction as possible.

(4) A market operator has the right to delay publishing of the information referred to in Paragraph one of this Section upon prior consent of the Commission in accordance with the procedures laid down in Article 28 of the European Commission Regulation No 1287/2006 by informing market participants and the public thereon, if the transaction size exceeds standard market size of shares or class of shares. The market operator shall inform market participants regarding conditions and mechanism for delay of publishing of information accepted by the Commission.

(5) A market operator, taking into account reasonable commercial conditions, is entitled to publish information in his or her system regarding quoted prices of shares laid down by an investment brokerage company and credit institution and transactions performed by investment brokerage companies and credit institutions, which they have a duty to disclose in accordance with Sections 133.7 and 133.8 of this Law.

*[4 October 2007]*

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

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

(2) A market operator shall supervise the pricing of financial instruments in regulated markets organised thereby, as well as trading procedures, in order to detect transactions which are performed through the use of inside information or market manipulation, as well as other infringements of this Law and other laws and regulations.

(3) A market operator is entitled to request and receive from members thereof any information and documents necessary in order to decide on the conformity thereof with membership status in the market operator.

(4) [15 October 2009]

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

(6) [15 October 2009]

(7) A market operator shall, without delay, inform the Commission of any infringements of this Law, other laws and regulations, regulations of the market operator detected by the market operator, as well as regarding any decision taken in connection with these infringements.

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

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

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

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

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

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

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

(4) If activities of a market operator registered in other Member State in the Republic of Latvia in accordance with the criteria laid down in Article 16 of the European Commission Regulation No 1287/2006 become especially significant for the operation of the financial instrument market and protection of investors, the Commission shall agree with the supervisory authority of the relevant Member State regarding commensurate cooperation methods.

*[4 October 2007]*

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

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

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

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

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

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

*[4 October 2007]*

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

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

(2) The Commission has the right to scrutinise the operations of a market operator, to perform inter alia internal control of a market maker. The Commission has the right to become acquainted with all documents, account books and databases of a market operator, as well as to take statements therefrom, and make true copies (copies).

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

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

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

(6) The Commission shall be responsible for co-operation with the supervisory authorities of another Member State in order to ensure supervision of the regulated market operators.

*[4 October 2007]*

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

(1) If a market operator registered in another Member State who is acting in the Republic of Latvia, carries out activities which are in contradiction with the laws and regulations governing financial instrument market in force in the Republic of Latvia, the Commission shall, without delay, inform the supervisory authority of the home Member State thereof and ask to rectify the infringements established, as well as inform it regarding the measures carried out.

(2) If a market operator registered in other Member State who is acting in the Republic of Latvia, continues to carry out activities which are in contradiction with the laws and regulations governing financial instrument market which are in force in the Republic of Latvia, or if the measures carried out by the supervisory authority of the Member State turn out ineffective, the Commission shall inform the supervisory authority thereof and carry out measures to rectify such infringements. Within the framework of such activities the Commission is entitled to prohibit the relevant market operator from continuing activities in the Republic of Latvia until such infringements are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority regarding the measures carried out in accordance with the requirements of Section 147 of this Law.

*[4 October 2007; 22 March 2012]*

**Chapter II**

**Admission of Financial Instruments on Regulated Markets**

*[9 June 2005]*

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

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

(2) [26 May 2016]

(3) In order for transferable securities to be admitted to trading on a regulated market, the issuer or a person asking the admission of the transferable securities to trading on a regulated market shall append a prospectus to the submission, which is drawn up in conformity with the requirements of the European Commission Regulation No 809/2004, as well as registered with the Commission.

(4) If it is intended to admit the transferable securities referred to in Section 3, Paragraph seven, Clauses 2, 4, 9, and 10 of this Law, the issuer or person asking admission of the transferable securities to trading on a regulated market, is entitled to draw up a prospectus voluntarily.

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

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

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

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

*[4 October 2007; 26 May 2016]*

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

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

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

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

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

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

(3) If the offer of shares to the public does not take place through the intermediation of the regulated market, the shares may be included on the official list only provided that at least 25 per cent of the subscribed capital share represented by the shares of the relevant class are raised for inclusion on this list.

(4) If the offer of shares to the public is made through the intermediation of the market operator, the shares may be included on the official list if at least 25 per cent of the subscribed capital shares represented by the shares of the relevant class are raised, or if the market operator has grounds to believe that the operation of trade in these shares after inclusion on this list will be sufficiently active even at a lower relative percentage.

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

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

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

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

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

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

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

(5) If inclusion on the official list is performed on the basis of a public offering, trading in the relevant debt securities may be commenced only after the final day of the initial placement. This rule is not applied in case of an issue of mortgage bonds in a continuous manner and in case of an issue if the final date of the initial placement has not been fixed.

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

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

**Section 44. Contents of a Prospectus**

(1) The requirements of Section 17, Paragraphs one, two, three, four, five, and eight of this Section shall be applied to the prospectus, which is drawn up for admission of transferable securities on the regulated market.

(2) If prospectus is drawn up regarding admission of non-equity securities on the regulated market and denomination of which is not less than EUR 100,000, a summary note shall not be provided, except the case referred to in Section 49.1, Paragraph three of this Law.

(3) In order to exempt an issuer or a person asking for the admission of the transferable securities to trading on a regulated market from the duty to include information in the prospectus, which is referred to in Commission Regulation No 809/2004, the requirements of Section 19 of this Law shall be applied.

*[15 June 2006; 29 March 2007; 13 January 2011; 22 March 2012; 19 September 2013]*

**Section 44.1 Drawing up and Registration of a Base Prospectus**

(1) A base prospectus shall be drawn up in accordance with the requirements of Section 17.1, Paragraphs one, two, and three of this Law.

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

(3) The information provided in a base prospectus, where necessary, in accordance with the requirements of Section 45 of this Law shall be supplemented with the latest information regarding the issuer and transferable securities to be admitted to trading on a regulated market.

(4) If the final terms of an offer are not incorporated in a base prospectus or its supplements, they shall be made accessible, as soon as possible, to investors prior to admission of securities to trading on a regulated market in accordance with the procedures laid down in Section 17.1, Paragraph three of this Law.

*[11 June 2015 /* *Paragraph four shall come into force form 1 January 2016.* *See Paragraph 51 of Transitional Provisions]*

**Section 44.2 Incorporation of Information by Reference**

The requirements of Section 17.2of this Law shall be applied for incorporation of information in a prospectus by reference.

**Section 44.3 Prospectus Consisting of Separate Documents**

An issuer or a person asking for the admission of the transferable securities to trading on a regulated market and who has a registration document registered with the Commission, shall draw up only a securities note and summary note, if transferable securities are admitted to trading on a regulated market. In this case a securities note shall include information that would normally be provided in the registration document, if there has been a material change which could affect assessments of investors since the latest updated registration document unless such information is provided in accordance with the supplements provided for in Section 45 of this Law. The securities note and summary note shall be subject to a separate registration.

*[22 March 2012]*

**Section 45. Supplements to a Prospectus**

(1) If new significant circumstances, material mistake or inaccuracy relating to the information included in the prospectus, which is capable of affecting the assessment of the transferable securities, arise or are noted between the time period when the prospectus is approved in the Commission and the commencement of trade of transferable securities in the regulated market, an issuer or a person asking the admission of the transferable securities to trading on a regulated market shall draw up supplements to a prospectus.

(2) An issuer or a person asking the admission of the transferable securities on the regulated market shall submit supplements to a prospectus and text thereof in electronic form to the Commission, which shall register them within seven working days after receipt of all documents. An issuer or a person asking the admission of the transferable securities on the regulated market shall supplement also a summary and translation thereof, if it is necessary to take into account new information contained in the supplement. If an issuer or a person asking the admission of the transferable securities on the regulated market has already submitted a submission to a market operator regarding admission of transferable securities on a regulated market, it shall submit supplements to the prospectus also to the relevant market operator.

(3) Supplements to a prospectus shall be published in accordance with the requirements of Section 52 of this Law. The text of any supplement shall be considered an integral part of the prospectus and must always be available to the public together with the relevant prospectus.

(4) If investors before publishing supplements to a prospectus have already agreed to purchase transferable securities or subscribe on them, they are entitled within two working days or within the time period laid down in the prospectus, which is not shorter than two working days, to revoke their consent after publishing of the supplement to the prospectus.

*[22 March 2012]*

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

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

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

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

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

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

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

*[22 March 2012]*

**Section 47. Derogations from the Duty of Drawing Up a Prospectus**

The duty to draw up a prospectus shall not apply to the following admission of the transferable securities on the regulated market:

1) shares representing, over a period of 12 months, less than 10 per cent of the number of shares of the same class already admitted to trading on the same regulated market;

2) shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, if issuing of such shares does not involve any increase in the issued share capital;

3) transferable securities offered in connection with a takeover by means of an exchange offer, provided that a document is available to the public containing information, which is regarded by the Commission as being equivalent to that of the prospectus, taking into account the requirements of the legal acts of the European Union;

4) transferable securities offered, allotted or to be allotted in connection with a merger or division, provided that a document is available to the public containing information, which is regarded by the Commission as being equivalent to that of the prospectus, taking into account the requirements of the legal acts of the European Union;

5) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares, in respect of which such dividends are paid, provided that the abovementioned shares are shares of the same class as already admitted to trading on a regulated market and that a document is made available to the public containing information on the number and nature of the shares and the reasons for and provisions of the offer;

6) transferable securities offered, allotted or to be allotted to existing or former directors or employees by their employer or by an affiliated company, provided that the abovementioned transferable securities are transferable securities of the same class which are already admitted to trading on the same regulated market and that a document is made available containing information regarding the number and nature of transferable securities and the reasons for and provisions of the offer;

7) shares resulting from conversion or exchange of other securities or from exercising the rights conferred by other securities, provided that the abovementioned shares are of the same class as the shares already admitted to trading on the same regulated market;

8) securities already admitted to trading on another regulated market, in conformity with the following conditions:

a) these transferable securities, or securities of the same class, have been admitted to trading on another regulated market for more than 18 months,

b) for transferable securities first admitted to trading on a regulated market after 31 December 2003, the admission to trading on another regulated market was associated with an approved prospectus made available to the public in accordance with Section 51 of this Law,

c) except cases where Sub-paragraph “b” of this Clause applies, for transferable securities first admitted to listings of Member States from 30 June 1983 until 30 June 2005 and regarding which prospectuses are registered in accordance with the laws and regulations of the Member States by which the requirements of the legal acts of the European Union are transposed,

d) the obligations for trading of transferable securities on another regulated market have been fulfilled,

e) the person seeking admission of transferable securities on a regulated market under this exemption makes a summary document available to the public in Latvian,

f) the summary document referred to in Sub-paragraph “e” of this Clause is made available to the public in the Member State of the regulated market where admission to trading is sought,

g) the contents of the summary document conform to the requirements of Section 17, Paragraph three, Clause 3 of this Law, where the most recent prospectus can be obtained and where the financial information published by the issuer or a person asking for the admission of transferable securities on the regulated market according to his ongoing disclosure obligations is available.

*[15 October 2009; 22 March 2012]*

**Section 48. Registration of a Prospectus**

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

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

2) a decision of an administrative body authorised by the issuer to include the relevant transferable securities in the regulated market;

3) [22 March 2012].

(11) [26 May 2016]

(2) The submission shall specify:

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

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

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

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

(3) The Commission shall examine the submission and documents appended thereto and take a decision to register the prospectus or to refuse to register it within 10 working days after receipt of all the documents specified in laws and regulations and drawn up and prepared in accordance with the requirements of laws and regulations.

(4) If the Commission detects that the documents submitted thereto are incomplete or that additional information is required, it shall notify the issuer or a person asking for the admission of transferable securities on the regulated market thereon within 10 working days after receipt of the submission. In such case the time period for examining a submission specified in this Section shall be counted from the day when deficiencies indicated by the Commission are rectified and the additional information requested is submitted.

(5) If the Commission has not taken a decision within the time periods laid down in this Section, a prospectus shall not be regarded as registered. In such case the Commission shall provide a justified explanation to an issuer or a person asking for the admission of transferable securities on the regulated market regarding the reason for delay and indicate when a decision to register a prospectus or to refuse to register it will be taken.

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

(7) After a decision to register the prospectus has been taken, the Commission shall, without delay, post the text of the decision on its website and send a copy of the decision to the relevant market operator. Concurrently the Commission shall send a copy of the prospectus to the European Securities and Markets Authority.

*[4 October 2007; 22 March 2012; 26 May 2016]*

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

(1) A prospectus shall be valid for 12 months after its registration with the Commission in respect of admission of transferable securities on the regulated market, provided that the requirements of Section 45 of this Law are conformed to.

(2) In case of an offering programme, the base prospectus, previously submitted, shall be valid for a period of up to 12 months.

(3) In case of transferable securities referred to in Section 17.1, Paragraph one, Clause 2 of this Law, the prospectus shall be valid until the transferable securities concerned are not issued in a continuous or repeated manner anymore.

(4) The prospectus shall be valid if it consists of the registration document the information included wherein is supplemented in accordance with the requirements laid down in Section 44.3or 45 of this Law, and the securities note and summary note. The registration document referred to in Section 17, Paragraph three, Clause 1 of this Law shall be valid for 12 months after its registration with the Commission.

*[22 March 2012]*

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

(1) An issuer or a person asking for the admission of transferable securities to trading on a regulated market, whose prospectus and all supplements thereto are registered with the Commission, may ask to admit transferable securities to trading on a regulated market in one or several Member States or in a Member State other than home Member State after the Commission has informed the competent authorities of the relevant host Member State and the European Securities and Markets Authority upon request of the issuer or the person asking for the admission of transferable securities to trading on a regulated market in accordance with the requirements of Paragraphs four and five of this Section.

(2) In cases when an issuer of another Member State or a person asking for the admission of transferable securities to trading on a regulated market wishes to admit transferable securities to trading on a regulated market in Latvia, a prospectus and all supplements thereto registered by the competent authority of the relevant member State shall be valid if the competent authority of the relevant Member State has informed the Commission and the European Securities and Markets Authority regarding registration of the prospectus.

(3) If significant new circumstances, material mistakes or discrepancies are established which are referred to in Section 45 of this Law and arisen since registration of the prospectus, only the competent authority of the relevant home Member State is entitled to request registration and publishing of supplements in accordance with the requirements of the laws and regulations of the home Member State. The competent authorities of Latvia and the European Securities and Markets Authority are entitled only to pay attention of the competent authority of the home Member State to necessity for any new information.

(4) The Commission shall submit to the issuer or a person responsible for drawing up the prospectus, the competent authority of the host Member State, and the European Securities and Markets Authority a certification, that the prospectus has been drawn up in accordance with the laws and regulations in force regarding drawing up of a prospectus, and a copy of the abovementioned prospectus in accordance with the following procedures:

1) within three working days after request of the issuer or the person responsible for drawing up the prospectus;

2) if a request is submitted together with a draft prospectus, within one working day after registration of the prospectus.

(5) The certification referred to in Paragraph four of this Section, which is sent to the competent authority of the host Member State, shall have a translation of a summary appended thereto, regarding drawing up and conformity of the content of which with the original text of the prospectus the issuer or a person responsible for drawing up the prospectus shall be responsible. The same requirements shall also apply to any supplement of the prospectus.

(6) If the Commission in accordance with the provisions of Section 44, Paragraph three of this Law has permitted an issuer or a person asking for the admission of transferable securities on the regulated market not to include some information in the prospectus, then the Commission shall also indicate justification for its permission when informing the competent authority of the host Member State.

(7) The Commission shall publish on its website a certification which the competent authorities of other home Member States have submitted to the Commission, where possible, indicating a link to the website where the competent authorities of the home Member States have published issue prospectus.

*[15 October 2009; 22 March 2012]*

**Section 49.1 Use of Languages**

(1) If admission of transferable securities on the regulated market is to be sought only in Latvia, the prospectus shall be prepared in the official language.

(2) If admission of transferable securities on the regulated market is to be sought in one or more Member States excluding Latvia, the issuer or person asking for the admission of transferable securities on the regulated market, at his or her choice, shall prepare a prospectus in a language accepted by the Commission and the competent authorities of the relevant host Member States or in a language customary in the sphere of international finance.

(3) If an issuer of another Member State or person asking for the admission of transferable securities to trading on a regulated market wishes to include transferable securities to trading on a regulated market in Latvia, it shall draw up a summary note of the prospectus in the official language.

(4) If admission of transferable securities on the regulated market is sought in more than one Member State including Latvia, the issuer or a person asking for the admission of transferable securities on the regulated market shall prepare a prospectus and make it available in a language accepted by the competent authorities of the relevant host Member States and the Commission or in a language customary in the sphere of international finance. The issuer or person asking for the admission of transferable securities on the regulated market shall also draw up a summary note of the issue prospectus in the official language.

(5) If admission on the regulated market is sought in one or several Member States in respect of transferable securities which are non-equity securities and denomination of one unit of which is at least EUR 100,000, the issuer or person asking for the admission of transferable securities on the regulated market, at his or her choice, shall prepare a prospectus in a language accepted by the Commission and competent authorities of the relevant host Member States or in a language customary in the sphere of international finance.

*[15 June 2006; 29 March 2007; 26 February 2009; 13 January 2011; 22 March 2012; 19 September 2013]*

**Section 49.2 Recognition of a Prospectus Prepared by an Issuer Registered in Foreign States**

(1) The Commissions is entitled to register a prospectus which the issuers, having their registered office in a foreign state, have drawn up in accordance with the laws and regulations of a foreign state, provided that:

1) the prospectus has been drawn up in accordance with international standards set by international organisations of securities commissions, including disclosure standards of the International Securities Market Association;

2) the information requirements, including financial information, are equivalent to the requirements laid down in this Law.

(2) In case of admission of transferable securities which have been issued by an issuer registered in a foreign state to trading on a regulated market in another Member State other than the home Member State, the requirements of Sections 49 and 49.1of this Law shall apply.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) The market operator shall, without delay, send to the issuer or person asking for the admission of transferable securities to trading on a regulated market, and the Latvian Central Depository a decision to admit financial instruments to trading on a regulated market.

*[9 July 2013; 26 May 2016]*

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

(1) Distribution of a prospectus prior to the registration thereof with the Commission shall be prohibited. An issuer or a person asking for the admission of transferable securities on a regulated market in accordance with the procedures laid down in this Law, shall publish such prospectus as soon as possible, however, in a timely manner before admission of transferable securities on the regulated market, but not later than on the day when a decision to admit transferable securities on a regulated market is taken.

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

(3) The prospectus shall be deemed available to the public when published either:

1) by insertion in one or more newspapers circulated throughout, or widely circulated in, the Member States in which transferable securities are admitted to trading on a regulated market, or

2) in printed form. In such case it shall be made available, free of charge, to the public at the office of the regulated market operator on which transferable securities are being admitted to trading on a regulated market, or at the registered office of the issuer and at the offices of the financial intermediaries placing or selling the transferable securities, including paying agents, or

3) in electronic form on the issuer's website or on the websites of their relevant financial intermediaries placing or selling the transferable securities, including paying agents, or

4) in electronic form on the website of the regulated market operator where the admission of transferable securities on a regulated market is sought.

(4) An issuer or a person who is asking for the admission of transferable securities on a regulated market and publishes the prospectus in accordance with Paragraph three, Clause 1 or 2 of this Section, shall publish it also in electronic form in accordance with Paragraph three, Clause 3 of this Section. The Commission is entitled to require publication of a notice as well, by stating how the prospectus has been made available and where it can be obtained by the public. The requirements in relation to publication of a prospectus shall be laid down by the directly applicable legal acts of the European Union regarding issue prospectus.

(5) In case of a prospectus comprising several documents or incorporating information by reference, the documents and information making up the prospectus may be published separately provided that the abovementioned documents are made available, free of charge, to the public, in accordance with the procedures laid down in Paragraph three of this Section. Each document shall indicate where the other constituent documents of the full prospectus may be obtained.

(6) The text and format of the prospectus, and supplements to the prospectus, published or made available to the public, shall at all times be identical to the original version registered with the Commission.

(7) Where the prospectus is made available by publication in electronic form, a printed copy must nevertheless be delivered to the investor, upon his request and free of charge, by the issuer or the person asking the admission of transferable securities on a regulated market.

(8) The Commission shall, once a year, publish the list of such prospectuses on its website, which have been registered thereby during the last 12 months.

*[22 March 2012; 26 May 2016]*

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

(1) Advertisement of transferable securities to be admitted to trading on a regulated market may not include any inaccurate or misleading information or information which is contrary to the information specified in the prospectus. Such information must also be consistent with the information contained in the prospectus, if already published, or with the information required to be included in the prospectus, if the prospectus is published afterwards.

(2) Information regarding admission of transferable securities on a regulated market disclosed in any form shall be consistent with that contained in the prospectus.

(3) Advertisement shall state that a prospectus has been or will be published and indicate where investors are or will be able to obtain it. Advertisements must be clearly and unequivocally recognisable as such.

(4) All information regarding admission of transferable securities on a regulated market disclosed in an oral or written form, even if not for advertising purposes, shall be consistent with that contained in the prospectus.

(5) The requirements of the directly applicable legal acts of the European Union referred to in Section 24, Paragraph five of this Law in relation to issue prospectus shall be applied to the advertising of transferable securities to be admitted to trading on a regulated market and to the information referred to in Paragraph four of this Section.

*[26 May 2016]*

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

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

(2) Trade in financial instruments in a regulated market may be commenced only following the entry thereof in the accounts of the Latvian Central Depository. This requirement does not apply to financial instruments, which are also in public circulation outside the Republic of Latvia and have already been entered into the accounts in another state.

(3) The Latvian Central Depository shall enter the financial instruments into the accounts after it has entered into a contract with the issuer or a person asking for the admission of transferable securities on a regulated market and has received the documents provided for in the provisions of the Latvian Central Depository.

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

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

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

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

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

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

2) granting and payment of dividends;

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

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

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

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

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

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

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

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

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

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

2) payments of interest;

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

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

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

6) any changes in rights attached to a different class of debt securities of such capital company, including changes in the provisions which may directly affect the abovementioned rights, especially those arising from the changes in loan provisions or interest rates.

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

(5) The board of directors of a capital company shall distribute the information specified in Paragraphs two, 2.1 and three of this Section in accordance with the requirements of Section 64.2 of this Law. The board of directors of the capital company shares of which are admitted to trading on a regulated market, is exempted from the duty specified in the Commercial Law to publish a notification regarding convening of the meeting of shareholders in the official publication *Latvijas Vēstnesis*.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Section 54.1 Audit Committee**

[15 December 2016]

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

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

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

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

*[15 October 2009]*

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

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

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

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

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

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

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

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

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

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

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

*[15 October 2009]*

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

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

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

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

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

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

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

*[15 October 2009]*

**Section 54.5 Procedures for Settlement of Disputes**

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

*[15 October 2009]*

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

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

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

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

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

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

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

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

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

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

*[26 May 2016]*

**Section 55. Suspension of Trade in Financial Instruments and Exclusion thereof from a Regulated Market**

(1) A market operator has the right to suspend trade in financial instruments or to exclude financial instruments from a regulated market, if the issuer does not fulfil the requirements of the laws and regulations governing the financial instrument market regarding disclosing of the minimum information or the requirements of the provisions issued by the regulated market operator in accordance with Section 28 of this Law, or also the condition of the issuer has reached a point where it endangers the interests of investors.

(2) A complaint may be submitted regarding the decision of a market operator to suspend trade in financial instruments or to exclude financial instruments from a regulated market to the Commission within 30 days from the date of receipt of the decision.

(3) If the meeting of shareholders of the joint stock company takes a decision to exclude the shares issued thereby from a regulated market, the shares shall be excluded from a regulated market in accordance with the procedures and within the time limits laid down in Section 77 of this Law.

(4) Financial instruments may be excluded from a regulated market on the basis of a submission which is received from an issuer or person asking for the admission of transferable securities on a regulated market. The decision to exclude shares from a regulated market shall be taken by a meeting of shareholders of the issuer.

(5) A market operator shall, without delay, publish a decision to suspend trade in financial instruments or to exclude financial instruments from a regulated market and inform the Commission regarding taking of such decision.

(6) If shares of a joint stock company or debt securities of a capital company are excluded from a regulated market due to the fault of the regulated market issuer because the issuer has not fulfilled the provisions of this Law or of the regulated market operator, the disputes related to the decision to exclude shares or debt securities from a regulated market between shareholders and the joint stock company or between persons to whom debt securities belong and the capital company shall be settled in accordance with the procedures laid down in laws and regulations.

*[26 May 2016]*

**Section 55.1 Rights of the Commission**

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

1) to require persons asking for admission of transferable securities to trading on a regulated market to include supplementary information in the prospectus, if necessary for investor protection;

2) to require persons asking for admission of transferable securities to trading on a regulated market and the persons that control them or are controlled by them, to provide information and documents necessary for the performance of the functions of the Commission;

3) to require from those persons asking for admission of transferable securities to trading on a regulated market, auditors and managers, as well as financial intermediaries commissioned to ask for admission of transferable securities to trading on a regulated market, to provide information and documents necessary for the performance of the functions of the Commission;

4) to suspend commencement of trading of transferable securities or trading thereof for a time period up to 10 working days, if the Commission has lawful basis to consider that the requirements of Part D, Chapter II of this Law are or may be infringed;

5) to prohibit or suspend advertisements regarding trading of shares for a time period up to 10 working days, if the Commission has the basis to consider that the requirements of Part D, Chapter II of this Law have been infringed;

6) to prohibit a public offering, if the Commission establishes that the requirements of Part D, Chapter II of this Law are infringed, or if the Commission has the basis to consider that they may be infringed;

7) to suspend or to ask the relevant regulated markets to suspend trading on a regulated market for a time period up to 10 working days, if the Commission has lawful basis to consider that the requirements of Part D, Chapter II of this Law are or may be infringed;

8) to prohibit trading on a regulated market if the Commission establishes that the requirements of Part D, Chapter II of this Law have been infringed;

9) to make public the fact that an issuer is failing to perform its duties.

(2) After the transferable securities have been admitted to trading on a regulated market, the Commission has the right to:

1) require the issuer to disclose all the substantial information which may have an impact on assessment of securities admitted to trading on a regulated market and thus to ensure investor protection or smooth operation of the market;

2) exclude or request the relevant regulated market operator to exclude the transferable securities from a regulated market if the situation of the issuer is such that trading would be detrimental to the interests of investors;

3) perform supervision in order to ensure that issuers whose transferable securities are admitted to trading on a regulated market comply with the obligations provided for in laws and regulations, that equivalent information is provided to all investors and equivalent treatment is granted by the issuer to all holders of securities who are in the same position, in all Member States where the public offering is made or the transferable securities are admitted to trading on a regulated market;

4) carry out inspections in order to verify conformity with the requirements of Part D, Chapter II of this Law, and also, where necessary in accordance with the requirements of the laws and regulations, apply to the relevant judicial authority or co-operate with other authorities.

(3) If the Commission detects that the issuer fails to comply with the requirements of Part D, Chapter II of this Law, it shall notify such facts to the competent authority of the home Member State and the European Securities and Markets Authority.

(4) If regardless of the fact that the Commission has informed the competent authority of the relevant home Member State in accordance with the requirements of Paragraph three of this Section, or because such measures turn out to be ineffective, the issuer continues to infringe the requirements of Par D, Chapter II of this Law, the Commission, after notification thereof to the competent authority of the home Member State, is entitled to carry out all necessary measures in order to protect the interests of investors, as well as inform the European Commission and the European Securities and Markets Authority thereon in accordance with the requirements of Section 147 of this Law.

(5) The Commission has the right to publish the information regarding measures and sanctions taken against an issuer or person asking for admission of transferable securities on a regulated market regarding infringements of the requirements the laws and regulations, except the cases when disclosure of such information may cause serious disorders in the financial market or cause incommensurate damage to the persons involved.

*[22 March 2012; 26 May 2016]*

**Chapter II.1**

**Audit Committee**

*[15 December 2016]*

**Section 55.2 General Requirements for the Audit Committee**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market (hereinafter in this Chapter – capital company), shall establish an audit committee. The audit committee shall operate in accordance with the requirements laid down in this Law and Regulation No 537/2014.

(2) The capital company shall ensure the financial and other resources necessary for the operation of the audit committee, as well as the information requested by such committee which is necessary thereto for the performance of its tasks.

*[15 December 2016]*

**Section 55.3 Tasks of the Audit Committee**

(1) The audit committee has the following tasks:

1) to supervise the annual account of a capital company and, if the capital company is preparing a consolidated annual account – the preparation process of the consolidated annual account, and to provide proposals to the council of the capital company, but if there is no council in the capital company – to its meeting of shareholders (members) for ensuring the credibility and objectivity of the annual account and consolidated annual account;

2) to supervise the efficiency of operation of the internal control, risk management, and internal audit system of a capital company insofar as it applies to ensuring the credibility and objectivity of annual accounts and consolidated annual accounts, and to provide proposals for eliminating deficiencies of the relevant system;

3) to supervise the course of audit (check) of the annual account of a capital company and, if the capital company is preparing a consolidated annual account – of the consolidated annual account. In order to supervise the course of the audit (check) referred to in this Paragraph, the audit committee shall take into account the conclusions drawn in the check (inspection) of conformity with the quality control requirements of audit services performed by the Ministry of Finance (as the competent authority in accordance with the Audit Services Law) and published on the website of the Ministry of Finance regarding quality of professional activities of the sworn auditor or commercial company of sworn auditors appointed by the capital company (hereinafter also – sworn auditor);

4) to check and supervise whether the sworn auditor appointed by the capital company, prior to commencing the audit (check) of the annual account of the capital company and, if the capital company is preparing a consolidated annual account – prior to commencing the audit (check) of the consolidated annual account, and during it complies with the requirements for independence and objectivity laid down in the Audit Services Law, with the provisions of Article 6 of Regulation No 537/2014 regarding preparation for the performance of the abovementioned audit (check) and assessment of threats to independence, and the prohibitions of the provision of non-audit services specified in Article 5 of this Regulation;

5) to inform the council of the capital company, but if there is no council in the capital company – its meeting of shareholders (members), regarding the conclusions drawn by the sworn auditor in the audit (check) of the annual account of the capital company and if the capital company is preparing a consolidated annual account – in the audit (check) of the consolidated annual account, and to provide an opinion on how this audit (check) has promoted the credibility and objectivity of the annual account and consolidated annual account prepared by the capital company, as well as to inform regarding the significance of the audit committee in this process;

6) to ensure the selection process of candidates for sworn auditors in a capital company in accordance with Article 16 of Regulation No 537/2014 and to recommend to the meeting of shareholders (members) of the capital company a candidate for a sworn auditor for the provision of audit services, except cases when in accordance with Article 16(8) of the abovementioned Regulation the meeting of shareholders (members) of the capital company has established another structure the task of which is to provide a recommendation to the meeting of shareholders (members) of the capital company for selecting the sworn auditor of the capital company.

(2) The audit committee shall perform also the tasks specified for the audit committee in Regulation No 537/2014.

*[15 December 2016]*

**Section 55.4 Rights of the Audit Committee**

(1) In addition to the rights specified in Regulation No 537/2014 the audit committee has the following rights:

1) to request and receive information and documents from the board of directors of the capital company and the sworn auditor, as well as from the internal audit service, the auditor for the performance of internal audit, or the controller of the capital company (if any) which are necessary so that the audit committee could perform the tasks specified in this Law and Regulation No 537/2014;

2) to participate in meetings of shareholders (members) of the capital company;

3) to provide an opinion and reports to the meeting of shareholders (members) and the council (if such has been established) on the issues within the competence of the audit committee.

(2) The institutions, units, and persons referred to in Paragraph one, Clause 1 of this Section have a duty to provide information to the audit committee or its members which is necessary for the performance of the tasks of such committee, if the particular information requested by the audit committee is related to the performance of the tasks of such committee.

(3) The audit committee shall independently take decisions in relation to the tasks specified thereto in Section 55.3 of this Law and in Regulation No 537/2014.

*[15 December 2016]*

**Section 55.5 Additional Tasks of the Audit Committee and Action of Administrative Bodies of the Capital Company in Relation to the Annual Report of the Audit Committee**

(1) In addition to the tasks specified in Section 55.3 of this Law the audit committee shall also perform the following tasks:

1) not less than once a year shall provide a written report to the council of the capital company, but if there is no council in the capital company – to its meeting of shareholders (members), on its activities and the carrying out of the tasks specified for such committee (hereinafter – annual report of the audit committee);

2) notify the council of the capital company, but if there is no council in the capital company – its meeting of shareholders (members), regarding the deficiencies and infringements detected (if any) in the preparation and audit (check) process of the annual account and consolidated annual account of the capital company, as well as in efficiency of the internal control, risk management, and internal audit system in relation to ensuring the quality of such reports;

3) without delay notify the capital company, if it is detected that qualification or professional experience of the sworn auditor is not sufficient for the performance of an audit (check) of good quality or that the sworn auditor has not complied with the requirements for independence laid down in the Audit Services Law.

(2) If the capital company has a council, it shall also include its evaluation on activities of the audit committee in its report to the meeting of shareholders (members) of the capital company which is prepared by the council in accordance with Section 175 of the Commercial Law, as well as append the annual report of the audit committee to this report.

(3) If the capital company does not have a council, the annual report of the audit committee shall be examined at such meeting of shareholders (members) in the agenda of which approval of such annual account and consolidated annual account (if such is prepared) of the capital company is planned regarding which the annual report of the audit committee is submitted.

(4) The council of the capital company, but if the capital company does not have a council – its meeting of shareholders (members) has a duty, as an honest and diligent master, to evaluate the annual report of the audit committee and to take a decision on further action.

*[15 December 2016]*

**Section 55.6 Composition and Structure of the Audit Committee**

(1) The audit committee is a collegial body which is elected in a meeting of shareholders (members) of a capital company and which consists of at least three members from which at least one person is the member of the council (if such has been established) of the capital company and others are other members elected to the meeting of shareholders (members) of the capital company.

(2) The audit committee shall be objective and independent in its activities and decision-making. A member of the audit committee shall perform his duties in good faith and shall not endanger the independence of the audit committee.

(3) The majority of members of the audit committee shall be independent. A member of the audit committee is independent, if none of the following circumstances apply to him or her:

1) participation (exceeding 20 per cent of capital shares or shares with voting rights) in a capital company or a commercial company controlled thereby (in a subsidiary undertaking);

2) employment legal relations with the capital company currently exist or have existed within the last three years;

3) marriage, kinship, or affinity up to the second degree with a member of the board of directors or shareholder (member) of the capital company whose participation in the capital company is not less than 20 per cent;

4) other personal or financial interest which could endanger his independence and which are recognised as such by the meeting of shareholders (members) of the capital company.

(4) Only a natural person with capacity to act who has an impeccable reputation and has not been revoked the right to conduct commercial activity may be a member of the audit committee. A person has an impeccable reputation, if none of the following circumstances apply to him:

1) the person has been recognised guilty of committing an intentional criminal offence with such court judgment or prosecutor's penal order which has entered into effect and has been become indisputable (regardless of setting aside or extinguishing the criminal record);

2) the person has been held criminally liable for committing an intentional criminal offence, however, a decision has been taken to terminate the criminal proceedings for reasons other than exoneration.

(5) The following persons may not be a member of the audit committee:

1) a member of the board of directors of the capital company, a sworn auditor which provides audit services to the capital company or has provided such service thereto within the last three years prior to applying for the position of a member of the audit committee, a procuration holder of the capital company, or a franchisee;

2) a member of the board of directors of the controlled commercial company (subsidiary undertaking) of the capital company or another person who has the right to represent such controlled commercial company (subsidiary undertaking).

(6) The member of the audit committee may not assign the performance of his duties to another person.

(7) The majority of members of the audit committee shall have knowledge in the field of operation of the capital company. At least one member of the audit committee shall have higher education in the field of economy, management or finances and not less than three years of corresponding professional experience in preparation of an annual account and consolidated annual account or performance of audit (check) of such accounts, or also the relevant member of the audit committee is a sworn auditor.

(8) Additional restrictions may be intended in the articles of association of the capital company for a member of the audit committee.

*[15 December 2016]*

**Section 55.7 Election and Removal of Members of the Audit Committee**

(1) The audit committee is elected at a meeting of shareholders (members) of a capital company for a time period not exceeding three years. A shorter time period for the operation (term of office) of the audit committee may be determined in the articles of association of the capital company.

(2) A person who has applied for the position of a member of the audit committee shall certify in writing his consent to holding the position of a member of the audit committee and indicate that none of the restrictive circumstances referred to in Section 55.6, Paragraphs four and five of this Law and the restrictive circumstances additionally specified in the articles of association of the capital company (if any) which would preclude the person from holding the position of a member of the audit committee, exist in relation to such person. A candidate for the position of a member of the audit committee which is nominated as the independent member of the audit committee, shall additionally certify in writing that none of the circumstances referred to in Section 55.6, Paragraph three of this Law apply to him.

(3) A shareholder of a capital company or a group of shareholders which holds not less than five per cent of the voting capital, has the right to nominate one candidate for the position of a member of the audit committee. Each candidate nominated for the position of a member of the audit committee shall be included in the election list of members of the audit committee.

(4) Voting shall take place for all the candidates for members of the audit committee included in the list in one voting, and all shareholders (members) shall vote at the same time. A shareholder (member) of the capital company has the right to give all his votes for one or several candidates for members of the audit committee included in the list in any proportion in whole numbers.

(5) Such persons shall be deemed as elected to the audit committee who have obtained the highest number of votes, taking into account the maximum number of members of the audit committee specified in the articles association of the capital company. If two or several candidates for members of the audit committee receive the same number of votes and therefore it is not possible to determine which of them is deemed to be elected, the issue shall be re-examined at the same meeting of shareholders (members) and decided by a repeat voting of the meeting of shareholders (members) for each of the candidates who are still the candidates for the position of a member of the audit committee. Such candidate shall be deemed elected who receives the highest number of votes in the repeat voting.

(6) A member of the audit committee may removed from the position at any time by a decision of the meeting of shareholders (members) of the capital company.

(7) A member of the audit committee may leave the position of the member of the audit committee at any time, notifying the capital company thereof in writing.

(8) A member of the audit committee shall inform the capital company regarding the circumstances which preclude him from continuing to hold the position of a member of the audit committee or which endanger his independence, in writing not later than within three days after finding out about such circumstances. If after receipt of the written information referred to in the first sentence of this Paragraph the capital company establishes that the audit committee does not conform to the requirements of Section 55.6, Paragraph three of this Law anymore, then the capital company shall ensure that, within three months from the day when it established the non-conformity of the audit committee with the requirements of Section 55.6, Paragraph three of this Law, a meeting of shareholders (members) is convened in order to take a decision on the necessary changes in the composition of the audit committee.

(9) If a member of the audit committee leaves the position or is removed from the position prior to expiry of the operation (term of office) of the audit committee, the capital company shall ensure that, within three months from the day when a notice was received that a member of the audit committee is leaving the position or from the day from which he is removed from the position, a meeting of shareholders (members) is convened for the shareholders (members) of the capital company to decide on election of a new member of the audit committee and to ensure the corresponding number of members in the audit committee. Election of a new member of the audit committee shall take place by re-electing the whole audit committee. The term of operation (term of office) of the re-elected audit committee shall start on the day of its re-election.

(10) A member of the audit committee (except a member of the council elected to the audit committee) may not be in employment legal relationship with the capital company. Remuneration for a member of the audit committee shall be determined by a meeting of shareholders (members) of the capital company.

(11) A capital company transferable securities of which are admitted to trading on a regulated market for the first time, shall elect the audit committee at the next meeting of shareholders (members) which takes places after admission of transferable securities to trading on a regulated market, unless an audit committee or a structure equivalent thereto which conforms to the requirements laid down in this Law for the audit committee, has already been created for it in accordance with the requirements of this Law on the day when its transferable securities are admitted to trading on a regulated market.

*[15 December 2016]*

**Section 55.8 Management and Meetings of the Audit Committee**

(1) The work of the audit committee shall be managed by its chairperson who is elected by members of the audit committee from amongst them.

(2) During absence the chairperson of the audit committee shall be substituted by another member of the audit committee upon a written instruction drawn up by the former.

(3) Meetings of the audit committee shall take place not less than three times a year.

(4) Each member of the audit committee, as well as the council of the capital company (if such has been established) and the meeting of shareholders (members) of the capital company have the right to request that a meeting of the audit committee is convened, justifying the necessity and purpose for convening the meeting.

*[15 December 2016]*

**Section 55.9 Liability of a Member of the Audit Committee**

(1) If a member of the audit committee is acting illegally, violates his authorisation or does not comply with legal acts, articles of association of the capital company or decisions of the meeting of shareholders (members), or acts in bad faith or in negligence, he shall be liable for the losses thus caused to the capital company and other persons.

(2) The capital company may bring a claim against members of the audit committee in conformity with the procedures laid down in the Commercial Law in relation to bringing of claims of a company.

*[15 December 2016]*

**Section 55.10 Requirements for Non-disclosure of Information**

(1) A member of the audit committee is prohibited from disclosing information to the third parties which has been entrusted or has become known to him in performing the official duties of the position of a member of the audit committee, including a commercial secret. A member of the audit committee is responsible for illegal disclosure of any such information, including commercial secret which has been received during performance of his duties and has not been disclosed to the public.

(2) Upon leaving the position of a member of the audit committee, a member of the audit committee has a duty to transfer all documents (within the meaning of the Law On Legal Force of Documents) at the disposal of the capital company which have been transferred at his disposal or which have been prepared by himself in performing the duties of a member of the audit committee, as well as the information transferred at his disposal and kept in relation to performance of the abovementioned duties (also the one kept in computer or electronic data carriers). The capital company has a duty to transfer the documents and information received from the member of the audit committee to the audit committee, ensuring invariability of the content of such documents and information from the time of their receipt until the time when they are transferred to the audit committee.

(3) The prohibition referred to in Paragraph one of this Section shall also apply to a member of the audit committee after he has left the position of a member of the audit committee.

*[15 December 2016]*

**Section 55.11 Special Provisions in Relation to the Operation of the Audit Committee**

(1) In a capital company which conforms to the criteria referred to in Section 1, Paragraph one, Clause 33 of this Law, the tasks of the audit committee may be performed by the council of the capital company (if such has been established).

(2) A decision on performance of the functions of the audit committee by the council of the capital company shall be taken in a meeting of shareholders (members) of the capital company. In order to transfer the fulfilment of the functions of the audit committee to the council of the capital company, consent of all members of the council to perform also the tasks of the audit committee is necessary.

(3) If the council of the capital company is re-elected in such capital company in which the tasks of the audit committee are performed by the council of the capital company, the meeting of shareholders (members) shall, concurrently with the election of the council, decide on the issue whether the tasks of the audit committee may be entrusted to the newly-elected council. In such the consent of all members of the newly-elected council to perform also the tasks of the audit committee is necessary. The decisions referred to in this Paragraph shall be recorded in the minutes of the meeting of shareholders (members) of the capital company.

(4) A capital company has the right not the establish an audit committee, if:

1) it manages an investment fund which is operating in accordance with the Law On Investment Companies, or an alternative investment fund which is operating in accordance with the Law On Alternative Investment Funds and Their Managers;

2) its sole commercial activity is the issue of such assets-based securities which are specified in Article 2(5) of Commission Regulation No 809/2004. In such case the capital company shall publish information on its website that an audit committee is not established. If the capital company decides that it is not necessary to transfer the performance of the tasks of the audit committee to the supervisory body of the capital company, then the capital company shall also publish information about it on its website;

3) it is registered in the Republic of Latvia and is operating in accordance with the laws and regulations of the Republic of Latvia and if a body similar to an audit committee has already been established for it which conforms to the requirements of this Law laid down for the audit committee. In such case the capital company shall inform the Financial and Capital Market Commission in writing regarding which institution performs the tasks referred to in Paragraph 55.3 of this Law and regarding its personnel;

4) it is a subsidiary undertaking of a group of companies (consolidation group) which is controlled by the parent undertaking, and the body created at the level of the group of companies (consolidation group) ensures conformity with the requirements referred to in Sections 55.2, 55.3, Section 55.4, Paragraph three, Section 55.6, Paragraphs one, two, three, five, and seven, Section 55.7, Paragraph two, Section 55.8, Paragraph one, and Section 55.11, Paragraph one, as well as in Articles 11(1) and (2) and 16(5) of Regulation No 537/2014 for the performance of the tasks of the audit committee. Any subsidiary undertaking of a subsidiary undertaking of a group of companies (consolidation group) shall be considered a subsidiary undertaking of the parent undertaking of that group of companies (consolidation group).

*[15 December 2016]*

**Chapter III**

**Information to be Provided on a Regular Basis**

*[29 March 2007]*

**Section 56. Annual Account**

(1) An annual account shall consist of:

1) audited financial statements;

2) a management report which is drawn up in accordance with the requirements of the laws and regulations of the home Member State;

3) statement of the management's responsibility indicating that on the basis of information at the disposal of the board of directors of the capital company financial statements have been drawn up in accordance with the requirements of the laws and regulations in force and give true and fair view regarding assets, liabilities, financial position, and profit or loss of the capital company and consolidation group, and that the management report includes fair overview regarding development and performance of the commercial activities of the capital company and consolidation group. Key risks of the activity of the capital company and consolidation group and uncertainties faced thereby shall also be described therein;

4) corporate governance statement, if the capital company draws up such statement as a separate part of the annual account;

5) non-financial statement, if in accordance with the requirements of Section 56.3 of this Law the capital company has a duty to prepare such statement and it prepares such statement as a separate document.

(2) If a capital company the transferable securities of which are admitted to trading on a regulated market, prepares a consolidated annual account, it shall draw up consolidated financial statements in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (hereinafter – Regulation No 1606/2002), but financial statements – in accordance with the requirements of the laws and regulations of the home Member State unless the capital company has chosen to prepare its financial statements in accordance with Regulation No 1606/2002.

(3) If transferable securities of the capital company are admitted on the official list in the Republic of Latvia or debt securities of the capital company are admitted to trading on a regulated market, it shall prepare its financial statements in accordance with Regulation No 1606/2002.

(4) If a capital company need not draw up a consolidated annual account and its transferable securities are not admitted on the official list in the Republic of Latvia, it shall draw up its annual account in accordance with the requirements of the laws and regulations of the home Member State and provisions of the relevant regulated market operator, unless the capital company has chosen to prepare its financial statements in accordance with Regulation No 1606/2002.

(5) A capital company shall distribute an annual account and consolidated annual account together with an opinion of the sworn auditor in accordance with the procedures laid down in Section 64.2 of this Law within four months after the end of the reporting period, but not later than on the next working day after the auditor's report on the account is provided.

(6) If the annual account approved by the meeting of shareholders (members) of a capital company differs from the annual account submitted in accordance with the requirements of Paragraph five of this Section, the capital company shall submit the approved annual account on the next day following approval of the account in a meeting of shareholders (members).

*[22 May 2008; 26 February 2009; 26 May 2016; 15 December 2016 /* *See Paragraph 58 of Transitional Provisions]*

**Section 56.1 Information to be Included Additionally in an Annual Account**

(1) Capital companies the shares of which are admitted to trading on a regulated market shall additionally indicate the following in the annual account:

1) capital structure, classes of shares, the rights and obligations arising from each class of shares and percentage thereof from the share capital, indicating separately the number of those shares which are not admitted to trading on regulated markets;

2) information regarding restrictions for disposal of shares or necessity to receive a consent of the capital company or other shareholders for disposal of shares;

3) persons which have major holding acquired directly or indirectly in the capital company, as well as a percentage of the holding of such persons;

4) shareholders having specific control rights and description of such rights;

5) the manner in which the voting rights arising from shares of employees will be exercised, if the employees themselves do not exercise them;

6) restrictions of voting rights in the cases when maximum amount of voting rights is determined regardless of the number of owned shares with voting rights, as well as the rights of shareholders to a part of profit, which is not related to a percentage of shares proportionally owned thereby, and other similar restrictions;

7) agreement of shareholders which are known to the capital company and which may cause restrictions for transfer of the shares or voting rights owned by the shareholders to other persons, as well as conditions which provide for prior approval of such transfer;

8) provisions governing election of members of the board of directors, changes in the composition of the board of directors and amending the articles of association;

9) authorisation of the members of the board of directors, including authorisation to issue or buy back shares;

10) all other material agreements and contracts entered into by a target company and in which it is intended that in case of change of the control type they enter into effect, the validity of which has expired or which are amended, and consequences of entering into effect, termination or amending thereof. If disclosure of such information could seriously harm the commercial company, the Commission is entitled, upon request of the company, not to disclose the abovementioned information;

11) all agreements between a capital company and members of the board of directors thereof, which provide for a compensations in cases when they resign from their position, they are dismissed without any justified reason or they are dismissed after a share buy-back offer is made.

(2) The board of directors shall also provide a report on information referred to in Paragraph one of this Section in a regular meeting of shareholders.

*[22 March 2012]*

**Section 56.2 Corporate Governance Statement**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market shall draw up a corporate governance statement.

(2) In order to provide sufficiently clear, accurate, and comprehensive information in a corporate governance statement regarding the way of governing the capital company, regarding application of corporate governance recommendations, and indicators characterising the capital company, including capital structure and persons to whom shares belong, the capital company the shares of which are admitted to trading on a regulated market, shall include the following information in the abovementioned statement:

1) reference to recommendations of corporate governance which are applied by the capital company, or substantial information regarding corporate governance practice which is additionally applied to the abovementioned recommendations;

2) information on where recommendations applied by the capital company or information regarding the practice referred to in Clause 1 of this Paragraph is available to the public;

3) if the capital company does not apply individual principles included in the corporate governance recommendations – regarding the non-applied principles, and justification for such action, providing a sufficiently clear, accurate, and comprehensive explanation regarding:

a) the reason for non-application in relation to each particular principle which is not applied, the potential consequences, and the way in which decision not to apply such principle is taken,

b) when it is planned to commence the application of the particular principle, if the decision referred to in Sub-clause “a” of this Clause applies to a limited period of time,

c) in what way the measure which has been taken at the location of application of the particular principle (if any), achieves the objective of this principle or of corporate governance recommendations (in which this principle is included), or promotes good corporate governance in the capital company;

4) if the capital company does not apply corporate governance recommendations – justifications for such action;

5) information regarding key elements of internal control and risk management system of the capital company which are applied in drawing up of financial statements;

6) the information specified in Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law;

7) the administrative body, as well as composition and description of activities of its committees;

8) if the capital company implements policy in relation to diversity of the composition of members of governance bodies of the capital company (versatility policy) – a description regarding objectives of such policy, implementation measures and results in the reporting year.

(21) Paragraph two, Clause 8 of this Section shall not apply to the capital company referred to in Paragraph two of this Section which does not exceed two of the following criteria in the first reporting year when it has become an issuer within the meaning of this Law, two years in succession (both in the current and previous reporting year):

1) average number of employees – 250;

2) sum total of assets on the balance sheet date – EUR 20,000,000;

3) annual net turnover – EUR 40,000,000.

(3) A capital company the transferable securities of which are admitted to trading on a regulated market, except a capital company the shares of which are admitted to trading on a regulated market, shall include the following in a corporate governance statement:

1) information regarding key elements of internal control and risk management system of the capital company which are applied in drawing up of financial statements;

2) [22 March 2012].

(4) The capital companies referred to in Paragraph three of this Section shall take into account the requirements of Paragraph two of this Section if they have shares which are traded in a multilateral trading facility.

(5) If a capital company, the transferable securities of which are admitted to trading on a regulated market, has already provided information referred to in Paragraph two, Clauses 3, 4, 5, and 7, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law in the annual account or other document available to the public, it may include a reference in a corporate governance statement, indicating where such information is available to the public.

(6) A capital company, the transferable securities of which are admitted to trading on a regulated market, shall include a corporate governance statement in a management report or draw it up as a separate part of the annual account, and publish it together with a management report or indicate its website address in the management report where a corporate governance statement is available to the public in electronic form.

(7) A sworn auditor shall check whether a corporate governance statement has been prepared, as well as the information specified in Paragraph two, Clauses 5 and 8, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law and, in accordance with the Audit Services Law, provide an opinion of a sworn auditor on whether the requirements laid down in Paragraph two, Clauses 5 and 8, Paragraph three of this Section and Section 56.1, Paragraph one, Clauses 3, 4, 6, 8, and 9 of this Law have been met.

(8) If a capital company, the transferable securities of which are admitted to trading on a regulated market, prepares an annual account and consolidated annual account, it shall draw up one corporate governance statement and include it in one of these accounts in accordance with the requirements of Paragraph six of this Section. In addition to the information referred to in Paragraph two of this Section it shall provide information regarding key elements of the internal control and risk management system of the commercial companies involved in consolidation, which are applied in preparing consolidated financial statements, in the corporate governance statement.

*[22 May 2008; 22 March 2012; 29 October 2015; 15 December 2016 /* *See Paragraph 58 of Transitional Provisions]*

**Section 56.3 Non-financial Statement**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market, if the average number of employees exceeds 500 and the sum total of assets on the balance sheet date exceeds 20,000,000 euro, or the annual net turnover exceeds 40,000,000 euro in the first reporting year of the capital company when it has become an issuer within the meaning of this Law, but starting from the second reporting year when it has become an issuer within the meaning of this Law – two years in succession (both in the current and previous reporting year), has a duty to include a non-financial statement in the management report referred to in Section 56 of this Law.

(2) Insofar as it is necessary to understand the development, performance results and financial position of the capital company referred to in Paragraph one of this Section, as well as the impact of its commercial activity on the environment, social aspects, and aspects related to employees, conformity with the human rights, measures for preventing corruption and bribery (hereinafter – fields of corporate social responsibility), at least the following information shall be provided in a non-financial statement:

1) a short description of the model of commercial activity of the capital company which includes general information regarding the main types of economic activity and geographic markets, co-operation partners, clients, the most important resources to be used, flow of expenses and income, and other information characterising the commercial activity of the capital company;

2) a description regarding policies of the capital company which are implemented thereby in relation to the fields of corporate social responsibility, including a description on what procedures have been introduced in the capital company in order to ensure sufficient attention to the implementation process of such policies;

3) information regarding the implementation results of the policies referred to in Clause 2 of this Paragraph;

4) information regarding the main risks related to the fields of corporate social responsibility which are characteristic to transactions of the capital company and, when it is of the essence and commensurate, also information regarding the risks which arise from the legal transactions concluded within the scope of the commercial activity of the capital company or are related to the goods manufactured or services provided thereby and which may cause negative consequences in the fields of corporate social responsibility, as well as regarding management of such risks by the capital company;

5) main non-financial indicators which are characteristic to the particular capital company and sector in which it is operating.

(3) Also references to the sums indicated in the financial statement and additional explanations regarding them shall be included in the non-financial statement, if the sum indicated in the financial statement is related to any of the fields of corporate social responsibility of the capital company.

(4) In order to provide information regarding the fields of corporate social responsibility, the capital company referred to in Paragraph one of this Section may use the guidelines or recommendations included in the legal acts of the Republic of Latvia or European Union, or the documents issued by the United Nations Organisation, the Organisation for Economic Co-operation and Development, the International Labour Organisation, the International Organisation for Standardisation, or other international organisation (hereinafter – guidelines or recommendations included in the documents issued by Latvia, European Union or other international organisations). It shall be indicated in the management report which guidelines or recommendations included in the documents issued by Latvia, European Union or other international organisations are used by the capital company.

(5) If the capital company referred to in Paragraph one of this Section does not implement policy in relation to one or several fields of corporate social responsibility, a clear and substantiated justification shall be provided in the non-financial statement as to why it is not being carried out.

(6) As an exception the capital company referred to in Paragraph one of this Section need not provide information regarding events setting in of which is anticipated within the nearest year, or regarding issues under negotiations, if both of the following conditions are met:

1) the board of directors of the capital company provides an explanation in the written report to the meeting of shareholders (members) of the capital company regarding the circumstances due to which provision of the abovementioned information would seriously harm the commercial activity of such capital company;

2) non-provision of the abovementioned information does not constitute an obstacle for getting a clear understanding of the development, performance results, financial position of the capital company and the impact of its commercial activity on the fields of corporate social responsibility.

(7) The capital company referred to in Paragraph one of this Section shall be exempted from the duty to include a non-financial statement in the management report, if it prepares the non-financial statement as an individual document in which information is provided in accordance with the requirements laid down for a non-financial statement in this Section, and publishes it together with the management report as a component of the annual account.

(8) If the capital company referred to in Paragraph one of this Section has included the non-financial statement in the management report or has prepared it as the individual document referred to in Paragraph seven of this Section, it shall be exempted from the duty specified in the laws and regulations governing preparation of annual accounts in relation to provision and analysis of specific non-financial indicators in the management report.

(9) The capital company referred to in Paragraph one of this Section which is a subsidiary undertaking of a group of companies (consolidation group), shall be exempted from the duty to prepare a non-financial statement, if the information to be provided in this statement has been included in the consolidation management report of the parent undertaking or the separate document which has been prepared, taking into account the provisions of this Section, and if the consolidated management report or individual document has been published in accordance with the procedures laid down in Section 64.2 of this Law.

(10) A sworn auditor shall check whether a non-financial statement has been prepared, as well as whether a non-financial statement has been included in the management report or the individual document referred to in Paragraph seven of this Section, but in the case referred to in Paragraph nine of this Section – whether the information to be provided in a non-financial statement of the subsidiary undertaking of the group of companies (consolidation group) exempted from the preparation of a non-financial statement is included in the consolidated management report of the parent undertaking of the group of companies (consolidation group) or the individual document which has been prepared, taking into account the provisions of this Section.

*[15 December 2016]*

**Section 56.4 Consolidated Non-financial Statement**

(1) A capital company the transferable securities of which are admitted to trading on a regulated market and which is the parent undertaking of such group of companies (consolidation group) for which the average number of employees exceeds 500 and the sum total of assets on the balance sheet date in consolidation exceeds 20,000,000 euro, or the annual net turnover in consolidation exceeds 40,000,000 euro in the first reporting year of the capital company when it has become an issuer within the meaning of this Law, but starting from the second reporting year when it has become an issuer within the meaning of this Law – two years in succession (both in the current and previous reporting year), has a duty to include a consolidated non-financial statement in the consolidated management report.

(2) Insofar as it is necessary in order to understand the development, performance results, and financial position of the abovementioned group of companies (consolidation group), as well as the impact of its commercial activity on the fields of corporate social responsibility, information regarding the group of companies (consolidation group) at large shall be provided in the consolidated non-financial statement, applying the provisions of Section 56.3, Paragraphs two and four of this Law accordingly.

(3) If the group of companies (consolidation group) referred to in Paragraph one of this Section does not implement policy in relation to one or several fields of corporate social responsibility, a clear and substantiated justification shall be provided in the consolidated non-financial statement as to why it is not being carried out.

(4) Also references to the sums indicated in the consolidated financial statement and additional explanations regarding them shall be included in the consolidated non-financial statement, if the sum indicated in the consolidated financial statement is related to any of the fields of corporate social responsibility of the group of companies (consolidation group).

(5) As an exception the parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section need not provide information regarding events setting in of which is anticipated within the nearest year, or regarding issues under negotiations which apply to the fields of corporate social responsibility, if both of the following conditions are met:

1) the board of directors of the parent undertaking provides an explanation in the written report to the meeting of shareholders (members) of the parent undertaking regarding the circumstances due to which provision of the abovementioned information would seriously harm the commercial activity of such group of companies (consolidation group);

2) non-provision of the abovementioned information does not constitute an obstacle for getting a clear understanding of the development, performance results, financial position of the group of companies (consolidation group) and the impact of its commercial activity on the fields of corporate social responsibility.

(6) The parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section shall be exempted from the duty to include a consolidated non-financial statement in the consolidated management report, if it prepares the statement as an individual document in which information is provided in accordance with the requirements laid down for a consolidated non-financial statement in Paragraphs two, three, four, and five of this Section, and publishes it together with the management report as a component of the consolidated annual account.

(7) If the parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section has included the consolidated non-financial statement in the consolidated management report or has prepared it as the individual document referred to in Paragraph six of this Section, it shall be exempted from the duty specified in the laws and regulations governing preparation of an annual account and consolidated annual account in relation to provision and analysis of specific non-financial indicators in the management report and consolidated management report.

(8) The parent undertaking of the group of companies (consolidation group) referred to in Paragraph one of this Section which is a subsidiary undertaking of another group of companies (another consolidation group), is exempted from the duty to prepare a consolidated non-financial statement, if the information to be provided therein (both regarding the abovementioned parent undertaking and its subsidiary undertakings) is included in the consolidated management report of such another group of companies (another consolidation group) or in the consolidated non-financial statement prepared in the form of an individual document which has been prepared, taking into account the provisions of this Section, and if such consolidated management report or the consolidated non-financial statement prepared in the form of an individual document has been published in accordance with the procedures laid down in Section 64.2 of this Law.

(9) A sworn auditor shall check whether a consolidated non-financial statement has been prepared, as well as whether such statement has been included in the consolidated management report or the individual document referred to in Paragraph six of this Section, but in the case referred to in Paragraph eight of this Section – whether the information to be provided in a consolidated non-financial statement of the parent undertaking of the group of companies (consolidation group) exempted from the preparation of a consolidated non-financial statement is included in the consolidated management report of the parent undertaking of another group of companies (another consolidation group) or the individual document which has been prepared, taking into account the provisions of this Section.

*[15 December 2016]*

**Section 56.5 Person Responsible for Preparation and Distribution of the Annual Account and Consolidated Annual Account**

The board of directors of a capital company shall be responsible for preparation of an annual account and, if the capital company has a duty to prepare a consolidated annual account, of a consolidated annual account in accordance with the requirements of this Law, as well as the procedures laid down in this Law regarding distribution of such accounts.

*[15 December 2016]*

**Section 57. Accounts of Interim Periods**

(1) A capital company transferable securities of which are admitted to trading on a regulated market, shall prepare an account of interim periods regarding the first six months of the reporting year and shall distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

(2) A capital company shall distribute the account of interim periods referred to in Paragraph one of this Section not later than two months after the end of the relevant reporting period.

(3) The account of interim periods referred to in Paragraph one of this Section regarding the first six months of the reporting period shall consist of:

1) at least the abbreviated financial statements;

2) the management report of interim periods in which the following information is provided:

a) regarding essential events in the relevant reporting period and their impact on financial statements, as well as describe the main risks and indicate such unclear circumstances for the next six months of the reporting period which might become current for the capital company and which might affect its financial position and financial performance results,

b) the capital company the shares of which are admitted to trading on a regulated market and to which Paragraph nine of this Section applies – regarding the most important transactions performed thereby in the reporting period with the affiliated persons, as well as regarding any changes in essential conditions of the transaction in relation to transactions with affiliated persons which were indicated in the previous annual account,

c) the capital company the shares of which are admitted to trading on a regulated market and to which Paragraph nine of this Section does not apply – regarding its transactions with the affiliated persons in accordance with the requirements of the laws and regulations of the home Member State;

3) the statement of the management's responsibility indicating that on the basis of information at the disposal of the board of directors of the capital company the financial accounts have been prepared in accordance with the requirements of the laws and regulations in force and give true and fair view regarding assets, liabilities, financial position, and profit or loss of the capital company and consolidation group and that true information is included in the management report of interim periods.

(4) Upon preparing financial statements regarding the first six months of the reporting year, the same principles for recognition and evaluation of items shall be conformed to which were used in preparing the annual account, indicating them in the annex accordingly, unless it has already been indicated in the statement of the management's responsibility. If the accounting methods used are changed, a corresponding explanation shall be provided in annex to the statement. Information which ensures comparability of the account of interim periods with the data of the relevant period of the previous reporting year, as well as sufficient information and explanations shall be provided in annex to the account of interim periods, so that the user of the financial statement could get a true and fair view regarding all material changes in respect of the balance sheet and profit or loss account items and development tendency of the capital company.

(5) Each item of the balance sheet of the account of interim periods regarding the first six months of the reporting year shall be compared at least to the data at the end of the previous reporting year. Each item of the profit or loss statement, statement of changes in the equity, and the cash flow statement shall be compared at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(6) A capital company which in accordance with Section 56, Paragraph two or three of this Law prepares or in accordance with Section 56, Paragraph two or four has chosen to prepare financial statements according to Regulation No 1606/2002, shall prepare the financial statements regarding the first six months of the reporting year in accordance with the international accounting standards which apply to financial statements of interim periods and which have been adopted according to Regulation No 1606/2002.

(7) If a capital company to which the requirements of Section 56, Paragraph four of this Law apply and which in accordance with that laid down in Section 56, Paragraph four has not made the choice to prepare its financial statements according to Regulation No 1606/2002, its financial statements regarding the first six months of the reporting year shall consist of at least the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and annex. The items and subtotals which were included in the annual account of the previous year of the capital company, shall be indicated in the condensed balance sheet and condensed profit or loss statement. (2) The balance sheet, profit or loss account, cash flow statement, and statement of changes in equity items which have no figures (amounts), shall be set out only if there is a corresponding item with a figure (amount) in the comparative data. Additional items shall be included if, without indicating them, the account of interim periods would provide misleading view regarding assets, liabilities, financial position, and profit or loss of the capital company.

(8) Information as to whether the account of interim periods regarding the first six months of the reporting year has or has not been audited (checked) by a sworn auditor, shall be clearly indicated on the front page of the information to be distributed. If the account of interim periods has been audited (checked) by a sworn auditor, such account shall be distributed together with the relevant report of the sworn auditor.

(9) A capital company shall prepare an account of interim periods regarding the first six months of the reporting year in a consolidated form, if it has had a duty to prepare a consolidated annual account regarding the previous reporting year and such duty was also in effect on the date as regards to which the account of interim periods is being prepared.

*[26 May 2016 /* *See Paragraph 54 of Transitional Provisions]*

**Section 57.1 Information**

[22 March 2012]

**Section 57.2 Financial Information Regarding the First Three and Nine Months of the Reporting Year**

(1) A capital company the shares of which are admitted to trading on a regulated market, shall prepare financial information regarding the first three and nine months and distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

(2) A capital company shall distribute the financial information referred to in Paragraph one of this Section not later than two months after the end of such period regarding which the relevant information must be distributed.

(3) Upon preparing financial information regarding the first three and nine months of the reporting year, the same principles for recognition and evaluation of items shall be conformed to which were used in preparing the annual account, and it shall be indicated in the statement of the management's responsibility accordingly.

(4) The financial information referred to in Paragraph one of this Section regarding the first three and nine months of the reporting year shall consist of the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and statement of the management's responsibility. Such items and subtotals shall be included in the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, and condensed statement of changes in equity which were included in the last annual account.

(5) If the capital company prepares the financial information using the principles for recognition and evaluation of items of the international accounting standards approved by Regulation No 1606/2002, its financial information regarding the first three and nine months of the reporting year shall consist of the condensed balance sheet, condensed profit or loss statement, condensed cash flow statement, condensed statement of changes in equity, and statement of the management's responsibility. Such items and subtotals shall be included in the condensed statement on financial position, condensed statement on comprehensive income, condensed cash flow statement, and condensed statement of changes in equity which were included in the last annual account.

(6) It shall be indicated in the statement of the management's responsibility referred to in Paragraph four or five of this Section that on the basis of information at the disposal of the board of directors of the capital company the financial information has been drawn up in accordance with the requirements of the laws and regulations in force and give true and fair view regarding assets, liabilities, financial position, and profit or loss of the capital company and consolidation group.

(7) Upon distributing the financial information regarding the first three and nine months of the reporting year, a management report of interim periods shall be appended thereto (indicating in the statement of the management's responsibility that true information has been included in the management report), if at least one of the following conditions sets in:

1) since distribution of the last management report the information provided therein has significantly changed;

2) the accounting methods used have been changed. Changing of the accounting methods shall be explained in the management report accordingly.

(8) Each item of the balance sheet of the financial information regarding the first three and nine months of the reporting year shall be compared at least to the data at the end of the previous reporting year. Each item of the profit or loss statement, cash flow statement, and statement of changes in equity shall be compared at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(9) A capital company which prepares the financial information regarding the first three and nine months of the reporting year using the principles for recognition and evaluation of items of the international accounting standards referred to in Paragraph five of this Section, shall compare each item of the statement on financial position to at least the data at the end of the previous reporting year and shall compare each item of the comprehensive income statement, cash flow statement, and statement of changes in equity at least to the data of the previous reporting year regarding the same period regarding which the information to be distributed has been prepared.

(10) Information as to whether the financial information regarding the first three and nine months of the reporting year has or has not been audited (checked) by a sworn auditor, shall be clearly indicated on the front page of the information to be distributed. If the financial information regarding the first three and nine months of the reporting year has been audited (checked) by a sworn auditor, such information shall be distributed together with the relevant report of the sworn auditor.

(11) A capital company shall prepare the financial information regarding the first three and nine months of the reporting year in a consolidated form, if it has had a duty to prepare a consolidated annual account regarding the previous reporting year and such duty was also in effect on the date as regards to which the financial information regarding the first three and nine months of the reporting year is being prepared.

*[26 May 2016 /* *See Paragraph 54 of Transitional Provisions]*

**Section 57.3 Statement on Payments to Administration Institutions**

(1) A capital company transferable securities of which are admitted to trading on a regulated market and which is operating in logging of primeval forests or is engaged in exploration, search, discovery, development, and extraction of mineral resources, oil, natural gas, and other minerals in accordance with the statistical classification of economic activities as defined in Annex I, Section A, Division 02, Group 02.2 or Annex I, Section B, Divisions 05, 06, 07, and 08 of Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains, shall prepare a statement on payments to administration institutions in accordance with the requirements of the Law On Statements by Commercial Companies Engaged in Mining or Logging of Primeval Forests on Payments to Administration Institutions. A statement on payments to administration institutions shall be provided in a consolidated form.

(2) The commercial company shall distribute the statement referred to in Paragraph one of this Section in accordance with the procedures laid down in Section 64.2 of this Law not later than six months after the end of each financial year, and it shall be available to the public for at least 10 years.

*[26 May 2016]*

**Section 58. Exemptions**

The requirements of Sections 56, 57, and 57.2 of this Law shall not apply to:

1) transferable securities issued by a Member State, local government, its institution or agency, such organisation which is a subject governed by international public law and in which one or several Member States are members, by the European Financial Stability Facility which has been established according to a European Financial Stability Facility Framework Agreement, by any other institution which has been established in order to preserve the financial stability of the European Monetary Union, providing temporary financial aid to the Member States in which euro is the national currency, as well as by the European Central Bank and central banks of Member States;

2) issuers that have issued only debt securities which are admitted to trading on a regulated market and the denomination of one unit of debt security of which is not less than EUR 100,000, or, if the debt securities are issued in currency other than euro, the denomination of one unit of debt security on the day of issue is not less than an equivalent of EUR 100,000;

3) issuers that have issued only debt securities the denomination of one unit of a debt security of which is at least EUR 50,000, or, if the debt securities are issued in currency other than euro, the denomination of one unit of a debt security of which on the day of issue is at least an equivalent of EUR 50,000, and securities of which have been admitted to trading on a regulated market in the European Union before 31 December 2010, until the day when such securities are deleted.

*[13 January 2011; 22 March 2012; 19 September 2013; 26 May 2016]*

**Section 59. Significant Events**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Chapter IV**

**Acquisition of a Major Holding**

*[29 March 2007]*

**Section 60. Scope of this Chapter**

(1) The provisions of this Chapter regarding the obligation to notify and the consequences of non-notification shall apply to the following persons:

1) who obtain or dispose of the shares with voting rights in such joint stock company the shares of which are admitted to trading on a regulated market in the Republic of Latvia;

2) who obtain or dispose of depository receipts which have been issued for the shares referred to in Paragraph one, Clause 1 of this Section;

3) who obtain or dispose of financial instruments which on the day of exercising the rights arising from such financial instruments give the person the right, according to an official agreement, to obtain the shares with voting rights of the issuer in such joint stock company the shares of which are admitted to trading on the regulated market of the Republic of Latvia;

4) who obtain or dispose of financial instruments the reference of which is a share basket (an aggregate of different shares) or an index in which such shares are included which are admitted to trading on the regulated market of the Republic of Latvia.

(2) If depository receipts have been issued for the shares of such joint stock company the shares of which are admitted to trading on a regulated market, the obligation to notify shall apply to the acquirer of depository receipts and not to the issuer thereof.

(3) The requirements of this Section shall also apply to persons who are entitled to obtain, acquire, or exercise voting rights in one or several cases referred to in Section 8 of this Law.

(4) The requirements of this Chapter shall also apply to the persons to whom the financial instruments referred to in Paragraph one, Section 3 of this Section belong, provided that they have unlimited rights to obtain the relevant shares according to the official agreement within the specified period of time or the right of choice to obtain or not obtain them at their preference.

(5) The financial instruments referred to in Paragraph one, Clause 3 of this Section are also such financial instruments in relation to which the conditions referred to in Paragraph four of this Section do not exist, but which are related to the shares with voting rights of the issuer whose transferable securities have been admitted to trading on a regulated market, or voting rights to be potentially obtained the economic impact of which is similar, regardless of whether such financial instruments grant or do not grant the right to perform the settlement of accounts in financial instruments.

(6) The list of the financial instruments referred to in Paragraph one, Clause 3 of this Section shall be determined by the regulatory provisions of the Commission.

(7) The requirements of this Chapter shall also be applied if the joint stock company the shares of which have been admitted to trading on a regulated market in the Republic of Latvia, has been registered in a foreign country.

*[26 May 2016]*

**Section 61. Obligation to Notify Taking into Account the Proportion of Voting Rights**

(1) A person shall notify regarding the proportion of his or her voting rights when as a result of acquiring, disposing of shares, increasing or decreasing equity or any other events it reaches, exceeds or becomes less than 5, 10, 15, 20, 25, 30, 50, or 75 per cent.

(2) If the Republic of Latvia is the home Member State for a joint stock company, a person shall also notify regarding the proportion of his or her voting rights when as a result of acquiring, disposing of shares, increasing or decreasing equity or any other events it reaches, exceeds or becomes less than 90 or 95 per cent.

*[26 May 2016]*

**Section 61.1 Calculation of the Proportion of Voting Rights**

(1) When calculating the proportion of voting rights, all shares with voting rights shall be taken into account also if the exercising of voting rights is suspended.

(2) Information regarding all shares with voting rights shall be indicated in information regarding the proportion of voting rights, indicating shares of each category separately.

(3) Upon calculating the proportion of voting rights, a person shall sum up all voting rights which arise from the shares with voting rights issued by one issuer, depository receipts issued thereto, the financial instruments referred to in Section 60, Paragraph one, Clause 4 of this Law, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(4) In determining the amount of an indirectly acquired holding of a person, the voting rights specified in Section 8 of this Law shall also be taken into account.

(5) Upon calculating the proportion of voting rights, the amount of directly and indirectly acquired holding and the amount of holding to be acquired directly and indirectly shall be summed up, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(6) The proportion of the voting rights of the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law shall be calculated, taking into account to a full extent the principal shares to be obtained from exercising the rights arising from financial instruments. If it is intended to perform the settlement of accounts for financial instruments only in cash, the proportion of voting rights shall be calculated with delta correction, multiplying the amount conditioned by the principal shares by delta coefficient of financial instruments. The person shall sum up all financial instruments which are related to the same issuer, and shall include information in the notification regarding all such financial instruments. Upon calculating the total amount of all principal shares, the person shall take into account only the long positions of financial instruments, without performing the clearing of long and short positions of the same issuers.

(7) The methods for determination of the delta coefficient referred to in Paragraph six of this Section and the methods for calculating the proportion of voting rights for financial instruments the reference of which is a share basket or index, shall be determined by Commission Delegated Regulation (EU) 2015/761 of 17 December 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings (Text with EEA relevance) (hereinafter – Regulation No 2015/761).

(8) Within the meaning of this Chapter the principal shares are shares with voting rights issued by an issuer whose shares have been admitted to trading on a regulated market, which may be obtained by the acquirer of the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law according to an official agreement.

(9) In order to simplify the calculation of voting rights of shares, a joint stock company shall, on the last date of each calendar month, if increase or decrease in the number of shares with voting rights or equity has arisen during such month, update information regarding the total number of shares with voting rights and equity, distributing it in accordance with the procedures laid down in Section 64.2 of this Law.

*[26 May 2016]*

**Section 61.2 Notification Procedures and Content of a Notification**

(1) A person shall notify a joint stock company and concurrently also the Commission by submitting a relevant notification (hereinafter in this Chapter – notification) when the proportion of its voting rights as a result of acquisition, disposing of shares, increasing or decreasing of equity or any other events, exceeds or becomes less than the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(2) If the notification is provided in accordance with the requirements of Section 60, Paragraph one, Clause 4 of this Law and the base asset of the financial instrument includes shares issued by several joint stock companies (share basket or index), the notification shall be provided to each relevant joint stock company and concurrently also to the Commission.

(3) The notification shall include information regarding:

1) distribution of voting rights on the day of submission of the notification expressed in figures, as a percentage of the share capital and of the number of shares with voting rights according to their acquisition or disposal;

2) commercial companies in which the person has control and with the intermediation of which the shareholder holds voting rights;

3) day on which the proportion of voting rights specified in Section 61, Paragraph one or two of this Law was reached or exceeded, or decreased;

4) identity of a shareholder, even if the shareholder is not entitled to exercise the voting rights in accordance with the provisions of Section 8 of this Law, and identity of the natural or legal person which is entitled to exercise the voting rights on behalf of the shareholder.

(4) The person shall indicate separately in the notification the proportion of voting rights which arises for him or her from the shares, depository receipts issued thereto, the financial instruments referred to in Section 60, Paragraph one, Clause 4 of this Law and the benefits, if the rights arising from the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law are to be exercised.

(5) The person shall indicate separately in the notification the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, separating such financial instruments which grant the right to perform settlement of accounts in cash, from such financial instruments which grant the right to obtain or alienate financial instruments in performing settlement of accounts with financial instruments.

(6) If the notification was already provided in case of acquiring the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, the person shall repeatedly submit the notification, if he or she has acquired principal shares in such quantity that as a result of acquisition the proportion of voting rights of such person in equity of one issuer reaches or exceeds the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(7) A form approved by the regulatory provisions of the Commission shall be used for the notification.

*[26 May 2016]*

**Section 61.3 Notification Term and Distribution of a Notification**

(1) A notification must be submitted to a joint stock company and concurrently also to the Commission without delay, however, not later than within four trading days after the day when the person:

1) finds out about acquiring of voting rights or disposal thereof, or a possibility to exercise them or, by taking into consideration the circumstances, he or she should have found out thereon regardless of the day on which acquiring or disposal of voting rights, or the possibility of exercising of voting rights enters into effect. Within the meaning of this Clause, it shall be regarded that a person finds out regarding acquiring, disposing of voting rights or a possibility to exercise them not later than within two trading days after the transaction day;

2) is informed regarding such event as a result of which the proportion of voting rights of the person reaches, exceeds or becomes less than the proportion of voting rights specified in Section 61, Paragraph one or two of this Law.

(2) In order to determine the trading days referred to in Paragraphs one and three of this Section and Section 61.4 of this Law, a trading day calendar of the home Member State of the issuer shall be used which has been published by the relevant regulated market operator on its website. The Commission shall publish on its website the trading day calendar of each regulated market operator whose home Member State is the Republic of Latvia.

(3) The joint stock company shall, not later than within one trading day from the day of receipt of the notification referred to in this Section, distribute it in accordance with the procedures laid down in Section 64.2 of this Law.

*[26 May 2016]*

**Section 61.4 Notification of a Joint Stock Company Regarding Acquisition or Disposing of its Shares**

If the issuer of shares admitted to trading on a regulated market acquires or disposes of his or her shares, depository receipts issued thereto, or the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law himself or herself or by intermediation of another person who is acting on behalf of, but in the interests of the issuer, such issuer shall distribute information regarding the acquired or disposed of proportion of own shares as soon as possible, however, not later than within four trading days, counting from the next day after the day of acquiring or disposing, if such proportion reaches, exceeds, or becomes smaller than five or ten per cent of the total number of shares with voting rights.

*[26 May 2016]*

**Section 61.5 Requirements for Notification in Case of Indirect Holding**

(1) Each shareholder or each person who has indirectly acquired holding in accordance with Section 8 of this Law, shall notify regarding the proportion of indirectly acquired holding when it reaches, exceeds, or becomes smaller than that laid down in Section 61, Paragraph one or two of this Law, if the proportion of voting rights of each abovementioned person reaches, exceeds, or becomes smaller than that laid down in Section 61, Paragraph one or two of this Law.

(2) All persons who have entered into an agreement shall provide a joint notification regarding the case referred to in Section 8, Clause 1 of this Law.

(3) In the case specified in Section 8, Clause 8 of this Law, if the shareholder issues a power of attorney regarding representation in one meeting of shareholders, one notification shall be provided on the day of issue of the power of attorney. It shall also be indicated in the notification on how voting rights will be distributed after the authorised person will not be entitled to exercise the voting rights at his or her preference anymore.

(4) In the case laid down in Section 8, Clause 8 of this Law, if the authorised person has received one or several powers of attorney for representation in one meeting of shareholders, one notification shall be provided on the day of issue of the power of attorney. It shall also also be indicated in the notification on how voting rights will be distributed after the authorised person will not be entitled to exercise the voting rights at his or her preference anymore.

(5) If the obligation to notify refers to several persons, one joint notification may be submitted. Provision of a joint notification shall not release such persons from responsibility in relation to a notification who have a duty to provide such notification.

*[26 May 2016]*

**Section 61.6 Notification Procedures when Holding is Acquired by an Investment Management Company, Investment Brokerage Company and Their Parent Undertaking**

(1) When calculating the proportion of shares with voting rights referred to in Section 61, Paragraph one or two of this Law, a parent company of an investment management company shall not sum up shares owned thereby with the shares managed by a subsidiary investment management company in accordance with the requirements of the laws and regulations, unless the subsidiary investment management company exercises voting rights independently from the parent undertaking of the investment management company.

(2) The exception referred to in Paragraphs one and four of this Section shall also apply to depository receipt issued for shares and to the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law.

(3) Paragraph one of this Section shall not be applied, if a parent undertaking of an investment management company or other commercial company controlled thereby has made investments in the same shares in which funds of investment funds managed by a subsidiary investment management company are invested, and the subsidiary investment management company is not entitled, at its preference, to exercise the voting rights which are conferred by these shares, it may exercise such voting rights only in accordance with direct or indirect instructions given by a parent undertaking of an investment management company or another commercial company controlled by a parent undertaking. Within the meaning of this Section direct instruction is any instruction provided by a parent undertaking of an investment management company or commercial company controlled thereby and by which it is determined how the subsidiary investment management company or investment brokerage company exercises the voting rights in the particular case. Within the meaning of this Section an indirect instruction is any general or specific instruction provided by a parent undertaking of an investment management company or investment brokerage company or a commercial company controlled thereby, restricting the freedom of choice of the subsidiary investment management company or investment brokerage company in relation to exercising of the voting rights so that it would serve specific interests of transactions of the parent undertaking of the investment management company or investment brokerage company or a commercial company controlled thereby.

(4) When calculating the proportion of shares with voting rights referred to in Section 61, Paragraph one or two of this Law, a parent undertaking of an investment brokerage company shall not sum up shares owned thereby with the shares which are individually managed by a subsidiary investment brokerage company according to the authorisation of the investor within the meaning of Section 3, Paragraph four, Clause 3 of this Law, provided that the subsidiary investment brokerage company:

1) has received the licence for the provision of the investment service specified in Section 3, Paragraph four, Clause 3 of this Law;

2) may exercise the voting rights arising from such shares only according to instructions by a person not related to the investment brokerage company provided in writing or electronically, or it ensures that investment portfolio individual management services are carried out regardless of all other services in accordance with the conditions conforming to that provided for in the Law On Investment Management Companies, applying relevant mechanisms;

3) exercises its voting rights regardless of the parent undertaking of the investment brokerage company.

(5) Paragraph four of this Section shall not be applied, if a parent undertaking of an investment brokerage company or a commercial company controlled thereby has made investments in the shares which are managed by its subsidiary investment brokerage company, and a subsidiary investment brokerage company is not entitled, at its preference, to exercise the voting rights arising from the shares of managed thereby, from depository receipt issued thereto, and it may exercise such voting rights only according to direct or indirect instructions given by the parent undertaking of the investment brokerage company or another commercial company controlled by the parent undertaking of the investment brokerage company.

(6) Paragraphs one and four of this Section shall be applied in cases when a parent undertaking of the investment management company or a parent undertaking of the investment brokerage company (hereinafter in this Section both together or each individually – the parent undertaking) conforms to the following conditions:

1) it may not influence exercising of the voting rights arising from the shares owned by its subsidiary investment management company or subsidiary investment brokerage company (hereinafter in this Section both together or each individually – the subsidiary undertaking) and depository receipts issued thereto with direct or indirect instructions or in any other way;

2) a subsidiary undertaking may freely and independently from a parent undertaking exercise the voting rights which arise from the shares under its management and depository receipt issued thereto.

(7) If the parent undertaking wishes to apply the exception provided for in Paragraphs one and four of this Section, it shall, without delay, send the following information to the competent authority of the home Member State:

1) a list of subsidiary companies, indicating the supervisory authorities of each subsidiary undertaking or indicating that there are no such supervisory authorities. When providing such information, it is not necessary to indicate the relevant issuers;

2) a certification that the parent undertaking has fulfilled the conditions referred to in Paragraph six of this Section in respect of each subsidiary undertaking thereof.

(8) The parent undertaking shall update the list referred to in Paragraph seven, Clause 1 of this Section and notify the competent authority of the home Member State of the issuer thereon.

(9) If the parent undertaking wishes to apply the requirements of Paragraphs one and four of this Section only for the financial instruments referred to in Section 60, Paragraph one, Clause 3 of this Law, it shall send the list referred to in Paragraph seven, Clause 1 of this Section to the competent authority of the home Member State of the issuer.

(10) Upon request of the Commission the parent undertaking has a duty to prove that:

1) the organisational structure of the parent undertaking and subsidiary undertaking is such that it is possible for the subsidiary undertaking to exercise the voting rights arising from the shares under its management independently from the parent undertaking;

2) the persons who take decisions to exercise the voting rights are acting independently;

3) if the parent undertaking is a client of the subsidiary undertaking or it manages the same financial instruments as managed by the subsidiary undertaking, a written agreement has been entered into between the parent undertaking and subsidiary undertaking that both parties act independently in respect of exercising of the voting rights at meetings of shareholders.

(11) It shall be regarded that Paragraph ten, Clause 1 of this Section is conformed to, if the parent undertaking and subsidiary undertaking have developed at least policy and procedures which ensure non-distribution of information related to exercising of the voting rights between the parent undertaking and subsidiary undertaking.

*[26 May 2016]*

**Section 62. Derogations from the Obligations to Notify**

(1) The requirements of Section 61.2 of this Law shall not apply to shares which are acquired only for the purposes of clearing and settlement in a standard settlement cycle, as well as to shares in possession of a financial intermediary, if the financial intermediary may exercise the voting rights arising from the shares only according to the instructions which are provided by the shareholder in writing or electronically.

(2) The duration of the standard settlement cycle referred to in Paragraph one of this Section shall be two trading days after the day of entering into a transaction.

3) The requirements of Section 61.2 of this Law shall not apply to a case when a market maker has acquired or lost such major holding which reaches or exceeds proportion of five per cent, if the market maker is acting in such status, provided that it:

1) has received a licence of the home Member State in accordance with the requirements of laws and regulations;

2) does not participate in the management of the relevant issuer, as well as does not influence the issuer in any way in order for the shares to be purchased or the share price to be maintained;

3) fulfils the requirements of Section 62.1 of this Law.

(4) A credit institution or an investment brokerage company for which the Republic of Latvia is the home Member State, in calculating the proportion of voting rights, shall not take into account the shares with voting rights included in the trading portfolio, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law, if the total proportion of voting rights does not exceed five per cent from all shares with voting rights and the abovementioned voting rights are not exercised or otherwise used in order to influence the work of administration institutions of the joint stock company (issuer) and the economic and financial activities of the joint stock company.

(5) The requirements of Section 8, Clause 3 and Section 61.2 of this Law shall not apply to the shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law which are granted to the participants of the European System of Central Banks or which have been granted thereby by fulfilling their functions as monetary institutions, including to the shares which are granted to the participants of the European System of Central Banks or which they have granted according to a pledge agreement, repurchase agreement, or similar agreement related to liquidity, which is provided for the monetary policy purposes or in payment system. It shall also apply to the abovementioned transactions which last for a short time period, if the voting rights arising from such shares are not exercised.

(6) The notification specified in Section 61.2 of this Law shall not be provided, if shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law are acquired by the subsidiary undertaking and the notification has already been provided by the parent undertaking or the parent undertaking itself is a controlled commercial company and the notification has been provided by its parent undertaking.

(7) If, in accordance with the procedures laid down in Section 61.2 of this Law, a person who has acquired shares in the form of indirect holding, has provided a notification regarding acquisition of shares, depository receipts issued thereto, and the financial instruments referred to in Section 60, Paragraph one, Clauses 3 and 4 of this Law, the persons with the help of whom the indirect acquisition of shares has taken place, shall not be required to report regarding the acquisition of shares.

(8) The notification specified in Section 61.2 of this Law shall not be provided, if voting rights arise from a transaction with shares directed towards stabilisation of the financial instrument and performed in accordance with the provisions of Commission Regulation No 2273/2003, if voting rights arising from shares are not exercised or have been otherwise exercised in order to influence the work of administration institutions of the issuer and its economic and financial activities.

(9) The method for calculating the proportion of five per cent referred to in Paragraphs three and four of this Section and the cases when the notification requirements are not applicable to transactions, shall be determined by Regulation No 2015/761.

*[22 May 2008; 26 May 2016]*

**Section 62.1 Control of a Market Maker**

(1) If a market maker wants to use the exemption referred to in Section 62, Paragraph three of this Law, it shall, as soon as possible, however not later than within four trading days, notify the Commission that he is acting or wants to act as a market maker in respect of the financial instruments issued by the particular issuer. If the market maker is no longer acting as a market maker in respect of financial instruments issued by the particular issuer, it shall, as soon as possible, however not later than within four trading days, notify the Commission regarding his decision.

(2) The Commission shall approve a sample form to be used for the notifications referred to in Paragraph one of this Section.

(3) If a market maker wants to use the exemption referred to in Section 62, Paragraph three of this Section, the Commission may request that the market maker indicates those financial instruments with which it carries out trading as a market maker. The market maker shall indicate the abovementioned financial instruments by any verifiable means, but, if the market maker fails to indicate precisely those financial instruments with which it carries out trading as a market maker, the Commission has the right to request that the market maker keeps such financial instruments in a separate financial instrument account for identification purposes.

*[22 May 2008]*

**Section 63. Requirements for an Issuer Registered in a Foreign State**

(1) An issuer the registered office of which is in a foreign state has the right not to apply the requirements of Section 54, Paragraphs one, two, and nine, Section 54, Paragraph three, Clause 6, Section 54, Paragraph eight, Sections 56, 57, 57.2, 58, and Section 61.1, Paragraph nine, Section 61.3, Paragraph three and Section 61.4 of this Law, if information provided by the issuer in accordance with the requirements of the laws and regulations of his or her country is the same as that laid down in the laws and regulations of the Republic of Latvia or if the Commission has recognised it as equivalent. Information provided by the issuer the registered office of which is in a foreign state, in accordance with the requirements of the laws and regulations of a foreign state, shall be provided by him in accordance with the procedures laid down in this Law.

(2) If transferable securities of an issuer the registered office of which is in a foreign state, are admitted to trading on a regulated market, information provided thereby in the foreign state and important also in Latvia even it is not the minimum information within the meaning of this Law, shall be distributed in accordance with the procedures laid down in Section 64.2 of this Law.

(3) If a commercial company the registered office of which is in a foreign state, provides investment services for the provision of which in a Member State a permit is required for the provision of investment services, it need not sum up the shares referred to in Section 61.6, Paragraphs one, three, and five of this Law with the shares of its parent undertaking, if it as an investment management company or investment brokerage company conforms to such conditions for independence of activity that have been stipulated by the Commission.

(4) [22 May 2008]

*[22 May 2008; 26 February 2009; 26 May 2016]*

**Section 63.1 Recognition of Information Provided by an Issuer Registered in a Foreign State as Equivalent**

(1) If a registered office of an issuer is in a foreign state and a management report thereof is prepared in accordance with the requirements of the laws and regulations of the relevant foreign state, it shall be regarded as equivalent to the requirements of Section 56, Paragraph one, Clause 2 of this Law, if at least the following is provided therein:

1) a clear review regarding the development of commercial activities and the financial results of activities of the issuer, as well as a review on the main risks and uncertainties faced thereby. The review shall provide a comprehensive and complete analysis of the results of the development of the commercial activities and financial activities of the issuer, taking into account the amount and complexity of the transactions of the issuer. Indicators of the results of main financial and, where possible, non-financial activities which characterise the relevant field of commercial activities, shall be included in the analysis referred to in this Clause insofar as it is necessary for understanding the results of the development of commercial activities and financial activities;

2) information regarding any important events since the end of the previous financial year;

3) information regarding foreseeable further development of the issuer.

(2) If a registered office of an issuer is in a foreign state and a requirement to submit condensed financial statements in addition to the management report of interim periods is laid down in the laws and regulations of such foreign state, the management report of interim periods prepared by such issuer shall be regarded as equivalent to the requirements of Section 57, Paragraph three, Clause 2 of this Law, if information at least regarding the following is included therein:

1) the relevant interim period;

2) foreseeable development of the issuer in the next six months of the financial year;

3) the largest transactions with related parties. This requirements shall apply to a capital company the shares of which are admitted to trading on a regulated market, if such information has not been already provided.

(3) If the registered address of an issuer is in a foreign state and a requirement is laid down in the laws and regulations of such foreign state that a person or persons of the issuer are responsible for preparation of financial information for a year or half-year, particularly in respect of conformity of preparation of financial statements with the regulations for preparing financial statements in force or with accounting standards, also regarding veracity of a notification regarding responsibility of the management, a statement of the management's responsibility prepared by such issuer shall be regarded as equivalent to the requirements of Section 56, Paragraph one, Clause 3 and Section 57, Paragraph three, Clause 3 of this Law.

(4) In cases when the registered address of an issuer is in a foreign state and a requirement to submit also annual account of a capital company in addition to the consolidated annual account is not laid down in the laws and regulations of such foreign state, the prepared consolidated annual account shall be regarded as conforming to the provisions of Section 56, Paragraph two of this Law, if the consolidated financial statements have been prepared in accordance with international financial reporting standards or equivalent international financial reporting standards.

(41) In addition to international financial reporting standards in respect of consolidated financial statements and consolidated financial statements of interim periods of six-months, the following shall be regarded as equivalent international financial reporting standards:

1) international financial reporting standards provided that notes to the inspected or audited financial statements includes a clear and direct notification that this financial statement conforms to the International Accounting Standard 1 “Presentation of financial statements” adopted by Commission Regulation (EC) No 1274/2008 of 17 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1;

2) Generally Accepted Accounting Principles of Japan;

3) Generally Accepted Accounting Principles of the United States of America;

4) Generally Accepted Accounting Principles of the People's Republic of China;

5) Generally Accepted Accounting Principles of Canada;

6) Generally Accepted Accounting Principles of Korea.

(42) An issuer the registered office of which is in a foreign state, shall distribute a notification regarding the date on which it will switch to international financial reporting standards in accordance with the procedures laid down in Section 64.2 of this Law, and the Commission shall revoke the requirement regarding recognition of equivalence in respect of such issuer from the date referred to in the notification.

(43) In cases when a registered office of an issuer is in a foreign state and it does not use international financial reporting standards or equivalent international financial reporting standards, the consolidated annual account prepared shall be regarded as conforming to the requirements of Section 56, Paragraph two of this Law, if it comprises information regarding:

1) calculation of dividends and ability to pay out dividends. This requirement shall apply to issuers of shares;

2) liquidity of the issuer and minimum capital requirements, if such requirements have been laid down in the laws and regulations of the relevant foreign state.

(5) The issuer, upon request of the competent authority of the home Member State, shall submit to it information examined by a sworn auditor regarding its non-consolidated financial statements which is related to information included in the consolidated annual account. Such information may be prepared in accordance with the requirements of the laws and regulations of the relevant foreign state.

(6) If the registered office of an issuer is in a foreign state and in accordance with the requirements of the laws and regulations of this foreign state the issuer does not prepare a consolidated annual account, but the financial statement thereof is prepared in accordance with the international accounting standards approved by the European Commission and international financial reporting standards or in accordance with the requirements of the laws and regulations of a foreign state which are equivalent to the requirements of the international accounting standards approved by the European Commission and international financial reporting standards, the financial statement prepared by such issuer shall be regarded as conforming to the requirements of Section 56, Paragraphs three and four of this Law. The financial statement of the issuer shall be audited.

(7) If the financial statement of an issuer is not prepared in accordance with the requirements of Paragraph six of this Section, such issuer shall additionally indicate in the financial statement also data which are calculated in accordance with the requirements of the international accounting standards approved by the European Commission and international financial reporting standards.

(8) If the registered office of an issuer is in a foreign state and the requirements of such foreign state provide that the total time period for receipt of information regarding acquiring or terminating a major holding and distribution thereof is seven trading days or less, it shall be regarded that the requirement of the laws and regulations of such foreign state is equivalent to that laid down in Section 61.3, Paragraph one of this Law. The time periods, within which the issuer is informed regarding acquiring or terminating a major holding and the information received is distributed, may differ from that laid down in Section 61.3, Paragraphs one and three of this Law.

(9) The requirements of the laws and regulations of a foreign state shall be regarded as equivalent to the requirements of Section 61, Paragraph one of this Law, if the issuer, the registered office of which is in this foreign state, has a duty to comply with the following requirements:

1) if the issuer is authorised to keep its shares which form up to five per cent of the proportion of the voting rights, it shall, each time when such proportion is reached or exceeded, provide a notification thereon;

2) if the issuer is authorised to keep its shares which form five to 10 per cent of the proportion of the voting rights, it shall, each time when proportion of five or 10 per cent is reached or exceeded, provide a notification thereon;

3) if the issuer is authorised to keep its shares which form more than 10 per cent of the proportion of the voting rights, it shall, each time when proportion of five or 10 per cent is reached or exceeded, provide a notification thereon.

(10) If the registered office of an issuer is in a foreign state and the requirement, that within 30 calendar days after increase or decrease in the number of shares with voting rights or share capital the issuer distributes such information, is laid down in the laws and regulations of such foreign state, it shall be regarded that the requirement of such foreign state is equivalent to the requirement of Section 61, Paragraph eight of this Law.

(11) If the registered office of an issuer is in a foreign state and the requirement to provide information regarding the place, time, and agenda of the meeting of shareholders is laid down in the laws and regulations of such foreign state, it shall be regarded that such requirement of the laws and regulations of such foreign state in respect of the content of the abovementioned information is equivalent to the requirements of Section 54, Paragraph two, Clause 1 and Section 54, Paragraph three, Clause 1 of this Law.

(12) The requirements of the laws and regulations of a foreign state shall be regarded as equivalent to the requirements of Paragraphs one and five of Section 61.6 of this Law, if they provide that the commercial companies referred to in Section 63, Paragraph three of this Law conform to the following conditions:

1) a subsidiary undertaking, which is an investment management company or investment brokerage company, exercises the voting rights arising from the financial instruments under its management freely and independently from its parent undertaking;

2) in case of any conflict of interests a subsidiary undertaking, which is an investment management company or investment brokerage company, votes independently from the parent undertaking or interests of the commercial company controlled thereby.

(13) The parent undertaking referred to in Paragraph twelve of this Section shall conform to the requirements of Section 61.6, Paragraph seven, Clause 1 and Paragraph nine of this Law, as well as provide confirmation that the parent undertaking has fulfilled the conditions referred to in Paragraph twelve of this Section in respect of each subsidiary investment management company or subsidiary investment brokerage company thereof.

(14) The parent undertaking referred to in Paragraph twelve of this Section shall prove the Commission that it has fulfilled the duty laid down in Section 61.1, Paragraph 6.5 of this Law.

(15) If the registered office of an issuer is in a foreign state and a duty to publish accounts of interim periods for the first three, six, and nine, months is laid down in the laws and regulations of such foreign state, it shall be regarded that such requirement is equivalent to the requirements of Section 57, Paragraph one and Section 57.2, Paragraph one of this Law.

*[22 May 2008; 26 February 2009; 8 November 2012; 26 May 2016]*

**Section 64. Consequences of Failure to Give Notice**

[22 May 2008]

**Section 64.1 Use of Language for Submission of the Minimum Information**

(1) If the home country of the issuer is the Republic of Latvia and transferable securities of the relevant issuer are admitted to trading on a regulated market only in the Republic of Latvia, the minimum information shall be provided in the official language.

(2) If the home country of the issuer is the Republic of Latvia and transferable securities of the relevant issuer are admitted to trading on a regulated market in both, in the Republic of Latvia and in one or several Member States, the minimum information shall be provided in the official language and – depending on the choice of the issuer – either in a language accepted by the competent authorities of the relevant Member States or in a language customary in the sphere of international finance.

(3) If transferable securities are admitted to trading on a regulated market in one or several Member States, except the Republic of Latvia, the minimum information, at the choice of the issuer, shall be provided either in a language accepted by the competent authorities of the relevant Member States or in a language customary in the sphere of international finance.

(4) If the home country of the issuer is not the Republic of Latvia and transferable securities of such issuer are admitted to trading only on a regulated market in the Republic of Latvia, but are not admitted to trading on a regulated market of the country of origin of the issuer, the minimum information, at the choice of the issuer, shall be provided in the official language or in a language customary in the sphere of international finance.

(5) If admission of transferable securities to trading on a regulated market is requested by other persons, other than issuer, the requirements of Paragraphs one, two and three of this Section shall apply to a person, who has requested an authorisation to admit transferable securities to trading on a regulated market, but not to the issuer.

(6) Shareholders, acquirers of depository receipts and persons, who are entitled to acquire, dispose of, or exercise voting rights in one or several cases which are referred to in Section 8 of this Law, may provide the minimum information to a joint stock company in a language customary in the sphere of international finance.

(7) In cases when transferable securities the denomination of one unit of which is at least EUR 100,000, or if the value of debt securities is expressed in a currency other than euro, the denomination of one unit of which is at least an equivalent of EUR 100,000 on the day of issue, are admitted to trading on a regulated market in one or several Member States, the minimum information, at the choice of the issuer or a person who has sought admission of transferable securities to trading on a regulated market, shall be provided to the public in a language accepted by the Commission and competent authorities of the relevant host Member State or in a language customary in the sphere of international finance.

(8) If a Member State brings an action to the court regarding the content of the minimum information, then the costs incurred for the translation of the necessary information shall be covered in accordance with the laws and regulations of the Member States.

(9) The requirements of Paragraph seven of this Section shall apply also to those persons owning transferable securities the denomination of one unit of which is at least EUR 50,000, or if the value of debt securities is expressed in a currency other than euro, the denomination of one unit of which is at least equivalent of EUR 50,000, and such securities have been admitted to trading on a regulated market in the European Union before 31 December 2010 until the day when such securities are deleted.

*[26 February 2009; 13 January 2011; 22 March 2012; 19 September 2013]*

**Section 64.2 Distribution of the Minimum Information and Access to the Minimum Information**

(1) An issuer or a person who has sought admission of transferable securities to trading on a regulated market, shall disclose the minimum information by using mass media or other information distribution channels (hereinafter in this Section – mass media) by taking into account the provisions of this Section and in such a way which ensures distribution of information for the widest possible public and wherever possible concurrently for his or her home Member State and other Member States, and at the same time shall send the minimum information to the official storage system of his or her home Member State in accordance with the procedures laid down in this Section.

(2) The procedures for establishing and maintaining the official storage system, including security requirements of the official storage system and requirements for the distribution of the minimum information, as well as the procedures for sending information to the official storage system shall be determined by the Commission. The requirements for preparation, insertion, and searching of the minimum information, for the procedures for assigning identifies to the European electronic access point shall be determined by the directly applicable legal acts of the European Union regarding harmonisation of the disclosure requirements in relation to information regarding the issuers whose securities are admitted to trading on a regulated market.

(3) The minimum information shall be distributed to the mass media as non-revised full text. In respect of the minimum information referred to in Sections 56, 56.1, 57, and 57.2 of this Law, this requirement shall be regarded as fulfilled, if it is indicated in the notification provided to the mass media on which website the minimum information is distributed in addition to the official storage system.

(31) The minimum information shall be provided to the mass media so as to:

1) ensure a reference to the source of the minimum information and communications security, reduce the risk that data could be changed or unauthorised access thereto could be possible;

2) be explicitly clear that it is the minimum information by clearly indicating the relevant issuer, subject of the minimum information, as well as the time and date when the minimum information is provided.

(32) In order to guarantee security in respect of transfer of the minimum information to the mass media, the issuer or person who has sought admission of transferable securities to trading on a regulated market, shall as soon as possible rectify communication errors or interferences, if any have occurred during the information transfer process. The issuer or person who has sought admission of transferable securities to trading on a regulated market is not liable for systemic errors or deficiencies of those mass media to which the minimum information is transferred.

(4) The minimum information shall be freely available to any interested person for at least 10 years since the placement thereof in the official storage system.

(5) An issuer or a person who has sought admission of transferable securities to trading on a regulated market has no right to charge investors for provision of the minimum information referred to in this Law.

(6) In order to ensure that information published in accordance with the laws and regulations is easily available to any interested person, the Commission shall post a list with website addresses of market organisers, the Enterprise Register, as well as official storage systems of other Member States on its website.

(7) The requirements for electronic reporting format of financial statements for insertion of the financial statement in the European electronic access point shall be determined by the directly applicable legal acts of the European Union regarding harmonisation of the disclosure requirements in relation to information regarding the issuers whose securities are admitted to trading on a regulated market.

*[22 May 2008; 26 February 2009; 15 October 2009; 22 March 2012; 26 May 2016]*

**Section 64.3 Rights of the Commission**

(1) In order to ensure conformity with the provisions of Section 54, as well as Part D, Chapters III and IV of this Law, in conformity with the requirements of the laws and regulations governing personal data protection, the Commission has the following rights in addition to the rights laid down in the Law On the Financial and Capital Market Commission and the rights laid down in this Law:

1) to request information and documents necessary for performance of the tasks thereof from sworn auditors, issuers, shareholders, acquirers of depository receipts, persons who are entitled to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, as well as from persons who have control over commercial companies or who are controlled thereby;

2) to request within the time period and in accordance with the procedures laid down thereby that the issuer in accordance with Paragraph one, Clause 1 of this Section discloses the information requested by the Commission to the public, if the Commission regards it as necessary. If the issuer or persons who have control over a commercial company or who are controlled thereby, fail to comply with the requirement of the Commission, the Commission is entitled to publish such information upon its own initiative after having listened to the opinion of the issuer;

3) to request an issuer, shareholder, acquirer of a depository receipt, holder of other financial instruments, or persons who have the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, to notify information requested by the requirements of the laws and regulations governing operation of financial instruments market, as well as, where appropriate, to request to provide additional information or documents;

4) to suspend or request that regulated market operator suspend trading in securities for a time period up to 10 days, if it has a justified reason to consider that the issuer has infringed the requirements of the laws and regulations governing operation of financial instruments market;

5) to prohibit trading in transferable securities on a regulated market, if it discovers that the requirements of the laws and regulations governing operation of financial instruments market are infringed, or there are substantiated suspicions regarding such infringement;

6) to supervise, if the issuer publishes information in a timely manner in order to ensure effective and equivalent access to information for the public in all Member States in which transferable securities are admitted to trading on a regulated market, as well as to carry out the necessary measures, if the requirements of the relevant laws and regulations are not fulfilled;

7) to publicly notify the fact that an issuer, shareholder, acquirer of a depository receipt, holder of other financial instruments, or persons who have the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, have not fulfilled the requirements of the laws and regulations governing operation of financial instruments market;

8) to verify the minimum information is prepared in conformity with the requirements for preparing financial statements, and to carry out the necessary measures if any infringements have been established;

81) to verify whether the minimum information truly and fairly reflects information regarding the issuer, his activities and corporate governance;

9) to verify on site the fulfilment of the requirements of the laws and regulations governing operation of financial instruments market;

10) to request information and documents necessary for the performance of its tasks from a market maker, including an agreement entered into between the market maker and regulated market operator or issuer, if any;

11) to request the following data from the issuer or person who has sought admission of transferable securities to trading on a regulated market, regarding provision of the minimum information to the mass media:

a) given name and surname of the person who has transferred the minimum information to the mass media,

b) security observed during the process of transfer of the minimum information,

c) data and time when the minimum information was transferred to the mass media,

d) information medium by which the minimum information was transferred,

e) date regarding any restrictions, if any, for disclosure of the minimum information laid down by the issuer.

(2) If the Commission establishes that the issuer of other Member State or a shareholder of such issuer, acquirer of a depository receipt, holder of other financial instruments, or a person who has the right to acquire, dispose of, or exercise voting rights in one or several cases that are referred to in Section 8 of this Law, has infringed the requirements of the laws and regulations governing operation of financial instruments market, he or she shall notify such facts to the competent authority of the home Member State and the European Securities and Markets Authority.

(3) If the Commission has informed the competent authority of the relevant home Member State in accordance with the requirements of Paragraph two of this Section, however, the measures taken turned out ineffective and the persons referred to in Paragraph two of this Section continue to infringe or fail to fulfil the requirements of the laws and regulations governing operation of financial instruments market, the Commission is entitled to carry out all the necessary measures in order to protect the interests of investors, as well as shall inform the European Commission and the European Securities and Markets Authority thereon in accordance with the requirements of Section 147 of this Law.

(4) [26 May 2016]

*[22 May 2008; 22 March 2012; 26 May 2016]*

**Section 64.4 Responsibility of a Sworn Auditor**

If a sworn auditor provides information to the Commission requested thereby in accordance with Section 64.3, Paragraph one, Clause 1 of this Law, it shall not be considered as infringement of information disclosure prohibition, and the sworn auditor shall not be held liable in accordance with the laws and regulations or agreement entered into between the sworn auditor and a capital company.

**Chapter V**

**Share Buy-back Offer**

**Section 65. Scope of this Chapter**

The provisions of this Chapter regarding the mandatory, voluntary and final expression of a share buy-back offer and the consequences of the failure to express a mandatory share buy-back offer shall apply to persons which make or have a duty to make a share buy-back offer of a target company.

*[15 June 2006]*

**Section 66. Mandatory Share Buy-back Offer**

(1) In addition to the persons referred to in Section 1, Clause 44 of this Law within the meaning of this Section shareholders of a target company shall be considered persons who act in concert, if such persons are:

1) natural persons and persons under guardianship of such natural persons;

2) spouses;

3) ascending and descending relatives up to the first degree;

4) commercial companies which are controlled by the same person;

5) members of the board of directors and council of the target company;

6) the commercial company and members of its board of directors.

(2) Action in concert of the members of the board of directors and council referred to in Paragraph one, Clause 5 of this Section shall be attested by the link between the election of members of the council and appointing of members of the board of directors with the particular shareholder.

(3) The persons referred to in Paragraph one of this Section shall be considered to be persons acting in concert only if they do not provide a credible explanation and factual proof to the Commission regarding non-existence of action in concert.

(4) It is mandatory that an offer addressed to other shareholders to redeem the shares belonging thereto is expressed by a person or persons who are acting in concert, provided that they:

1) acquire the voting rights arising from the shares, directly or indirectly, in such amount that the voting rights of such persons reach or exceed 30 per cent from the total number of voting rights of the joint stock company;

2) have voted in favour of the matter regarding exclusion of the shares from a regulated market at the meeting of shareholders in which the decision to exclude shares from a regulated market was taken. Such a vote may not be a closed vote. The minutes of the meeting of shareholders shall specify those shareholders who have voted in favour. Shareholders which at the meeting of shareholders have voted in favour of the matter regarding exclusion of the shares from a regulated market, shall authorise a representative from amongst their members who will make an offer on their behalf.

(5) A mandatory share buy-back offer need not be made, if:

1) a person or persons who are acting in concert acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section as a result of a voluntary share buy-back offer which was made with a view to acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section in a target company and which was expressed to all shareholders of the target company regarding all shares of the target company. The share price in such voluntary share buy-back offer shall be determined in accordance with Section 74 of this Law;

2) a person or persons who are acting in concert, when making a mandatory share buy-back offer, in the case referred to in Paragraph four, Clause 2 of this Section acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section during or as a result of the mandatory share buy-back offer made thereby;

3) a person or persons acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section upon change of control within the scope of commercial companies in one group of companies or group, and as a result of such changes the person who holds indirectly acquired holding with the intermediation of controlled commercial companies does not change;

4) an investment in shares of a target company for a person is a short-term investment without the purpose of participation in management of a joint stock company and is made by acquiring shares of the target company for the trading portfolio of the credit institution or investment brokerage company, or the credit institution or investment brokerage company has acquired the shares of the target company by signing up to shares of a new issue with the purpose of selling them to its clients, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within six months after the day of reaching or exceeding such amount of voting rights;

5) the amount of voting rights specified in Paragraph four, Clause 1 of this Section has been reached or exceeded within the scope of reorganisation of a shareholder of a commercial company with the purpose of performing a merger, provided that after entering into effect of reorganisation, as defined in the Commercial Law, the amount of shares with voting rights is reduced and becomes less even than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within three months;

6) the amount of voting rights specified in Paragraph four, Clause 1 of this Section is reached or exceeded as a result of exercising the pledge rights or financial guarantee, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within six months after the day of reaching or exceeding such amount of voting rights;

7) the amount of voting rights specified in Paragraph four, Clause 1 of this Section is reached by not more than three per cent from the total number of shares with voting rights without the purpose of participation in the management of a joint stock company or influencing voting in meetings of shareholders, if the amount of shares with voting rights is reduced and becomes less than the amount of voting rights specified in Paragraph four, Clause 1 of this Section within one month after the day of reaching or exceeding such amount of voting rights;

8) the amount of holding which reaches or exceeds 30 per cent of the total number of shares with voting rights of a joint stock company, has been been acquired prior to admission of shares of a joint stock company to a regulated market and information has been included in an issue prospectus regarding a person whose amount of holding has reached or exceeded 30 per cent from the total number of shares with voting rights of a joint stock company, or the relevant persons who act in concert and whose total amount of holding has reached or exceeded 30 per cent from the total number of shares with voting rights of a joint stock company.

(6) If a person or persons who act in concert, acquire the amount of voting rights referred to in Paragraph four, Clause 1 of this Section as a result of inheritance, he or they need not express a mandatory share buy-back offer for two years from the day when the inherited shares have been recorded in the account of financial instruments or registered with the register of shareholders.

(7) A person may not exercise any voting rights arising from the shares belonging thereto or any indirectly acquired voting rights, if such person:

1) within the time periods and in accordance with the procedures laid down in this Law fails to express the mandatory share buy-back offer;

2) expresses a share buy-back offer which does not comply with the requirements of law;

3) in accordance with the procedures laid down in this Law has not settled accounts with the investors who have accepted the share buy-back offer.

(8) Decisions of the meeting of shareholders which have been taken through the exercise of voting rights contrary to the provisions of Paragraph seven of this Section shall be void, and no entries in any type of public register may be requested on the basis of such decisions.

(9) A person may resume the exercise of the voting rights referred to in Paragraph seven of this Section only in case when he or she, even with delay, has fulfilled the duties laid down in this Chapter and rectified the deficiencies established by the Commission.

*[26 May 2016; 15 December 2016]*

**Section 67. Voluntary Share Buy-back Offer**

(1) A person is entitled to express a voluntarily share buy-back offer if the purpose thereof is to obtain shares in an amount, which ensures not less than 10 per cent of the number of voting rights in a joint stock company.

(2) A person expressing a voluntary offer to redeem shares shall set the minimum or maximum number of shares it offers to redeem.

(3) If shareholders at a target company accept a voluntary offer to redeem shares with regard to such an amount of shares which exceeds the maximum number of shares specified in the offer prospectus, the offeror shall redeem the shares in proportion from all the shareholders of the target company who have accepted the offer. The total number of the redeemed shares may not be less than the maximum number of shares specified in the offer prospectus.

(4) If shareholders of a target company accept a voluntary share buy-back offer with regard to such an amount of shares which does not comprise the minimum number of shares specified in the offer prospectus, the offeror shall redeem the shares from all the shareholders of the target company who have accepted the offer.

(5) In the case referred to in Paragraph four of this Section the offer shall be void only when the offer prospectus specifies that the offer becomes void, provided that the shareholders of a target company accept the share buy-back offer with regard to such an amount of shares which does not comprise the minimum number of shares specified in the offer prospectus.

**Section 68. Competing Share Buy-back Offer**

(1) Such a voluntary share buy-back offer shall be considered a competing share buy-back offer which has been expressed with regard to the share of a target company while another offer is in effect with regard to these shares.

(2) A competing share buy-back offer may not be made by a person who:

1) is in the same group of companies with the person making the offer which is in effect;

2) has entered into an agreement with the person making the offer which is in effect, regarding joint action with regard to the offer;

3) has received an authorisation from the person making the offer which is in effect, to vote in the name thereof at the meeting of shareholders of the target company.

(3) A competitive share buy-back offer may be expressed if there are at least five days from the day an advertisement is published in the official publication *Latvijas Vēstnesis* regarding the competing share buy-back offer until the end of the time period of the offer in effect.

*[9 July 2013]*

**Section 69. General Provisions for a Share Buy-back Offer**

(1) In order to ensure shareholders of a target company with sufficient information in order to take a justified decision on an offer, an offeror shall prepare a prospectus of the share buy-back offer and submit it to the Commission.

(2) An offeror shall offer equal share disposal regulations to all share owners of a target company of one class.

(3) The time period for a share buy-back offer may not be shorter than 30 days or longer than 70 days from the day of expression thereof. If during a voluntary share buy-back offer it is decided to convene a meeting of shareholders of the target company in the agenda of which an issue regarding the share buy-back offer made is included, the time period of the offer shall be extended for a time period which is necessary for convening the meeting, however, it may not exceed 70 days.

(4) The following may not be carried out during the time period of mandatory and final share buy-back offer:

1) to calculate dividends of the target company;

2) to change the denomination of the shares of the target company;

3) to joint and divide share issues of the target company.

(5) If any of the activities referred to in Paragraph four of this Section is planned and announced to the public in advance, the Commission shall determine the beginning of the time period of the mandatory share buy-back offer after completion of the abovementioned activity. In such case the price of the mandatory share buy-back offer shall be adjusted after completion of the activity referred to in Paragraph four of this Section.

(6) No restrictions on expropriation of shares specified in either the articles of association of a target company or reciprocal agreements of a target company and its shareholders shall be in effect with regard to the person making the share buy-back offer during the time period of the share buy-back offer.

(7) When making a voluntary share buy-back offer, activities of the target company may not be hindered for more than it is necessary in order to make a share buy-back offer, and the time period of the voluntary share buy-back offer may not be longer than the time period laid down in Paragraph three of this Section.

(8) If a commercial company has issued shares with voting class shares of different denominations, at the meeting of shareholders at which an issue regarding protective measures against overtaking of a company during a voluntary share buy-back offer is decided, the number of voting rights of each shareholder shall comply with his or her investment in the capital of a target company.

(9) If a commercial company has issued shares with voting class shares of different denominations, at the first meeting of shareholders which is convened after the end of the term of the offer upon initiative of an offeror, in order to amend the articles of association or remove current members of the council and to assign new members of the council, the number of voting rights of each shareholder shall comply with his or her investment in the capital of a target company.

(10) If an offeror has at least 75 per cent of shares with voting rights after making an offer, the restrictions for share disposal or voting rights laid down in the articles of association shall not be binding to the shareholders of a target company. Also the extraordinary rights laid down in the articles of association of a target company or mutual agreements of shareholders for any of shareholders to elect for the position or to remove therefrom the members of the board of directors or of the council are not in effect.

(11) If on the basis of Paragraphs five, seven, eight, and nine of this Section the rights of any shareholder of a target company are restricted and, therefore, losses are caused for him or her, such shareholder has the right to request a corresponding compensation from the person making share buy-back offer. If parties fail to agree regarding amount of the compensation, it shall be determined by the court.

(12) The restrictions laid down in Paragraphs seven, eight, and nine of this Section shall not be in effect, if a corresponding financial compensation is intended for restrictions of voting rights.

(13) This Section shall not be applied in respect of co-operative societies, special rights provided for in legal acts of the Member State which comply with the provisions of the Treaty establishing the European Community and in the cases when the Member States own shares of a target company which confer special rights thereto conforming to the provisions of the Treaty establishing the European Community.

*[15 June 2006]*

**Section 69.1 Supervision of a Buy-back Offer**

(1) A share buy-back offer shall be governed by this Law and the course thereof shall be supervised by the Commission, if:

1) the registered office of a target company is in Latvia and its shares are admitted to trading on a regulated market registered in Latvia;

2) the registered office of a target company is not in Latvia, but its shares are admitted to trading on a regulated market registered in Latvia;

3) the registered office of a target company is not in Latvia and its shares are put into public circulation in Latvia and in other Member State, but they are admitted to trading on a regulated market registered in Latvia prior to putting into public circulation in such Member State.

(2) If the shares of a target company are put into public circulation in several Member States concurrently, one of which is Latvia, the target company shall determine the Member State the supervisory authority of which will supervise the share buy-back offer. If the target company selects the Commission as the authority which will supervise the share buy-back offer, the target company shall notify regulated market operators, on the regulated markets of which the shares of the target company are admitted to trading, and the Commission thereon on the first day when securities are admitted to trading on a regulated market.

*[15 June 2006]*

**Section 70. Procedures for Submitting a Share Buy-back Offer Prospectus**

(1) The initiator of an offer shall, not later than within 10 working days after the conditions referred to in Section 66, Paragraph four, Clause 1 of this Law have entered into effect, or after taking of a decision of the meeting of shareholders referred to in Section 66, Paragraph four, Clause 2 or a decision of the offeror to make a voluntary share buy-back offer, submit a submission to the Commission regarding making a share buy-back offer.

(11) If an offeror must receive a permit of another State authority for acquiring the majority of voting rights referred to in Section 66, Paragraph four, Clause 1 of this Law, the offeror shall submit the submission referred to in Paragraph one of this Section within 10 working days after the day of receipt of such permit.

(12) The voluntary share buy-back offer of the offeror specified in Paragraph one of this Section shall be distributed only after receipt of the permit referred to in Paragraph 1.1 of this Section.

(2) The offeror shall submit the following concurrently with the submission:

1) a prospectus for the share buy-back offer and the text thereof in electronic form;

2) an assessment of the price adequacy of the offer;

3) a copy of the registration certificate if the offeror is a non-resident, or a copy of a personal identification document if the offeror is a natural person;

4) documents attesting to the sufficiency of resources for the fulfilment of the obligations specified in the offer within the time period laid down in law.

(3) When making a voluntary share buy-back offer, the submission of a validation of the adequacy of the price shall not be required.

(4) If a share buy-back offer is expressed in the case referred to in Section 66, Paragraph four, Clause 2 of this Law, the offeror shall in addition submit:

1) an extract from the minutes of the meeting of shareholders which specifies the shareholders who have voted in favour;

2) documents attesting to the right of the offeror to make a share buy-back offer in the name of those shareholders who have voted in favour.

(41) If a share buy-back offer is expressed in the case referred to in Section 66, Paragraph four of this Law and the price of one share to be redeemed is determined in accordance with the procedures referred to in Section 74, Paragraph seven of this Law, the offeror shall additionally submit a liquidation value estimate of the target company.

(5) The following documents shall be considered to be attesting to the sufficiency of resources for the fulfilment of the obligations provided for in the offer within the time period laid down in law:

1) a written certification (statement of obligation) addressed to the Commission regarding the allocation of resources to the offeror for the discharge of obligations specified in the offer issued by a credit institution, investment brokerage company or an insurance company which is registered:

a) in the Republic of Latvia or a Member State,

b) in a foreign state, provided that the Commission has entered into a co-operation agreement regarding the exchange of information with the relevant foreign supervisory authority;

2) statements regarding the target deposit of the offeror which the offeror is entitled to use only for settlement of accounts for the buy-back of shares if they have been issued by:

a) a credit institution registered in the Republic of Latvia,

b) a credit institution or brokerage company entitled to accept deposits which is registered in a Member State,

c) a credit institution or brokerage company entitled to accept deposits which is registered in a foreign state (but not in a Member State) if the Commission has entered into a co-operation agreement regarding the exchange of information with the relevant foreign supervisory authority.

*[15 June 2006; 24 April 2014; 26 May 2016]*

**Section 71. Prospectus for a Share Buy-back Offer**

The prospectus for a share buy-back offer shall specify:

1) the firm name, registration number, registered office, telephone number, as well as fax number, e-mail address (if any), and the website address (if any) of the target company;

2) information regarding the offeror and person acting in concert with the offeror or target company, where possible, indicating relations thereof with the offeror and target company:

a) for natural persons – the given name, surname, personal identity number (if any), or year and date of birth,

b) for legal persons – the firm name, registration number, date and place, as well as registered office;

3) the type of offer (mandatory or voluntary). If a mandatory share buy-back offer is made, it shall be indicated which of the conditions referred to in the laws and regulations has set in for making the relevant offer;

4) ISIN code of shares (a unique combination of letters or figures which is granted to financial instruments by the Latvian Central Depository before recording thereof for identification purposes) and, if a voluntary share buy-back offer is made, the maximum or minimum number of shares (percentage of the total number of shares), which the offeror undertakes to acquire;

5) price for buy-back of one share and methods used for determination thereof (if mandatory or final share buy-back offer is made);

6) information regarding procedures and time periods for payment of shares, but in cases when other financial instruments are offered as consideration for the shares – information regarding such financial instruments;

7) the time period of the offer;

8) the procedures by which shareholders of a target company may accept the offer, specifying separately the procedures for accepting the offer by:

a) persons who own shares in a target company which are in public circulation,

b) persons who own shares in a target company which are not in public circulation;

9) intentions of the offeror regarding future activity of the target company, retaining of workplaces, including all significant changes in employment conditions, plans of commercial companies (if the offeror is a legal person and the offer influences its future activity), and strategic plans of the offeror in respect of both commercial companies and their possible influence on employment of the target company and commercial company of the offeror and change of the location of the commercial company;

10) any other significant information directly applicable to the offer or offeror and considered by the offeror or the Commission as necessary to be disclosed in a prospectus;

11) amount of compensation for losses offered to shareholders of the target company the rights of which are limited in accordance with Section 69, Paragraph eleven of this Law, providing a detailed information on how such compensation will be disbursed and indicating the method which is used for determination of the compensation;

12) information regarding financing sources of the offer;

13) what legal acts will govern agreements entered into by the offeror and shareholders of the target company in relation to the offer, and information regarding courts examining mutual disputes.

*[15 June 2006; 26 February 2009]*

**Section 72. Procedures for Revising a Prospectus for a Share Buy-back Offer**

(1) When a prospectus for making a share buy-back offer is received by the Commission, it shall, using the means of communication and information available thereto, immediately, but not later than on the next working day, place the following information on the official storage system, as well as notify to the relevant regulated market operator:

1) the information referred to in Section 71, Clause 2 regarding the offeror;

2) the buy-back price of one share provided for in a prospectus;

3) the time period of the offer.

(2) The market operator shall, without delay, place the information referred to in Paragraph one of this Section on its website.

(3) The Commission shall examine the submission and the prospectus for the share buy-back offer and take a decision to allow or to refuse to make the offer within 10 working days after receipt of all the documents referred to in Section 70 of this Law, which have been prepared and documented in accordance with the requirements of the laws and regulations. If the methods for setting the price referred to in Section 74, Paragraph seven or eight of this Law are used in the mandatory share buy-back offer, the Commission shall take a decision to allow or to refuse to express the offer within 30 working days after receipt of all the documents prepared and documented in accordance with the requirements of laws and regulations and referred to in Section 70 of this Law.

(4) If all the necessary documents have not been submitted to the Commission or they have not been drawn up in accordance with the requirements of the laws and regulations, the Commission shall not take a decision to allow or to refuse to make an offer and shall communicate the deficiencies established, as well as the time period for their rectification to the offeror in writing. If the offeror rectifies the deficiencies previously indicated in writing by the Commission within the time period specified by the Commission, the submission shall be considered to have been submitted to the Commission on the first day of submitting it and the Commission shall take a decision to allow or to refuse to make the offer. If the offeror fails to rectify the deficiencies previously indicated in writing by the Commission within the time period specified by the Commission, the submission shall be considered not to have been submitted.

(5) The Commission shall, without delay, but not later than on the next working day after taking of the decision, inform the offeror regarding the decision taken.

(6) After a decision has been taken on permission to express an offer, the Commission shall concurrently notify thereof both the offeror and the relevant market operator in the regulated market of which the shares have been admitted to trading, and send the offer prospectus thereto in electronic form for buy-back of the shares.

(7) The market operator shall, without delay, post the prospectus for the share buy-back offer on its website.

*[15 June 2006; 22 May 2008; 24 April 2014]*

**Section 72.1 Mutual Recognition of a Prospectus for Buy-back Offer**

(1) After approval of a prospectus for buy-back offer an offeror, having translated the prospectus for buy-back offer into languages recognised by the competent authorities of the relevant Member States and supplemented it with the information laid down in the laws and regulations of the relevant Member States, is entitled to make a share buy-back offer in all Member States on the regulated markets of which the shares of the target company are admitted to trading.

(2) An offeror is entitled to make a buy-back offer regarding the shares of companies registered in another Member State admitted to trading on a regulated market registered in Latvia by submitting a prospectus for the share buy-back offer approved in such Member State to the Commission and a notarially certified translation thereof, supplementing the prospectus for share buy-back offer and including therein the procedures for accepting an offer by shareholders of a target company present in Latvia, and the procedures for settlement of accounts for such shares.

*[15 June 2006]*

**Section 73. Disclosure of Information Regarding a Share buy-back Offer**

(1) A person who has taken a decision to make a voluntary share buy-back offer or a person who has a duty to make a mandatory share buy-back offer in accordance with the provisions of this Law, after taking of the decision or coming into effect of the relevant conditions, shall inform thereof the board of directors of the target company.

(2) The offeror is entitled to express a share buy-back offer only after the Commission has taken a decision on permission to express a share buy-back offer.

(3) After receipt of the decision of the Commission on permission to express a share buy-back offer, the offeror shall, without delay, inform in writing the target company regarding the provisions of the offer and provide an opportunity for the board of directors of the target company to become acquainted with the offer prospectus.

(4) Within five working days after receipt of the decision of the Commission on permission to make a share buy-back offer, the offeror shall publish the following information regarding the share buy-back offer in the official publication *Latvijas Vēstnesis*:

1) the information referred to in Section 71, Clauses 1, 2, 5 and 7 of this Law;

2) the place where and time when becoming acquainted with the prospectus of the share buy-back offer shall be possible.

(5) The offeror who makes a voluntary share buy-back offer in accordance with the provisions of Section 67, Paragraph two of this Law shall also specify in the publication the minimum or maximum number of shares it has intended to redeem.

(6) The offeror who will not redeem shares in accordance with the provisions of Section 67, Paragraph five of this Law, unless the shareholders of the target company accept the offer in at least the minimum amount specified in the offer prospectus of the share buy-back offer, shall unmistakably indicate thereof in the publication.

*[9 July 2013]*

**Section 74. Setting of Price in a Mandatory Share Buy-back Offer**

(1) Upon making a share buy-back offer the price of one share to be redeemed may not be lower than:

1) the price at which an offeror or persons acting in concert with the offeror have acquired the shares of the target company during the last 12 months. If the shares have been acquired at different prices, the redeeming price shall be the highest price for the acquisition of shares within the last 12 months prior to the coming into effect of the conditions specified in Section 66 of this Law;

2) the weighted average share price on a regulated market or multilateral trading facility in which the largest turnover with the relevant share was during the last 12 months. The weighted average share price is calculated for the last 12 months before setting in of the conditions indicated in Section 66, Paragraph one of this Law;

3) the value of a share that is calculated by dividing the net assets with the number of shares issued. Net assets shall be calculated by deducting from the total assets own shares and obligations belonging to the target company. If the target company owns shares with different denominations, when calculating the value of shares the net assets shall be divided proportionally for the proportion of shares at each denomination in the share capital.

(2) When determining the value of one share to be redeemed in conformity with Paragraph one, Clause 3 of this Section, in the calculation of the value of shares the data from the last target company annual accounts approved by the meeting of shareholders, regarding which a report by a sworn auditor has been provided, shall be used. The time period between the last day of the year of operation for which the annual account is prepared and the day on which the offer is made to the Commission may not exceed 16 months. If, in accordance with laws and regulations, a target company prepares an annual account not later than seven months after the end of a reporting year, the time period between the last day of the year of operation for which an annual account is prepared and the day on which an offer is expressed to the Commission may not exceed 19 months. In the calculation of the value of shares the data from the last quarterly statement of a target company shall be used, provided that the value of shares which has been calculated by using the data of the quarterly statement shall exceed by at least 10 per cent the value of shares which has been determined by using the data of the reporting year. If a target company also prepares a consolidated annual account, then, in determining the value of the share to be redeemed, the data of the consolidated account shall be used. If a target company prepares annual accounts in accordance with both, the laws of the country of registry, and according to the international financial reporting standards, then, in determining the value of the share to be redeemed, the data of the statement prepared according to the international financial reporting standards shall be used.

(3) If a mandatory share buy-back offer is made after coming into effect of the conditions specified in Section 66, Paragraph one, Clause 2 of this Law, Paragraph one, Clause 1 of this Section is not applied in the determination of the offer price.

(4) If a target company owns shares at different denomination, the price of one share to be redeemed shall be determined for shares of each denomination separately.

(5) If the offeror, from the day on which the conditions have come into effect under which it must make a mandatory share buy-back offer until the final day of the time period of the offer, enters into a transaction regarding the acquisition of target company shares at a price exceeding the price specified in the offer, the price of this particular transaction shall become the offer price.

(6) Within six months from the day the time period for the offer expires, the offeror is entitled to enter into a transaction regarding the acquisition of target company shares at a price which is higher than that specified in the offer, only provided that it pays out the price difference to all persons which have sold shares thereto in response to the share buy-back offer.

(7) If a court has initiated a case regarding legal protection proceedings, the share buy-back price in the mandatory share buy-back offer shall be determined by dividing the liquidation value of the target company by the number of issued shares. The liquidation value shall be calculated as an estimated value which could be obtained by selling assets of the target company, except those non-material assets which cannot be sold as separate assets. Asset selling costs and liabilities of the target company shall be deducted from the obtained value. The liquidation value shall be determined by an expert in material investment evaluation included in the list of material investment evaluators of the Register of Enterprises as on the day when the circumstances have occurred which impose a duty on the offeror to express a mandatory share buy-back offer.

(8) The Commission, upon request of the offeror, has the right to set another share buy-back price in the mandatory share buy-back offer which is different from the price referred to in Paragraph one of this Section, if financial condition of the target company has been affected by emergency circumstances, due to which the share buy-back price set in accordance with Paragraph one of this Section is not proportionate to the share value as on the day when the circumstances occurred which impose a duty on the initiator to express a mandatory share buy-back offer. In the case referred to in the first sentence of this Paragraph the offeror shall submit evidence to the Commission regarding the circumstances, due to which the share buy-back price should be set notwithstanding the principles of setting share price referred to in Paragraph one of this Section. In the case referred to in this Paragraph the share value shall be calculated in accordance with the procedures laid down in Paragraph one, Clause 3 of this Section, using the data from the last available financial statements of the target company which have been adjusted, if necessary, taking into consideration the effect of the emergency circumstances.

(9) The Commission has the right to determine another time period for setting of the share buy-back price in the mandatory share buy-back offer, which is different from the time period referred to in Paragraph one of this Section, if the offeror has submitted a submission to the Commission regarding the expression of a share buy-back offer after the time period determined in Section 70, Paragraph one of this Law.

(10) If the Commission issues an administrative act establishing that in accordance with this Law a person has a duty to express a mandatory share buy-back offer but the person has not expressed it, the time period for fulfilment of such duty for the abovementioned person shall start on the day of entering into effect of the administrative act. In such mandatory share buy-back offer the price of one share shall be calculated in accordance with the procedures laid down in Section 74, Paragraph one of this Law, calculating the time period for setting of the share buy-back price from the day of issue of the administrative act.

*[15 June 2006; 15 October 2009; 24 April 2014]*

**Section 75. Procedures for Amending Provisions of a Share Buy-back Offer**

(1) If there are at least 10 working days until the end of the time period of the share buy-back offer, the offeror has the right to amend the following provisions of the share buy-back offer:

1) to extend the time period without exceeding the time period limitations specified in Section 69, Paragraph three of this Law;

2) to increase the price of one share to be redeemed;

3) to amend other provisions, provided that the conditions for the rest of the target company shareholders do not deteriorate and that no circumstances occur due to which target company shareholders who have already accepted the offer are placed under less advantageous conditions.

(2) If the offeror decides to amend the provisions of the share buy-back offer, it shall prepare amendments to the share buy-back offer and submit them to the Commission in accordance with the same procedures as for the prospectus of the share buy-back offer.

(3) Within three working days after receipt of amendments to the prospectus for a share buy-back offer, the Commission shall take a decision to grant permission for or to refuse to amend the provisions of the offer and without delay inform the offeror thereof.

(4) The Commission shall, without delay, also inform the relevant market operator regarding granting of the permission to amend the provisions of the share buy-back offer and send thereto the text of the amendments to the share buy-back offer in electronic form.

(5) The market operator shall, without delay, post the amendments made to the prospectus for the share buy-back offer on its website.

(6) Not later than within three working days after receipt of a decision of the Commission to grant permission to amend the provisions of an offer, the offeror shall publish the information regarding the amendments to the share buy-back offer in the official publication *Latvijas Vēstnesis*.

*[9 July 2013]*

**Section 76. Procedures for Withdrawal of a Share Buy-back Offer**

(1) The Commission is entitled to withdraw the share buy-back offer if it determines non-compliance with laws and regulations or circumstances independent of the offeror as a result of which the offer may not be expressed as a result of *force majeure*.

(2) The Commission shall, without delay, notify the offeror, as well as the relevant market operator of the decision thereof to withdraw the share buy-back offer.

**Section 77. Duties of a Target Company**

(1) The board of directors of a target company shall, within five working days after publishing of an advertisement regarding making of a share buy-back offer, prepare an opinion in which it provides its opinion regarding the offer and its substantiation, regarding influence of the implementation of the offer on the interests of the target company (particularly – on employment), as well as regarding strategic plans of the offeror in respect of the target company and possible indirect influence of such plans on employment and change of the place of location of the commercial company.

(2) The board of directors of a target company shall communicate its opinion by using the mass media through the help of which the widest possible range of persons interested in the offer are informed.

(3) The board of directors of a target company shall inform regarding the opinion thereof the market operator, which will immediately post this information on its website or make it available to the public by other means determined by the market operator.

(4) The board of directors of a target company shall inform employees of the target company or their representatives of its opinion. If until publishing of the opinion of the board of directors representatives of employees of the target company have submitted a separate opinion to the board of directors regarding influence of the offer on employment, such opinion shall be added to the opinion of the board of directors.

(5) The board of directors and the council of the target company shall, from the moment when the offeror has informed the board of directors and the council regarding its opinion to make a voluntary share buy-back offer until the end of the time period of offer before carrying out of such measures which could destroy successful course of the buy-back offer, obtain a permission of the meeting of shareholders for such activities. The abovementioned permission is not necessary if alternative share purchase offers are searched.

(6) If the decisions laid down in Paragraph five of this Section are taken before the board of directors or the council has found out regarding making a voluntary share buy-back offer and the offer is not partly or completely implemented, the consent of the meeting of shareholders shall be necessary for any decision which is not a part of standard economic activity of the target company and the implementation of which could destroy share buy-back offer.

(7) If share buy-back offer is made in the case provided for in Section 66, Paragraph one, Clause 2 of this Law, the target company has a duty, not earlier than within 10 working days and not later than within 15 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official publication *Latvijas Vēstnesis*, to submit a submission to a regulated market operator regarding exclusion of the shares form the regulated market.

(8) The regulated market operator shall, after receipt of the submission referred to in Paragraph seven of this Section, take a decision within 10 working days to exclude the shares of the target company from a regulated market, unless the right to make a final share buy-back offer has arisen for the offeror within 10 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official publication *Latvijas Vēstnesis*. If the regulated market operator does not receive the submission within the time period referred to in Paragraph seven of this Section to exclude the shares of the target company from a regulated market, the Commission shall take a decision to exclude the shares of the target company from a regulated market within 10 working days, unless the right to make a final share buy-back offer has arisen for the offeror within 10 working days from the day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official publication *Latvijas Vēstnesis*.

(9) If the right to make a final share buy-back offer has arisen for the offeror within 10 working days from the day when the advertisement referred to in Paragraph eight of this Section is published in the official publication *Latvijas Vēstnesis*, the regulated market operator shall, within 10 working days, take a decision to exclude the shares of the target company from a regulated market after the end of the making of a share buy-back offer conforming to this law. The day when the advertisement referred to in Section 79, Paragraph three of this Law is published in the official publication *Latvijas Vēstnesis* shall be regarded as the end of the making of a share buy-back offer referred to in this Paragraph.

(10) If the right to make a final share buy-back has arisen for the offeror within 10 working days from the day when the advertisement referred to in Paragraph eight of this Section is published in the official publication *Latvijas Vēstnesis*, but the offeror has not exercised his right arising from the provisions of Section 81 of this Law within the time period provided for in the Law, the Commission shall, not earlier than within 10 and not later than within 15 working days from the end of the time period for exercising the rights of the offeror, take a decision to exclude the shares of the target company from a regulated market.

*[15 June 2006; 22 May 2008; 9 July 2013]*

**Section 78. Prohibition against Hindering the Procedure of a Share Buy-back Offer**

(1) Members of the council and board of directors of a target company are prohibited from hindering with their action or absence of action the course of a share buy-back offer.

(2) After publishing of an advertisement regarding the share buy-back offer in the official publication *Latvijas Vēstnesis*, or from the moment the target company becomes aware of the information regarding the duty to make a mandatory offer, the target company may not perform any new issues of shares or convertible bonds as a result of which the division of voting rights at the meeting of shareholders changes or may change.

(3) A target company may not take any decisions that are in conflict with the requirements of Section 69, Paragraph four of this Law.

(4) The prohibition laid down in Paragraphs two and three of this Section shall be valid until the end of the time period for the payment laid down in the share buy-back offer.

*[9 July 2013]*

**Section 79. Notification on Results of a Share Buy-back Offer**

(1) Within five working days after the end of the time period of an offer, the offeror shall submit a report to the Commission and target company on the results of the offer in which it shall specify:

1) the information referred to in Section 71, Clauses 1 and 2 of this Law;

2) the number of shares offered for sale;

3) the number of shares which will be at the disposal of the offeror after implementation of the share buy-back offer.

(2) If the shareholders of a target company have accepted the voluntary share buy-back offer at an amount of shares which exceeds the maximum number of shares which the offeror has intended to redeem, as indicated in the offer prospectus, the offeror shall indicate the coefficient of the proportional distribution concurrently with the information referred to in Paragraph one of this Section.

(3) Within five working days after the end of the time period of a share buy-back offer, the offeror shall publish in the official publication *Latvijas Vēstnesis* an advertisement regarding the results of the offer which shall contain the information referred to in Paragraph one of this Section.

(4) The offeror shall also submit a report to the Commission and market operator in electronic form. The market operator shall post the report on its website, but the Commission – on the official storage system.

*[22 May 2008; 9 July 2013]*

**Section 80. Accounting**

(1) The offeror, in addition to the payment for the shares of a target company, may also provide for exchange of shares for other transferable securities or the rights to obtain such. If the offeror exercises these rights, it shall be indicated in the prospectus for the share buy-back offer, stating the conditions for exchange. The procedures for exchange must be such as to prevent the risk that any shareholders at the target company who have replied to the offer do not receive the exchangeable transferable securities.

(2) An investor who has decided to accept a share buy-back offer and has submitted a relevant submission within the time period for buy-back of the shares is entitled to withdraw the submission before the end of the time period of the share buy-back offer.

(3) If an investor chooses to receive transferable securities as buy-back for the shares, it shall be indicated in the submission.

(4) The maximum time period for buy-back or exchange of shares shall be five days from the final day of the time period for the share buy-back offer.

(5) Buy-back or exchange of shares, which are in public circulation, shall be performed according to the principle of concurrence – supply for remuneration or supply for supply.

(6) Payment for closed issue shares shall be performed in conformity with the procedures set out in the offer prospectus. Amendments which are required to be made in the register of shareholders of a target company after closure of the share buy-back offer shall be made by the board of directors of the target company on the basis of documents attesting to the payment for the shares.

*[15 June 2006]*

**Section 81. Final Share Buy-back Offer**

(1) A person who in accordance with the requirements of this Law has acquired shares of a target company in such amount which reaches or exceeds 95 per cent of the total number of shares with voting rights of the target company, or which voluntarily or as a result of mandatory share buy-back offer has entered into agreements according to which it directly acquires the voting rights arising from the shares in such amount which reaches or exceeds 95 per cent of the total number of shares with voting rights, may request that other shareholders sell to it the shares of the target company owned by them. Such an offer shall be considered to be a final share buy-back offer.

(2) If 95 per cent of the total amount of shares with voting rights are raised by a person through both direct and indirect holding, such person is entitled to express a final share buy-back offer only provided that this person has provided notification regarding indirect acquisition of a major holding, in accordance with the procedures and within the time periods specified in this Law.

(21) The person referred to in Paragraph one of this Section is entitled to make a final share buy-back offer within three months from the day when he or she has acquired such number of shares which reaches or exceeds 95 per cent of the total number of shares with voting rights, or, if the person referred to in Paragraph one of this Section has not made a final share buy-back offer within the time period referred to previously – within three months from the day when the time period has lapsed for a mandatory share buy-back offer made anew by such person or a voluntary share buy-back offer made to all shareholders of the target company regarding all shares of the target company.

(3) A final share buy-back offer may be expressed only after a decision to exclude the shares from a regulated market has been taken. If at the meeting of shareholders several shareholders have voted in favour of the issue on exclusion of shares from a regulated market and one of them is the person referred to in Paragraph one of this Section, such person may join a mandatory share buy-back offer with a final share buy-back offer and those shareholders who have voted regarding exclusion of the shares from a regulated market, but who fail to comply with the criteria referred to in Paragraph one of this Section, have no duty to make a mandatory share buy-back offer. In such case the offeror shall, not later than within 10 working days after taking of the decision of the meeting of shareholders referred to in Section 66, Paragraph four, Clause 2 of this Law, submit a submission to the Commission regarding making a share buy-back offer.

(4) In the cases referred to in Paragraphs one and three of this Section, the share buy-back price shall be determined in accordance with the requirements of Section 74, Paragraph one of this Law. If a person acquires the amount of voting rights laid down in Paragraph one of this Section as a result of a voluntary share buy-back offer, he is entitled to express a final share buy-back offer for a price which was determined in the voluntary share buy-back offer.

(5) In the cases referred to in Paragraph one of this Section, the rest of the shareholders have a duty to sell the shares of the target company they own.

(6) The time period for the final share buy-back offer may not be shorter than 30 days.

*[9 June 2005; 15 June 2006; 26 February 2009; 15 December 2016]*

**Section 82. Procedures for Making a Final Share Buy-back Offer**

(1) If an offeror decides to make a final share buy-back offer, he shall prepare an offer prospectus and submit it to the Commission concurrently with the submission and documents referred to in Section 70, Paragraph two, Clauses 2, 3, and 4 of this Law.

(2) If a person making a final share buy-back offer has acquired percentage of the holding indirectly, it shall concurrently with the documents referred to in Paragraph one of this Section also submit to the Commission the documents (contracts, authorisation, etc.) attesting the rights thereof to the indirect holding.

(3) The prospectus of a final share buy-back offer shall include at least the information referred to in Section 71, Clauses 1, 2, 4, 5, 6, 7, and 8 of this Law.

(4) The Commission shall examine the submission and prospectus of a final share buy-back offer within 10 working days after receipt of all the documents referred to in this Section which have been prepared and drawn up in conformity with the requirements of the laws and regulations, and take a decision to grant a permission for or to refuse to make a final share buy-back offer.

(5) The Commission shall, without delay, but not later than on the following working day, inform the offeror of the decision taken.

(6) The Commission shall, without delay, inform the relevant market operator and send thereto the prospectus of the final share buy-back offer. The market operator shall, without delay, post the prospectus of the final share buy-back offer on its website.

(7) The Commission shall, without delay, send a copy of the decision to the Latvian Central Depository regarding granting of permission to express a final share buy-back offer, as well as the prospectus of the final share buy-back offer in electronic form. The Latvian Central Depository shall send the prospectus of the final share buy-back offer in electronic form to all credit institutions and investment brokerage companies in the accounts of which the relevant shares of the Latvian Central Depository are recorded.

(8) Within five working days after receipt of the decision of the Commission to grant permission to express a final share buy-back offer, the offeror shall publish in the official publication *Latvijas Vēstnesis* the following information regarding the share buy-back offer:

1) the information referred to in Section 71, Clauses 1, 2, 5, and 7 of this Law;

2) the place where and time when becoming acquainted with or obtaining the prospectus of the final share buy-back offer shall be possible.

*[9 July 2013]*

**Section 83. Disposal of Shares in Favour of the Initiator of a Final Share Buy-back Offer**

(1) If a shareholder has not accepted the final share buy-back offer within the time period for the expression thereof, on the following day after the last day of the time period for the share buy-back, the shares shall be blocked in the accounts of the shareholder and the shareholder shall lose the right to operate therewith. Credit institutions and investment brokerage companies shall be responsible for the blocking of shares.

(2) Credit institutions and investment brokerage companies shall block the shares based on the prospectus of the final share buy-back offer received from the Latvian Central Depository.

(3) Within five working days after the end date of the time period for expression of a final share buy-back offer, the offeror shall transfer such an amount of money in euro into the money account of the Latvian Central Depository in the Bank of Latvia which conforms to the total value of the shares yet unredeemed, according to the value of one share specified in the prospectus of the share buy-back offer.

(4) After the amount laid down in Paragraph three of this Section is transmitted in full amount to the money account of the Latvian Central Depository in the Bank of Latvia, the Latvian Central Depository shall transmit all relevant shares of the joint stock company booked in the initial register and in the corresponding accounts in the Latvian Central Depository opened by credit institutions and investment brokerage companies to the account of the offeror, concurrently carrying out money transfers to the money accounts of the relevant account holders and sending a request to credit institutions and investment brokerage companies to delete the shares of the relevant joint stock company from accounts of financial instruments of the shareholders referred to in Paragraph one of this Section.

(5) Within one working day after receipt of money from the Latvian Central Depository, an investment brokerage company or credit institution shall transfer that amount of money into the money accounts of such persons in conformity with the amount of shares in the accounts of financial instruments of which the shares of the relevant joint stock company were booked on the last day of the time period for the final share buy-back offer.

(6) Remuneration for those shareholders the shares of which, on the last day of the time period for the final share buy-back offer, are in the initial register of the Latvian Central Depository, shall be included in the money account of the Latvian Central Depository in the Bank of Latvia.

*[9 June 2005; 24 April 2014]*

**Section 83.1 Request of Minority Shareholders to Redeem Shares**

If a person, directly or indirectly, owns 90 per cent or more of the shares of a capital company, each of the rest of shareholders of such capital company until the time when a final share buy-back offer is made, may request that this person redeems the shares owned by him or her for a price that is determined in accordance with Section 74 of this Law.

*[15 June 2006]*

**Chapter VI**

**Prohibition against Utilisation of Inside Information and Market Manipulation**

**Section 84. Scope of this Chapter**

(1) This Chapter, in addition to that provided for in Regulation No 596/2014, shall determine the rights and obligations of the Commission as the competent authority within the meaning of Regulation No 596/2014 in supervising the use of inside information and preventing manipulations in financial markets.

(2) The Commission shall create and maintain a reporting system regarding the potential and actual violations of Regulation No 596/2014.

(3) In order to ensure that referred to in Paragraphs one and two of this Section, the Commission has the right to issue regulatory provisions determining:

1) the information to be considered inside information and disclosable to the public;

2) the cases when a delay of publishing inside information may mislead the public or endanger the lawful interests of an issuer or a participant of the emissions trading market;

3) the requirements in relation to the procedures by which a person performing administration duties shall notify regarding transactions performed;

4) the procedures by which the reports shall be submitted in the reporting system referred to in Paragraph two of this Section to the Commission and the Commission shall examine such reports, and by which protection of identity and personal data of the person who submitted a report shall be ensured in accordance with the laws and regulations governing personal data protection.

(4) An investment brokerage company and a credit institution shall draw up an internal procedure laying down the procedures by which employees shall notify them regarding violations of Regulation No 596/2014 in the investment brokerage company and credit institution.

*[26 May 2016 /* *The new wording of the Paragraph shall come into force from 3 July 2016.* *See Paragraph 55 of Transitional Provisions]*

**Section 84.1 Liability for Unlawful Use, Disclosure of and Manipulations with Inside Information in Financial Markets**

(1) A person shall be held criminally liable for unlawful use of inside information in financial markets, recommendation to another person, or incitation of another person to engage in the use of inside information in financial markets in the cases provided for in the Criminal Law, if the violation of the prohibition referred to in Article 14(a) or (b) of Regulation No 596/2014, as well as the activities provided for in Article 8 of this Regulation are established. In other cases when the violation of the prohibition referred to in Article 14(a) or (b) of Regulation No 596/2014, as well as the activities provided for in Article 8 of this Regulation are established, liability shall set in for the person in accordance with Section 148 of this Law.

(2) If inside information of the financial market is or has been at the disposal of a person and the action of a person is lawful in accordance with Article 9 of Regulation No 596/2014, it shall not be considered that the abovementioned person has unlawfully used such information and engaged in the use of inside information in financial markets in relation to acquisition or alienation of securities.

(3) A person shall be held criminally liable for unlawful disclosure of inside information of financial market, if the prohibition of unlawful disclosure of inside information referred to in Article 14(c) of Regulation No 596/2014, as well as the activities provided in in Article 10 of this Regulation have been established. It shall not be considered that a person has unlawfully disclosed inside information of financial market, if disclosure of information takes place when the person carries out work, official or professional duties or when disclosure is considered market sounding conducted in accordance with Article 11(1), (2), (3), (4), (5), (6), (7), and (8) of Regulation No 596/2014.

(4) A person shall be held criminally liable in the cases provided for in the Criminal Law for manipulations in financial markets, if the violation of the prohibition of manipulations referred to in Article 15 of Regulation No 596/2014 has been established, upon the person committing any of the following activities:

1) entering into a transaction, placing an order to trade or any other behaviour which:

a) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or a related spot commodity contract,

b) secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract at an abnormal or artificial level, unless the person entering into a transaction or placing an order to trade establishes that such transaction, order or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice in the relevant market place;

2) entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several financial instruments or a related spot commodity contract, which employs a fictitious device or any other form of deception or contrivance;

3) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument or a related spot commodity contract or secures the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level;

4) transmitting false or misleading information, providing false or misleading data, or any other behaviour which manipulates the calculation of a benchmark.

(5) In cases when a person is not to be held criminally liable for manipulations in financial markets, however, the activities referred to in Paragraph four of this Section and Article 12 of Regulation No 596/2014 are established, the liability of the person shall set in in accordance with Section 148 of this Law.

*[26 May 2016]*

**Section 85. Prohibition against Utilisation of Inside information**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 86. List of Holders of Inside Information**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 86.1 Notification Regarding a Transaction with Financial Instruments**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 87. Duty to Publish Inside Information and Derogations therefrom**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 88. Prohibition against Market Manipulation**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 88.1 Accepted Market Practice**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 89. Duty to Refrain from Executing a Transaction**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Section 90. Rights of the Commission**

In order to ensure conformity with the provisions of Regulation No 596/2014 and this Chapter, in addition to the rights laid down in the Law On Financial and Capital Market Commission and other rights laid down in this Law, the Commission has the following rights:

1) to request and receive from the participants of the financial instrument market the records of telephone conversations and other types of data transmission records;

2) to request from market participants standardised information and reports on transactions with derived instruments of goods in related spot markets, as well as to directly access such trading systems;

3) to assign credit institutions and investment brokerage companies to suspend operations with financial instruments in the account of a person or movement of money in the account of a person for a time period specified in the decision of the Commission;

4) to temporarily suspend trade in financial instruments;

5) to request that the members of a financial instrument market cease any practice which is contrary to the provisions of Regulation No 596/2014 and this Chapter;

6) to temporarily restrict the activities of a participant of the financial instrument market;

7) to request, within the time period specified thereby, that the issuer or another person which has disclosed or distributed false or misleading information, publishes a notification regarding amending of the previously provided information in accordance with the procedures laid down in Regulation No 596/2014;

8) to address law enforcement authorities with an application regarding initiation of criminal proceedings.

*[26 May 2016 /* *The new wording of the Paragraph shall come into force from 3 July 2016.* *See Paragraph 55 of Transitional Provisions]*

**Section 91. Civil Liability**

[26 May 2016 / See Paragraph 55 of Transitional Provisions]

**Part E**

**The Latvian Central Depository**

**Section 92. Activities and Functions of the Latvian Central Depository**

(1) The Latvian Central Depository (hereinafter – the Central Depository) shall operate in accordance with the law, regulatory provisions of the Commission, articles of association and regulations of the Central Depository.

(2) The functions of the Central Depository are the following:

1) to record and register financial instruments, as well as to ensure assignment of identifying properties (ISIN code) in the cases and in accordance with the procedures laid down in this Law;

2) to supervise the conformity of the total amount of financial instruments recorded in the Central Depository of each issue with the number of financial instruments of each issue which are in circulation;

3) to open financial instrument accounts for investment brokerage companies and credit institutions holding financial instruments;

4) to perform financial instrument transfer operations between the financial instrument accounts of investment brokerage companies and credit institutions opened in the Central Depository;

5) to provide services to members of the Central Depository related to the duties of those issuers towards the owners of financial instruments whose publicly circulated issued financial instruments have been recorded by the Central Depository;

6) to issue to investment brokerage companies and credit institutions which have opened accounts in the Central Depository documents attesting to bookings regarding those financial instruments which have been recorded into the accounts of investment brokerage companies and credit institutions by the Central Depository;

7) to organise and manage settlement operations in financial instruments;

8) to register pledge rights in transactions in which the pledger is an investment brokerage company or a credit institution which has opened a financial instrument account in the Central Depository and in which the subject of the pledge is financial instruments registered with the Central Depository;

9) to control the activities of the members of the Central Depository in accordance with the regulations of the Central Depository;

10) to conduct initial register;

11) to ensure transfer of records of financial instruments from one participant of the Central Depository to another.

(3) In the Republic of Latvia only the Central Depository is entitled:

1) to record and register financial instruments which are in public circulation in the cases and in accordance with the procedures laid down in this Law;

2) to ensure assignment of identifying properties (ISIN code);

3) to perform financial instrument transfer operations between the financial instrument accounts of investment brokerage companies and credit institutions opened in the Central Depository;

4) to organise and manage settlement operations in financial instruments which are in public circulation;

5) to conduct initial register;

6) to ensure transfer of records of financial instruments from one participant of the Central Depository to another.

(31) The Central Depository is entitled to delegate the functions referred to in Paragraph three, Clauses 1, 3, and 4 f this Section, if the purpose of such delegation is ensuring of settlements for transactions in financial instruments within the framework of the European Union and an authorisation of the Commission is obtained.

(32) If the Central depository delegates the functions referred to in Paragraph three, Clauses 1, 3, and 4 of this Section to the European Central Bank, the central banks of the Member States or organisation the functions of which comprise ensuring of settlements for transactions in financial instruments within the framework of the European Union, the requirements laid down in Section 142.1, Paragraph five of this Law shall be applied to the agreement on outsourcing services commensurately to the status of the provider of outsourcing service or the laws and regulations of the European Union governing the activities of the provider of outsourcing service.

(4) The Central Depository has the right to provide other services as well.

*[9 June 2005; 29 March 2007; 4 October 2007; 22 March 2012]*

**Section 92.1 Continuity of Activities of the Central Depository**

(1) In order to ensure performance of the functions laid down in Section 92 of this Law, as well as keeping of information, the Central Depository shall draw up a plan for ensuring continuity of activities of the Central Depository.

(2) If the current Central Depository cannot perform the functions laid down in this Law due to insolvency, liquidation or other reasons, the status of the Central Depository shall be granted to another commercial company in accordance with tender procedures. A tender shall be organised by the Ministry of Finance.

(3) The existing Central Depository shall continue its activities until transfer of the functions laid down in Section 92 of this Law to a commercial company to which the status of the Central Depository is granted in accordance with the procedures laid down in Paragraph two of this Section. Such activities shall be financed from the budget of the Commission.

(4) The Commission shall carry out supervision of the Central Depository as long as it has completely fulfilled its obligations against its participants and the functions of the Central Depository laid down in Section 92, Paragraph two of this Law are transferred to a commercial company to which the status of the Central Depository is granted in accordance with the procedures laid down in Paragraph two of this Section.

*[4 October 2007]*

**Section 93. Procedures for Recording and Registration of Financial Instruments in Public Circulation**

(1) Only dematerialised financial instruments shall be put into public circulation.

(2) The Central Depository shall record financial instruments after entering into an agreement with an issuer and after the issuer is entitled to make public offering of financial instruments or put financial instruments in the public circulation in accordance with the procedures laid down in the law, as well as after the issuer has submitted other documents referred to in regulations of the Central Depository to the Central Depository.

(3) Investment brokerage companies and credit institutions which wish to keep such financial instruments that are in the public circulation and are recorded in the Central Depository, shall open accounts in the Central Depository or in other investment brokerage company or credit institution which is registered in the Republic of Latvia and which ensures keeping of the financial instruments owned by the clients of the investment brokerage company or credit institution or owned by the investment brokerage company or credit institution itself in the Central Depository.

(4) The Central Depository shall maintain the records of financial instruments belonging to an investment brokerage company or credit institution, as well as the complete records of financial instruments which are in the possession or holding of clients of the relevant investment brokerage company or credit institution.

(5) An investment brokerage company and credit institution shall ensure the keeping of records of financial instruments for each client in accordance with the principles and procedures of record-keeping specified by the Central Depository.

(6) With regard to the recording of financial instruments in the accounts of financial instruments, the principle in accordance with which financial instruments of the same type and category which were first recorded into the account shall be considered to be the first which are to be written off therefrom shall always be applied.

(7) The procedures for completing recording, registering of financial instruments and settlements for transactions with financial instruments recorded in the Central Depository by the holders of accounts of financial instruments of the second level referred to in Paragraph three of this Section shall be determined by the Commission.

(71) The investment brokerage companies and credit institutions, which have not opened accounts of financial instruments in the Central Depository for holding of their financial instruments and financial instruments of the clients, but holding of financial instruments recorded in the Central Depository is ensured with intermediation of other investment brokerage company or credit institution, have a duty to carry out the following upon request of such investment brokerage company or credit institution in the accounts of which it holds financial instruments, and in accordance with the time period laid down thereby:

1) to provide information regarding persons who own financial instruments or who have financial instruments in their possession;

2) to distribute information to clients regarding meetings of shareholders;

3) to submit a lock-up assignment to this investment brokerage company or credit institution in respect of financial instruments of those persons who own financial instruments and who wish to participate in meetings of shareholders.

(8) The monies owned by owners of financial instruments who are registered in the initial register or were registered in the initial register and who on the last day of the time period of the final share buy-back offer did not accept the final share buy-back offer, shall be kept by the Central Depository separately from its own monies.

(9) The Central Depository is entitled to place the monies referred to in Paragraph eight of this Section in the securities issued by Member States or in other low risk debt securities and use income (yield) obtained from such investment.

(10) The funds referred to in Paragraph eight of this Section shall not be used for satisfying claims of creditors of the Central Depository. This requirement shall also apply to the cases when the Central Depository has been declared insolvent in accordance with the procedures laid down in law.

*[9 June 2005; 15 June 2006; 4 October 2007; 22 May 2008]*

**Section 94. Regulations of the Central Depository**

(1) The regulations of the Central Depository are documents laying down the requirements that must be complied with its members and issuers the financial instruments of which are registered with the Central Depository.

(2) In order to ensure the performance of the functions thereof, the Central Depository shall regulate in the regulations at least the following:

1) procedures for the registration and accounting of financial instruments;

2) procedures for the admission and exclusion of participants of the Central Depository, the rights and duties of participants, as well as procedures for the suspension of partnership status;

3) procedures by which investment brokerage companies and credit institutions may open financial instrument accounts in the Central Depository;

4) procedures by which accounts are operated for transactions in financial instruments recorded by the Central Depository;

5) procedures for the payment of interest from dividends, principal amounts and other income related to the financial instruments recorded by the Central Depository;

6) procedures by which a participant of the Central Depository with issuer status may ascertain the persons possessing or holding financial instruments recorded by the Central Depository;

7) procedures for the pledging of financial instruments recorded by the Central Depository;

71) procedures for the establishment and conducting of an initial register;

72) procedures for the transfer of records of financial instruments from one participant of the Central Depository to another;

8) other issues related to the performance of the functions of the Central Depository.

(3) The Central Depository shall draw up the draft regulations provided for in Paragraph two of this Section and submit them to the Commission. The Commission shall evaluate the conformity of the draft regulations (including amendments to the regulations where required) with the requirements of other laws, other laws and regulations, and successful fulfilment of the functions of the Central Depository, and within 30 days from the date of submitting the draft prepare an opinion thereon. If the opinion does not contain objections, the Central Depository is entitled to decide as to the approval of the regulations.

(4) The Central Depository shall post the regulations and amendments to these regulations on its website after their approval in the board of directors of the Central Depository. The regulations of the Central Depository and amendments to these regulations shall come into force on the day following their putting on the website of the Central Depository, unless the regulations provide for another time period for coming into effect. The Central Depository shall, without delay, notify the Commission of the approval of the regulations.

(5) [9 June 2005]

(6) [9 June 2005]

(7) [9 June 2005]

(8) The Central Depository shall also post other procedures (for example, by-laws, procedures, descriptions, instructions) governing carrying out of the functions of the Central Depository laid down in Section 92, Paragraph two of this Law on the its website.

*[9 June 2005; 15 June 2006; 4 October 2007; 22 May 2008]*

**Section 95. Participants of the Central Depository**

(1) A participant of the Central Depository shall be a legal person who has entered into an agreement with the Central Depository regarding the recording of an issue, the opening of accounts in financial instruments or the servicing of transactions related to financial instruments.

(2) Such investment brokerage company may become a participant of the Central Depository to which the Commission has issued such licence for the provision of investment services which gives the right to hold financial instruments, or a credit institution to which the Commission has issued a licence for the activities of a credit institution and which holds financial instruments.

(3) An investment brokerage company registered in a Member State which provides investment services in the Republic of Latvia, may become a participant of the Central Depository from the day on which, in accordance with the procedures laid down in this Law, it becomes entitled to commence the provision of investment services in the Republic of Latvia, provided that the holding of financial instruments has been permitted thereto in the state of registration of such investment brokerage company.

(4) A credit institution registered in a Member State which provides services in the Republic of Latvia through the opening of a branch office may become a participant of the Central Depository from the date on which it becomes entitled to perform the activities of a credit institution in the Republic of Latvia, provided that the holding of financial instruments has been permitted therefor in the state of registration thereof.

(5) A company registered in a foreign state which provides investment services, may become a participant of the Central Depository only after it is registered with the Commission in accordance with the procedures laid down in this Law, if it is permitted to keep financial instruments in the state of registration of such company.

(6) An issuer who has entered into an agreement with the Central Depository regarding the recording of financial instruments issued thereby may become a participant of the Central Depository with issuer status.

(7) The Republic of Latvia, local governments of the Republic of Latvia and Member States, the Bank of Latvia and market operators may become participants of the Central Depository with a special status.

(8) The Central Depository shall ensure that all participants thereof with the same status have equal rights.

*[4 October 2007]*

**Section 96. Duties of Administrative Bodies of the Central Depository**

(1) The board of directors of the Central Depository shall:

1) decide on the recording of financial instruments;

2) decide on the admission and exclusion of participants in the Central Depository, as well as on the suspension of participant status in the Central Depository;

3) systematically, but not less frequently than once per year, evaluate the quality of the services provided to participants of the financial instrument market;

4) ensure putting of the annual account of the Central Depository on the website of the Central Depository;

5) ensure that information regarding risk management methods and risk management policy of the Central Depository is posted on the website of the Central Depository;

6) approve the regulations of the Central Depository referred to in Section 94 of this Law and tariffs for the services.

(2) Where, due to objective reasons, the convening of the board of directors is impossible, such member of the board of directors who has been authorised for this purpose by the board of directors is entitled to decide on the suspension of activities of a participant in the Central Depository.

(3) [4 October 2007]

(4) The board of directors of the Central Depository shall approve tariffs for services of the Central Depository and any amendments thereto only after consultation with all participants of the Central Depository.

(5) The relevant administrative body of the Central Depository has a duty on its own initiative or upon demand by the Commission to without delay remove from his or her position any members of the board of directors or council if they do not comply with the requirements of this Law.

*[4 October 2007]*

**Section 97. Requirements for Members of the Board of Directors and Council**

(1) Such person may be a member of the board of directors and council of the Central Depository:

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

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

3) who has an unimpeachable reputation;

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

(2) Such person may not be a member of the board of directors and council of the Central Depository:

1) who has been convicted for the committing of an intentional criminal offence, including a wilful bankruptcy;

2) who has been convicted for the committing of an intentional criminal offence, even if the person has been released from serving the sentence due to expiry of the limitation period, clemency or amnesty;

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

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

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

(3) At least two members of the council of the Central Depository shall be representatives of the participants of the Central Depository.

**Section 98. Election to Council of Representatives of Participants of the Central Depository**

(1) The Central Depository has a duty once a year prior to the regular meeting of shareholders to organise a meeting of participants at which two persons shall be elected who shall be appointed to the council by the shareholders of the Central Depository during the regular meeting of shareholders.

(2) One of the persons referred to in Paragraph one of this Section shall be elected by members who have opened financial instrument accounts in the Central Depository, the other – by members of the Central Depository with issuer status.

(3) Each participant of the Central Depository has the right to nominate one representative for the position of member of the council. Each participant shall have one vote in the elections of candidates for the council members. If a participant of the Central Depository is concurrently both a participant with issuer status and a person who has opened a financial instrument account with the Central Depository, it shall nominate only one representative and have one vote.

(4) Participants of the Central Depository shall elect their representative by a simple majority vote. If any of the candidates for the council membership elected by the participants of the Central Depository resigns from this position, the person who has received the next largest number of votes in the election held at the meeting of participants of the Central Depository shall fill the position thereof.

**Section 99. Rights and Duties of the Central Depository**

(1) The Central Depository shall determine the principles for the accounting of financial instruments and the procedures, which are binding on all participants thereof.

(11) The Central Depository shall carry out the necessary measures in order to:

1) to identify and manage possible conflicts of interests between the interests of the Central Depository or its shareholders and the duty to ensure stable operation of accounting and settlement of financial instruments and to prevent adverse effect of such conflicts of interests on the activities of the Central Depository or interests of its participants, particularly when such conflicts of interests may prejudice the rights of the Central Depository to perform the supervision of the participants of the Central Depository referred to in Paragraph three of this Section;

2) identify risks to which it is subjected to, and to manage such risks correspondingly;

3) to ensure due management of technical operation of accounting and settlement of financial instruments.

(2) The Central Depository has the right to receive remuneration for services provided. The amount and type of remuneration shall be specified in the regulations of the Central Depository.

(3) The Central Depository shall supervise the compliance of the participants thereof with the requirements of the regulations of the Central Depository, as well as apply the sanctions specified in the regulations of the Central Depository in cases of non-compliance with the requirements. The Central Depository shall without delay inform the Commission of any determined violations of this Law, other laws and regulations and regulations of the Central Depository, as well as of any decisions taken in relation to these violations.

(4) The Central Depository has the right to open financial instrument accounts in foreign central depositories or organisations organising the accounting of financial instruments, as well as to open financial instrument accounts for such organisations in its own accounts.

(5) The opening of accounts specified in Paragraph four of this Section shall be made possible only upon entering into a contract with the relevant organisations. The Central Depository shall, without delay, notify the Commission regarding entering into such contracts.

(6) The Central Depository, by complying with the procedures laid down in Part F.1 of this Law, has the right to delegate provision of the following outsourcing services to the provider of outsourcing services:

1) conducting of accounting;

2) management or development of information technologies or systems;

3) organising internal control;

4) other activities (outsourcing services) which are necessary for ensuring of activities of the Central Depository and performance of the functions referred to in Section 92 of this Law.

(7) The Central Depository may delegate internal audit service duties as outsourcing service only to a sworn auditor or commercial company of sworn auditors.

(8) The Central Depository is not entitled to delegate:

1) the duties of its administrative bodies which are laid down in accordance with the laws and regulations or the articles or association of the Depository;

2) the functions which in accordance with Section 92, Paragraph three of this Law may be performed only by the Central Depository, except the case referred to in Section 92, Paragraph 3.1 of this Law.

*[9 June 2005; 4 October 2007; 22 March 2012]*

**Section 99.1 Right of the Central Depository to Open Money Accounts**

(1) For execution of the functions referred to in Section 92, Paragraph two, Clauses 1, 4, 5, and 7 of this Law the Central Depository is entitled to open money accounts in the central bank of a Member State on its behalf, if the central bank provides such service, as well as in a credit institution. The Central Depository shall separate the funds transferred into the money account from its own monies.

(2) The Central Depository shall ensure accounting of the requirements and liabilities of its participants, related to the settlement operations performed in the money account.

(3) The monies referred to in Paragraph one of this Section shall not be used for satisfying claims of creditors of the Central Depository. This requirement shall also apply to the cases when the Central Depository has been declared insolvent in accordance with the procedures laid down in law.

*[24 April 2014]*

**Section 100. Supervision of the Central Depository**

(1) The Commission has the right to scrutinise the activities of the Central Depository, which shall include the performance of internal inspections at the Central Depository. Representatives authorised by the Commission have the right to become acquainted with all documents, account books and databases of the Central Depository, as well as to take statements and make true copies (copies) therefrom.

(2) On the basis of a substantiated written request by the Commission, the Central Depository shall submit to the Commission true copies (copies) of documents or other information related to the activities of the Central Depository.

(3) The Commission has the right to convene sessions of administrative bodies of the Central Depository, determine the agenda thereof, as well as to participate in sessions of the administrative bodies of the Central Depository without having the voting rights.

(4) The Commission has the right fully or partially to revoke decisions of the administrative bodies of the Central Depository which are related to the implementation of functions specified in Section 92 of this Law, the appointment of members of the board of directors and council of the Central Depository in the case where they fail to comply with laws, other laws and regulations or the articles of association or regulations of the Central Depository, or which may significantly impact the financial position of the Central Depository.

(5) In the cases referred to in Section 10, Paragraph six of this Law, the Commission has the right to suspend the activities of members of the board of directors and council of the Central Depository and to authorise representatives of the Commission to perform the functions of the administrative bodies of the Central Depository until all violations are rectified.

*[9 June 2005]*

**Part F**

**Investment Services**

**Chapter VII**

**General Provisions**

**Section 101. Right to Provide Investment Services and Ancillary Investment Services**

(1) Only investment brokerage companies and credit institutions, insurance brokers – legal persons, as well as investment management companies in accordance with the procedures laid down by the laws and regulations governing their activities are entitled to provide investment services in the Republic of Latvia. A market operator which has obtained a licence for organising a regulated market and in accordance with the procedures of Section 103.1 of this Law has obtained the right to operate a multilateral trading facility, is also entitled to operate a multilateral trading facility.

(11) An insurance broker – legal person shall obtain a licence for provision of investment services in accordance with the procedures laid down in Chapter VIII of this Law and comply with the requirements set out for activities of an investment brokerage company.

(2) Credit institutions registered in the Republic of Latvia and branches of foreign credit institutions, as well as credit institutions registered in other Member States shall be regarded as credit institutions within the meaning of Part F of this Law.

(3) Investment brokerage companies and branches of foreign investment companies, as well as investment brokerage companies registered in other Member States shall be regarded as investment brokerage companies within the meaning of Part F of this Law.

(31) The following shall be regarded as persons related to an investment brokerage company or credit institution within the meaning of Part F:

1) the chairperson, member of the board of the directors or of the council, tied agent of the investment brokerage company or credit institution, or other person who on behalf of an investment brokerage company or credit institution, when taking significant decisions, causes civil obligations thereto;

2) the chairperson, member of the board of the directors or of the council of the company of a tied agent, or other person on behalf of the tied agent, when taking significant decisions, causes civil obligations thereto;

3) an employee of an investment brokerage company, credit institution or of a tied agent thereof, as well as other natural person who is involved in provision of investment services carried out by the investment brokerage company or credit institution and whose activities are controlled by such investment brokerage company or credit institution;

4) a natural person who is directly involved in provision of outsourcing service to an investment brokerage company, credit institution or tied agent thereof, in providing investment services.

(4) Investment services and ancillary investment services shall be regarded as investment services and ancillary investment services which are provided in the Republic of Latvia, if they:

1) are provided by a commercial company registered in the Republic of Latvia;

2) are provided by a commercial company or natural person registered outside the Republic of Latvia or by a natural person whose place of residence is not in the Republic of Latvia, but the language, type or content of the advertising or offering of investment services and ancillary investment services indicate that the relevant service is being offered in the Republic of Latvia;

3) are offered virtually from the Internet protocol address area granted to the Republic of Latvia or if at least one of the measures necessary for receipt of the service is to be conducted with a person whose location or address is in the Republic of Latvia.

(5) Investment brokerage companies and credit institutions providing investment services shall conform to this Law, regulatory provisions of the Commission and administrative acts issued in relation thereto, as well as internal policy and procedures. Investment brokerage companies and credit institutions providing investment services with financial instruments included in the Central Depository shall also observe the regulations of the Central Depository. Investment brokerage companies and credit institutions providing investment services with financial instruments admitted to trading on a regulated market shall also follow the regulations of the relevant market operator.

(6) The Commission shall establish and maintain a register of investment brokerage companies and of those credit institutions which have the right to provide investment services and ancillary investment services in the Republic of Latvia. The register shall include the type of the investment service or ancillary service for the provision of which the investment brokerage company has obtained a licence or the rights for provision of which a credit institution has obtained in accordance with the procedures laid down in the law. The Commission shall post the register on its website.

(7) The provisions of Chapter F of this Law shall not apply to:

1) insurers and reinsurers;

2) commercial companies included within a group of companies which provide investment services only to other commercial companies included within such group of companies;

3) persons providing investment services on an occasional basis only within the scope of their professional activities if profession activities of such persons are regulated by special laws and regulations and code of conduct which do not preclude them from provision of investment services;

4) commercial companies providing investment services only to their own members of the board of directors and council and employees, and where such commercial companies are not included within a group of companies – also to the members of the board of directors and council and employees of commercial companies included in the same group of companies;

5) companies registered in the Republic of Latvia which, in accordance with the law, are entitled to administer collective investment undertakings or to companies registered in a Member State which administer collective investments;

6) persons who only perform transactions on their account, but who are not market makers or investment brokerage companies or credit institutions that are to be considered as systematic internalisers;

7) participants of the European System of Central Banks and other State institutions carrying out a similar function, as well as the State institutions the duty of which is to manage government debt or to involve in such management;

8) persons whose main activity is not investment services and provision of bank financial services, but who are performing transactions with financial instruments at their account or are providing investment services as additional service to the clients of their main activity within the framework of the group of commercial companies with the derivatives referred to in Section 3, Paragraph two, Clause 4, Sub-clause “g” of this Law;

9) persons who, in carrying out the professional activities non-regulated by this Law, provide consultations regarding investments in financial instruments and do not receive a separate consideration for it;

10) persons whose main activity is transactions with commodities or commodity derivatives on their own account. This exception shall not be in effect, if persons who are performing transactions with commodities or commodity derivatives on their own account, are in the composition of the group of commercial companies the main activity of which is provision of other investment services or financial services;

11) commercial companies which are performing such transaction on their own account in the markets of options, futures or other derivatives markets or markets of the base asset of the derivative the only purpose of which is to restrict financial risk in the market of derivatives, or which are performing transactions on the account of other participants of these markets which are guaranteed by and responsibility for ensuring the fulfilment of the agreements entered into by such companies is undertaken by the participants of settlement system in this market.

*[4 October 2007; 22 May 2008; 9 July 2013; 26 May 2016]*

**Section 102. Rights of Investment Brokerage Companies to Provide Investment Services and Ancillary Investment Services**

(1) An investment brokerage company is entitled to commence the provision of investment services only upon obtaining a licence from the Commission for the provision of investment services (hereinafter in this Chapter – licence). The ancillary investment services which the investment brokerage company intends to provide, shall also be indicated in the licence.

(2) The ancillary investment services referred to in Section 3, Paragraph five, Clause 1 of this Law may be provided only if a licence for provision of investment services is obtained.

(21) The requirements of this Law shall not be applied to commercial companies which provide only the ancillary investment services referred to in Section 3, Paragraph five, Clauses 2, 3, 4, 5, and 8 of this Law.

(3) The Commission shall issue a licence for an indefinite period of time. The licence shall specify the investment services and ancillary investment services the investment brokerage company is entitled to provide.

(4) Investment brokerage companies registered in Member States are entitled to commence the provision of investment services and ancillary investment services in the Republic of Latvia in accordance with the procedures laid down in Section 112 of this Law.

(5) An investment brokerage company has no right to conduct commercial activities which are not related with provision of investment services, ancillary investment services, other financial services or professional activity of an insurance broker – legal person.

(6) Only a capital company which has obtained a licence for the provision of investment services has the right to use the expression “ieguldījumu brokeru sabiedrība” [investment brokerage company] or the abbreviation thereof “IBS” in its firm name.

(7) An investment brokerage company, by ensuring due skill and care and conforming to the procedures laid down in Part F.1 of this Law, has the right to delegate provision of the following outsourcing services to the provider of outsourcing services:

1) conducting of accounting;

2) management or development of information technologies or systems;

3) organising internal control;

4) provision of investment service and ancillary investment service or any significant element thereof.

(8) An investment brokerage company may delegate the duties of the internal audit service as outsourcing service only to a sworn auditor, commercial company of sworn auditors or a parent undertaking of the investment brokerage company – credit institution, insurance company, or investment brokerage company registered in the Member State.

(9) If an investment brokerage company delegates the investment service referred to in Section 3, Paragraph four, Clause 3 of this Law, which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign state, then it shall ensure fulfilment of the following requirements in addition to that laid down in Part F.1:

1) the provider of outsourcing service has obtained a licence in his home country for the provision of such service or is registered as a provider thereof and is subject to supervision of financial status;

2) a corresponding information exchange agreement has been entered into between the Commission and the supervisory authority of the service provider in accordance with Section 145 of this Law.

(10) The Commission is entitled to allow to delegate the investment service referred to in Section 3, Paragraph four, Clause 3 of this Law, which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign state, without applying the conditions referred to in Paragraph nine of this Section, if the guidelines of the policy referred to in Paragraph eleven of this Section are conformed to.

(11) The Commission shall approve the policy regarding the right of an investment brokerage company to delegate the investment service referred to in Section 3, Paragraph four, Clause 3 of this Law, which is provided thereby to a retail client, to a provider of outsourcing service registered in a foreign state, and publish it on its website. This policy shall contain at least the following information:

1) samples for the cases in which the Commission allows delegation of the relevant service to a provider of outsourcing service in a foreign state, if one or both conditions referred to in Paragraph nine of this Section are not met;

2) justification why in the cases referred to in Clause 1 of this Paragraph it shall be regarded that the investment brokerage company will be able to ensure the requirements set out for the provision of outsourcing services in this Law.

(12) An investment brokerage company has no right to:

1) delegate the responsibilities of management bodies of the investment brokerage company laid down in accordance with the laws and regulations governing the activities of an investment brokerage company or the articles of association of the company;

2) completely transfer provision of investment services or ancillary investment services authorised in a licence to providers of outsourcing services.

(13) The Commission shall post the list of those supervisory authorities of foreign states on its website with which it has entered into the information exchange agreement.

(14) An investment brokerage company has the right to provide investment services and ancillary investment services with the intermediation of other investment brokerage company or credit institution.

*[9 June 2005; 15 June 2006; 4 October 2007; 22 May 2008; 4 February 2016]*

**Section 103. Right of a Credit Institution to Provide Investment Services and Ancillary Investment Services**

(1) Credit institutions, branches of foreign credit institutions registered in the Republic of Latvia which have obtained a licence for the operation of a credit institution in accordance with the procedures laid down in the law shall, prior to the commencement of the provision of investment services and ancillary investment services, submit to the Commission the following documents:

1) a description of provision of investment services and ancillary investment services and control procedures thereof;

2) regulations for the protection of the accounting database for documentation of financial instruments;

21) a description of procedures for identification of those transactions which are performed by using inside information or with a view to commit manipulations in a financial instrument market;

3) the articles of association of the division providing investment services and ancillary investment services. If it is intended to provide investment services and ancillary investment services in branches of a credit institution or in constituent bodies regarded as equivalent in terms thereto, the credit institution shall also specify in the articles of association the provision of investment services and ancillary investment services by those constituent bodies;

4) the draft regulations referred to in Section 133.2, Paragraph two, if a credit institution plans to operate a multilateral trading facility.

(2) Credit institutions registered in the Republic of Latvia and branches of foreign credit institutions are entitled to commence the provision of investment services and ancillary investment services provided that within 30 days from the date of submitting the documents referred to in Paragraph one of this Section they have not received any objections from the Commission.

(3) Credit institutions to be established and branches of credit institutions to be opened which are proposing to provide investment services and ancillary investment services, shall submit to the Commission the documents referred to in Paragraph one of this Section concurrently with other documents submitted thereby, in accordance with laws and other regulatory enactments, in order to obtain a licence for the commencement of operations of a credit institution.

(4) Credit institutions registered in Member States are entitled to commence the provision of investment services and ancillary investment services in the Republic of Latvia upon the moment when, in accordance with the law, they are entitled to commence activity as a credit institution in the Republic of Latvia with or without the opening of a branch.

(5) A credit institution has the right to provide investment services and ancillary investment services with the intermediation of another investment brokerage company or credit institution.

*[9 June 2005; 4 October 2007; 26 May 2016]*

**Section 103.1 Right of a Market Operator to Provide an Investment Service for the Operation of a Multilateral Trading Facility**

(1) A market operator registered in the Republic of Latvia, which in accordance with the procedures laid down in the law has obtained a licence for organising a regulated market, shall submit the following documents to the Commission before commencement of operation of the multilateral trading facility:

1) the draft regulations referred to in Section 133.2, Paragraph two of this Law;

2) amendments to the documents referred to in Section 30, Paragraph one, Clauses 3, 4, 5, 6, 7, 8, and 9 of this Law, if such amendments are to be made in relation to the operation of the multilateral trading facility.

(2) A market operator registered in the Republic of Latvia is entitled to commence the operation of the multilateral trading facility provided that within 30 days from the date of submitting the documents referred to in Paragraph one of this Section he has not received any objections from the Commission.

(3) A market operator registered in another Member State is entitled to operate a multilateral trading facility in the Republic of Latvia, if he has obtained the right to carry out such investment service in the home country. The market operator registered in other Member State is entitled to commence the operation of the multilateral trading facility in the Republic of Latvia in accordance with the provisions of Section 133.5 of this Law.

*[4 October 2007]*

**Section 103.2 Provision of Investment Services with Intermediation of Tied Agents**

(1) An investment brokerage company and credit institution have the right to use tied agents so that, on behalf of the investment brokerage company or credit institution, to advertise and offer investment services provided by the company or receive orders from clients or potential clients and to transmit such order to the investment brokerage company or credit institution, to place financial instruments and provide consultations regarding such financial instruments and services which are offered by the abovementioned investment brokerage company or credit institution.

(2) The following natural person with the capacity to act may be a tied agent's responsible person and employee directly involved in the performance of activities related to the provision of investment services referred to in Paragraph one:

1) who has attained eighteen years of age;

2) who has acquired at least secondary education;

3) who has acquired the necessary professional knowledge regarding investment service to be distributed and financial instruments to be offered in order to be able to ensure the tasks of the tied agent laid down in Paragraph one of this Section;

4) who has impeccable reputation and to whom none of the restrictions referred to in Paragraph three of this Law apply.

(3) The following person may not be a tied agent's responsible person and employee directly involved in the performance of activities related to the provision of investment services referred to in Paragraph one:

1) who has been convicted for committing an intentional criminal offence;

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

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

4) who has been held criminally liable for committing an intentional criminal offence, however, the criminal matter against him or her has been terminated for reasons other than exoneration.

(4) An investment brokerage company and credit institution shall ensure training of the tied agent's responsible person and of those employees who are directly involved in performance of activities related to the provision of the investment services referred to in Paragraph one of this Section in order to provide them with the necessary knowledge regarding investment services which are distributed with intermediation of a tied agent.

(5) An investment brokerage company and credit institution shall be responsible for conformity with the criteria laid down in Paragraphs two and three of this Section by the tied agent's responsible person and employees who are directly involved in performance of activities related to the provision of the investment services referred to in Paragraph one of this Section.

(6) An investment brokerage company and credit institution shall maintain a register of tied agents in which the following information shall be entered:

1) the firm name or the given name and surname (for a natural person) of a tied agent, registration number, registered office, phone number or telefax number, and electronic mail address;

2) the given name and surname of the tied agent's responsible person;

3) the Member State in which the tied agent carries out the activities related to the provision of the investment services referred to in Paragraph one of this Section.

(7) The register of tied agents shall be available to the public, it shall be publicly reliable and any person has the right to become acquainted with it on the website of the investment brokerage company or credit institution. The investment brokerage company and credit institution shall be responsible for the correctness and completeness of the information entered in the register of tied agents.

(8) A tied agent, in carrying out his or her professional activity, shall disclose completely information to the clients regarding his or her status and the investment brokerage company or credit institution represented by him or her. The investment brokerage company or credit institution, on behalf of which the tied agent is acting, shall be completely and unconditionally responsible for professional activities of the tied agent.

(9) An investment brokerage company and credit institution shall supervise the conformity of activity of the selected tied agent with the requirements laid down in this Law.

(10) An investment brokerage company and credit institution have a duty to immediately cancel registration of a tied agent upon proposal of the Commission, if:

1) the tied agent has infringed the requirements of this Law;

2) the tied agent has infringed the requirements of the laws and regulations governing prevention of the laundering of proceeds from crime;

3) the tied agent who is acting in a Member State, in conformity with the principle of freedom of establishment and provision of services, has infringed the requirements contained in the laws protecting the public interests and other laws and regulations governing financial instruments market;

4) the tied agent requests to cancel the entry in the register of tied agents;

5) the tied agent is liquidated.

(11) If the administrative act issued by the Commission regarding cancellation of the entry in the register of tied agents is appealed, it shall not suspend the execution of such act.

(12) A tied agent – legal person – has a duty himself or herself or upon proposal of the Commission to remove the tied agent's responsible person or employee directly involved in the performance of activities related to the provision of the investment services referred to in Paragraph one of this Section from office without delay, if:

1) it is detected that he or she has caused a situation which may endanger interests of the clients of the tied agent;

2) he or she fails to comply with the requirements laid down in Paragraph two of this Section or any of the restrictions laid down in Paragraph three of this Section may be applied to him or her;

3) he or she has infringed the requirements of the laws and regulations governing prevention of the laundering of proceeds from crime;

4) he or she has infringed the requirements of this Law.

(13) If an administrative act issued by the Commission regarding removal of the persons referred to in Paragraph twelve of this Section from the office is appealed, such appeal shall not suspend the execution thereof.

*[4 October 2007]*

**Section 104. Restriction on the Provision of Investment Services**

(1) The Commission is entitled to restrict the right of an investment brokerage company to provide one or several investment services or to hold financial instruments if:

1) the investment brokerage company has not been complying with the requirements laid down in laws and other regulatory enactments;

2) the investment brokerage company has not followed the administrative instructions included in administrative acts of the Commission issued in relation thereto or in the administrative acts issued by other institutions which ensure the implementation of this Law, as well as the regulatory provisions of the Commission subordinated thereto;

3) an insolvency application of the investment brokerage company has been submitted to the court or the investment brokerage company has been declared insolvent;

4) a liquidation process of the investment brokerage company has been commenced;

5) the investment brokerage company performs activities, which threaten or may threaten the financial stability, insolvency or reputation of this investment brokerage company.

(2) The Commission is entitled to restrict the right of a credit institution to provide one or several investment services or to hold financial instruments if:

1) the credit institution has not complied with the requirements set forth in laws or other regulatory enactments;

2) the credit institution has not followed the administrative instructions included in the administrative acts of the Commission issued in relation thereto or in the administrative acts issued by other institutions which ensure the implementation of this Law, as well as the regulatory provisions of the Commission subordinated thereto;

3) the Commission has applied an intensified supervision procedure upon the credit institution;

4) the Commission has received an application for insolvency or takes a decision itself regarding the submission to a court of an application for insolvency of the credit institution;

5) the Commission has received a submission for liquidation of the credit institution;

6) the credit institution performs any activities, which threaten or may threaten the financial stability, insolvency or reputation of this credit institution.

(3) If the Commission restricts the right of an investment brokerage company to hold financial instruments, it shall be entitled to require the investment brokerage company to transfer all financial instruments belonging to any clients to another investment brokerage company or credit institution entrusted with the holding of financial instruments.

*[9 June 2005; 15 June 2006; 4 October 2007]*

**Chapter VIII**

**Licensing of Investment Brokerage Companies**

**Section 105. General Requirements for Obtaining a Licence**

An investment brokerage company is entitled to obtain a licence only if it ensures that:

1) the initial capital thereof conforms to the requirements of this Law and regulations issued by the Commission;

2) the members of the board of directors and council (where such has been established) conform to the requirements of this Law;

3) the shareholders (members) thereof conform to the requirements of this Law;

4) the chairperson of the board of directors and at least one more member of the board of directors are competent in investment matters.

**Section 106. Requirements for Members and Stock Owners (Shareholders) of the Board of Directors and Council of an Investment Brokerage Company**

(1) Such person may be a member of the board of directors of an investment brokerage company:

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

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

3) who has an unimpeachable reputation;

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

(2) Such person may not be a member of the board of directors of an investment brokerage company:

1) who has been convicted for committing an intentional criminal offence, including a wilful bankruptcy;

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

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

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

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

(3) Such person may be a member of the council of an investment brokerage company (where such has been founded):

1) who are competent in the financial management issues;

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

3) who has an unimpeachable reputation;

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

(4) Such person may not be a member of the council of an investment brokerage company (where such has been established):

1) who has been convicted for committing an intentional criminal offence, including a wilful bankruptcy;

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

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

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

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

(5) Only such persons may be stock owners (shareholders), which have a qualifying holding in an investment brokerage company and:

1) who have an impeccable reputation;

2) who have financial stability and the lawfulness of the acquisition of financial resources of which may be proved by documentary evidence. When assessing financial stability of stock owners (shareholders), if a person is not a credit institution or insurance company, it shall be taken into account whether the person has sufficient free capital;

3) whom it is possible to identify.

(6) The relevant management body of the investment brokerage company has a duty on its own initiative or upon request of the Commission to remove, without delay, from their position any members of the board of directors or council if they do not comply with the requirements of this Law.

*[9 June 2005; 15 June 2006; 13 January 2011; 22 March 2012]*

**Section 106.1 Provisions Regarding the Total Number of Positions of a Member of the Council and Board of Directors to be Held by a Member the Board of Directors and Council of an Investment Brokerage Company**

(1) When determining the number of positions of a member of the council and board of directors in an investment brokerage company which a member of the board of directors or council, if such has been established, may hold simultaneously, individual circumstances shall be taken into consideration, as well as the nature, scope and complexity of activities of the investment brokerage company.

(2) A member of the council and board of directors of an investment brokerage company, which is important in terms of its size, internal organisation and the nature, scope and complexity of activities, may, except the cases when he or she represents the Republic of Latvia, simultaneously hold no more than:

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

2) four positions of a member of the council.

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

1) within the framework of one consolidation group;

2) in the institutions which are members of the same institutional protection scheme referred to in Article 113(7) of Regulation No 575/2013;

3) in companies (including those that are not financial institutions) in which investment brokerage companies have a qualifying holding.

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

(5) The Commission is entitled to allow a member of the board of directors or council of an investment brokerage company to hold one additional position of a member of the council.

(6) The Commission shall regularly provide the European Banking Authority with information on permits granted in accordance with Paragraph five of this Section.

*[24 April 2014]*

**Section 107. Documents Submitted by an Investment Brokerage Company for Receipt of a Licence**

(1) In order to receive a licence, an investment brokerage company shall submit to the Commission a submission specifying the investment services and ancillary investment services it proposes to provide.

(2) An investment brokerage company shall submit concurrently with a submission the following documents:

1) the following documents of members of the board of directors and council (where such has been established):

a) a notification containing the information referred to in Paragraph four of this Section,

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

c) copies of documents certifying education;

2) a balance sheet and capital adequacy calculation regarding the situation on the last day of the previous month which have been prepared in accordance with the requirements of the laws and regulations governing the preparation of statements and capital adequacy calculation of investment brokerage companies, as well as documents attesting to conformity with the initial capital requirements (for example, a financial statement audited by a sworn auditor, a statement from a credit institution, documents attesting to changes in capital during the current year);

3) an internal control system policy of the investment brokerage company necessary for the activity of the investment brokerage company and qualitative provision of investment services and ancillary investment services and procedure descriptions:

a) a description of the organisational structure of the investment brokerage company with the duties and authorisation of members of the council (where such has been established) and board of directors clearly specified, as well as precisely specified and assigned tasks of any constituent bodies, and the duties of the heads and employees of the constituent bodies providing investment services or ancillary investment services. If the establishment of branches is intended, the investment brokerage company shall also submit a description of the organisational structure of the branches and the duties of heads and employees of the branches providing investment services or ancillary investment services,

b) the main principles of the accounting policy and organising of accounting record-keeping, including record-keeping of financial instruments and monies related to transactions with financial instruments,

c) a description of the management information system,

d) the provisions for the protection of the information system, including the provisions for the protection of the database for record-keeping of financial instruments and monies related to transactions with financial instruments,

e) a description of the internal audit system,

f) a description of internal control procedures for prevention of money laundering of the proceeds from crime and funding of terrorism which comprises also a description of the procedures for identification of clients and management of economic activity,

g) descriptions of policies and procedures for the management of significant operational risks,

h) descriptions of the conformity policy and procedures for activities of the company,

i) the draft regulations referred to in Section 133.2, Paragraph two of this Law, if the investment brokerage company plans to operate a multilateral trading facility;

4) an activity plan for at least the next three years of operation which provides an expanded reflection of the operational strategy, financial prognoses (including balance sheets, draft calculations of returns or losses, draft calculations of capital adequacy, forecast amount of costs per year), descriptions of market research, other information which is considered necessary by the investment brokerage company and which allows the acquisition of a clear and true representation with regard to the planned activities;

5) a description of the procedures for provision and control of investment services and ancillary investment services for the provision of which the investment brokerage company wants to obtain a licence;

51) a description of the procedures for identification of such transactions which are performed, using inside information or with a view to carry out market manipulations;

52) a description of the policy for the prevention of a conflict of interests;

53) a description of the policy for execution of orders;

6) information regarding shareholders (members) in the investment brokerage company:

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

b) for legal persons – the firm name, registered office, registration number and place. Legal persons registered in a foreign state shall also submit copies of registration documents,

c) amount of directly and indirectly acquired qualifying holding of shareholders or members of the investment brokerage company.

(3) An investment brokerage company need not submit regulations governing the procedures for the record-keeping of financial instruments and monies related to transactions with financial instruments and regulations for the protection of accounting database of the financial instruments and monies related to transactions with financial instruments, unless it plans to hold financial instruments.

(4) The notification referred to in Paragraph two, Clause 1, Sub-clause a of this Section shall be completed by members of the board of directors and council (where such has been established). The notification shall specify the following information:

1) the firm name of the investment brokerage company;

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

3) the position;

4) citizenship;

5) education (academic degree);

6) information regarding advanced vocational training;

7) whether the relevant person has ever been convicted;

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

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

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

(5) The Commission has the right to request the investment brokerage company to clarify any documents and information submitted.

(6) If, pending the decision regarding the issue of the licence, changes in the information specified in Paragraph two of this Section occur, or amendments to the documents are made, the company has a duty to submit to the Commission the new information or the full text of such documents with the amendments made without delay.

(7) [9 June 2005]

*[9 June 2005; 4 October 2007; 22 March 2012]*

**Section 108. Procedures for the Granting of a Licence**

(1) The Commission shall examine the submission of an investment brokerage company for receipt of a licence and take a decision within three months after receipt of all the documents laid down in this Law and prepared and drawn up in accordance with the requirements of the laws and regulations which are necessary for taking of the decision.

(2) The Commission shall not issue a licence to an investment brokerage company if:

1) during the establishment of the investment brokerage company this Law and other laws and regulations have not been conformed to;

2) close links of the investment brokerage company with third parties endanger or may endanger its financial stability or restrict the right of the Commission to perform the supervision functions laid down in the law;

3) foreign laws and other regulatory enactments related to persons who have close links with the investment brokerage company restrict the right of the Commission to perform the supervision functions laid down in law;

4) the documents submitted by the investment brokerage company contain incorrect or incomplete information;

5) members of the board of directors of the investment brokerage company do not comply with the requirements laid down in the law;

6) it is not possible to ascertain the identity, reputation, or adequacy of free capital of such persons who have a qualifying holding in the investment brokerage company, or if the Commission determines that the financial resources that are invested in the capital of the investment brokerage company have been acquired in unusual or suspicious financial transactions or the lawfulness of the acquisition of these financial resources has not been proved by documentary evidence;

7) the Commission determines that the influence of persons who have acquired a qualifying holding in the investment brokerage company would not ensure that the administration of it would be financially sound, prudent and in conformity with the laws and regulations governing activities of investment brokerage companies.

(3) Where the Commission has taken a decision to refuse to issue a licence, an application for the receipt of the licence may be resubmitted after the rectification of all deficiencies referred to in the refusal.

(4) The Commission shall consult with the supervisory authority of the relevant Member State before issuing a licence to such investment brokerage company:

1) which is a subsidiary undertaking of the investment brokerage company, credit institution, or insurance company licensed in a Member State;

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

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

(5) The Commission shall, before issuing a licence, as well as during the course of supervision of the licensed investment brokerage company, request and assess information from the relevant supervisory authority regarding suitability of shareholders of the investment brokerage company and reputation and experience of the council, if such has been established, and members of the board of directors, if such persons are involved in the management of commercial companies of such group of companies in which the relevant investment brokerage company will be included.

(6) The Commission shall notify the European Securities and Markets Authority regarding issuance of a licence to an investment brokerage company.

*[9 June 2005; 4 October 2007; 13 January 2011; 22 March 2012; 24 April 2014]*

**Section 108.1 Notification Regarding Changes after Obtaining of a Licence**

Within seven days after changes in the composition of the board of directors or council (if such has been established) of an investment brokerage company, the investment brokerage company shall submit a notification to the Commission regarding the changes made. Concurrently the investment brokerage company shall submit documents of a newly-appointed member of the board of directors or council referred to in Section 107, Paragraph two, Clause 1 of this Law.

*[9 June 2005]*

**Section 109. Change of Investment Services and Ancillary Investment Services Specified in a Licence**

(1) If an investment brokerage company proposes to supplement the investment services indicated in the licence or ancillary investment services with new investment services or ancillary investment services, or proposes to abandon the provision of some investment service or ancillary investment service indicated on the licence, it shall submit to the Commission a relevant application.

(2) If an investment brokerage company wishes to commence the provision of new investment services or ancillary investment services it shall submit concurrently with the submission:

1) a supplement to the activity plan;

2) a description of the procedure of investment services and ancillary investment services the provision of which the investment brokerage company wants to commence;

3) amendments to the existing descriptions of policies and procedures of the investment brokerage company, if such amendments have to be made in relation to commencement of provision of new investment services and ancillary investment services;

4) [9 June 2005];

5) calculation of capital adequacy, if there is a requirement of greater initial capital for the investment brokerage company in relation to commencement of provision of new investment services or ancillary investment services.

(3) The Commission shall within 15 days after receipt of all the documents specified in this Law and prepared and drawn up in conformity with the requirements of laws and regulations which are necessary for the taking of the decision, examine a submission from an investment brokerage company regarding any change in the investment services and ancillary investment services indicated on the licence.

(4) No State fee shall be paid for any change in the investment services and ancillary investment services indicated on the licence.

(5) An investment brokerage company, which has lost the right to the holding of financial instruments as provision of ancillary investment service, shall handle the property owned by its clients in conformity with the requirements laid down in Chapter I of this Law.

*[9 June 2005; 24 April 2014]*

**Section 110. Re-registration of a Licence and Issuing of a Duplicate**

(1) If the firm name of an investment brokerage company is changed, the Commission shall re-register the licence.

(2) The submission of an investment brokerage company for the re-registration of the licence shall be handed in to the Commission not later than within five working days after re-registration of the firm name.

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

(4) In case of the loss of a licence an investment brokerage company shall without delay submit to the Commission a submission for the issue of a duplicate of the licence.

(5) The Commission shall issue a duplicate of the licence not later than within five working days after receipt of the submission.

**Section 111. Procedures for Cancellation of a Licence**

(1) The Commission shall cancel a licence issued to an investment brokerage company in the following cases:

1) the investment brokerage company has not commenced operations within 12 months from the day of issue of the licence;

2) it is determined that the investment brokerage company has provided false information in order to obtain the licence;

3) the investment brokerage company has not been providing investment services and ancillary investment services indicated in the licence thereof for a period longer than six months;

4) the investment brokerage company fails to conform to the requirements of laws and regulations;

5) the investment brokerage company has failed to rectify the infringements of the laws and regulations determined by the Commission within the time period stipulated by the Commission;

6) the investment brokerage company has itself commenced liquidation proceedings;

7) bankruptcy proceedings for the investment brokerage company are initiated in accordance with the procedures laid down in the law;

8) the investment brokerage company has submitted a written submission regarding the cancellation of the licence;

9) it is established that the investment brokerage company fails to conform to the requirements laid down in this Law for obtaining a licence;

10) the prohibition of exercising of the voting right of shares belonging to shareholders of the investment brokerage company with a qualifying holding has set in and it lasts for more than six months.

(11) The Commission shall inform the European Securities and Markets Authority regarding cancellation of a licence issued to an investment brokerage company.

(2) The Commission shall implement the supervision of the investment brokerage company specified in this Law until the investment brokerage company has completely settled all of its obligations with regard to its clients.

(3) An investment brokerage company whose licence has been cancelled shall handle the property owned by its clients in conformity with the requirements laid down in Chapter I of this Law.

*[9 June 2005; 4 October 2007; 13 January 2011; 22 March 2012; 24 April 2014]*

**Chapter IX**

**Provision of Investment Services in the Internal Market of the European Union**

**Section 112. Procedures by which an Investment Brokerage Company Registered in a Member State Commences Provision of Investment Services and Ancillary Investment Services in the Republic of Latvia**

(1) An investment brokerage company registered in the Republic of Latvia is entitled to provide only such investment services and ancillary investment services for the provision of which the investment brokerage company has received a licence in the home country thereof.

(2) A branch of an investment brokerage company which is registered in a Member State, may commence the provision of investment services and ancillary investment services in the Republic of Latvia without receipt of the licence laid down in this Law only after:

1) the Commission has received a notification from the supervisory authority of the home country, which shall include:

a) a certification stating that the relevant investment brokerage company has a valid licence for the provision of investment services,

b) the operational programme of the branch,

c) the address of the branch,

d) the given name, surname, citizenship, personal identity number (if any) or year and date of birth of the head of the branch,

e) information regarding the system for the protection of investors, in which the relevant investment brokerage company is a participant,

f) a written declaration by the supervisory authority of the home country stating that, prior to the commencement of internal control, it will in a timely manner inform the Commission regarding examinations at any branches of investment brokerage companies in the Republic of Latvia and will not hinder representatives of the Commission from any participation in those examinations, as well as submit to the Commission a notification regarding the examination performed after the end of the examination;

2) the Commission has informed the supervisory authority of the home country that it is ready to commence the supervision of the branch of the investment brokerage company, or 30 days have passed since the day the Commission has received from the supervisory authority of the home country the notification referred to in Paragraph two, Clause 1 of this Section.

(3) An investment brokerage company registered in a Member State has a duty to inform the supervisory authority and the Commission 30 days in advance regarding any amendments to the information referred to in Paragraph two, Clause 1 of this Section, as well as regarding the intention to terminate operations at the branch.

(4) An investment brokerage company registered in a Member State is entitled to commence the provision of investment services and investment brokerage services in the Republic of Latvia without opening a branch, provided that the Commission has received a relevant notification from the supervisory authority of the home country of such investment brokerage company and has sent approval to such authority regarding receipt of the notification.

(5) If an investment brokerage company registered in other Member State plans to use tied agents in the Republic of Latvia, the Commission has the right to request that the supervisory authority of the home country of the investment brokerage company provides the data identifying such agents.

*[4 October 2007]*

**Section 113. Procedures by which an Investment Brokerage Company Registered in the Republic of Latvia Commences Provision of Investment Services and Ancillary Investment Services in Another Member State**

(1) An investment brokerage company registered in the Republic of Latvia is entitled to provide only such investment services and ancillary investment services in another Member State for the provision of which it has obtained a licence from the Commission.

(2) An investment brokerage company registered in the Republic of Latvia is entitled to commence the provision of investment services or ancillary investment services in another Member State with or without opening a branch, in accordance with the procedures laid down in this Section.

(3) An investment brokerage company registered in the Republic of Latvia which proposes to commence the provision of investment services and ancillary investment services in any of the Member States shall submit a submission to the Commission. It shall specify in the submission the investment services and ancillary investment services intended to be provided, the Member State in which the provision of such investment services and ancillary investment services is intended, as well as the manner in which they are intended to be provided (with or without opening a branch or using tied agents). If the investment brokerage company plans to use tied agents, it shall submit data identifying such agents to the Commission. Upon request of the supervisory authority of the host Member State the Commission shall provide to it the data identifying those tied agents which the investment brokerage company plans to use in the abovementioned Member State.

(4) An investment brokerage company proposing to commence provision of investment services and ancillary investment services in any of the Member States shall, upon opening a branch, specify in the application the address of the branch and the information referred to in Section 107, Paragraph two, Clause 1 of this Law regarding the head of the branch. The investment brokerage company shall append such documents to the application which give fair and true representation regarding the planned activities of the branch, investment services and ancillary investment services to be provided, organisational framework and organisation of work corresponding thereto and which provide information on whether the relevant branch plans to use tied agents.

(5) The Commission shall examine the application for commencement of the provision of investment services and ancillary investment services in other Member State within 30 days after receipt of all necessary documents prepared and drawn up in accordance with the requirements of this Law, and inform the supervisory authority of the relevant Member State and the relevant investment brokerage company of the decision thereof in writing. The Commission shall take a decision not allow the investment brokerage company to commence provision of investment services and ancillary investment services in any of Member States by opening a branch, if the management structure or financial status of the investment brokerage company fails to conform to the planned activity.

(6) Concurrently with the decision referred to in Paragraph five of this Section, the Commission shall send the information provided by the investment brokerage company and information regarding the system for the protection of investors and maximum amounts of compensation in force in the Republic of Latvia to the supervisory authority of the relevant Member State.

(7) An investment brokerage company shall, not later than 30 days prior to making any amendments to the information referred to in Paragraphs three and four of this Section or the intended termination of activities at the branch, inform the Commission and supervisory authority of the relevant Member State in writing regarding making of amendments, as well as regarding the intention to terminate activities at the branch.

(8) Within 30 days from the day of receipt of the documents, the Commission shall examine the documents referred to in Paragraph seven of this Section and inform the supervisory authority of the relevant Member State and the investment brokerage company of the decision thereof in writing.

(9) An investment brokerage company may commence provision of investment services and ancillary investment services in a Member State without opening a branch after the Commission has informed the supervisory authority of the relevant Member State in accordance with the procedures laid down in Paragraph five of this Section.

(10) An investment brokerage company may commence activities of a branch, if the Commission has received a notification of the supervisory authority of the relevant Member State that it is ready to commence supervision of the branch of the investment brokerage company, or two months have passed since the day when the Commission has sent the notification referred to in Paragraph five of this Section to the supervisory authority of the relevant Member State.

*[4 October 2007]*

**Chapter X**

**Annual Accounts of an Investment Brokerage Company**

**Section 114. Rights of the Commission**

(1) The Commission shall determine the procedures for preparing an annual account and consolidated annual account of the investment brokerage company in accordance with the laws and regulations regarding conducting of accounting and international financial reporting standards.

(2) [29 May 2008]

(3) The Commission is entitled to require that an investment brokerage company submits additionally an extended report prepared by sworn auditors with comments regarding adequacy of the internal control system, an operational risk analysis of the investment brokerage company, and an assessment regarding conformity with the requirements of laws and regulations and the regulatory provisions and orders of the Commission.

*[29 May 2008]*

**Section 115. Annual Accounts of an Investment Brokerage Company**

(1) An investment brokerage company shall prepare accounts for each year of operation which shall include a balance sheet, off-balance items, a profit or loss account, a statement of any changes in capital and reserves, a cash flow statement and annexes, as well as a report by the management of the investment brokerage company.

(2) Annual accounts shall be prepared in accordance with this Law, as well as instructions by the Commission arising from this Law and international financial reporting standards. Annual accounts shall give a true and fair representation of the assets and liabilities of the investment brokerage company, financial position, the results of operations and cash flow thereof.

(3) Where the acquisition of a true and fair representation of an investment brokerage company is impossible in accordance with the requirements of Paragraph two of this Section, the annual accounts shall also include relevant additional information.

*[9 June 2005]*

**Section 116. Evaluation Principles for Items in the Annual Accounts of an Investment Brokerage Company**

[29 May 2008]

**Section 117. Report by Management regarding the Annual Accounts of an Investment Brokerage Company**

(1) The report shall include a characterisation of the financial status and development of the investment brokerage company. If the results of operations at the investment brokerage company which are reflected in the annual accounts have been significantly affected by special circumstances, or the annual accounts may be considered as inadequate, additional information shall be provided in a separate paragraph of the report.

(2) The report shall also provide information on important events where such events have taken place after the end of the reporting year, regarding anticipated developments at the investment brokerage company and important development measures.

**Section 118. Verification of the Annual Accounts of an Investment Brokerage Company**

(1) A sworn auditor shall verify the annual accounts of an investment brokerage company. If such verification has not been performed, it is prohibited for the meeting of shareholders (members) to approve the annual accounts.

(2) Upon performance of the verification of the annual accounts, the sworn auditor has the right to become acquainted with the assets, accounting records, and supporting documents thereof, as well as other information regarding the investment brokerage company. The board of directors, responsible officials and employees of the investment brokerage company have a duty to provide to the sworn auditor all of the required information.

(3) Where the opinion of the sworn auditor includes comments (objections), dividends may be paid out only by consent of the Commission.

(4) A sworn auditor has a duty, upon request of the Commission, to provide any information thereto regarding verification carried out and facts established therein.

(5) A sworn auditor shall, without delay, submit a written report to the Commission on any violations of laws and regulations or other facts ascertained during the provision of auditing services and during the fulfilment of expert’s or confidence task, due to which fulfilment of liabilities or continuity of the activities of the investment brokerage company, or interests of the clients of the investment brokerage company are exposed to danger, or due to which the sworn auditor refuses to give his or her opinion or gives his or her opinion with objections. This report shall concurrently be submitted to the management of the investment brokerage company, unless there are compelling reasons for not doing it.

(6) The sworn auditor has a duty to immediately submit a written report to the Commission on any facts referred to in Paragraph five of this Section which have been discovered during the provision of auditing services to the client, which has a close relationship with the investment brokerage company in the form of holding or control, or during the fulfilment of expert’s or confidence task assigned by this client.

(7) Provision of the information referred to in Paragraphs four and five of this Section to the Commission shall not be considered disclosure of non-disclosable information, and civil liability shall not be established for the conduct of the sworn auditor.

(8) An investment brokerage company shall notify the Commission of paying out the dividends one month in advance. The Commission has the right to prohibit an investment brokerage company from paying out the dividends if, as a result of paying out the dividends, the investment brokerage company fails to conform to the indicators and restrictions, the amount (level) of which affects paying out of the dividends, determined in this Law and directly applicable laws and regulations of the European Union.

*[4 October 2007; 24 April 2014]*

**Section 119. Duties of an Investment Brokerage Company**

(1) An investment brokerage company shall inform the Commission of all circumstances, which may significantly affect further operations at the investment brokerage company.

(2) The investment brokerage company shall, within 10 days after receipt of the report from a sworn auditor addressed to the management thereof, but not later than 1 April of the year following the reporting year, submit to the Commission a copy of such report.

(21) The investment brokerage company shall, not later than within 10 days after approval of the annual account and not later than three months after the end of the reporting year, submit a copy of the annual account and of the report of a sworn auditor to the territorial office of the State Revenue Service according to the registration place of the investment brokerage company, together with an extract from the minutes of the meeting of shareholders or members regarding approval of the annual account. The investment brokerage company, which draws up a consolidated annual account, in addition to that laid down in the first sentence of this Paragraph shall, not later than within 10 days after approval of the consolidated annual account and not later than seven months after the end of the reporting year, also submit to the territorial offices of the State Revenue Service according to the registration place of the investment brokerage company a copy of the consolidated annual account and of a report of the sworn auditor together with an extract from the minutes of the meeting of shareholders or members regarding approval of the consolidated annual account. The investment brokerage company shall submit the documents referred to in this Paragraph in printed form or in electronic form.

(22) The State Revenue Service shall, not later than within five working days, hand over the documents referred to in Paragraph 2.1 of this Section, if they have been submitted in electronic form, or electronic copies of such documents, if they have been submitted in printed form, to the Enterprise Register in electronic form. The Enterprise Register shall ensure public access to the received documents. The procedures for handing over and certification of electronic documents shall be determined by an interdepartamental agreement entered into by the State Revenue Service and the Enterprise Register.

(23) The Enterprise Register shall, after receipt of the documents referred to in Paragraph 2.2 of this Section not later than within five working days, publish a notification in the official publication *Latvijas Vēstnesis* that the information referred to in Paragraph 2.1 of this Section is available in the Enterprise Register.

(3) An investment brokerage company, to which the regulatory capital adequacy requirements are applicable individually and on the level of consolidation group in accordance with this Law, in addition to that laid down in Paragraph 2.1 of this Section shall ensure itself that the annual account is made public together with a report of the sworn auditor not later than on 1 April of the year following the reporting year, but the consolidated annual account together with a report of the sworn auditor – not later than seven months after the end of the reporting year. The abovementioned annual account and the consolidated annual account shall be identical to the one examined by a sworn auditor. The investment brokerage company may make the relevant information public on its website or also choose another corresponding information medium or place for making the information public.

(4) [29 May 2008]

(5) [29 May 2008]

(6) [29 May 2008]

(7) A branch of a foreign investment brokerage company or of an investment brokerage company of a Member State shall ensure that the annual account of the foreign investment brokerage company or investment brokerage company of a Member State is made public not later than seven months after the end of the reporting year. At least the balance sheet, profit or loss account of the annual account and opinion of the sworn auditor must be translated into Latvian. A branch of a foreign investment brokerage company or of an investment brokerage company of a Member State may make the relevant information public on its website or choose other appropriate information medium or place for making the information public.

*[4 October 2007; 29 May 2008; 9 July 2013]*

**Chapter XI**

**Requirements Regulating Activities of an Investment Brokerage Company**

*[24 April 2014]*

**Section 119.1 General Provisions**

(1) The requirements laid down in Section 122 of this Law shall be binding upon such investment brokerage company to which the restrictions of large exposures as defined in Part Four of Regulation No 575/2013 apply. The requirements laid down in Sections 121.1, 122.1, 122.2, 122.3, 123.1, 123.2, 123.3, 123.4, and 123.5 of this Law shall be binding upon such investment brokerage company which is an institution within the meaning of the Regulation No 575/2013.

(2) Within the meaning of this Chapter the term “host Member State” conforms to the term used in Regulation No 575/2013.

(3) The Commission has the right to determine other requirements regulating the activities of investment brokerage companies in addition to the requirements laid down in this Law and Regulation No 575/2013 in order to reduce the risk of activities of such companies and to protect the interests of investors.

*[24 April 2014]*

**Section 120. Initial Capital of an Investment Brokerage Company**

(1) An investment brokerage company proposing to obtain a licence shall ensure that the initial capital thereof amounts to at least:

1) EUR 50,000, if the investment brokerage company proposes to provide any of the investment services referred to in Section 3, Paragraph four, Clause 1, 2, 3, 4, or 8 of this Law, except the case when the investment brokerage company proposes to provide only the investment service referred to in Section 3, Paragraph four, Clause 1 or 8 of this Law;

2) EUR 125,000, if the investment brokerage company proposes to provide at least one of the investment services referred to in Section 3, Paragraph four, Clause 1, 2, 3, 4, or 8 of this Law and to hold the financial instruments and monies of clients;

3) EUR 730,000, if the investment brokerage company proposes to provide services at least one of which is the investment service referred to in Section 3, Paragraph four, Clause 5, 6, or 9 of this Law.

(2) An investment brokerage company which wants to obtain a licence only for the provision of the investment services referred to in Section 3, Paragraph four, Clause 1 or 8 of this Law without holding of the financial instruments and monies of clients, shall ensure that one of the requirements referred to hereinafter is conformed to:

1) its initial capital is at least EUR 50,000;

2) it insures its civil liability which sets in when damages are incurred to clients due to mistakes of professional activities or negligence of the investment brokerage company. The minimum amount of civil liability may not be less than EUR 1,500,000 a year, but for one insurance case – less than EUR 1,000,000;

3) it, by combining the initial capital and civil liability insurance amount, ensures coverage to such extent which is equivalent for conformity with the requirements referred to in Clause 1 or 2 of this Paragraph.

(3) A commercial company, which wants to obtain a licence only for the provision of the investment services referred to in Section 3, Paragraph four, Clauses 1 and 8 of this Law without holding financial instruments and monies of clients and which is registered in the register of insurance and re-insurance intermediaries in the status of an insurance broker, in accordance with the Activities of Insurance and Reinsurance Intermediaries Law, in addition to the requirements laid down in the Activities of Insurance and Reinsurance Intermediaries Law, shall ensure that one of the following requirements is conformed to in respect of the civil liability insurance amount:

1) its initial capital is at least EUR 25,000;

2) in addition it insures its civil liability which sets in when damages are incurred to clients due to mistakes of professional activities or negligence of the investment brokerage company. The minimum amount of civil liability may not be less than EUR 750,000 a year, but for one insurance case – less than EUR 500,000;

3) it, by combining the initial capital and civil liability insurance amount, ensures coverage to such extent which is equivalent for conformity with the requirements referred to in Clause 1 or 2 of this Paragraph.

(4) The minimum amount of the requirements laid down in Paragraphs two and three of this Section which is expressed in euro, shall be reviewed once a year and indexed, if in accordance with information provided by the statistical office Eurostat the consumer price index has changed in the European Economic Area states and the European Commission has taken a decision to carry out indexation.

(5) Own funds of an investment brokerage company may not be less than the minimum initial capital laid down in this Section.

*[29 March 2007; 4 October 2007; 13 January 2011; 19 September 2013]*

**Section 121. Own Funds of an Investment Brokerage Company**

[24 April 2014]

**Section 121.1 Requirements for Capital Buffers, Restrictions of Distribution and Capital Conservation Plan**

An investment brokerage company with a licence, which allows it to provide the investment services referred to in Section 3, Paragraph four, Clauses 5 and 6 of this Law, shall be bound by the provisions of Chapter IV of the Credit Institution Law regarding the capital conservation buffer, counter-cyclical capital buffer, capital buffer of a global and other systematically important institution, systemic risk capital buffer, requirements for total capital buffers, restrictions of distribution and capital conservation plan.

*[24 April 2014]*

**Section 122. Restrictions of Exposures of an Investment Brokerage Company**

(1) Exposures with shareholders (members) of an investment brokerage company who have a qualifying holding in the investment brokerage company, and spouses, parents and children of these shareholders – natural persons, members of the board of directors and council of the investment brokerage company, heads of the internal audit service, risk directors, compliance officers and company controllers, spouses, parents and children of such persons, as well as with commercial companies, in which the referred-to persons have a qualifying holding, may not in total exceed 15 per cent of own funds of the investment brokerage company which is applicable to the determination of restrictions of large exposures in accordance with the Regulation No 575/2013.

(2) The procedures for determination of the amount of exposures with the persons referred to in Paragraph one of this Section shall be determined by the Commission.

*[24 April 2014]*

**Section 122.1 Risk Management and Action Plans**

(1) An investment brokerage company shall draw up and implement a prudent strategy, policies, procedures, and systems which allow to timely identify, assess, analyse and manage credit risk, concentration risk, market risk, operational risk, interest rate risk in the non-trading portfolio, risk of excessive leverage and other risks of importance to the investment brokerage company.

(2) The strategy, policies, procedures and systems of an investment brokerage company shall conform to the complexity and amount of its activities, as well as the permissible risk level determined for the council of an investment brokerage company (or a meeting of members, if no council has been established) and shall be drawn up taking into consideration the systematic importance of an investment brokerage company in each Member State where it operates.

(3) An investment brokerage company shall draw up action plans for emergency situations, liquidity restoration and for ensuring continuity of the activities, as well as determine the measures necessary for their implementation.

(4) The Commission shall determine requirements for risk management of an investment brokerage company, action plans for emergency situation, liquidity restoration and for ensuring continuity of the activities.

*[24 April 2014]*

**Section 122.2 Drawing up of a Recovery Plan and an Adjustment Plan**

(1) An investment brokerage company shall draw up, maintain and update its recovery plan for restoration of financial stability after it has been significantly deteriorated.

(2) The Commission shall draw up adjustment plans for investment brokerage companies in order to ensure continuity of their activities and to preserve stability of the financial sector.

(3) The Commission shall determine the requirements for the content and drawing-up procedures of the plan referred to in Paragraph one of this Section.

(4) The Commission may set reduced requirements for drawing up the recovery plan referred to in Paragraph one of this Section or need not to draw up the adjustment plan for an investment brokerage company referred to in Paragraph two of this Section, if after consultation with the Bank of Latvia it has concluded that insolvency of an investment brokerage company, taking into consideration the size, business model, and association of the investment brokerage company with other investment brokerage companies and financial system, or other circumstances cannot pose a threat to the stability or funding conditions of the financial market and other investment brokerage companies.

(5) The Commission shall timely notify the European Banking Authority of the time and agenda of the meetings that it organises in relation to the drawing up of recovery and adjustment plans for investment brokerage companies.

*[24 April 2014]*

**Section 122.3 Calculation of Own Funds Requirements for Benchmark Portfolios of an Investment Brokerage Company**

(1) An investment brokerage company, which has received a permit for the use of risk-weighted exposure amounts in its internal approach or its own funds requirements for the calculation, shall, except the permit for the use of its own funds requirements for operational risk in its internal approach for the calculation, in addition to the requirements as defined in the Regulation No 575/2013, calculate the risk-weighted exposure amounts or its own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the European Banking Authority.

(2) Upon consulting with the European Banking Authority the Commission is entitled to determine a benchmark portfolio or portfolios different from those determined by the European Banking Authority.

(3) An investment brokerage company shall prepare and at least once a year submit a report to the Commission on the calculation of the risk-weighted exposure amounts or own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the European Banking Authority, and an explanation regarding the methodology used for the calculation referred to in Paragraph one of this Section.

(4) If the Commission has determined a benchmark portfolio or portfolios different from those determined by the European Banking Authority, an investment brokerage company shall prepare and at least once a year submit a separate report to the Commission on the calculation of the risk-weighted exposure amounts and own funds requirements for the exposures and positions of financial instruments included in the benchmark portfolio or portfolios determined by the Commission.

*[24 April 2014]*

**Section 123. Subordinated Capital**

[29 March 2007]

**Section 123.1 Capital of an Investment Brokerage Company for Covering of Risks**

(1) In addition to the own funds requirements laid down in Regulation No 575/2013, an investment brokerage company shall assess the capital necessary for covering of the inherent and potential risks for activities and ensure that the capital necessary for covering of the inherent and potential risks for activities is sufficient, as well as determine the elements and structure of such capital.

(2) An investment brokerage company shall develop a strategy and procedures being appropriate, comprehensive, substantiated and effective for the nature, volume and complexity of its activities and shall carry out the necessary measures for continuous capital assessment and the maintenance of adequate capital.

(3) An investment brokerage company shall regularly review the strategy and procedures referred to in Paragraph two of this Section in order to ensure that they are constantly comprehensive and proportionate to the nature, scope and complexity of activities of the investment brokerage company.

*[29 March 2007; 22 March 2012; 24 April 2014]*

**Section 123.2 Disclosing of Information Related to Regulatory Requirements**

(1) An investment brokerage company, in accordance with Part Eight of Regulation No 575/2013, shall make the information available to the public on its website or choose another appropriate information medium or place for making this information available to the public.

(11) The Commission is entitled to request that the information referred to in Paragraph one of this Section is made available to the public more than once a year and to determine the deadlines for making the information public.

(12) An investment brokerage company, which is a parent undertaking, shall each year make the information public regarding the legal structure of the group, as well as the organisational structure of its management and activities that ensure conformity with the requirements laid down in Section 108, Paragraph two, Clause 2, Section 123.4, Paragraph two and Section 124, Paragraph one, Clause 11 of this Law.

(2) [24 April 2014]

(3) [24 April 2014]

*[29 March 2007; 13 January 2011; 8 November 2012; 24 April 2014; 11 June 2015]*

**Section 123.3 Level of Maintenance of Sufficient Capital for Risk Coverage of an Investment Brokerage Company**

(1) An investment brokerage company, which is neither a parent undertaking registered in the Republic of Latvia and subject to the consolidated supervision nor its subsidiary, as well as any other investment brokerage company, which is not subject to the consolidated supervision in accordance with the requirements laid down in Article 19 of Regulation No 575/2013, shall conform to the requirements laid down in Section 123.1 of this Law on an individual basis.

(2) An investment brokerage company released from the duty to conform to the own funds requirements on a consolidated basis for groups in accordance with Article 15 of Regulation No 575/2013 shall conform to the requirements laid down in Section 123.1 of this Law on an individual basis.

(3) A parent investment brokerage company of the Republic of Latvia shall conform to the requirements laid down in Section 123.1 of this Law on a consolidated basis for groups.

(4) An investment brokerage company, which is a parent financial holding company of the Republic of Latvia or a subsidiary of a parent mixed financial holding company of the Republic of Latvia, shall conform to the requirements laid down in Section 123.1 of this Law on a consolidated basis for groups. If a parent financial holding company or a parent mixed financial holding company controls more than one institution, the requirements laid down in this Paragraph shall only be applied to the investment brokerage company which is under the consolidated supervision in accordance with Section 142 of this Law.

(5) If an investment brokerage company which is a parent investment brokerage company of the Republic of Latvia, a parent financial holding company of the Republic of Latvia, or a subsidiary of a parent mixed financial holding company of the Republic of Latvia, or if its parent financial holding company or its parent mixed financial holding company has a subsidiary registered in a foreign state which is an institution, financial institution or asset management company or which has a holding in the abovementioned institutions or companies, such investment brokerage company shall conform to the requirements laid down in Section 123.1 of this Law on a sub-consolidated basis.

*[24 April 2014]*

**Section 123.4 Level of Application of Plans, Policies, Procedures and Mechanisms of Investment Brokerage Companies**

(1) An investment brokerage company, which is not released from the duty to conform to the regulatory requirements on an individual basis in accordance with Article 7 of Regulation No 575/2013, shall conform to the requirements laid down in Sections 122.1, 122.2, 122.3 and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5 and 1.6 of this Law on an individual basis.

(2) An investment brokerage company, which is subject to the consolidated supervision in accordance with the requirements of Title II of Part One of Regulation No 575/2013, shall conform to the requirements laid down in Sections 122.1, 122.2, 122.3 and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5 and 1.6 of this Law on a consolidated basis for group or on a sub-consolidated basis and shall ensure that its internal control system is consistent, well-integrated and implemented in all of its subsidiaries, including those that are not included in the consolidation groups in accordance with the requirements of Title II of Part One of Regulation No 575/2013, as well as ensure the preparation of all data and information necessary for the supervision. If the Commission has permitted so, an investment brokerage company need not conform to the requirements laid down in Sections 122.1, 122.2, 122.3, and Section 124, Paragraph one, Clause 11 and Paragraphs 1.2, 1.3, 1.4, 1.5, and 1.6 of this Law in its foreign subsidiaries which are not included in the consolidation group in accordance with the requirements of Title II of Part One of Regulation No 575/2013, if it may prove that these requirements do not conform to the laws and regulations of the foreign state where the subsidiary is registered.

*[24 April 2014]*

**Section 123.5 Application of the Optionality Provided for in Regulation No 575/2013, Procedures for the Provision of Statements and Reports, Assessment of Macroprudential or Systemic Risk and Action**

(1) The optionality provided for in Regulation No 575/2013 with regard to the determination of prudential requirements and transitional periods for the application of provisions of this Regulation shall be determined by the Commission.

(2) The Commission is entitled to determine provisions for the submission of reports related to separate events, preparation and submission of statements, as well as the procedures for preparation and provision of information necessary for the supervision of investment brokerage companies and the procedures for receipt of the necessary permits, if it has not been determined by the European Commission.

(3) The Commission, in accordance with Regulation No 575/2013, may determine stricter regulatory requirements in specific areas than those defined in this Regulation.

*[24 April 2014]*

**Chapter XII**

**Provision of Investment Services**

**Section 124. General Requirements**

(1) An investment brokerage company shall, in accordance with a licence issued thereto for the provision of investment services within the term of operation of the licence, comply with and observe the following requirements:

1) ensure that the capital adequacy thereof conforms to the requirements of Regulation No 575/2013 and the regulatory provisions of the Commission, as well as that other requirements regulating the activities of the investment brokerage company are conformed to;

2) ensure that the members of its board of directors and council (where such has been established) are persons who have an unimpeachable reputation;

3) ensure that the head of its board of directors and at least one more member of its board of directors are persons who are competent in investment matters;

4) ensure the internal supervision and auditing of activities, including the determination of procedures by which employees of the investment brokerage company may receive investment services from that investment brokerage company, as well as from other investment brokerage companies and credit institutions;

5) ensure the implementation of transactions performed with financial instruments, the confidentiality of client financial instrument accounts and relevant transactions, in conformity with the requirements of the law;

6) carry out security measures for the processing, storage, and transmission of data, in accordance with the requirements of this Law, the regulatory provisions of the Commission, and internal rules of procedure;

7) ensure that the financial instruments of clients and the investment brokerage company’s own financial instruments are permanently kept separately;

8) ensure that the monies of clients and the investment brokerage company’s own monies are permanently kept separate;

9) ensure storage for 10 years of source documents of transactions performed with financial instruments, as well as conformity with such requirements related to the completion and keeping of source documents which are set out in other Commission regulatory provisions;

10) ensure storage for 10 years of documents related to conformity with the requirements of Chapter XII of this Law. The list of documents to be stored shall be determined by the Commission;

11) ensure the establishment and operation of a comprehensive and effective internal control system which is applicable to the nature, volume, and complexity of its activities, comprising the following basic elements:

a) organisational structure corresponding to the size of the investment brokerage company and activity risks with clearly defined, unambiguous and systematic distribution of duties, powers, and responsibility in performance and control of transactions between divisions of the investment brokerage company and responsible employees,

b) a system for the identification, management, supervision and reporting of inherent and potential risks for activities of the investment brokerage company,

c) internal control procedures,

d) remuneration system;

12) ensure continuous and systematic provision of investment services and ancillary investment services by using corresponding systems, means, and procedures;

13) ensure all the necessary administrative and organisational measures in order to prevent the negative effect of the conflicts of interests referred to in Section 127 of this Law on the interests of clients.

(11) The Commission shall determine the requirements for the establishment of an internal control system of an investment brokerage company.

(12) An investment brokerage company with a licence, which allows it to provide the investment services referred to in Section 3, Paragraph four, Clauses 5 and 6 of this Law, shall provide its officials or employees whose professional activities significantly affect the risk profile of the investment brokerage company with the following:

1) ensure such remuneration policy and practice which conform to prudent and effective risk management and contribute to it but does not contribute to risk-taking above the risk-taking level allowed by the investment brokerage company;

2) not determine the variable component of remuneration to the extent that would exceed the fixed component of remuneration determined for the relevant official or employee during the reporting year, except the cases when the provisions referred to Paragraphs 1.3, 1.4, 1.5, and 1.6 of this Section are conformed to.

(13) For those officials or employees, whose professional activities significantly affect the risk profile of an investment brokerage company, a meeting of shareholders (members) of an investment brokerage company may, under a separate decision, determine the variable component of remuneration to the extent that exceeds, but not more than twice, the fixed component of remuneration determined for the relevant official or employee during the reporting year.

(14) With regard to officials or employees whose professional activities significantly affect the risk profile of an investment brokerage company, a meeting of shareholders (members) of an investment brokerage company shall take a decision on the variable component of remuneration which exceeds the fixed component of remuneration determined for the relevant official or employee during the reporting year on the basis of a draft decision prepared by the investment brokerage company which includes the grounds for determination of such variable component of remuneration, indicates the number of the relevant officials and employees, positions held and functions fulfilled, as well as assesses the impact of the decision on the ability of the investment brokerage company to maintain extent of its own funds necessary for stable activities. The decision shall be taken by the majority of at least 66 per cent of the shares with voting rights (stocks) with a condition that at least 50 per cent of the shares with voting rights (stocks) are represented at the meeting of shareholders (members) of an investment brokerage company, or by the majority at least 75 per cent of the shares with voting rights (stocks) with a condition that less than 50 per cent of the shares with voting rights (stocks) are represented at the meeting of shareholders (members) of an investment brokerage company, if in accordance with the requirements laid down in laws and regulations or provisions of the articles of association of an investment brokerage company such meeting of shareholders (members) is considered competent to take decisions. Officials or employees of an investment brokerage company that are also holders of the shares with voting rights (stocks) shall not participate in the taking of such decision of the meeting of shareholders (members) of the investment brokerage company which relates to the determination of their remuneration.

(15) An investment brokerage company shall, without delay but not later than within five working days after submitting a draft decision prepared in accordance with the requirements laid down in Paragraph 1.4 of this Section to the shareholders (members), submit this draft decision electronically to the Commission along with the evidence that determination of the variable component of remuneration to the extent that exceeds the fixed component of remuneration determined during the reporting year for the relevant officials or employees, whose professional activities significantly affect the risk profile of an investment brokerage company, does not restrict the capability of the investment brokerage company to further conform to the requirements laid down in this Law and Regulation No 575/2013, especially own funds requirements.

(16) An investment brokerage company shall, without delay but not later than within five working days after taking of the decision of the meeting of shareholders (members) of the investment brokerage company referred to in Paragraph 1.3 of this Section, submit it electronically to the Commission.

(17) The Commission shall determine the requirements for the policy and practice of remuneration referred to in Paragraph 1.2, Clause 1 of this Section with regard to the officials and employees of an investment brokerage company whose professional activities significantly affect the risk profile of an investment brokerage company.

(2) A credit institution providing investment services or ancillary investment services shall comply with and observe the following requirements:

1) establish relevant constituent bodies for the provision of investment services and ancillary investment services and ensure the administration, internal supervision and audit of such constituent bodies, including the determination of procedures by which employees of such constituent bodies may receive investment services from this division, as well as from another credit institution or investment brokerage company;

2) ensure that the head of this constituent body is a person who is competent in investment matters and who has an unimpeachable reputation;

3) ensure the execution of transactions performed with financial instruments and the confidentiality of client financial instrument accounts and transactions, in conformity with the requirements of the law;

4) carry out security measures for the processing, storage, and transmission of data, in accordance with the requirements of this Law, the regulatory provisions of the Commission, and internal rules of procedure;

5) ensure that the financial instruments of clients and the credit institution’s own financial instruments are permanently kept separate;

6) ensure storage for 10 years of source documents of transactions performed with financial instruments, as well as conformity with such requirements related to the completion and keeping of source documents which are set out in other regulatory provisions of the Commission;

7) ensure storage for 10 years of documents related to conformity with the requirements of Chapter XII of this Law. The list of documents to be stored shall be determined by the Commission;

8) ensure continuous and systematic provision of investment services and ancillary investment services by using corresponding systems, means, and procedures;

9) carry out all the necessary administrative and organisational measures in order to prevent the negative effect of the conflicts of interests referred to in Section 127 of this Law on the interests of clients.

(3) An investment brokerage company and credit institution, which are members of a regulated market operator, in entering into transactions on a regulated market, are entitled not to apply the requirements referred to in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law in respect of other member of the market operator.

(4) An investment brokerage company and credit institution, which are members of a multilateral trading facility, in entering into transactions on a multilateral trading facility, are entitled not to apply the requirements referred to in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law in respect of other participant of the system.

*[4 October 2007; 13 January 2011; 24 April 2014 /* *See Paragraph 50 of Transitional Provisions]*

**Section 124.1 Status of a Client**

(1) A person to whom an investment brokerage company and credit institution provide investment services and ancillary investment services may have the status of a professional client, retail client, or eligible counterparty.

(2) Professional clients in respect to all investment services and instruments are:

1) institutions licensed for operation in a financial market and supervised in the Republic of Latvia or in other country:

a) credit institutions,

b) investment brokerage companies,

c) other licensed or regulated financial institutions,

d) investment funds and investment management companies,

d1) alternative investment funds and managers of alternative investment funds,

e) insurers,

f) pension funds,

g) commodity dealers,

h) companies which are performing such transactions on their own account in the markets of options, futures or other derivatives markets or markets of the base asset of the derivative the only purpose of which is to restrict financial risk in the market of derivatives, or which are performing transactions on the account of other participants of these markets or make prices for them and which are guaranteed by the participants of settlement system in this market, if responsibility for ensuring the fulfilment of the agreements entered into by such companies is undertaken by the participants of settlement system in this market,

i) other commercial companies the main activity of which is investing in financial instruments and which are making such investments in large amounts;

2) commercial companies which conform to two of the abovementioned three requirements:

a) own funds – not less than EUR 2 million,

b) net turnover – not less than EUR 40 million,

c) balance sheet value – not less than EUR 20 million;

3) states and local governments, State institutions managing government debt, national central banks, the World Bank, the International Monetary Fund, the European Central Bank, and other international financial institutions;

4) other commercial companies the main activity of which is investing in financial instruments and which are making such investments in large amounts;

5) a person who is recognised in another country as a professional client in accordance with the procedure that is equivalent to that laid down in this Section.

(3) An investment brokerage company or credit institution shall inform the client regarding his or her status prior to the commencement of provision of investment services and ancillary investment services.

(4) The client has the right to request that an investment brokerage company or credit institution grants another status of a client thereto. A retail client may acquire the status of a professional client in accordance with the procedures laid down in Paragraphs five, six, and seven of this Section. A professional client may acquire the status of a retail client in accordance with the procedures laid down in Paragraphs nine and ten of this Section. An investment brokerage company and credit institution shall inform the client regarding such rights in accordance with the procedures laid down in Section 126.1 of this Law.

(5) An investment brokerage company or credit institution which provides investment services and ancillary investment services, is entitled to recognise any person as a professional client other than referred to in Paragraph two of this Section, but who has expressed the relevant request, the knowledge and experience of which has been evaluated by the investment brokerage company and credit institution, and which conforms to at least with two of the following criteria:

1) the person has performed transactions of significant amount in the relevant market – at least 10 transactions per quarter during preceding four quarters;

2) the value of the financial instrument portfolio of the person which comprises financial resources and financial instruments exceeds EUR 500,000;

3) the person has at least one year experience in the financial sector in a position where knowledge in respect of transactions and services that the person is planning to perform or receive as a client, is necessary.

(6) An investment brokerage company or credit institution shall, prior to recognising the person referred to in Paragraph five of this Section as a professional client, evaluate his or her competence, experience, and knowledge in order to get certification that, by taking into account the specifics of the intended transactions or services, the client is able to take an investment decision independently and is aware of the relevant risks.

(7) The status of a professional client may be granted to the person referred to in Paragraph five of this Section in general or in respect of certain type of investment service, type of transaction, of particular transaction or product. A person who wants to be recognised as a professional client, shall submit a submission to an investment brokerage company or credit institution, indicating the type of investment service, transaction, or product therein in respect of which he or she wants to receive the status of a professional client. The investment brokerage company or credit institution shall, prior to granting the status of a professional client to the person, warn in writing regarding the right of investor protection which he or she may lose being in the status of a professional client, and the person shall sign a certification that he or she has received such warning and is aware of the consequences from loss of such right. A written agreement shall be entered into regarding granting of a professional status.

(8) A person who is recognised as a professional client shall provide information to an investment brokerage company or credit institution in accordance with the procedures referred to in Paragraphs five, six, and seven of this Section regarding the changes in his or her activities which may affect the conformity of such person with the requirements defined for the status of a professional client. The investment brokerage company or credit institution which receives information that a client does not comply with the requirements defined for a professional client, shall take a decision to withdraw such status and inform the relevant person thereof in writing.

(9) The status of a retail client may be granted to a professional client in general for all services to be provided or for separate types of investment services, transactions, or products. A professional client who wants that the status of a retail client is granted to him or her, shall submit a submission to an investment brokerage company or credit institution, indicating the type of investment service, transaction, or product therein in respect of which he or she wants to receive the status of a retail client.

(10) In order for a professional client to be granted the status of a retail client, an investment brokerage company or credit institution and a person who is regarded as a professional client, shall enter into a written agreement. Such agreement shall provide for the types of investment services, transactions, or products to which the status of a retail client is applied.

(11) An investment brokerage company or credit institution which provides investment services and ancillary investment services, shall draw up and approve internal policy and procedure which ensure conformity with the requirements of this Section in respect of the status of a client.

*[4 October 2007; 13 January 2011; 9 July 2013; 19 September 2013]*

**Section 124.2 Eligible Counterparties**

(1) An eligible may be an investment brokerage company, credit institution, insurance company, investment management company, pension fund and management companies thereof, other financial institutions which are licensed and carry out activities in accordance with the laws and regulations of a Member State or foreign state governing financial services, the commercial companies referred to in Section 101, Paragraph seven, Clauses 10 and 11 of this Law, governments of the countries and other State institutions which are managing government debt, central bank and supranational organisations.

(11) An investment brokerage company and credit institution may apply the status of an eligible counterparty also in respect of the persons referred to in Section 124.1, Paragraph two, Clause 1, Sub-clauses “g”, “h”, “i”, Clauses 2 and 3 of this Law.

(2) An investment brokerage company and credit institution in transactions performed thereby with an eligible counterparty, when providing the investment services referred to in Section 3, Paragraph four, Clause 1, 2, or 6 of this Law, are entitled not to apply the requirements laid down in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law.

(3) An investment brokerage company and credit institution before provision of investment services and ancillary investment services shall inform the companies referred to in Paragraph one of this Section regarding the status of an eligible counterparty applied to them.

(4) The persons referred to in Paragraph one of this Section have the right to request in accordance with the procedures laid down in Section 124.1 of this Law that an investment brokerage company or credit institution grants the status of a professional or retail client to them. If the person referred to in Paragraph one of this Section does not directly indicate which status – the status of a professional or retail client – should be granted to him or her, the investment brokerage company and credit institution shall grant the status of a professional client to him or her.

(5) In order to apply the status of an eligible counterparty to the persons referred to in Section 124.1, Paragraph two, Clause 1, Sub-clauses “g”, “h”, “i”, Clauses 2 and 3, an investment brokerage company and credit institution shall obtain a consent of such person. The consent may be obtained in respect of investment services to be provided in general, to individual investment services or individual transactions.

(6) If a potential client of the investment brokerage company and credit institution is the commercial company referred to in Paragraph 1.1 of this Section, which is registered in another Member State, the investment brokerage company and credit institution shall apply such client status which is applicable to it in accordance with the laws and regulations of such Member State. The investment brokerage company and credit institution are entitled to determine the client status for such commercial company on the basis of information provided by such commercial company regarding the laws and regulations of the relevant Member State.

*[4 October 2007; 22 May 2008]*

**Section 125. Right to Financial Instruments**

(1) Financial instruments belong to the acquirer thereof from the moment they are registered in the financial instrument account of such acquirer.

(2) An entry in the financial instrument account of a person is proof that the financial instruments belong to that person, except for the cases referred to in Paragraph three of this Section.

(3) An investment brokerage company, credit institution or the Central Depository may open such a financial instrument account (nominal account) in which the accounts of financial instruments within the holding of persons are registered.

(4) An investment brokerage company and credit institution are liable for ensuring that the transactions performed with financial instruments are registered without delay and the financial instruments acquired as a result of such transactions are registered in the financial instrument accounts of clients.

(41) Financial instruments which belong to a client of the investment brokerage company or credit institution may not be used in transactions which are performed by the investment brokerage company or credit institution at its own account or account of another client, including in securities financing transactions. Such requirement shall not apply to cases when the client has provided a prior consent to transactions of such type and investment brokerage company or credit institution performs the transaction in accordance with special provisions laid down by the client. A consent by a retail client shall be certified by a signature or using a method equivalent to the signature.

(42) Financial instruments, which belong to clients of the investment brokerage company or credit institution and which are accounted in a nominal account opened at the third party and where financial instruments of several clients are kept together, may not be used in securities financing transactions or other transactions which are performed by the investment brokerage company or credit institution at its own account, except the case when in addition to the requirements of Paragraph 4.1 of this Section at least one of the following provisions is fulfilled:

1) all clients, the financial instruments of which are kept in a nominal account, have consented to transactions of such type in accordance with the requirements of Paragraph 4.1 of this Section;

2) a system or control mechanism is at the disposal of the investment brokerage company or credit institution which ensures that only financial instruments owned by a client who has given a prior consent are used in securities financing transactions or other transactions which are performed by the investment brokerage company or credit institution at its own account.

(43) The investment brokerage company and credit institution in the case referred to in Paragraph 4.2 of this Section shall carry out accounting of financial instruments which ensure information regarding clients in accordance with special provisions of which the transaction is performed and the number of financial instruments owned by them, in order to ensure due distribution of profit or loss.

(5) Financial instruments, which belong to a client of an investment brokerage company or credit institution, may not be utilised for the satisfaction of claims by the investment brokerage company or credit institution. This requirement also applies to cases where the investment brokerage company or credit institution has been declared insolvent in accordance with the procedures laid down in the law.

(6) Financial instruments regarding which an investor has submitted to an investment brokerage company or credit institution a disposal order, on the basis of which the investment brokerage company or credit institution has initiated the implementation of the transaction, may not be utilised for the satisfaction of creditors’ claims.

(7) Such financial instruments owned by legal persons which have been registered in a financial instrument account opened at an investment brokerage company or credit institution, and such financial instruments owned by investment brokerage companies and credit institutions which have been registered in a financial instrument account opened in the Central Depository, may be seized only by an order of a bailiff, in accordance with the procedures laid down in the Civil Procedure Law.

(8) Such financial instruments owned by natural persons which have been registered in a financial instrument account opened at an investment brokerage company or credit institution, may be seized only by an order of a bailiff, in accordance with the procedures laid down in the Civil Procedure Law, or arrested on the basis of a penalty by the prosecutor.

(9) Recovery against such financial instruments owned by legal persons which have been registered in a financial instrument account opened at an investment brokerage company or credit institution, and such financial instruments owned by investment brokerage companies and credit institutions which have been registered in a financial instrument account opened in the Central Depository, may be directed only on the basis of an order by a bailiff, in accordance with the procedures laid down in the Civil Procedure Law, or upon request by the tax administration – in cases specified in tax laws, but upon request by the State Revenue Service – also in cases specified in other laws.

(10) Recovery against financial instruments of natural persons may be directed only on the basis of an order by a bailiff, in accordance with the procedures laid down in the Civil Procedure Law, or on the basis of a decision by the tax administration to recover late tax payments in accordance with the Law On Taxes and Duties.

*[4 October 2007]*

**Section 126. Contract for the Provision of Investment Services and Ancillary Investment Services**

(1) Prior to commencement of the provision of investment services and ancillary investment services, an investment brokerage company and credit institution shall enter into a written contract with the client regarding the provision of investment services and ancillary investment services. The abovementioned contract shall include:

1) identification data of the client of the investment brokerage company or credit institution and client's address; if a nominal account is being opened – identification data and address of the person opening the nominal account;

2) procedures for issuing an order by a client for the investment brokerage company or credit institution for performance of a transaction with financial instruments, and procedures for identification of the client;

3) procedures for exchange of information between an investment brokerage company or credit institution or a credit institution and client (for example, types, means, and time periods for transfer and receipt of information) related to conducting of transactions with financial instruments by taking into account the requirements of Section 126.1 of this Law;

4) procedures for events related to financial instruments (for example, a meeting of shareholders, disbursement of dividends and interest, deletion of debt financial instruments, change of the denomination of financial instruments, joining of issues of financial instruments, division of issues of financial instruments, issuing of subscription rights);

5) procedures for settling accounts of the investment brokerage company or credit institution regarding performance of transactions with financial instruments;

6) procedures for informing clients regarding change of tariffs for services of the investment brokerage company or credit institution;

7) procedures for compensation of mutual losses;

8) procedures for examining mutual disputes;

9) procedures for amending of a contract.

(2) The contract may be entered into in electronic form only provided that an investment brokerage company and credit institution have prior thereto entered into a written contract which provides the right for the investment brokerage company and credit institution to enter into a reciprocal contract with the client in electronic form, and which specifies the procedures by which the client shall be identified.

(3) Prior to entering into a contract for the provision of investment services and ancillary investment services, an investment brokerage company and credit institution have a duty to inform the client regarding the procedures by which complaints and disputes arising from such contract are to be examined out-of-court.

*[4 October 2007]*

**Section 126.1 Types of Exchange of Information Related to Investment Services**

(1) An investment brokerage company or credit institution shall provide information intended for a client in printed form or electronically. When choosing the type of provision of information, a possibility shall be ensured for a client to keep the information personally addressed to him or her and to copy it in an unchanged form during a time period which is justifiably necessary, taking into account the content of information.

(2) An investment brokerage company or credit institution shall ensure an option in respect of changing the type of exchange of information. The type of exchange of information in which the investment brokerage company and credit institution provide information to a client shall be provided for in the agreement regarding provision of investment services.

(3) An investment brokerage company or credit institution shall provide information intended for the client electronically, if:

1) provision of information in electronic form is suitable for conditions in which transactions occur or will occur between the investment brokerage company or credit institution and the client;

2) the client to whom information will be provided, has been offered a possibility to choose whether he or she will receive information in printed form or electronically, and the client has specifically indicated that he or she wants to receive information in such form.

(4) An investment brokerage company or credit institution is entitled to provide information intended for the client which is not addressed to him or her personally, via the Internet, provided that the following provisions are complied with:

1) the client has approved that Internet is available to him or her;

2) the client has specifically indicated that he or she agrees to provision of information in such form;

3) the client has been electronically notified regarding the website address and place on the website where information is available;

4) information is updated in a timely manner;

5) information is constantly available on the website so long as it is justifiably necessary for the client in order to be able to verify it.

*[4 October 2007]*

**Section 126.2 Suitability of Investment Service and Ancillary Investment Service and Conformity Thereof with the Interests of a Client**

(1) In order to determine the suitability of investment service for the interests of a client, an investment brokerage company or credit institution shall request information from the client or potential client regarding his or her experience and knowledge in respect of transactions to be entered into during the course of provision of investment services, if the investment brokerage company or credit institution provides investment service other than consultations regarding investments in financial instruments or individual management of financial instruments according to the authorisation of the investors.

(11) In order to determine whether an investment service, which is consultations regarding investments in financial instruments or individual management of financial instruments according to the authorisation of investors, conforms to the interests of a client, an investment brokerage company or credit institution shall request information from the client or potential client regarding his or her experience and knowledge in respect of transactions to be entered into during the course of provision of investment services, objectives which he or she wants to achieve by respective transactions, and his or her financial position.

(2) An investment brokerage company and credit institution shall use information which is obtained in accordance with Paragraph 1.1 of this Section, in order to determine, giving due consideration to the nature and extent of the service provided, that the particular recommended transaction, when providing consultations regarding investments in financial instruments, or the transaction entered into, when providing portfolio management service in accordance with the authorisation of the investors:

1) conforms to the objective of the relevant client;

2) is such that the client is able to financially undertake any investment risks related to his or her investment objectives;

3) is such that the client has the necessary experience and knowledge in order to understand the risk related to the transaction or management of his or her portfolio.

(3) An investment brokerage company and credit institution shall use the information obtained in accordance with Paragraph one of this Section in order to determine whether the client has the necessary knowledge in order to understand the risks related to the type of offered service or product.

(4) Information regarding knowledge and experience of a client or potential client in the field of investment shall include information regarding:

1) the types of services, transactions, and financial instruments managed by the client;

2) the transactions of the client with financial instruments – their nature, amount, frequency, and time period during which they were performed;

3) the level of education and profession or relevant previous profession of the client or potential client.

(5) When requesting the information referred to in Paragraph four of this Section, an investment brokerage company and credit institution shall take into account such factors as the status of a client (retail client, professional client), the type and amount of service to be performed, the type of product or intended transaction, the complexity of a service and risks related thereto.

(6) Information regarding investment objectives of a client or potential client, where appropriate, shall contain information regarding a time period during which the client wants to keep investment, his or her choice in relation to undertaking of risk, risk profile, and investment purposes.

(7) Information regarding the financial position of a client or potential client, where appropriate, shall contain information regarding his or her sources and amount of regular income, his or her assets, including liquid assets, investments and immovable properties and regarding his or her regular financial obligations.

(8) An investment brokerage company and credit institution are not entitled to encourage the client not to provide the information referred to in this Section.

(9) If in providing consultations regarding investments in financial instruments or in carrying out individual management of financial instruments according to the authorisation of investors, an investment brokerage company or credit institution has not obtained the information referred to in Paragraph 1.1 of this Section, it is not entitled to recommend financial instruments for a client or potential client or to carry out individual management of his or her financial instruments according to the authorisation of investors.

(10) If an investment brokerage company or credit institution, on the basis of information obtained in accordance with Paragraph one of this Section, considers that the relevant product or service is not suitable for a client, it shall warn the client. If the client rejects to provide the information referred to in Paragraph one of this Section to the investment brokerage company and credit institution, or if the investment brokerage company or credit institution has information that such information is incomplete or does not contain the last changes, the investment brokerage company or credit institution shall warn the client or potential client that the company cannot evaluate suitability of the intended service or product for the client. If the investment brokerage company or credit institution has warned the client, but the client has not provided additional information, it shall not be responsible for the consequences caused by refusal of the client to provide information, provision of incomplete information, or failing to give a notice regarding changes in the previously provided information.

(11) The warnings referred to in Paragraph ten of this Section may be made in a standardised form.

(12) If an investment brokerage company or credit institution provides only the investment services referred to in Section 3, Paragraph four, Clause 1 or 2 of this Law with or without the ancillary investment services referred to in Section 3, Paragraph five, Clauses 1, 3, 4, 5, 7, and 8 of this Law, it shall not request the information referred to in Paragraph one of this Section from the client if all of the following conditions are in effect:

1) the service applies to shares, which are admitted to trading on a regulated market of a Member State or a market of a foreign state and which conform to the requirements of Part D, Chapter I of this Law, money market instruments, bonds, or other forms of debt securities (excluding those bonds or debt securities that embed a derivative), investment fund units, and other non-complex financial instruments;

2) the service is provided upon initiative of a client or potential client;

3) the client or potential client has been clearly informed that in provision of this service the investment brokerage company does not evaluate the suitability of the investment service or offered instrument and that, therefore, he or she does not enjoy appropriate protection;

4) an investment brokerage company and credit institution conform to the requirements laid down in Sections 127 and 127.1 of this Law for the prevention of conflicts of interests.

(121) If an investment brokerage company or credit institution provides investment services together with the ancillary investment service referred to in Section 3, Paragraph five, Clause 2 of this Law, when determining suitability of the investment service for the client's interests, it shall take into account the structure of the financial product which forms as a result of provision of the abovementioned ancillary investment service.

(13) Other non-complex financial instruments in the case laid down in Paragraph twelve, Clause 1 of this Section are financial instruments other than those referred to in Section 1, Clause 32, Sub-clause “c” of this Law or which are not derivatives and which conform to the following conditions:

1) there are frequent opportunities to dispose of, redeem, or otherwise sell such financial instruments at prices that are publicly available to market participants and that are either market prices or prices made available by valuation systems independent of the issuer;

2) they do not involve any actual or potential obligations for the client that exceed the costs of acquiring the instrument;

3) adequately comprehensive information on its characteristics is available to the public and is likely to be readily understood so as to enable the average retail client to make an informed judgement as to whether to enter into a transaction in that instrument.

(14) The requirements of this Section shall not be applied in respect of professional clients, because the professional client is regarded as a client who has the required experience and knowledge in relation to products, transactions, and services in respect of which the client is classified as a professional client and as such who is able to undertake risk for any loss that may be caused by the investment.

(15) The requirements of this Section shall not be applied, if the investment service is offered within the framework of other such financial product which is subject to the requirements of the laws and regulations of the European Union in respect of credit institutions or consumer credit and to which other requirements of the client's risk assessment and provision of information apply.

*[4 October 2007; 22 March 2012]*

**Section 127. Conflicts of Interest**

(1) An investment brokerage company and credit institution shall carry out all the necessary and possible measures in order to identify and prevent conflicts of interest which may arise during the provision of investment services and ancillary investment services between the investment brokerage company or credit institution, including employees, tied agents thereof, the persons who control, directly or indirectly, the investment brokerage company or credit institution, and a client, as well as between clients thereof.

(2) In order to identify the types of conflicts of interest which may arise in providing investment services and ancillary investment services, an investment brokerage company and credit institution shall take into account situations when the investment brokerage company or credit institution, the person referred to in Section 101, Paragraph 3.1 of this Law related thereto or the person who controls, directly or indirectly, the investment brokerage company or credit institution:

1) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;

2) has an interest in the outcome of a service provided to the client or of a transaction performed on behalf of the client, which is not in the interests of the client;

3) is interested to act in favour of another client or group of clients;

4) carries on the same professional activity as the client;

5) receives or will receive an inducement from another person in relation to a service provided to the client, in the form of monies, commodities, or services, other than the standard fee for that service.

(3) In order to ensure fulfilment of the requirements of Paragraph one of this Section, an investment brokerage company and credit institution shall develop, approve, and introduce the policy for prevention of conflict of interests corresponding to the size, organisation and type, amount and complexity of its professional activity. If the investment brokerage company and credit institution are in a group of commercial companies, the policy for prevention of conflicts of interest shall also provide for prevention of such conflicts of interests which may arise due to the activity or structure of another commercial company within the group.

(4) In the policy for prevention of conflicts of interests an investment brokerage company and credit institution shall:

1) identify, with reference to the specific investment services and types of ancillary investment services carried out by or on behalf of the investment brokerage company and credit institution or a third person, the circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of one or more clients;

2) determine the necessary procedures to be followed and measures to be carried out in order to manage such conflict of interests.

(5) When determining the procedures and measures for prevention of conflicts of interests, an investment brokerage company and credit institution shall ensure their appropriateness to the size and professional activities of the investment brokerage company and credit institution, or of the group to which it belongs, and to the materiality of the risk of damage to the interests of clients.

(6) In fulfilling the requirements referred to in Paragraph four, Clause 2 of this Section, an investment brokerage company and credit institution shall provide for the following in conformity with its structure and types of investment services provided:

1) effective procedures to prevent or control the exchange of information between the persons referred to in Section 101, Paragraph 3.1 of this Law engaged in activities involving a risk of a conflict of interests, if the exchange of such information may harm the interests of one or more clients;

2) separate supervision of the persons referred to in Section 101, Paragraph 3.1 of this Law whose principal duties involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the investment brokerage company or credit institution;

3) removal of any direct link between the remuneration or income gained by the persons referred to in Section 101, Paragraph 3.1 of this Law the activity of which is related to provision of different investment services, where a conflict of interests may arise in relation to the activities carried out in the process of provision of investment services;

4) measures to prevent or limit a third person from exercising inappropriate influence over the way in which the relevant person carries out investment services or ancillary investment services;

5) measures to prevent or control the simultaneous or sequential involvement of the person referred to in Section 101, Paragraph 3.1 of this Law in provision of different investment services or ancillary investment services where such involvement may impair the proper management of conflicts of interests;

6) other measures and procedures if it is necessary in order to prevent arising of conflicts of interests in activities of the persons referred to in Section 101, Paragraph 3.1 of this Law.

(7) If organisational or administrative measures which have been laid down by an investment brokerage company and credit institution in accordance with the requirements of this Section for the management of conflicts of interests, are not sufficient in order to ensure with due confidence that risk of damage to the interests of clients will be prevented, the investment brokerage company or credit institution shall clearly disclose the essence or sources of conflicts of interests to the client prior it has commenced provision of the relevant investment service to the client, taking into account the requirements of Section 126.1 of this Law.

(8) An investment brokerage company and credit institution shall store and constantly update information regarding the types of those investment services and ancillary investment services which have been provided by the company or which have been provided on behalf of it and which have caused or may give rise to the conflict of interests that materially harms the interests of one or more clients.

(9) An investment brokerage company and credit institution shall establish and introduce a system in order to ensure the fulfilment of the requirements laid down in Section 127.1 of this Law in respect to restrictions for performance of personal transactions.

(10) An investment brokerage company and credit institution distributing investment researches shall carry out the measures specified in Section 127.2 of this Law in addition to the requirements laid down in this Section.

*[4 October 2007; 22 May 2008]*

**Section 127.1 Restrictions for Provision of Personal Transactions**

(1) A personal transaction means a trading transaction in financial instruments performed by the person related to an investment brokerage company or credit institution referred to in Section 101, Paragraph 3.1 of this Law or on behalf of the relevant person, if at least one of the following criteria is in effect:

1) the transaction is not performed within the scope of work or professional duties of the abovementioned person;

2) the transaction is performed on the account of the abovementioned person;

3) the transaction is performed on the account of the spouse, child, step-child (the child of the spouse other than the child of the abovementioned person) or on the account of another relative who has shared household with the person referred to in Section 101, Paragraph 3.1 of this Law for at least one year before performing the transaction;

4) the transaction is performed on the account of other persons whose relationship with the person referred to in Section 101, Paragraph 3.1 of this Law is such that the relevant person has a direct or indirect material interest in the outcome of the transaction, other than a fee for execution of the transaction.

(2) The persons referred to in Section 101, Paragraph 3.1 of this Law are prohibited:

1) to perform a personal transaction on the basis of inside information to which he or she has access by virtue of work or professional duties in the investment brokerage company or credit institution, to perform a personal transaction by involving misuse or improper disclosure of information containing transaction secret, or to perform a personal transaction which conflicts with the requirements laid down in this Law for the investment brokerage company and credit institution;

2) to advise a third person to enter into such transaction with financial instruments which, for the person who has advised the transaction, would be classified as a personal transaction to which the restrictions referred to in Clause 1 of this Paragraph, Section 127.2, Paragraph three, Clause 1 or Section 128.1, Paragraph two of this Law apply, except the case when the transaction is advised when fulfilling work or professional duties;

3) to disclose information to a third person or make an opinion, if the person who has disclosed information, knows, or reasonably ought to know, that as a result of that disclosure the third person will or would be likely to take or advise another person to enter into such transaction with financial instruments which, for the person who has disclosed information, would be classified as a personal transaction to which the restrictions referred to in Clause 1 of this Paragraph, Section 127.2, Paragraph three, Clause 1 and Section 128.1, Paragraph two of this Law apply, except the case when information is disclosed or opinion is made when fulfilling work or professional duties.

(3) The persons referred to in Section 101, Paragraph 3.1 of this Law shall inform the investment brokerage company and credit institution regarding personal transactions performed thereby.

(4) An investment brokerage company and credit institution have the right to determine that the person referred to in Section 101, Paragraph 3.1 of this Law requires an authorisation issued by the investment brokerage company or credit institution.

(5) An investment brokerage company and credit institution shall ensure that the duty laid down in this Section to inform the investment brokerage company and credit institution regarding personal transactions performed thereby and the restrictions laid down in respect of performing of personal transactions is made known to the persons referred to in Section 101, Paragraph 3.1 of this Law.

(6) An investment brokerage company and credit institution shall supervise how the persons referred to in Section 101, Paragraph 3.1 of this Law related thereto comply with the requirements laid down in this Section.

(7) An investment brokerage company and credit institution shall establish and maintain a register where it shall store information regarding the transactions performed by the persons referred to in Section 101, Paragraph 3.1 of this Law, on the basis of information provided by the relevant persons or disclosed during the course of supervision. If the investment brokerage company and credit institution transfer provision of investment service or significant element thereof to a provider of outsourcing service, the procedures for maintaining the register of personal transactions of the persons referred to in Section 101, Paragraph 3.1 of this Law, and the procedures for obtaining information by the investment brokerage company or credit institution from a provider of outsourcing service regarding the personal transactions provided by such persons shall be provided for in the agreement regarding outsourcing services.

(8) If an investment brokerage company or credit institution has determined that an authorisation of the investment brokerage company or credit institution is required for performance of personal transactions, it shall keep information regarding authorisations issued for performing of personal transactions or refusals to issue an authorisation.

(9) The provisions of this Section shall not be applied if:

1) a personal transaction is performed within the framework of individual management and there is no prior communication in connection with the transaction between the portfolio manager and the person referred to in Section 101, Paragraph 3.1 of this Law or another person on whose behalf the transaction is executed;

2) a personal transaction is performed with investment fund units of an investment fund and the person referred to in Section 101, Paragraph 3.1 of this Law or another person on whose behalf the transaction is performed is not involved in management of the fund.

*[4 October 2007; 22 March 2012; 9 July 2013]*

**Section 127.2 Measures for Prevention of Conflicts of Interest for Persons who Develop Investment Research**

(1) Investment research means research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public, and in relation to which the following conditions are met:

1) it is labelled as investment research or is otherwise presented as an objective or independent explanation of the matters contained in the research;

2) it is not the recommendation made to a client, consulting him or her regarding investments in financial instruments.

(2) An investment brokerage company and credit institution, which develop an investment research that is intended to be disseminated to clients of the company or to the public, under their own responsibility or that of a member of group of commercial companies, in which the investment brokerage company or credit institution is included, or arrange the development of such research, shall ensure the implementation of all the measures provided for in Section 127, Paragraph six of this Law in relation to the financial analysts involved in preparation of the investment research and other persons referred to in Section 101, Paragraph 3.1 of this Law whose responsibilities or interests of professional activity may conflict with the interests of the persons to whom the investment research is disseminated.

(3) An investment brokerage company and credit institution which develop an investment research, shall ensure that:

1) financial analysts and other persons referred to in Section 101, Paragraph 3.1 of this Law must not undertake personal transactions or transactions on account of another person, including the investment brokerage company or credit institution, in financial instruments to which investment research relates, or in any related financial instruments, if such financial analyst or persons referred to in Section 101, Paragraph 3.1 of this Law have information regarding the content of such investment research which is not available to the public or available to clients and cannot readily be inferred from information that is so available, until the recipients of the investment research have had a reasonable opportunity to become acquainted with the content of the research and to act on the basis of such research. The requirements of this Clause shall not apply to the case when the financial analyst or other persons referred to in Section 101, Paragraph 3.1 of this Law perform transactions as market makers, fulfilling their duties in good faith and in accordance with the laid down procedures, as well as fulfil an order submitted upon initiative of the client;

2) in addition to the requirements laid down in Clause 1 of this Section, the financial analyst and other persons referred to in Section 101, Paragraph 3.1 of this Law involved in the development of investment research must not undertake personal transactions in financial instruments to which the investment research relates, or in any related financial instruments, contrary to current recommendations, except in exceptional circumstances and with the prior approval of a division which executes compliance control functions of the investment brokerage company and credit institution;

3) the investment brokerage company and credit institution, the financial analyst, and other person referred to in Section 101, Paragraph 3.1 of this Law involved in the development of the investment research must not accept material or other inducements from persons with a material interest in the subject-matter of the investment research;

4) the investment brokerage company and credit institution, the financial analyst, and other person referred to in Section 101, Paragraph 31 of this Law involved in the development of the investment research must not promise to develop the investment research favourable for the issuer;

5) the issuer and other person referred to in Section 101, Paragraph 3.1 of this Law must not, before publication of the investment research, be permitted to review the draft of the investment research, if it includes a recommendation or a target price, except the case when verifying conformity with the legal obligations of the investment brokerage company or credit institution.

(31) Within the meaning of this Section related financial instrument is a financial instrument the price of which is closely affected by price movements in such financial instrument which is the subject of investment research. Related financial instrument may be a derivative financial instrument.

(4) The provisions provided for in Paragraph three of this Section shall not apply to an investment brokerage company and credit institution which disseminate investment research developed by a third person if:

1) the legal person that produces the investment research, and such investment brokerage company or credit institution are not in one group of commercial companies;

2) the investment brokerage company or credit institution, when disseminating the investment research, does not substantially alter its content;

3) the investment brokerage company or credit institution does not present the investment research as having been produced by it;

4) the producer of the research is subject to the requirements under this Law or to equivalent requirements in relation to the prevention of conflicts of interests.

(5) If information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public, fails to conform to the conditions referred to in Paragraph one of this Section, it shall be treated as a marketing communication. The requirements laid down in this Section shall not be applied in the development of marketing communications.

(6) When disseminating the information referred to in Paragraph five of this Section, an investment brokerage company or credit institution shall state that such information has not been prepared in accordance with the requirements of the laws and regulations designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead of the publication of investment research.

*[4 October 2007; 22 May 2008]*

**Section 128. Obligations in Relations with Clients**

(1) When providing investment services an investment brokerage company and credit institution have an obligation to act as an honest and careful proprietor and to ensure the provided services with due professionalism and care for the interests of a client.

(2) An investment brokerage company or credit institution may not include in the contracts entered into with a client regarding the provision of investment services and provision of ancillary investment services any provisions which would be contrary to that specified in Paragraph one of this Section or covertly include consequences which would in any way be directed against the client.

(3) An investment brokerage company and credit institution shall ensure that only the persons authorised by the investment brokerage company or credit institution to perform such activities are entitled to take decisions regarding the individual administration of financial instruments of clients and to provide consultations to clients regarding investments.

(4) An investment brokerage company or credit institution is entitled to authorise for the performance of the tasks referred to in Paragraph three of this Section only such persons who have adequate education and experience and who are competent in the field of investment services.

(5) An investment brokerage company and credit institution shall ensure that all information addressed to clients or potential clients, including marketing communications, is fair, clear, and not misleading. Marketing communications shall be clearly identifiable.

(6) Prior to entering into a contract, an investment brokerage company and credit institution shall disclose to the client or potential client information regarding:

1) the investment brokerage company or credit institution and the investment services and ancillary investment services provided thereby;

2) the financial instruments and investment strategies offered, risks associated with investments in the respective financial instruments or with a particular investment strategy;

3) execution venues;

4) the costs and associated charges for services offered.

(7) An investment brokerage company and credit institution shall disclose the information referred to in Paragraph six of this Section so that clients or potential clients are reasonably able to understand the nature of the investment service, ancillary investment service and of the specific type of financial instrument offered and, consequently, to take decisions on carrying out investments. Such information may be provided in a standardised form. The investment brokerage company and credit institution shall continue to inform the client without a special request during the entire course of provision of investment services, if the relevant information is changed or supplemented.

(8) The requirements in respect of the content of such information which is provided to a client regarding investment service, financial instruments, service costs and transactions performed during the course of provision of the investment service shall be determined by the Commission.

(9) The execution of an order for a client shall not be postponed and shall be executed without delay (except in cases laid down in law), fairly and in accordance with the instructions of the client regarding execution of the task. When executing the task, the investment brokerage company and credit institution shall take into account the requirements laid down in Section 128.1 of this Law.

(10) An investment brokerage company and credit institution, when executing an order of the client, shall carry out all the necessary measures in accordance with the requirements of Section 128.2 of this Law, in order to achieve the best possible results for the client.

(11) An investment brokerage company and credit institution in accordance with the requirements of Section 126.1 of this Law and the regulatory provisions of the Commission shall provide information to the client regarding execution of his or her orders and provision of investment service, including information regarding the costs related to execution of the order or provision of the investment service.

(12) An investment brokerage company and credit institution are prohibited to make or receive payment or provide or accept benefit of another type in relation to the provision of investment services and ancillary investment services, except:

1) payment made or received by the client or a person acting on behalf of the client, or benefit of another type provided or received by the client or person acting on behalf of the client;

2) payment made or received by the third party or a person acting on behalf of the third party, or benefit of another type provided or received by the third party or person acting on behalf of the third party, if:

a) the existence, nature and amount of the payment or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, is clearly disclosed to the client, in a manner that is comprehensive, accurate, and understandable, prior to the provision of the relevant investment service or ancillary investment service. Such information may be provided to the client in the form of a summary, but the client has the right to receive detailed information,

b) the purpose of the payment of the fee or provision of the benefit of another type is to enhance the quality of the relevant service provided to the client and it does not impair the obligation of the company to achieve the best possible results for the client;

3) fees which enable provision of investment services or ancillary investment services or are necessary for the provision of such services (for example, as custody costs of financial instruments, settlement and trading venue fees, regulatory levies), or fee for legal services, where payments, by their nature, cannot give rise to conflicts with the company's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

(13) The client has the right to submit a complaint to an investment brokerage company and credit institution related to the provision of investment services. The investment brokerage company and credit institution shall establish, implement, and conform to effective procedures, in accordance with which complaints of retail clients and potential retail clients are registered and examined, and information is registered regarding measures carried out in relation to such complaints.

(14) Clients, which are regarded to be consumers within the meaning of the Consumer Rights Protection Law, are entitled to submit complaints to the Consumer Rights Protection Centre regarding infringements of the requirements of this Law and other laws and regulations of consumer rights protection, if it is related with the provision of investment services.

(15) The Commission shall provide opinion to clients regarding complaints concerning infringements of the requirements of this Law or other laws and regulations, if it is related with the provision of investment services.

(16) In case of a loss incurred by a client due to incorrect information provided by an investment brokerage company or credit institution, or due to the failure of the investment brokerage company or credit institution to conform to the requirements of this Section, the client has the right to request compensation for losses in accordance with the general procedures laid down in laws.

*[4 October 2007]*

**Section 128.1 Client Order Handling**

(1) An investment brokerage company and credit institution having obtained a licence for the performance of transactions on the account of investors, shall carry out the necessary measures and introduce procedures in order to ensure conformity with the following requirements when carrying out a client order:

1) orders executed on behalf of clients are promptly and accurately recorded;

2) client orders are carried out sequentially and promptly unless the characteristics of the orders or prevailing market conditions make this impracticable, or the interests of the client require otherwise;

3) inform a retail client regarding any material difficulty relevant for the proper carrying out of orders promptly upon becoming aware of the difficulty;

4) ensure that any client financial instruments or client funds received in settlement of that executed order are promptly delivered to the financial instrument account and cash account of the appropriate client.

(2) An investment brokerage company and credit institution, as well as the parties related thereto referred to in Section 101, Paragraph 3.1 of this Law shall not misuse information relating to pending client orders.

(3) If a client has submitted a limit order regarding shares admitted to trading on a regulated market and such order under prevailing market conditions is not promptly executed, an investment brokerage company or credit institution, unless expressly otherwise provided by the client, shall carry out measures in order to ensure execution of the abovementioned order as soon as possible, by disclosing information to the market regarding such order. It shall be regarded that this requirement is conformed to, if the investment brokerage company or credit institution has submitted a limit order to a regulated market operator or operator of multilateral trading facility in accordance with Article 31 of the European Commission Regulation No 1287/2006.

(4) The Commission has the right to exempt an investment brokerage company and credit institution from the duty referred to in Paragraph three of this Section to send a limit order to a regulated market operator or multilateral trading facility, if the volume of transactions is above standard trading volume. The standard trading volume of shares or share class shall be calculated in accordance with the procedures laid down in Article 20 of the European Commission No 1287/2006.

(5) An investment brokerage company and credit institution have the right to aggregate a client order with transaction on own account or with another client order, provided that the order aggregation and allocation policy is developed and conformed to in the institution. The order aggregation and allocation policy may be included in the order execution policy and it shall provide for the following:

1) orders may be aggregated only if it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of clients whose orders are to be aggregated;

2) the investment brokerage company and credit institution have an obligation before aggregation of orders or transaction to inform each client whose order is to be aggregated with an order of another client that the effect of aggregation may work to its disadvantage in relation to a particular order;

3) fair allocation of aggregated orders and transactions especially providing for an explanation how the volume and price of orders determine allocation of orders in each particular case;

4) procedures for allocation of aggregated client orders, if the aggregated order is partially executed;

5) procedures for ensuring conformity with the requirements of Paragraphs six and seven of this Section in respect of allocation or reallocation of aggregated client orders and transactions on own account.

(6) If an investment brokerage company or credit institution have aggregated transactions on own account with one or more client orders, they shall allocate or reallocate the relevant transaction in a way that is not detrimental to the client.

(7) Where an investment brokerage company or credit institution aggregate a client order with a transaction on own account and the aggregated order is partially executed, they shall allocate the related transaction in priority sequence – at first to the client and then to the company. If the investment brokerage company or credit institution is able to demonstrate on reasonable grounds that without aggregation it would not have been able to carry out the order on such advantageous terms, or at all, it may apply proportional income allocation in respect of the transaction for own account.

(8) An investment brokerage company or credit institution which transmits instructions or orders received from clients to other investment brokerage company or credit institution regarding provision of investment services, shall send information to it regarding recommendations provided to the client and information received from the client in accordance with the conditions of Section 126.2 of this Law.

(9) An investment brokerage company or credit institution which transmits instructions or orders received from clients to another investment brokerage company or credit institution regarding provision of investment services and ancillary investment services, shall be responsible for:

1) completeness and precision of the transmitted information;

2) suitability of consultations and recommendations provided to the client.

(10) An investment brokerage company and credit institution, which receive client instructions or orders from another investment brokerage company or credit institution regarding provision of investment services, shall, when providing investment services or ancillary investment services, take into account the information provided by the client and information regarding consultations and recommendations which were provided by another investment brokerage company or credit institution in respect of the particular investment service or ancillary investment service, and shall enter into transaction based on such information.

*[4 October 2007]*

**Section 128.2 Ensuring of the Best Possible Results for a Client**

(1) An investment brokerage company and credit institution, in executing an order on behalf of a client regarding transactions with financial instruments, carrying out individual management of financial instruments of investors according to the authorisation of investors or accepting or transmitting for execution orders of a client regarding transactions with financial instruments, shall ensure the best possible results by taking into account the price of the transaction, the costs, the execution speed, the possibility for execution and settlement, the amount of transaction, specifics or any other considerations in respect of the execution of the order.

(2) In order to ensure the best result for clients, an investment brokerage company and credit institution in accordance with the requirements of Section 128.3 of this Law shall draw up and approve the order execution policy.

(3) An investment brokerage company and credit institution shall evaluate and determine in the order execution policy which of the factors referred to in Paragraph one of this Section are important for their activities in order to ensure the best results for a client. In order to determine the importance of these factors in executing orders, the investment brokerage company and credit institution shall additionally evaluate the following criteria:

1) the characteristics of the client, including the categorisation of the client – retail or professional;

2) the type of the client order;

3) the type of the financial instrument that is the subject of that order;

4) the execution venue of the transaction where the order may be executed (a regulated market, multilateral trading facility, systematic internaliser, market maker, or other liquidity provider).

(4) An investment brokerage company and credit institution are prohibited to perform transactions with financial instruments owned or possessed by clients, if they, when entering into a contract on provision of investment services, have not received a consent of the client for the order execution policy thereof. The investment brokerage company and credit institution may perform transactions outside regulated market and multilateral trading facility, upon receipt of a prior consent of the client regarding each separate transaction or providing for such possibility in the contract.

(5) An investment brokerage company and credit institution have an obligation to prove order execution conformity with the order execution policy upon request of the client.

(6) Where an investment brokerage company and credit institution execute an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to persons involved in execution of the order.

(7) For the purposes of delivering the best possible results for a client, if the client order regarding transaction with financial instruments may be executed in more than one trading venues listed in the order execution policy, an investment brokerage company and credit institution shall evaluate the results to be achieved for the client on each trading venue and compare such results. The investment brokerage company and credit institution shall additionally take into account commissions laid thereby and costs for executing the order on each trading venues. When determining commissions for executing the order, the investment brokerage company and credit institution are not entitled to unjustifiable discriminate different trading venues.

(8) An investment brokerage company and credit institution shall be exempted from the obligation to deliver the best possible results to a client according to the order execution policy, if the client has provided special instructions on how transactions with financial instruments are to be executed, regarding placement of orders, when fulfilling individual management of financial instruments of the client, regarding a person to whom the client order is to be transmitted for execution. In such case the investment brokerage company and credit institution shall conform to the special instructions of the client.

*[4 October 2007]*

**Section 128.3 Order Execution Policy**

(1) If an investment brokerage company and credit institution execute client orders regarding transactions with financial instruments on behalf of the client, the client order execution policy shall provide for the following regarding each class of financial instruments:

1) information regarding trading venues on which the investment brokerage company and credit institution execute client orders. At least those trading venues shall be provided for in the order execution policy where the investment brokerage company and credit institution plan to ensure the best possible result in execution of client orders;

2) factors which determined selection of the trading venue for the relevant class of financial instruments in accordance with Section 128.2 of this Law.

(2) If an investment brokerage company and credit institution carry out individual management of financial instruments of investors according to the investors' authorisation or accept and transmit client orders for execution regarding transactions with financial instruments, it shall indicate information in the order execution policy regarding institutions where the investment brokerage company and credit institution place orders or transmit client orders for the execution. The investment brokerage company and credit institution are entitled to transmit client orders for execution only to such institutions which have approved policy that ensures the best possible result for the client.

(3) An investment brokerage company and credit institution shall evaluate efficiency of the client order execution policy on a regular basis. The investment brokerage company and investment institution shall, each year or in case where material changes arise, which affect the ability of the investment brokerage company or credit institution to continue to achieve the best possible result in respect of the client order, by permanently using trading venues listed in the order execution policy, review the order execution policy and order execution measures. If material amendments are made to the order execution policy, the investment brokerage company and credit institution shall inform the clients thereon.

(4) If amendments are made to the list of order execution venues, which an investment brokerage company or credit institution considers as material, it shall make the relevant amendments to the order execution policy and inform the clients thereon accordingly.

(5) An investment brokerage company and credit institution, prior to entering into a contract on provision of investment services, shall inform the client regarding the order execution policy developed in accordance with the procedures laid down in this Section. The investment brokerage company and credit institution shall provide the following information regarding their execution policy to retail clients in accordance with the requirements of Section 126.1 of this Law:

1) a report regarding the factors referred to in Paragraph one of this Section which the relevant investment brokerage company or credit institution considers to be material in order to ensure the requirement to deliver the best possible result to a client, or the procedures in accordance with which the investment brokerage company and credit institution evaluate and determine the importance of such factors;

2) a list of the execution venues on which the investment brokerage company and credit institution plan to obtain on a consistent basis the best possible result for execution of client orders;

3) a clear and prominent warning that any specific instructions from a client may prevent the company from taking the steps that it has designed in its execution policy to obtain the best possible result for execution of those orders in respect of the elements covered by those instructions.

(6) If an investment brokerage company and credit institution provide for a possibility to execute a client order outside a regulated market or multilateral trading facility in their order execution policy, they shall expressly inform their clients regarding such possibility.

*[4 October 2007; 22 May 2008]*

**Section 129. Holding of Client Funds**

(1) An investment brokerage company is entitled to hold the client funds, which may be used only for ensuring of transactions to be performed with the financial instruments of the client, according to a written contract between the client and the investment brokerage company.

(2) The investment brokerage company shall hold the client funds separately from its own funds:

1) in a central bank of a Member State, if it provides such service to investment brokerage companies or credit institutions;

2) in a credit institution registered in the Republic of Latvia or in a credit institution registered in a Member State, or in a credit institution registered in a foreign state;

3) in a money market fund which conforms to the requirements referred to in Paragraph five of this Section.

(3) An investment brokerage company is entitled to hold the client funds in a money market fund only upon prior consent by the client.

(4) An investment brokerage company, when taking a decision on a credit institution or fund where to hold funds belonging to the client, shall evaluate with proper skill and accuracy the competence and reputation of such credit institution or fund on a financial market, as well as the requirements or case law in force in the relevant state in respect of holding of client funds that could be detrimental to the client's interests. The investment brokerage company and credit institution shall, once a year, evaluate repeatedly the competence of the selected credit institution and conditions for holding of client funds.

(5) A money market fund where in accordance with Paragraph two of this Section an investment brokerage company is entitled to hold funds, shall be an open investment fund which is licensed and selected in a Member State and conforms to the following criteria:

1) its primary investment objective is to maintain the net asset value of the undertaking either constant at par, net of earnings, or at the value of the investors’ initial capital plus earnings;

2) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;

3) it must provide liquidity through same day or next day settlement.

(6) Within the meaning of this Section, a money market instrument shall be considered to be of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument. Within the meaning of this Section, a rating agency shall be considered to be competent if the Commission has recognised it to be a suitable external credit assessment institution in accordance with the requirements of the Credit Institution Law and which, in performing profession activities, regularly issues credit ratings in respect of money market funds.

(61) An investment brokerage company shall inform the persons referred to in Paragraph two of this Section that funds transferred by the investment brokerage company for holding are owned by its clients.

(7) An investment brokerage company shall perform accounting of such funds belonging to each client which are held by the investment brokerage company. In accounting of funds belonging to clients, the investment brokerage company shall ensure that:

1) it is possible at any time to distinguish funds held for one client from funds held for another client, or from funds of the investment brokerage company;

2) accounts are compared on a regular basis with the accounts of that third party in which the funds of clients are held by the company.

(8) Monies belonging to a client of an investment brokerage company may not be utilised for the satisfaction of claims of creditors of the investment brokerage company. This requirement also applies to those cases when an investment brokerage company has been declared insolvent in accordance with the procedures laid down in the law.

(9 If a credit institution holds the funds of clients necessary for ensuring of transactions to be carried out with financial instruments at a third party on behalf of clients, without demonstrating the abovementioned funds of clients on a balance sheet of the credit institution, it shall conform to the requirements of Paragraphs two, three, four, five, six, 6.1, and eight of this Section and ensure that:

1) it is possible to separate the funds belonging to one client from the funds belonging to another client or from the funds belonging to the credit institution;

2) accounts of the funds of clients held by the credit institution are compared on a regular basis with the accounts of that third party where the credit institution holds the funds of clients.

*[4 October 2007; 22 May 2008; 26 February 2009; 26 May 2016]*

**Section 129.1 Holding of Client Financial Instruments**

(1) An investment brokerage company and credit institution are entitled to hold client financial instruments according to a written contract of the client and the investment brokerage company or credit institution.

(2) An investment brokerage company and credit institution shall hold separately the financial instruments belonging to a client from its own financial instruments.

(3) An investment brokerage company and credit institution are entitled to hold financial instruments belonging to a client at a third party. The investment brokerage company and credit institution, when taking a decision on a third party, where to hold financial instruments belonging to the client, shall evaluate with proper skill and accuracy the competence and reputation of such party on a financial market, as well as the requirements or case law in force in the relevant state in respect of holding of client financial instruments that could be detrimental to the client's interests. The investment brokerage company and credit institution shall, once a year, evaluate repeatedly the competence of the selected party and conditions for holding of client financial instruments.

(4) An investment brokerage company and credit institution are entitled to hold financial instruments belonging to a client only with such third party which is subjected to the requirements in force in the relevant state regarding separate holding of client financial instruments and which is supervised.

(5) An investment brokerage company and credit institution are not entitled to deposit financial instruments belonging to a client with a third party registered in a foreign state, if holding of financial instruments on behalf of third parties is not regulated in the state unless one of the following conditions is met:

1) the nature of the financial instrument or of the investment service connected with such instrument requires it to be deposited with a third party in that third country;

2) the financial instruments are held on behalf of a professional client, and the client has requested the investment brokerage company in writing to deposit them with a third party in that third country.

(6) An investment brokerage company and credit institution shall perform the accounting of client financial instruments held thereby. In accounting of financial instruments belonging to clients, the investment brokerage company and credit institution shall ensure that:

1) it is possible at any time to distinguish financial instruments belonging to one client from financial instruments belonging to another client, or from financial instruments belonging to the investment brokerage company or credit institution;

2) accounts are compared on a regular basis with the accounts of financial instruments of that third party where the company holds the financial instruments of clients.

(7) An investment brokerage company and credit institution, which hold the financial instruments belonging to a client with the third party, shall ensure that the financial instruments belonging to the client are identifiable separately from the financial instruments belonging to the third party or the company by using accounts with different names in the accounting documents of the third party or similar measures which ensure the same protection level.

(8) An investment brokerage company and credit institution shall introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client financial instruments, or of rights in connection with those financial instruments, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

(9) The Commission may permit an investment brokerage company which executes orders of investors regarding transactions with financial instruments, to hold financial instruments on its behalf (to undertake liabilities and risk arising from positions of financial instruments on its behalf), if the following conditions are met concurrently:

1) the reason for such positions of financial instruments are solely the inability of the investment brokerage company to match orders of investors;

2) the total market value of such positions of financial instruments does not exceed 15 per cent of the initial capital of the investment brokerage company;

3) the investment brokerage company is carrying out the requirements laid down in Articles 92, 93, 94, and 95 and Part four of Regulation (EU) No 575/2013;

4) such positions of financial instruments are of chance and temporary nature, and they exist only for the time period which is necessary in order to perform the abovementioned transaction with financial instruments.

*[4 October 2007; 22 May 2008; 22 March 2012; 15 December 2016]*

**Section 129.2 Report of a Sworn Auditor on Holding of Client Funds and Financial Instruments**

An investment brokerage company and credit institution shall ensure that a sworn auditor examines at least annually if the measures carried out by it are sufficient in order to comply with the requirements laid down in Section 125, Paragraphs 4.1, 4.2, 4.3 and Paragraph five, Sections 129 and 129.1 of this Law. The sworn auditor shall submit a written report to the Commission on the examination referred to in this Section.

*[22 March 2012]*

**Section 130. Financial Instrument Accounts**

(1) Prior to opening a financial instrument account, an investment brokerage company or credit institution shall identify the person proposing to open an account, as well as determine whether the financial instruments to be registered in the account will belong to or be held by this person. The account in which the registered financial instruments are financial instruments held by a person shall be identified as a nominal account.

(2) The opening of financial instrument accounts without the identification of a client is prohibited. This requirement also applies to money accounts of clients opened by investment brokerage companies, which are opened for the ensuring of financial instrument transactions to be performed for clients.

(3) In the case of an opening of a nominal account, the identification of the account shall reflect information stating that it is a nominal account and that the financial instruments therein do not belong to the person opening the account.

(4) An investment brokerage company and credit institution are only entitled to open a nominal account, provided that the person for whom the nominal account is being opened acts in accordance with laws and regulations the requirements of which specified wherein regarding identification of clients are not less stringent than those laid down in the laws and regulations of the Republic of Latvia.

(5) [4 October 2007]

(6) [9 June 2005]

(7) [4 October 2007]

(8) [4 October 2007]

(9) [4 October 2007]

*[9 June 2005; 4 October 2007]*

**Section 130.1 Financial Instrument and Money Account Statements**

(1) An investment brokerage company or credit institution shall, in accordance with the mutual contract regulating the holding of financial instruments for the client, as well as upon request by the client, issue to the client a financial instrument account statement regarding:

1) any transactions performed within a specified period of time with one, several or all of the financial instruments;

2) any transactions performed during the entire period of existence of the account with one, several or all of the financial instruments, including regarding securities financing transactions;

3) any particular transaction with the financial instruments;

4) any financial instruments owned by the client which are registered in the account.

(2) Account statements shall specify the data identifying an investment brokerage company or credit institution, the data identifying a client, the number of the account, the period of time for which the transactions are reflected in the account, the date of issue of the account statement, the data identifying the financial instruments (name, ISIN code), the opening and ending balance sheet of the account, the date on which the financial instruments were registered in the account, the amount and price (if such is known) of the financial instruments registered as a result of each transaction performed with the financial instruments, the total amount of financial instruments transferred into and written off from the accounts within the period of time for which the account statement has been issued.

(3) An investment brokerage company or credit institution shall ensure that an account statement is sent to the client at least once a year, if information to be included therein has not been otherwise provided to the client during the year. The statement shall contain the following information:

1) information regarding financial instruments belonging to the client which are registered in the account at the end of the period covered by the statement. In cases where the portfolio of a client includes the proceeds of one or more uncompleted transactions, the information regarding financial instruments may be demonstrated by applying either data of the accounting type on the trade date or the settlement date. The selected accounting type is applied consistently to all such information in the statement;

2) indication whether client financial instruments have been the subject of securities financing transactions and the extent to which they are used;

3) the benefit that has accrued to the client by virtue of use of financial instruments belonging to him or her in any securities financing transactions, and the basis on which that benefit has accrued.

(4) An investment brokerage company or credit institution, which carries out individual management of the client financial instruments, may include the information referred to in this Paragraph in the statement regarding investment service, provided thereby to the client in accordance with the provisions of Section 128, Paragraph eleven of this Law.

(5) The relevant data, which provide information equivalent to the information referred to in this Section regarding the financial instrument account, shall be indicated in the statement regarding a client’s money account opened with an investment brokerage company.

*[4 October 2007]*

**Section 131. Confidentiality of Financial Instrument Accounts and Transactions**

(1) An investment brokerage company and credit institution have an obligation to guarantee the confidentiality of financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with financial instruments.

(2) A credit institution shall guarantee the confidentiality of the financial instrument accounts of clients and transactions performed with financial instruments, in conformity with the requirements of the Credit Institution Law and Paragraphs eleven and twelve of this Section.

(3) An investment brokerage company shall guarantee the confidentiality of the financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with financial instruments, in accordance with the requirements of this Law.

(4) An investment brokerage company shall provide information regarding the financial instrument accounts of natural persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with such financial instruments directly to such natural persons and to their legal representatives.

(5) An investment brokerage company shall provide information regarding the financial instrument accounts of legal persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with financial instruments to the authorised representatives of such legal persons, as well as to their management bodies upon request of the heads of such bodies, as well as to the parent companies of such legal persons upon request of their management bodies.

(6) An investment brokerage company shall, according to a written agreement, provide information regarding the client, the financial instrument accounts, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions performed with their financial instruments to a third party, provided that the client has unmistakably agreed to provision of such information to the third party in the agreement entered into with the investment brokerage company.

(7) An investment brokerage company shall provide information regarding financial instrument accounts of natural and legal persons, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law and transactions performed with the financial instruments to the extent necessary for the performance of the relevant functions, in accordance with the procedures laid down in laws, only to the following State authorities:

1) the court and Office of the Prosecutor, if the information is required:

a) in criminal proceedings or in proceedings where the confiscation of property may be applicable in cases specified by law,

b) in civil proceedings in which a civil claim arising from criminal proceedings has been satisfied,

c) in civil proceedings regarding recovery proceedings for an allowance (alimony) if there are no earnings or other property against which recovery proceedings may be brought,

d) in civil proceedings regarding the division of such financial instruments which are the joint property of spouses,

e) in a matter regarding the insolvency and bankruptcy of a debtor,

f) in an inheritance matter in case of the death of a client;

2) the State Audit Office – regarding legal persons having State property at the disposal thereof or which are financed from State resources or which perform public procurement;

3) the State Revenue Service, if:

a) a taxpayer fails to submit to the tax administration the declarations and tax calculations required by the relevant tax laws,

b) violations of the system of accounting or tax regulatory enactments have been determined during the tax audit examination of a taxpayer,

c) a taxpayer fails to perform a tax payment in conformity with the requirements of tax laws;

4) the Prevention of the Laundering of Proceeds from Crime Service – in cases and according to the procedures laid down in the Law On the Service for Prevention of the Laundering of Proceeds from Crime;

5) the State security authorities – upon request of the Prosecutor General or specially authorised prosecutor, if the information is necessary in order to check links to terrorism of persons who own financial instruments.

(8) The notary public adjudicating an inheritance matter shall be provided with information regarding the balance on the accounts of a natural person – bequeather of the estate.

(9) An investment brokerage company shall provide information on the basis of a written request by a State authority that specifies the particular person to be examined and the necessity of the information is justified in conformity with the requirements of the relevant law.

(10) An investment brokerage company has the right to provide to its parent commercial company, which is an investment brokerage company or financial holding company, information necessary for the supervision of the investment brokerage company, in accordance with this Law, the regulatory provisions of the Commission, or a mutual agreement between the Commission and the foreign supervisory authority of the investment brokerage company.

(11) An investment brokerage company and credit institution have the right to provide the Central Depository and market operator with such information regarding financial instrument accounts which is necessary therefor for the performance of the functions specified in this Law.

(12) An investment brokerage company and credit institution shall provide the Commission with information regarding the financial instrument accounts of clients, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law, and the transactions with financial instruments, if it is required by the Commission for the performance of supervision functions.

*[29 March 2007; 4 October 2007]*

**Section 132. Liability for Breach of Confidentiality of a Financial Instrument Account or Transactions**

(1) Anyone who has either directly or indirectly made public or made known to persons who have no right to receive the relevant information such information regarding the financial instrument accounts of clients of an investment brokerage company, the client funds accounted by the investment brokerage company and referred to in Section 129 of this Law or regarding transactions with financial instruments, if such information has been entrusted to him or her or become known to him or her as a shareholder (member), chairperson or member of the council (where such has been established), board of directors or the audit board of directors, as an employee of the investment brokerage company, as an official of the Commission or a State authority, as a representative of a sworn auditor, as the person referred to in Section 131, Paragraph six of this Law, as a member of the council, board of directors or employee of the Central Depository or the market operator, shall be held to criminal liability in accordance with the procedures laid down in Law.

(2) Persons who have committed the infringements referred to in this Section shall be punished also if the violations have been committed after the persons referred to in Paragraph one of this Section have terminated contractual relations or performance of their duties, or employment relationship with the investment brokerage company, Commission, State authority or as representatives of sworn auditors.

*[29 March 2007; 4 October 2007]*

**Section 133. Information to be Provided on a Regular Basis**

(1) An investment brokerage company shall draw up and submit reports to the Commission regarding the financial position, the proportion of own funds to the sum total of the risk-weighted assets and off-balance sheet items (calculation of capital adequacy) of the investment brokerage company, large exposures and transactions with persons which are related to the investment brokerage company, and other reports in accordance with the procedures and within time periods laid thereby.

(2) [22 May 2008]

(3) The Commission is entitled to request consolidated financial statements from an investment brokerage company and companies linked thereto, the procedures and time periods for the submission of which shall be regulated by the regulatory provisions of the Commission.

(4) The obligation of an investment brokerage company is to inform without delay the Commission of all circumstances, which may affect further activities of the investment brokerage company.

*[9 June 2005; 4 October 2007; 22 May 2008]*

**Section 133.1 Trade in Financial Instruments on a Multilateral Trading Facility**

(1) A multilateral trading facility may be operated by:

1) an investment brokerage company which has received a licence for the operation of a multilateral trading facility;

2) a credit institution to which the Commission has issued a licence for activity of a credit institution and which has acquired the right to operate a multilateral trading facility in accordance with the procedures laid down in this Law;

3) a market operator who has acquired a licence for organising of a regulated market and which has acquired the right to operate a multilateral trading facility in accordance with the procedures laid down in this Law.

*[4 October 2007]*

**Section 133.2 Duties of an Operator of a Multilateral Trading Facility**

(1) An operator of a multilateral trading facility shall ensure:

1) fair and open trade in financial instruments in the facility and equal treatment towards participants in the facility;

2) accessibility of unified information for participants in the facility and other users of the facility in order to take investment decision;

3) information accessible for the users of the system regarding the duties of an operator of the multilateral trading facility during the process of entering into transactions in this facility;

4) safety of entering into transactions and settlement efficiency.

(2) An operator of a multilateral trading facility shall approve regulations binding to participants in the facility providing for:

1) the criteria for trade in financial instruments in this facility;

2) the procedures for trade in financial instruments;

3) the procedures for acquiring and losing the status of the participant in the system.

(3) An operator of a multilateral trading facility shall supervise activities of participants in the system in accordance with the procedures laid down in this Law.

(4) An operator of a multilateral trading facility shall supervise the course of trade in this facility in order to detect infringements of the requirements of an investment brokerage company, credit institution, or market operator laid down in accordance with Paragraph two of this Section and prevent market manipulations.

(5) An operator of a multilateral trading facility is entitled to request and receive from participants thereof any information and documents necessary in order to decide on the conformity thereof with the participant status in the multilateral trading facility.

(6) An operator of a multilateral trading facility shall, without delay, inform the Commission regarding infringements of this Law and regulations of the facility operator, as well as regarding decisions taken in relation to such infringements. The facility operator shall, without delay, inform the Commission if any suspicions have arisen for him or her that market manipulations have occurred when performing transactions in the multilateral trading facility, and provide aid necessary for finding out facts and circumstances.

(7) An operator of a multilateral trading facility has an obligation to immediately suspend or terminate trade in financial instruments on the facility upon request of the Commission.

(8) In order to ensure settlement of accounts regarding transactions on the multilateral trading facility, the facility operator has the right to enter into an agreement regarding access to clearing centre, central transaction intermediary, or settlement system in another Member State. The Commission may restrict entering into such agreements only in case when it can prove that these measures hinder due operation of the multilateral trading facility. The Commission shall take into account system control and supervision carried out by other control or supervisory authorities of clearing and settlement systems.

*[4 October 2007; 22 May 2008]*

**Section 133.3 Participants in a Multilateral Trading Facility**

(1) A participant in a multilateral trading facility is a person who is entitled to perform transactions in this facility in accordance with the procedures laid down in Section 133.2, Paragraph two, Clause 3 of this Law.

(2) A participant in a multilateral trading facility may be:

1) an investment brokerage company to which the Commission has issued a licence for provision of investment services, or a credit institution to which the Commission has issued a licence to operate a credit institution and which has commenced the provision of investment services in accordance with the procedures laid down in this Law;

2) an investment brokerage company or a credit institution of other Member State which in the country of incorporation thereof has obtained a licence for provision of investment services.

(3) An operator of a multilateral trading facility is entitled to grant the status of a participant also to a person other than that referred to in Paragraph two of this Section but who in accordance with the criteria approved by the operator of the facility is appropriate and conforming, who has sufficient level of skills and competence in respect of the trading on the multilateral trading facility and who has sufficient resources and organisational structure in order to perform the duties of the participant of the multilateral trading facility and to guarantee due settlements for transactions.

(4) A participant of a multilateral trading facility, upon entering into transactions on the multilateral trading facility, is entitled not to apply the requirements referred to in Sections 126, 126.1, 126.2, 128, 128.1, 128.2, and 128.3 of this Law in respect of other participants of the multilateral trading facility.

*[4 October 2007]*

**Section 133.4 Procedures for Commencement of Activities in Another Member State as an Operator of a Multilateral Trading Facility Licensed in the Republic of Latvia**

(1) An operator of a multilateral trading facility licensed in the Republic of Latvia is entitled to carry out activities in other Member State in order to promote access by investment brokerage companies and credit institutions registered in the Republic of Latvia to the multilateral trading facility.

(2) An operator of a multilateral trading facility licensed in the Republic of Latvia who wishes to commence activities in any of the Member States shall submit a submission to the Commission where he or she shall specify such Member State.

(3) The Commission shall, within 30 days after receipt of the submission, send it to the supervisory authority of the relevant Member State. An operator of a multilateral trading facility may commence activities from the day when the supervisory authority of the relevant Member State has received a notification of the Commission.

(4) The Commission, upon request of the supervisory authority of the relevant Member State, shall send identifying data regarding an investment brokerage company or credit institution registered in the Republic of Latvia, which is a participant to the multilateral trading facility in such Member State.

*[4 October 2007]*

**Section 133.5 Procedures for Commencement of Activities in the Republic of Latvia as an Operator of a Multilateral Trading Facility Registered in Another Member State**

(1) An operator of a multilateral trading facility registered in another Member State is entitled to carry out activities in the Republic of Latvia in order to promote access by investment brokerage companies and credit institutions registered in the Republic of Latvia to the multilateral trading facility.

(2) An operator of a multilateral trading facility registered in another Member State is entitled to commence activities in the Republic of Latvia, if the Commission has received a relevant notification from the supervisory authority of the home country of the operator of the multilateral trading facility.

(3) The Commission has the right to request identifying data regarding participants of the multilateral trading facility registered in the Republic of Latvia from an operator of the multilateral trading facility.

*[4 October 2007]*

**Chapter XII.1**

**Transparency Requirements for Financial Markets**

*[4 October 2007]*

**Section 133.6 Notifications Regarding Transactions in Financial Instruments**

(1) Investment brokerage companies and credit institutions performing transactions with financial instruments shall, in accordance with the requirements of Articles 12 and 13 of the European Commission Regulations No 1287/2006 as soon as possible, however not later than until the end of the next working day, notify the Commission regarding transactions performed with financial instruments regardless of whether the transaction was entered into on a regulated market or outside a regulated market.

(2) The obligation to notify laid down in Paragraph one of this Section shall apply to any financial instrument, which is admitted to trading on any of regulated markets, and to such financial instruments, which are not admitted to trading on a regulated market, but are related to financial instruments which are admitted to trading on a regulated market.

(3) A notification shall include the information referred to in Annex I, Table 1 of the European Commission Regulation No 1287/2006 which corresponds to the type of the financial instrument with which the transaction is performed.

(4) The Commission shall issue regulations regarding the procedures for providing information regarding transactions in financial instruments.

(5) An investment brokerage company and credit institution shall store the information regarding transactions in financial instruments referred to in Paragraph three of this Section for at least 10 years.

(6) The obligation to notify referred to in Paragraph one of this Section may be performed on behalf of the investment brokerage company and credit institution by a regulated market operator or an operator of a multilateral trading facility, with the intermediation of which the relevant transaction was entered into, or by a trade-matching or reporting system approved by the Commission. If a regulated market operator, an operator of a multilateral trading facility or a trade-matching or reporting system approved by the Commission informs directly the Commission regarding transactions, the investment brokerage company and credit institution are released from the obligation laid down in Paragraph one of this Section.

(7) An investment brokerage company and credit institution may delegate the obligation to notify referred to in Paragraph one of this Section to a third party. In case of delegation of the obligation to notify regarding transactions performed with financial instruments the investment brokerage company shall conform to the requirements of this Law, but the credit institution – of the Credit Institution Law, for receipt of outsourced services.

*[22 March 2012]*

**Section 133.7 Duty of Disclosure of Pre-trade Information of Investment Brokerage Company and Credit Institution which are Systematic Internalisers**

(1) The requirements of disclosure of pre-trade information shall apply to an investment brokerage company and credit institution, which in an organised way, frequently and systematically, perform transactions with shares admitted to trading on a regulated market on own account, by fulfilling orders of clients outside the regulated market or multilateral trading facility and which in accordance with the requirements of Article 21 of the European Commission Regulation No 1287/2006 are regarded as systematic internalisers, except the cases when the transaction size exceeds standard market size.

(2) In order to determine a standard market size, the Commission shall, at least once a year for each share for which it, in accordance with Article 9 of the European Commission Regulation No 1287/2006, is the corresponding competent authority in relation to share liquidity, in conformity with the requirements of Article 33 of the abovementioned Regulation, calculate the average value of the orders executed on a market and according to this value distribute the shares into classes in accordance with Annex 2, Table 3 of this Regulation. In order to determine the average value of the orders executed on a market, all orders, which have been executed in the European Union in respect of the particular share, except the orders the size of which exceeds standard market size of the relevant share, shall be taken into account.

(3) In order to determine the transaction size which exceeds standard market size of the relevant share, the Commission shall, at least once a year in respect of each share for which it is the appropriate competent authority in relation to share liquidity, in conformity with the requirements of Article 33 of the European Commission Regulation No 1287/2006, calculate the average daily turnover. On the basis the average daily turnover, the shares shall be distributed in classes in accordance with Annex II, Table 2 of the abovementioned Regulation and transaction size corresponding for each class of shares, which exceeds standard market size, shall be determined.

(4) The Commission shall post the information regarding classes of shares on its website and send to the European Securities and Markets Authority.

(5) An investment brokerage company or credit institution, which is regarded to be a systematic internaliser, shall intend a transaction size or sizes for which it determines quoted prices. A quoted price shall include purchase or sales prices laid down by the company or both these prices regarding a transaction the size of which does not exceed the standard market size for the class of shares to which the share belongs. A standard market size shall be determined in accordance with the requirements of Article 23 of the European Commission Regulation No 1287/2006. Each quoted price represents existing market condition in accordance with the requirements of Article 24 of the abovementioned Regulation.

(6) An investment brokerage company or credit institution, which is a systematic internaliser, shall, in accordance with the requirements of Articles 29 and 30 of the European Commission Regulation No 1287/2006, publish the price quoted by it on a continuous basis during normal trading hours only in respect of shares admitted to trading on a regulated market having a liquid market. The investment brokerage company or credit institution is entitled to revoke the quoted prices determined by it, which have been published. If shares do not have a liquid market, the investment brokerage company and credit institution shall inform regarding quoted prices upon request of the client.

(7) The Commission shall evaluate share liquidity and determine which shares are to be regarded as liquid shares in accordance with the criteria of Article 22 of the European Commission Regulation No 1287/2006. The Commission shall post such list of shares on its website and send it to the European Securities and Markets Authority.

(8) The Commission shall establish and post the list of those investment brokerage companies on its website to which it has issued a licence for the provision of investment services and the list of those credit institutions to which the Commission has issued a licence for the activities of a credit institution and which have commenced the provision of investment services in accordance with the procedures laid down in this Law and are regarded to be systematic internalisers in accordance with the provisions of this Section which are performing transactions with liquid shares. The Commission shall send a copy of these lists to the European Securities and Markets Authority.

(9) An investment brokerage company or credit institution, which is regarded to be a systematic internaliser, shall execute the order submitted by a retail client regarding the shares in respect of which it is the systematic internaliser, for the quoted price determined thereby at the time of receipt of the order.

(10) An investment brokerage company or credit institution, which is regarded to be a systematic internaliser, shall execute the order submitted by a professional client regarding the shares in respect of which it is the systematic internaliser, for the price which is determined at the time of receipt of the order. The order may be executed for a better price in substantiated cases, if such price is close to the market conditions and if the size of the order exceeds the size of standard orders of the retail client which is determined in accordance with Article 26 of the European Commission Regulation No 1287/2006.

(11) An investment brokerage company or credit institution, which is regarded to be a systematic internaliser, may execute the order submitted by a professional client for the price which is different from the quoted price determined by it, without taking into account the conditions of Paragraph ten of this Section in respect of transactions with several securities the execution of which is regarded as a part of one transaction, or in respect of the orders which are subject to conditions that are not related to the actual market price and that are provided for in Article 25 of the European Commission Regulation No 1287/2006.

(12) If an investment brokerage company or credit institution, which is regarded to be a systematic internaliser, determines only one quoted price or quotes the price for the size of the transaction which is less than the standard market size, and receives order from a client regarding the transaction the size of which exceeds the size determined thereby, for which the price is quoted, but does not reach the standard market size, it is entitled to execute that part of the order which exceeds the size of that transaction for which the quoted price is determined. In such case this part of the order shall be executed for the quoted price determined by the systematic internaliser, except cases when it is permitted to act otherwise in accordance with Paragraphs ten and eleven of this Section.

(13) If an investment brokerage company or credit institution, which is regarded to be a systematic internaliser, determines quoted prices for transactions of different sizes and receives an order regarding the transaction size within the limits of quoted transactions which it wants to execute, it shall execute an order for one of the quotes in accordance with the requirements of Section 128.1 of this Law, except the cases referred to in Paragraphs eleven and twelve of this Section.

(14) An investment brokerage company or credit institution, which is regarded to be a systematic internaliser, shall, on the basis of the trading policy accepted thereby, determine:

1) objective non-discriminatory criteria according to which they determine the client categories to whom they give access to their quotes;

2) the procedures according to which clients may perform transactions with a systematic internaliser for the quotes determined thereby;

3) the number of transactions from the same client which they undertake to enter at the published conditions.

(15) An investment brokerage company or credit institution which is regarded to be a systematic internaliser may refuse to enter into or discontinue trading for the quotes determined thereby, taking into account the client credit status, the counterparty risk, and the final settlement of the transaction.

(16) An investment brokerage company or credit institution which is regarded to be a systematic internaliser, is entitled to determine in a non-discriminatory way the maximum number of transactions from the same client and the maximum number of transactions from different clients at the same time, provided that the number or volume of orders sought by clients considerably exceeds the norm laid down in accordance with the requirements of Article 25 of the European Commission Regulation No 1287/2006.

(17) Conformity of the quoting and publishing, as well as order execution with the requirements laid down in this Section shall be supervised by the Commission.

*[22 March 2012]*

**Section 133.8 Requirements for Disclosure of Post-trade Information for Investment Brokerage Companies and Credit Institutions**

(1) An investment brokerage company and credit institution which perform transactions outside a regulated market or multilateral trading facility on own account or on behalf of a client with shares admitted to trading on a regulated market, shall publish information regarding transactions in accordance with the requirements of Articles 3 and 27 of the European Commission Regulation No 1287/2006.

(2) Such information shall be published as soon as possible after entering into a transaction in accordance with the requirements of Articles 29 and 30 of the European Commission Regulation No 1287/2006, conforming to reasonable commercial conditions and in such a way as to be easily accessible by other market participants.

(3) An investment brokerage company and credit institution have the right to delay publishing of the information referred to in Paragraph one of this Section upon prior consent of the Commission in accordance with the procedures laid down in Article 28 of the European Commission Regulation No 1287/2006, if the transaction size exceeds the standard market size of shares or class of shares. The investment brokerage company and credit institution shall inform market participants regarding conditions and mechanism for delay of publishing of information accepted by the Commission.

**Section 133.9 Requirements for Disclosure of Pre-trade Information in a Multilateral Trading Facility**

(1) An operator of a multilateral trading facility shall, in accordance with the requirements of Articles 17 and 29 of the European Commission Regulation No 1287/2006 during usual trading, continuously and by taking into account reasonable commercial conditions, make information available to the public regarding the purchase and sales price of the shares admitted to trading on the regulated market and the amount of submitted orders for such prices.

(2) The Commission has the right to exempt an operator of a multilateral trading facility from the duty to make public the information referred to in Paragraph one of this Section depending on the market model and type and amount of orders in the cases laid down in Articles 3, 18, 19, and 20 of the European Commission Regulation No 1287/2006, particularly if the transaction size exceeds the standard market size of shares or class of shares.

**Section 133.10 Requirements for Disclosure of Post-trade Information in a Multilateral Trading Facility**

(1) An operator of a multilateral trading facility shall, in accordance with the requirements of Articles 3, 27, and 29 of the European Commission Regulation No 1287/2006 as soon as possible after entering into a transaction and by taking into account reasonable commercial conditions, make information available to the public regarding the transactions with shares admitted to trading on the regulated market.

(2) The duty to make information available to the public laid down in Paragraph one of this Section shall not apply to transactions regarding which all information laid down in Paragraph one of this Section is available in the relevant trading facility.

(3) An operator of a multilateral trading facility has the right to delay publishing of the information referred to in Paragraph one of this Section upon prior consent of the Commission in accordance with the procedures laid down in Article 28 of the European Commission Regulation No 1287/2006 by informing market participants and the public thereon if the transaction size exceeds the standard market size of shares or class of shares. The operator of a multilateral trading facility shall inform market participants regarding conditions and mechanism for delay of publishing of information accepted by the Commission.

**Chapter XIII**

**Registration of Providers of Investment Services Registered in Foreign States**

*[15 June 2006]*

**Section 134. Rights of Providers of Investment Services Registered in Foreign States**

(1) Such investment brokerage company or credit institution registered in a foreign state which has obtained a licence for the provision of investment services in the state of registration thereof (hereinafter in this Chapter – foreign company), may become a member of a market operator, a participant of the Central Depository, or a participant of the multilateral trading facility after registration by the Commission.

(2) [9 June 2005]

(3) Registration by the Commission of a foreign company in accordance with the procedures laid down in Paragraphs one and two of this Section does not give rise to the right for the relevant company to provide investment services and ancillary investment services in the Republic of Latvia.

*[9 June 2005; 15 June 2006; 4 October 2007]*

**Section 135. Registration by the Commission**

(1) The Commission shall register a foreign company only after a contract has been entered into with the supervisory authority of the state of registration thereof regarding the exchange of information related thereto, which is necessary for the Commission to perform the supervision of the foreign company.

(2) Entering into the contract referred to in Paragraph one of this Section shall not be necessary if the relevant foreign supervisory authority has a duty to provide the Commission with information within the framework of the contract entered into by the member states of the International Securities Commission Organisation.

(3) A foreign company shall submit to the Commission the following documents for registration:

1) a submission specifying:

a) the firm name of the company,

b) the address, telephone number, fax number and e-mail address (if any) of the company;

2) a copy of the registration certificate;

3) a copy of the licence issued in the state of registration of the company for the provision of investment services or a list approved by the relevant foreign supervisory authority regarding the investment services this company is entitled to provide;

4) a list of those persons who may represent the foreign company in relations with the Commission, market operator, and Central Depository, and such samples of the signatures of the abovementioned persons which have been certified by the relevant foreign company.

(4) The Commission shall take a decision to register a foreign company within 30 days after receipt of all the documents drawn up and documented in accordance with the requirements of the laws and regulations laid down in this Section.

(5) The Commission shall not register a foreign company, if:

1) such company fails to provide documentary evidence that it conforms to and observes the requirements of capital adequacy or requirements equivalent thereto stipulated in this Law and the regulatory provisions of the Commission;

2) the Commission has at its disposal information based on documentary evidence that the foreign company is participating in the laundering of proceeds from crime or the requirements of laws and regulations of the state of registration of this company in the field of the prevention of the laundering of proceeds from crime are less stringent than the requirements laid down in the Republic of Latvia.

(6) Upon registration of a foreign company, the Commission shall include it in a special register. The Commission shall inform the market operator and Central Depository regarding inclusion in such register of the foreign company.

(7) The Commission shall post the register of foreign companies on its website, and it shall be publicly reliable.

*[9 June 2005; 15 June 2006; 4 October 2007]*

**Section 136. Duties of a Registered Company**

(1) If amendments are made to the documents referred to in Paragraph 135 of this Law, or the information provided therein has changed, a foreign company shall inform the Commission thereof in writing within 15 days.

(2) If a foreign company is prohibited from providing investment services in the state of registration thereof, the relevant company shall, without delay, inform the Commission thereof.

*[15 June 2006]*

**Section 137. Deletion from the Register**

The Commission shall delete a foreign company from the register, if:

1) the company has failed to comply with the requirements of laws and regulations, the requirements laid down in the regulations of the market operator and Central Depository or the lawful requirements of the Commission;

2) the company, within the term stipulated by the Commission, has failed to rectify the violations of laws and regulations determined by the Commission;

3) the company is prohibited from providing investment services in the state of registration thereof;

4) a submission has been received from the company requesting that it be deleted from the register.

*[15 June 2006]*

**Section 137.1 Supervisory Authorities**

(1) The Commission, a market operator licensed by the Commission, and the Central Depository shall, in conformity with their competence thereof supervise the provision of investment services.

(2) The Commission shall also supervise the conformity of the supervisory process performed by the market operator and Central Depository with the requirements of laws and regulations.

*[24 April 2014]*

**Chapter XIV**

**Supervision of the Provision of Investment Services**

**Section 138. Supervisory Actions Applicable to Providers of Investment Services**

If the Commission ascertains that a provider of investment services does not meet, or if the Commission has a reason to deem that within 12 months from the moment of starting the implementation of the activities referred to in this Section a provider of investment services will not meet the requirements laid down in this Law or any other law governing activities of an investment brokerage company, directly applicable laws and regulations issued by the European Union institutions, or regulatory provisions issued or decisions taken by the Commission, or if the activities of an investment brokerage company pose a threat to the fulfilment of the abovementioned requirements, the Commission is, in addition to the rights laid down in the Law On the Financial and Capital Market Commission and this Law, directly or in co-operation with other institutions, entitled to implement one or several of the following activities:

1) to provide written instructions binding upon management bodies of investment brokerage companies, as well as heads and members thereof, which are necessary for prevention of such situation;

2) to request from any person information with regard to its activities in the finance and capital market, as well as to invite such person to appear before the Commission and provide information in person;

3) to become acquainted with the documents necessary for the fulfilment of the tasks and functions of the Commission;

4) to request and receive from the participants of the financial instrument market the records of telephone conversations and other types of data transmission records;

5) to request that the members of a financial instrument market cease any practice which is contrary to the requirements of this Law;

6) to suspend trade in the financial instruments;

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

8) to impose a duty on an investment brokerage company to reduce the risk related to the transactions and services thereof.

*[24 April 2014]*

**Section 139. Supervision of Investment Brokerage Companies**

(1) The Commission and authorised persons thereof have the right to examine the activities of investment brokerage companies, including the performance of internal control at investment brokerage companies.

(11) Each year the Commission shall prepare a programme for supervisory reviews of investment brokerage companies indicating the following:

1) the arrangements, which are provided for the fulfilment of the functions and duties of the Commission laid down in the Law On the Financial and Capital Market Commission, this Law and other laws, as well as the resources necessary for such arrangements;

2) the planned supervisory arrangements applicable to the following:

a) investment brokerage companies in which results of the stress testing referred to in Paragraph 11.3, Clauses 4 and 5 of this Section or whose assessment carried out by the Commission in accordance with Paragraph nine of this Section point to the risks, which pose a significant threat to financial stability of the relevant investment brokerage company or to the violations of the requirements laid down in this Law, directly applicable laws and regulations issued by the European Union institutions or regulatory provisions issued by the Commission,

b) investment brokerage companies which pose a systemic risk to the financial system,

c) other investment brokerage companies at the Commission’s discretion;

3) investment brokerage companies expected to be subject to stricter supervision and the measures applied thereto;

4) a plan for field reviews of investment brokerage companies by separately indicating the planned field reviews in affiliates of investment brokerage companies in other Member States, subsidiaries of investment brokerage companies and the parent undertaking of investment brokerage companies which is a financial holding company or a mixed financial holding company, or in another subsidiary of such financial holding company or mixed financial holding company.

(12) If such necessity has been ascertained in the assessment, which is carried out in accordance with the requirements laid down in Paragraph nine of this Section, the Commission is entitled to make the following arrangements:

1) to increase the number and frequency of the field reviews in an investment brokerage company;

2) to assign an authorised person to constantly be located in an investment brokerage company;

3) to request that an investment brokerage company submits additional reports or submits reports more often;

4) to carry out additional or more frequent reviews of operative, strategic or business plans of an investment brokerage company;

5) to carry out purpose reviews in order to control specific risks which are expected to occur.

(2) [9 June 2005]

(3) The representatives authorised by the Commission have the right to become acquainted with all the documents, account books, and databases of the investment brokerage company, transcribe any part thereof, make true copies (copies), as well as to receive the explanations and information necessary for the performance of the examination from members of management bodies and other responsible persons.

(4) Upon a written motivated request by the Commission, an investment brokerage company shall submit to the Commission true copies (copies) or other information related to operations at the investment brokerage company.

(5) The Commission shall submit to an investment brokerage company a written report on the results of examination, which shall refer to any infringements and provide indications of the necessary changes in the further operations of the investment brokerage company.

(6) If an investment brokerage company does not agree with the report of the Commission on the examination carried out, it is entitled to submit a complaint to the council of the Commission. The council of the Commission is entitled to warrant a new examination or to decide on making amendments to the report on the examination carried out, or to dismiss the complaint.

(7) The Commission has the right to prohibit an investment brokerage company from establishing close links or to request the termination of close links with third parties, or to forbid transactions therewith where such relations may or do endanger the financial stability of the investment brokerage company or restrict the rights of the Commission to perform the supervisory functions laid down in the law.

(8) The Commission has the right to revoke the decisions of the management bodies of an investment brokerage company on the appointment of members of the board of directors and council (where such has been established) if they fail to conform to the requirements of this Law.

(9) The Commission shall review the strategy, procedures and measures which an investment brokerage company has implemented in order to conform to the requirements laid down in this Law, other laws and regulations, directly applicable laws and regulations issued by the European Union and regulatory provisions issued and decisions taken by the Commission, as well as shall assess the following:

1) the inherent and likely risks of the activities of an investment brokerage company;

2) the risks identified in the systematic risk assessment carried out in accordance with the guidelines of the European Banking Authority and the recommendations of the European Systematic Risk Board, which are posed by the activities of an investment brokerage company;

3) the risks established during the stress testing taking into consideration the scope, diversity and complexity of the operations (transactions) performed.

(10) The Commission shall determine the amount and regularity of the assessments referred to in Paragraph nine of this Section depending upon the size of the investment brokerage company, systemic importance, and the volume, diversity, and complexity of the operations (transactions) performed. The Commission shall, not less often than once per year, review and update the information included in the assessment referred to in Paragraph nine of this Section in relation to the investment brokerage companies included in the supervisory inspection programme.

(11) On the basis of the review and assessment carried out, the Commission shall assess whether the strategy, procedures and measures implemented by an investment brokerage company ensure sufficient risk management and whether own funds of an investment brokerage company are sufficient for coverage of inherent and likely risks of its activities.

(111) The Commission shall inform the European Banking Authority regarding the organisation of the review and assessment process referred to in Paragraphs nine, ten, and eleven of this Section.

(112) The Commission shall, without delay, inform the European Banking Authority regarding any brokerage companies which are recognised as systematically important as a result of the assessment referred to in this Section.

(113) In the assessment referred to in Paragraph nine of this Section the Commission shall assess at least the following, in addition to the assessment of credit risk, operational risk and market risks:

1) management, corporate culture and values of an investment brokerage company, as well as the capability of the members of the board of directors or council, if such has been established, to fulfil their duties;

2) business model of an investment brokerage company;

3) systemic risk assessment in accordance with Paragraph nine of this Section;

4) results of the stress testing carried out in accordance with the requirements of Regulation No 575/2013, if an investment brokerage company has received a permit for the use of the internal model in order to calculate the capital requirements for credit risk;

5) results of the stress testing carried out in accordance with the requirements of Regulation No 575/2013, if an investment brokerage company has received a permit for the use of the internal model in order to calculate the capital requirements for market risk;

6) exposure of an investment brokerage company to concentration risk and management thereof, including conformity with the requirements of Regulation No 575/2013 with regard to the restrictions of large exposures;

7) geographic location of exposures of an investment brokerage company;

8) impact of diversification effects and inclusion thereof in the risk assessment system;

9) possibility that an investment brokerage company may incur significant losses due to the interest rate risk of exposures in the non-trading portfolio and observations on the possible circumstances of the incurrence of such losses;

10) exposure of an investment brokerage company to risk of excessive leverage;

11) other risks of importance to an investment brokerage company.

(114) The Commission shall at least once a year carry out the stress testing of an investment brokerage company, and the results thereof shall be taken into consideration in the assessment which is carried out in accordance with the requirements laid down in Paragraph nine of this Section. Methodology of stress testing shall conform to the guidelines of the European Banking Authority.

(115) If the Commission ascertains that an investment brokerage company does not meet, or if the Commission has a reason to deem that within 12 months from the moment of starting the application of the measures referred to in Paragraph 11.7 of this Section an investment brokerage company will not meet the requirements laid down in this Law or Regulation No 575/2013, the Commission shall request that an investment brokerage company timely implements the measures necessary for the prevention of the relevant problems. For this purpose the Commission may apply any of the measures referred to in Paragraph 11.7 of this Section.

(116) In carrying out the assessment referred to in Paragraph nine of this Section the Commission may apply the same or similar approach to investment brokerage companies with similar risk profile (similar business model, geographic location of exposures or other similar approach) which are or may be exposed to similar risks or which pose or may pose similar risks to the financial system.

(117) In order to apply the requirements laid down in Paragraphs nine and eleven of this Section, as well as Regulation No 575/2013, the Commission is entitled to request that an investment brokerage company:

1) maintains a higher level of own funds than that required in Regulation No 575/2013 which is increased by the requirements for total capital buffers calculated in accordance with Sections 35.22, 35.23, 35.24, and 35.25 of the Credit Institution Law in order to cover the inherent and likely risks of an investment brokerage company and elements thereof not provided for in Regulation No 575/2013;

2) improves its strategy, procedures and measures that are to be implemented in order to conform to the requirements laid down in Sections 122.1, 122.2, 123.1, and Section 124, Paragraph one, Clause 11 of this Law;

3) draws up a plan for restoration of the conformity with the requirements laid down in this Law, other laws and regulations, directly applicable laws and regulations issued by the European Union institutions and regulatory provisions issued by the Commission by determining time periods for implementation of the measures included in the plan;

4) applies a policy of recognition and assessment of special provisioning or assets for the purpose of calculation of own funds;

5) limits or restricts commercial activities, activities or network of institutions, disclaims the areas of activities which excessively pose a threat to its stability; reduces the risks inherent to the systems established for its activities, products or provision of activities;

6) determines such restriction on the variable component of remuneration of officials and employees which is expressed in percentage of net income and allows an investment brokerage company to maintain a stable capital basis;

7) channels the profit after tax into strengthening of its own funds;

8) reduces or does not perform distribution of profit or interest payments to its shareholders (members), members or holders of the instruments included in Additional Capital Tier 1, unless it causes default on obligations;

9) provides additional reports or provides reports more often, including reports on capital and liquidity positions of an investment brokerage company.

(118) The Commission shall require that an investment brokerage company conforms to the requirement laid down in Paragraph 11.7, Clause 1 of this Section at least in the following cases:

1) an investment brokerage company has not conformed to the requirements laid down in Sections 122.1, 123.1 or Section 124, Paragraph one, Clause 11 of this Law or the restrictions of large exposures determined in Regulation No 575/2013;

2) risks or risk elements have been identified which are not covered in accordance with the capital requirements or requirements for total capital buffers determined in Regulation No 575/2013;

3) there is a reason to deem that the application of other administrative measures alone will not be sufficient in order to appropriately improve the structure, processes, mechanisms and strategy of an investment brokerage company within reasonable time periods;

4) capital requirements are not sufficient, because when making adjustments to the value of trading portfolio positions an investment brokerage company has not taken into consideration a possibility to sell within a short time period or to restrict the risks associated with these positions without significant loss under circumstances of a functioning market, or because an investment brokerage company, which has received a permit for the use of the internal models in order to calculate capital requirements, does not conform to the provisions for receipt of such permit;

5) there is a reason to deem that the risks inherent in the activities of an investment brokerage company have been assessed too low, although the requirements laid down in this Law and Regulation No 575/2013 are conformed to;

6) an investment brokerage company has received a permit for the use of the internal model in order to calculate the capital requirements for the correlation trading portfolio but its submitted reports show that results of the stress testing significantly exceed the capital requirements calculated in accordance with the internal model.

(119) On the basis of the assessment carried out in accordance with the requirements of this Section, the Commission shall assess whether own funds requirements should be determined, in addition to those necessary for coverage of the inherent and likely risks of the activities of an investment brokerage company taking into consideration the following:

1) qualitative and quantitative results of the assessment carried by an investment brokerage company in accordance with the requirements of Section 123.1 of this Law;

2) operation of the internal control system of an investment brokerage company drawn up in accordance with the requirements laid down in Section 122.2 and Section 124, Paragraph one, Clause 11 of this Law, as well as recovery and adjustment plans thereof;

3) requirements of the assessment carried out by the Commission in accordance with the requirements laid down in Paragraph nine of this Section;

4) systemic risk assessment.

(12) [24 April 2014]

(13) The Commission shall determine the procedures, conforming to the guidelines of the European Banking Authority, by which reduction in the economic value of the investment brokerage company shall be calculated due to sudden and unexpected changes in interest rates.

(14) If the calculation referred to in Paragraph thirteen of this Section indicates that the economic value of an investment brokerage company will decrease by 20 per cent or more of its own funds due to sudden and unexpected changes in interest rates by 200 base points or due to other changes determined in the guidelines of the European Banking Authority, the Commission shall request that an investment brokerage company implements measures which would ensure conformity of own funds with the amount of interest rate risk of exposures in the non-trading portfolio.

(15) When exercising supervision of such investment brokerage company, which has received a permit for the use of risk-weighted amounts in its internal approach or own funds requirements for the calculation, the Commission shall apply Sections 105.3 and 105.4 of the Credit Institution Law.

(16) The Commission shall apply the requirements laid down in this Section on an individual basis and on a consolidated basis for groups, or on a sub-consolidated basis in accordance with the level of application of the requirements of Title II of Part one of Regulation No 575/2013. If an investment brokerage company is released from the duty to conform to the own funds requirements on a consolidated basis for groups in accordance with the requirements of Article 15 of Regulation 575/2013, the Commission shall apply the requirements laid down in Paragraphs nine, ten, eleven, and 11.2 of this Section to such investment brokerage company on an individual basis.

(17) The requirements laid down in Paragraphs nine, ten, eleven, 11.1, 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, thirteen, fourteen, fifteen, and sixteen of this Section shall be applied to the supervision of such investment brokerage company which is an institution within the meaning of Regulation No 575/2013.

(18) The Commission shall inform the European Banking Authority of the principles of taking the abovementioned decisions by the Commission.

*[9 June 2005; 22 March 2012; 24 April 2014]*

**Section 139.1 Significant Branches of Investment Brokerage Companies**

(1) A branch of the investment brokerage company registered in a Member State, which is registered in the Republic of Latvia, to which the regulatory capital adequacy requirements in accordance with the laws and regulations governing financial instrument market and limits to large exposures are to be applied, shall be recognised to be significant. The Commission, by providing a justification, shall send a request to the supervisory authority or the home Member State of the investment brokerage company or supervisory authority of the consolidation group to which such investment brokerage company belongs with a branch registered in the Republic of Latvia, to co-ordinate opinion for decision taking (hereinafter – co-ordinated decision) in order to recognise the branch registered in the Republic of Latvia to be significant.

(2) In order to recognise a branch to be significant, the conformity thereof with the following criteria shall be taken into account:

1) suspension or closure of the activities of the branch is likely to affect financial market liquidity and the payment, clearing and settlement systems in the host Member State;

2) the size of transactions of the branch and number of clients thereof are important for the capital market or financial system of the host Member State.

(3) The Commission and the supervisory authority of the home Member State or supervisory authority of the consolidation group of the branch shall co-operate and carry out all the necessary activities in order to, within two months from the day of sending the request referred to in Paragraph one of this Section, take a co-ordinated decision to recognise a branch as significant.

(4) The decision referred to in Paragraph three of this Section may be appealed in the home Member State of the consolidated supervisory authority or the branch in accordance with the laws and regulations governing the appeal procedures of the relevant state.

(5) If within two months from sending of the request referred to in Paragraph one of this Section a co-ordinated decision is not taken, the Commission, in conformity with the opinion of the supervisory authority of the home Member State or the supervisory authority of the consolidation group, within the following two months, shall take a decision to recognise the relevant branch as significant without co-ordination of opinions.

(6) A supervisory authority of another Member State may turn with request to the Commission to recognise a branch of the investment brokerage company registered in the Republic of Latvia, which is registered in such Member State, to be significant or, if the Commission is the supervisory authority of the consolidation group, with a request to recognise a branch of the investment brokerage company included in the consolidation group, which is registered in other Member State, to be significant. The Commission shall carry out all the necessary measures in order to, within two months from the day of receipt of the request, make a co-ordinated decision to recognise a branch to be significant.

(7) The decision referred to in Paragraph six of this Section may be appealed against to the Administrative Regional Court.

(8) The Commission shall notify a decision taken to recognise a branch to be significant to the relevant supervisory authorities of the Member States.

(9) The Commission shall co-operate with supervisory authorities of host Member States of significant branches of investment brokerage companies registered in the Republic of Latvia, when receiving information regarding negative development trends of the investment brokerage companies which may materially influence the activity of the investment brokerage companies, as well as regarding sanctions and supervision measures which are carried out by the supervisory authorities of host Member States in respect of the investment brokerage companies, including determination of a duty to maintain a higher level of own funds than the total sum of minimum capital requirements and any restrictions on use of the advanced operational risk measurement approach. The Commission shall participate in preparatory measures for emergency situations and during emergency situations, including such emergency situations which may develop in case of deterioration of the financial position of the investment brokerage company, or due to the impact of unfavourable development of financial markets. The supervisory activities provided for emergency situations shall include the preparation of a joint assessment of the situation, the implementation of a crisis management plan, and the provision of public information. During the exchange process of the necessary information already established types of exchange of information shall be used as much as possible for the provision of crisis management.

(10) If the Commission identifies an emergency situation, including unfavourable trends in the development of financial markets, which could impact the situation in an investment brokerage company, it shall, in accordance with the provisions for disclosure of restricted access information and using already established types of exchange of information as much as possible, without delay, warn the central banks of host Member States included in the European System of Central Banks, the European Central Bank, and the European Systemic Risk Board regarding the emergency situation, and shall notify all the material information related to the performance of the tasks thereof.

(11) If an investment brokerage company registered in the Republic of Latvia has significant branches in other Member States and the investment brokerage company is not included in the consolidation group, the Commission shall establish and manage a board of supervisors with the supervisory authorities of such Member States, in which the significant branches of the investment brokerage company have been registered, in order to ensure co-operation with the supervisory authorities of the relevant Member States, carrying out the activities referred to in Paragraphs nine and ten of this Section. The Commission shall establish a board of supervisors by entering into a co-operation agreement with the supervisory authorities of the host Member States.

(12) The Commission, taking into account the importance of the planned or co-ordinated supervisory activities for the supervisory authorities of the host Member States and the potential impact on the stability of the financial system in the relevant Member States, particularly in emergency situations, shall determine such supervisory authorities that have a duty to participate in meetings of the board of supervisors.

(13) The Commission shall, in due time, inform all participants of the board of supervisors regarding organisation of meetings of the board, the main issues to be examined and the planned activities, as well as the decisions taken or the measures carried out in the meetings.

*[13 January 2011; 24 April 2014]*

**Section 140. Supervision of an Investment Brokerage Company Registered in Another Member State**

(1) The Commission shall supervise conformity of the branch of investment brokerage company registered in other Member State which is operating in the Republic of Latvia, with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law. The Commission has the right to inspect measures carried out by such branch for the provision of such requirements. If the Commission establishes that the branch of investment brokerage company registered in such Member State which is operating in the Republic of Latvia, carries out activities that are in contradiction with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law, it shall, without delay, request that the investment brokerage company of such Member State discontinue such activities.

(2) If the branch of investment brokerage company registered in other Member State which is operating in the Republic of Latvia, continues to carry out activities that are in contradiction with the requirements of Section 124, Paragraph one, Clauses 9 and 10, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law, the Commission shall inform the supervisory authority of the home Member State and take measures to rectify such infringements. Within the framework of such measures the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such infringements are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority regarding the measures carried out in accordance with the requirements of Section 147 of this Law.

(3) If the Commission establishes that a branch of investment brokerage company registered in other Member State, which is acting in the Republic of Latvia, carries out activities which are in contradiction with the requirements of the laws and regulations governing financial instrument market in force in the Republic of Latvia, other than referred to in Paragraph one of this Law, the Commission shall, without delay, inform the supervisory authority of the home Member State thereof and ask it to rectify the infringements established, as well as inform the Commission regarding the measures carried out.

(4) If the Commission establishes that an investment brokerage company registered in other Member State which is providing investment services without opening a branch, carries out the activities that are in contradiction with the laws and regulations governing financial instruments market in force in the Republic of Latvia, it shall, without delay, inform the supervisory authority of the home Member State thereof, and request it to rectify the established infringements, as well as inform the Commission of the measures carried out.

(5) If the branch of an investment brokerage company registered in other Member State which is operating in the Republic of Latvia, or such investment brokerage company registered in other Member State which is providing investment services in the Republic of Latvia without the opening of a branch, continues to perform the activities that are in contradiction with the laws and regulations governing financial instruments market in force in the Republic of Latvia, it shall inform the supervisory authority of the home country and carry out measures in order to rectify such infringements. Within the framework of these activities the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such infringements are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority regarding the measures carried out in accordance with the requirements of Section 147 of this Law.

(6) The requirements laid down in Paragraphs one, two, three, and four of this Section do not prohibit the Commission from carrying out activities to prevent infringements that are in contradiction with the laws of the Republic of Latvia protecting the public interest. Within the framework of these activities the Commission is entitled to prohibit the relevant investment brokerage company from continuing the provision of investment services in the Republic of Latvia until such infringements are rectified.

(7) The provisions of this Section do not restrict the right of an investment brokerage company registered in other Member State to disseminate information in the Republic of Latvia and advertise the services provided thereby, if such information and advertising is not in contradiction with the laws and regulations protecting the public interest.

(8) The Commission has the right, upon its own initiative or upon request by the supervisory authority of the home country, to perform internal control at the branch in the Republic of Latvia of an investment brokerage company registered in a Member State. Supervisory authorities from the home country are entitled to perform internal control at the branch of an investment brokerage company in the Republic of Latvia, or authorise other persons to perform this examination, informing the Commission thereof in advance.

(9) The Commission has the right to refuse the supervisory authority of another Member State, upon request of the supervisory authority of such Member State, to conduct an examination within the territory of the Republic of Latvia, as well as to reject the participation of authorised representatives of the supervisory authority of another Member State in such an examination or to provide information to the supervisory authority of the Member State, if:

1) such examination or participation of authorised representatives of the supervisory authority of another Member State therein has an adverse effect on the national sovereignty, security, or State policy of the Republic of Latvia;

2) court proceedings for the same violation and against the same persons have already been initiated in the Republic of Latvia;

3) a judgment has been rendered regarding the same violation and upon the same persons.

(10) The Commission shall prohibit the branch of an investment brokerage company registered in another Member State operating in the Republic of Latvia or an investment brokerage company registered in other Member State providing investment services in the Republic of Latvia without the opening of a branch, from continuing the provision of investment services if it has received a notification from the supervisory authority of the home country regarding cancellation of the licence issued to the investment brokerage company.

(11) The Commission has the right to directly address an investment brokerage company registered in other Member State which is a member of a regulated market operator registered in the Republic of Latvia and performs transactions on a regulated market without opening of a branch, by informing the supervisory authority of the relevant Member State thereof.

*[4 October 2007; 22 May 2008; 22 March 2012]*

**Section 140.1 Supervision over a Branch of the Credit Institution Registered in Another Member State which Provides Investment Services in the Republic of Latvia**

(1) The Commission shall supervise conformity of branches of a credit institution registered in another Member State which provide investment services in the Republic of Latvia, with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law. The Commission has the right to inspect measures carried out by such branch for the provision of such requirements. If the Commission establishes that the branch of the credit institution registered in such Member State which is operating in the Republic of Latvia, carries out activities that are in contradiction with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law, it shall, without delay, request that the branch discontinue such activities.

(2) If the branch of the credit institution registered in another Member State which is operating in the Republic of Latvia, continues to carry out activities that are in contradiction with the requirements of Section 124, Paragraph two, Clauses 6 and 7, Sections 126, 126.1, 126.2, 128, 128.1, 128.2, 128.3, 133.6, 133.7, and 133.8 of this Law, the Commission shall inform the supervisory authority of the home Member State and carry out measures to rectify such infringements. Within the framework of these measures the Commission is entitled to prohibit the relevant branch from continuing the provision of investment services in the Republic of Latvia until such infringements are rectified. The Commission shall inform the European Commission and the European Securities and Markets Authority regarding the measures carried out in accordance with the requirements of Section 147 of this Law.

*[22 May 2008; 22 March 2012]*

**Section 141. Supervision over an Investment Brokerage Company Registered in the Republic of Latvia which Provides Investment Services in a Member State**

(1) The Commission shall inform the supervisory authority of the relevant Member State prior to any performance of internal control at a branch of such investment brokerage company registered in the Republic of Latvia, which provides investment services in a Member State.

(2) The supervisory authority of a Member State is entitled upon its own initiative, as well as upon request by the Commission, to perform internal control at the branch of an investment brokerage company registered in the Republic of Latvia operating in the territory thereof.

(3) The Commission shall, without delay, inform the supervisory authorities of the relevant Member States regarding the cancellation of any licence of such investment brokerage companies registered in the Republic of Latvia the branches of which operate in Member States or which provide investment services in Member States without the opening of a branch.

**Section 141.1 Collection of Information Related to Remuneration Policy and Practice**

(1) The Commission shall collect the information related to remuneration policy and practice made public by investment brokerage companies with a licence which allows them to provide the investment services referred to in Section 3, Paragraph four, Clauses 5 and 6 of this Law, in accordance with the requirements of Regulation No 575/2013, as well as the information provided by such investment brokerage companies in accordance with the requirements laid down in Section 124, Paragraph 1.6 of this Law, and assess remuneration trends and practice. The Commission shall submit the abovementioned information to the European Banking Authority.

(2) Using the band amounting to one million euros, the Commission shall collect the information made public by investment brokerage companies with a licence, which allows them to provide the investment services referred to in Section 3, Paragraph four, Clauses 5 and 6 of this Law, in accordance with the requirements of Regulation No 575/2013 with regard to the number of its officials and employees whose remuneration during the reporting year is equal to or larger than one million euros, including information regarding the duties, scope of activities and major remuneration components of such officials and employees. The Commission shall submit the abovementioned information to the European Banking Authority.

*[24 April 2014]*

**Section 142. Consolidated Supervision**

The Commission shall carry out consolidated supervision of a parent investment brokerage company in the Republic of Latvia and a parent investment brokerage company in the European Union registered in the Republic of Latvia by applying the provisions of Chapter VII.1of the Credit Institution Law to the consolidated supervision of investment brokerage company by analogy regarding consolidated supervision of a person credit institution in the Republic of Latvia and a parent credit institution in the European Union registered in the Republic of Latvia.

*[13 January 2011]*

**Part F1**

**Provision of Outsourced Services**

*[9 June 2005]*

**Section 142.1 Procedures for Commencing Provision of Outsourced Services**

(1) Within the meaning of this Law, a recipient of outsourced service may be a market operator, the Central Depository, and an investment brokerage company. If the outsourced service recipient and the outsourced service provider are members of the same group of commercial companies, the outsourced service recipient may, for the purposes of complying with the requirements of this Section, take into account the extent to which it controls the outsourced service provider or the extent to which the outsourced service provider is subject to consolidated supervision of the group.

(2) Only such outsourced service provider having at least experience of three years in the provision of such outsourced services which a market operator, the Central Depository, or an investment brokerage company plans to delegate to the outsourced service provider, is entitled to provide the outsourced services to the market operator, the Central Depository, and investment brokerage company.

(3) At least 30 days prior to receipt of outsourced service a market operator, the Central Depository, and an investment brokerage company shall submit a motivated written submission to the Commission regarding receipt of the planned outsourced service. A description of the outsourced service policy and procedures and the original copy or certified copy of the outsourced service contract shall be appended to the submission.

(4) A market operator, the Central Depository, and an investment brokerage company shall submit amendments to the description of the outsourced service policy and procedure not later than on the following working day after approval of the relevant amendments.

(5) The following shall be determined in an outsourced service contract:

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

2) precise requirements for the amount and quality of outsourced service;

3) the rights and duties of the recipient and the provider of outsourced services, including:

a) the right of the outsourced service recipient to constantly supervise the quality of provision of the outsourced service, the right to become acquainted with all documents, the document and accounting registers, as well as to request information from the outsourced service provider related to the provision of the outsourced service,

b) the right of the recipient of outsourced service to give a provider of outsourced services instructions to be mandatorily executed in issues which are related to execution of outsourced service in good faith, good quality, timely manner and corresponding to laws and regulations,

c) the right of the outsourced service provider to submit a motivated written request to the outsourced service provider to terminate the outsourced service contract without delay, if the outsourced service recipient has determined that the outsourced service provider does not fulfil the requirements laid down in the outsourced service contract in relation to the amount or quality of the outsourced service,

d) the duty of the outsourced service provider to ensure the outsourced service recipient with a possibility of continuously supervising the quality of provision of the outsourced service,

e) the duty of the outsourced service provider to terminate the outsourced service contract without delay after receipt of a motivated written request from the outsourced service recipient,

f) the duty of the outsourced service provider to ensure the quality of outsourced service provision and due management of risks related to outsourced service provision,

g) the duty of the outsourced service provider to inform the outsourced service recipient regarding changes which may impact the ability thereof to carry out the outsourced service effectively, in due amount, quality and in accordance with the requirements laid down in this Law,

h) the duty of the outsourced service provider not to disclose information related to the outsourced service recipient or client and which in accordance with the requirements of the law contains secret of transactions;

4) the right of the Commission to become acquainted with all the documents, accounting and document registers and to request from the outsourced service provider any information which is related to the provision of outsourced services and carrying out of the functions of the Commission;

5) the action of the outsourced service provider for rectification of consequences under emergency situations, including introduction and periodic testing of backup facilities, where that is necessary in order to ensure continuous provision of investment service and protection of client interests having regard to the function, service or activity that has been outsourced to the outsource service provider.

(6) A market operator, the Central Depository, or an investment brokerage company, which plans to receive an outsourced service in accordance with the procedures laid down in this Law, shall develop the relevant policy and procedures. The following shall be determined in the outsourced service procedure:

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

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

3) regarding co-operation with the outsourced service provider and regarding the persons and units responsible for the supervision of the amount and quality of the outsourced service received, as well as the rights and duties of the relevant persons;

4) the action of the outsourced service recipient in cases when the outsourced service provider does not fulfil or is going to be unable to fulfil the provisions of the outsourced service contract;

5) the risk assessment and management procedures related to receipt of the outsourced service.

(7) The Commission has the right to conduct an inspection of activities of the outsourced service provider at the location thereof or at the location of outsourced service provision, including to become acquainted with all the documents, document and accounting registers, to make copies of the documents, as well as to request information from the outsourced service provider, which is related to the outsourced service provision or which is necessary for the performance of the functions of the Commission.

(8) The outsourced service provider shall commence the outsourced service provision if the outsourced service recipient within 30 days from the day of submitting the submission referred to in Paragraph three of this Section has not received a prohibition from the Commission to receive outsourced service.

(9) An outsourced service provider is entitled to delegate the outsourced service provision further to another person only after approval in writing has been received from the relevant outsourced service recipient. A market operator, the Central Depository, and an investment brokerage company shall, prior to further delegating of the outsourced service, inform the Commission thereof in writing and submit the documents referred to in Paragraph three of this Section. The provisions of this Law shall apply to further delegation of the outsourced service provision and the final provider of outsourced services.

*[4 October 2007]*

**Section 142.2 Restriction on the Provision of Outsourced Services**

(1) The Commission shall prohibit a market operator, the Central Depository, or an investment brokerage company to receive the planned outsourced service, if:

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

2) the receipt of the outsourced service may restrict the possibility of a market operator, the Central Depository, or investment brokerage company to provide the services laid down in this Law, as well as may infringe the lawful interests of its clients or to deteriorate the conditions on the basis of which the Commission has issued a licence to the outsourced service recipient for the performance of the relevant professional activity;

3) the receipt of the outsourced services may restrict the possibility of the administrative bodies of the outsourced service recipient of performing the duties laid down for them in laws and regulations, the articles of association of the outsourced service recipient, or in other internal instruments of the outsourced service recipient;

4) the receipt of the outsourced services will prohibit or restrict the possibility of the Commission to carry out the functions laid down in the law;

5) the outsourced service contract does not conform to the law and does not provide a clear and true idea of the intended co-operation of the outsourced service recipient and the outsourced service provider and the amount and quality of the outsourced service.

(2) The receipt of the outsourced service shall not exempt a market operator, the Central Depository, and an investment brokerage company from the responsibility laid down in the law or in the contract with their clients. The outsourced service recipient shall be liable for the performance of the outsourced service provider to the same extent as for its own performance.

(21) The Commission has the right to request information from an outsourced service recipient which is related to the outsourced service provision or which is necessary for the performance of the functions of the Commission.

(3) The Commission has the right to request that an outsourced service recipient rectifies deficiencies which have been caused by the receipt of outsourced service, and to determine the time period for rectification of such deficiencies. If the deficiencies are not rectified within the time period laid down by the Commission, the Commission shall request that an outsourced service recipient terminates the outsourced service contract, and shall determine the time period for termination thereof.

(4) The Commission is entitled to request that an outsourced service recipient immediately terminates the outsourced service contract in effect, if it detects:

1) that the outsourced service recipient fails to perform continuous supervision of the outsourced service or performs it irregularly and inadequately;

2) that the outsourced service recipient fails to perform risk management related to the outsourced service provision or performs it irregularly and inadequately;

3) material deficiencies in the activity of the outsourced service provider which endanger or may endanger performance of the obligations of the outsourced service recipient;

4) that any of the circumstances referred to in Paragraph one of this Section sets in.

(5) An outsourced service recipient shall, without delay, inform the Commission if it has detected that the outsourced service provider fails to comply with the amount or quality requirements of the outsourced service laid down in the outsourced service contract.

(6) The receipt of outsourced service shall not release the outsourced service recipient from the duty to perform risk management related to the activities thereof laid down in laws and regulations.

(7) Appeal of the administrative act issued by the Commission referred to in Paragraphs one, three, and four of this Section shall not suspend its execution.

*[4 October 2007]*

**Part G**

**Exchange of Information**

**Section 143. Exchange of Information with Supervisory Authorities of Other Member States to Ensure Supervision over the Provision of Investment Services**

(1) The Commission shall be responsible for co-operation and exchange of information with the supervisory authorities of other Member States to ensure supervision of the provision of investment services throughout the entire territory of the Member States.

(2) On the basis of a relevant motivated request, the Commission shall provide to the supervisory authorities of Member States any information on members of the board of directors and council (if such exists), as well as the owners of those investment brokerage companies providing investment services in the territory of the relevant Member States or which have close links to any licensed investment brokerage companies or yet-to-be-licensed investment brokerage companies in Member States. The Commission has the right to indicate that the abovementioned information may be disclosed to third parties, to which it is necessary for the performance of the functions laid down in the law, only upon prior written consent by the Commission.

(3) The Commission shall notify the supervisory authority of the relevant Member State of any sanctions and restrictions on activities it has applied to such investment brokerage companies registered in the Republic of Latvia providing investment services in the territory of the relevant Member State.

(31) If there is information at the disposal of the Commission that a commercial company other than subjected to its supervision, carries out activities in other Member State which are in contradiction with the laws and regulations of this Member State in the field of financial instrument market, the Commission shall inform the supervisory authority of the relevant Member State.

(4) The Commission shall, in accordance with the requirements of Article 15 of the European Commission Regulation No 1287/2006, carry out exchange of information for the purposes referred to in this Section.

*[4 October 2007; 22 May 2008]*

**Section 144. Information Exchange with Supervisory Authorities of Member States to Ensure Supervision of the Prohibition against the Use of Inside Information and Market Manipulations**

(1) The Commission shall co-operate with supervisory authorities of Member States in supervision of the prohibition against the use of inside information and market manipulations in accordance with the provisions of Regulation No 596/2014.

(2) If the Commission does not have information at its disposal which has been requested by the supervisory authority of the Member State, on the basis of a motivated request, and which is necessary thereto in order to perform its duties of supervision of the prohibition against the use of inside information and market manipulation, the Commission shall carry out activities within its competence in order to obtain the information requested.

(3) If it is impossible for the Commission to obtain the information requested by the supervisory authority of a Member State, the Commission shall notify the relevant Member State supervisory authority thereof, specifying the reasons due to which it cannot provide the requested information.

*[26 May 2016]*

**Section 144.1 Exchange of Information with Supervisory Authorities of Member States for the Purpose of Ensuring Admission of a Public Offer and Financial Instruments to Trading on a Regulated Market**

(1) The Commission is responsible for co-operation with the competent authorities of Member States in order to ensure performance of the duties and exercising of powers laid down for the Commission in Part C and Part D, Chapter II of this Law.

(2) The Commission shall, on the basis of a relevant motivated request, provide information to the competent authorities of the Member States which is necessary for them in order to carry out the functions laid down in the laws and regulations of the relevant Member State.

(3) The Commission shall co-operate with the supervisory authorities of other Member States and exchange with information necessary for the performance of their functions.

(4) The Commission has a duty to co-operate with the competent authorities of other Member States, if:

1) an issuer has more than one competent authority of the home Member State due to its different classes of transferable securities;

2) suspension or prohibition of trade is requested in respect of transferable securities traded in different Member States in order to ensure equal conformity with conditions for different trading venues and to ensure investor protection.

(5) In the cases laid down in Paragraph four of this Section the Commission is entitled to request assistance from the competent authority of the home Member State, starting from a time when examination of case circumstances has been commenced, particularly in respect of transferable securities of new type or rare form. The competent authorities of the home Member State are entitled to request information from the Commission regarding any elements characteristic to the market supervised by the Commission.

(6) If the Commission has received information in accordance with the procedures laid down in Section 55 of this Law regarding a decision of the regulated market operator to suspend trade in such financial instrument or to exclude such financial instrument therefrom which is admitted to trading on a regulated market of another Member State, or if the Commission has taken such decision itself, it shall, without delay, inform the supervisory authority of the relevant Member State and the European Securities and Markets Authority.

(7) If the Commission has received information from the supervisory authority of another Member State regarding suspension of such financial instrument or exclusion from a regulated market, which is admitted to trading on a regulated market also in the Republic of Latvia or marketed on a multilateral trading facility in the Republic of Latvia, it shall request suspension of trade in such financial instrument or exclusion from the regulated market in the Republic of Latvia. The Commission is entitled not to request suspension of trade in the financial instrument or exclusion from the regulated market, if it could jeopardise investor interests or normal market operation.

*[9 June 2005; 4 October 2007; 22 March 2012]*

**Section 144.2 Exchange of Information with Supervisory Authorities of Member States to Ensure Supervision over the Share Buy-back Offers**

(1) The Commission shall be responsible for exchange of information with the supervisory authorities of other Member States the purpose of which is to ensure supervision of the course of share buy-back offers in the territory of all Member States.

(2) The Commission, on the basis of the relevant motivated requests, shall provide information and documents to the supervisory authorities of the Member States regarding share buy-back offer, shareholders of a target company, transactions with the shares of the target company, and other information which is necessary for the supervisory authorities of the Member States for ensuring supervision of share buy-back offers or for the investigation of potential infringements related to share buy-back offers.

*[15 June 2006]*

**Section 144.3 Exchange of Information with Supervisory Authorities of Member States to Ensure Disclosure of the Minimum Information**

(1) The Commission is responsible for the co-operation with competent authorities of Member States in order to ensure performance of the duties and exercising of powers laid down for it in Section 54 of this Law, as well as in Part D, Chapters III, IV and VI of this Law.

(2) The Commission, on the basis of the relevant motivated request, shall provide information to the competent authorities of Member States necessary for the performance of their functions.

*[29 March 2007]*

**Section 144.4 Exchange of Information with Supervisory Authorities of other Member States Regarding Transactions in Financial Instruments**

(1) The Commission shall be responsible for co-operation with supervisory authorities of other Member States in order to ensure exchange of information regarding transactions in financial instruments admitted to trading on a regulated market.

(2) The Commission shall carry out exchange of information with supervisory authorities of other Member States regarding transactions in financial instruments in accordance with the requirements of Article 14 of the European Commission Regulation No 1287/2006.

(3) Information which the Commission has received in accordance with the procedures of Section 133.6 of this Law regarding transactions performed by a branch of the investment brokerage company and credit institution of other Member State, shall be sent thereby to the supervisory authority of the relevant Member State.

(4) Information, which the Commission has received in accordance with the procedures of Section 133.6 of this Law regarding transactions which have been performed by the investment brokerage company and credit institution registered in the Republic of Latvia in financial instruments admitted to trading on a regulated market of other Member State, shall be sent thereby to the competent authority of the relevant Member State which is the relevant competent authority of the particular financial instrument in accordance with Article 8 of the European Commission Regulation No 1287/2006.

*[4 October 2007]*

**Section 145. Exchange of Information with Foreign Supervisory Authorities**

(1) The Commission is entitled to enter into agreements with foreign supervisory authorities regarding the exchange of information for the performance of supervisory functions, as well as to accede to the Organisation of International Securities Commissions Agreement regarding the exchange of information.

(11) The Commission is entitled to enter into a contract regarding exchange of information with foreign authorities, institutions or other legal persons which:

1) carry out supervision of credit institutions, other financial institutions, insurance companies, and financial markets;

2) are responsible for liquidation, bankruptcy, and other similar procedures of investment brokerage companies;

3) when fulfilling supervisory functions, carry out auditing of investment brokerage companies and other financial institutions, credit institutions and insurance companies or which manage compensation schemes;

4) are responsible for supervision of such bodies which are involved in liquidation, bankruptcy, and other similar procedures of investment brokerage companies;

5) are responsible for supervision of such persons who are carrying out auditing of investment brokerage companies, insurance companies, credit institutions, and other financial institutions.

(2) In order to verify the veracity of such information on a credit institution, investment brokerage company, other financial institution, financial holding company, mixed-activity company registered in a foreign state or on the subsidiary undertaking of the credit institution, investment brokerage company, financial holding company or mixed-holding company which the Commission has received during the performance of supervision on the basis of consolidated financial statements, the Commission is entitled to send a request to the supervisory authority of the relevant foreign state for the performance of internal control at the relevant company.

(3) The Commission is entitled to enter into information exchange agreements with the authorities and institutions referred to in Paragraph one and 1.1 of this Section, if the laws and regulations of the relevant foreign state provide for the responsibility equivalent to the responsibility laid down in the laws and regulations of the Republic of Latvia regarding unauthorised disclosure of restricted access information. Such information shall only be used in order to perform the supervision of participants of the financial and capital market or the functions laid down in the law for the relevant institution. The relevant foreign institutions are entitled to disclose the received information only with a written consent of the Commission and only for the purposes for which such consent was given.

*[9 June 2005; 4 October 2007]*

**Section 146. Restricted Access Information**

(1) Information received from a Member State supervisory authority or a foreign supervisory authority for the performance of supervisory functions by the Commission, as well as the information specified in Section 20 of the Law On the Financial and Capital Market Commission, shall be considered to be restricted access information.

(2) The information referred to in Paragraph one of this Section may be disclosed to third parties for whom it is necessary in order to perform their functions as laid down in the law, only by prior written consent of the relevant Member State supervisory authority or foreign supervisory authority, and only for the purposes for which the relevant supervisory authority has agreed to disclose such information.

(3) The Commission is entitled to use restricted access information it has received from a Member State supervisory authority or foreign supervisory authority in the performance of its functions:

1) in order to verify information provided by investment brokerage companies for the purpose of obtaining a licence for the provision of investment services;

2) in order to verify the conformity of the activities of the credit institution or investment brokerage company with the requirements of the law;

3) in order to apply the liability laid down in the law for violations of this Law;

4) during court proceedings wherein administrative acts issued by the Commission or its actual actions are being contested;

5) in order to supervise activity of the trade venue of financial instruments.

(4) The provisions of this Section shall not restrict the right of the Commission to provide restricted access information to:

1) the authorities in a Member State or in foreign states which are responsible for the supervision of credit institutions, insurers, other financial institutions, and financial markets;

2) the authorities or persons responsible for bankruptcy and liquidation proceedings at investment brokerage companies in the Republic of Latvia, Member States, or foreign states;

3) persons who carry out internal control and auditing as laid down in the law at investment brokerage companies or other financial institutions in the Republic of Latvia, Member States, or foreign states, by performing the functions of finance and capital market supervision;

4) bodies administering investment and deposit compensation schemes, if such information is necessary thereto for the performance of their functions;

5) State institutions or structures which have a duty to supervise the financial stability in Member States through the macroprudential regulation;

6) reorganisation structures or State institutions of Member States whose objective is to carry out reorganisation, as well as to protect financial stability in accordance with laws and regulations;

7) contractual or institutional systems for client protection of Member States.

(5) The provisions of this Section do not prohibit the Commission from providing restricted access information to the European Securities and Markets Authority, the European Systematic Risk Board, the European Banking Authority, the European Insurance and Occupational Pensions Authority, the Bank of Latvia, central banks of Member States, and other institutions responsible for supervision of payment, clearing and settlement systems, if such information is required by these institutions for the purpose of fulfilment of their functions laid down in the law, as well as from publishing results of the stress testing carried out according to the requirements of supervisory authorities.

(6) The provisions of this Section do not prohibit the Commission from handing over restricted access information to a market operator, Central Depository, and institutions ensuring the clearing and settlement of transactions with financial instruments in Member States, if the Commission considers that the handing over of such information is necessary in order to ensure appropriate action by these institutions where participants in an account fail to fulfil their obligations or there are reasonable grounds for concluding that they will not fulfil their obligations.

(7) The provisions of this Section do not prohibit the Commission to publish information regarding sanctions which have been applied to persons when supervising conformity with the requirements of Articles 4, 5, 7, 8, 9, 10, and 11 of Regulation No 648/2014, unless disclosure of such information would seriously jeopardise the financial and capital market or cause incommensurate damage to the persons involved.

*[4 October 2007; 22 March 2012; 8 November 2012; 24 April 2014]*

**Section 147. Duty of the Commission to Provide Information to the European Commission, the European Securities and Markets Authority, and the European Banking Authority**

(1) The Commission shall notify the European Commission regarding:

1) any issue of a licence for the provision of investment services and ancillary investment services to an investment brokerage company which is a subsidiary undertaking of a company registered in a foreign state;

2) cases where an investment brokerage company registered in the Republic of Latvia becomes a subsidiary undertaking of a company registered in a foreign state by acquiring a qualifying holding;

3) share buy-back offers which are made regarding target companies the shares of which are put on public circulation in Latvia.

(2) In the cases referred to in Paragraph one, Clauses 1 and 2 of this Section, the Commission shall send to the European Commission any information also regarding the structure of such group which includes the relevant investment brokerage company.

(3) The Commission shall inform the European Commission, as well as other Member States regarding those financial statements of interim periods which a capital company, the shares of which are admitted to trading on a regulated market, prepares and disseminates in accordance with the procedures laid down in this Law, and regarding application of the requirements of Section 62, Paragraph four of this Law.

(4) The Commission shall notify the European Commission and the European Securities and Markets Authority regarding:

1) the cases referred to in Section 24.1, Paragraph three, Section 55.1, Paragraph four, and Section 64.3, Paragraph three of this Law;

2) the activities which have been carried out thereby in accordance with Section 40.1, Paragraph two and Section 140, Paragraphs two and five of this Law;

3) the cases when it, in accordance with that laid down in Section 63, Paragraph one of this Law, recognises as equivalent such information which an issuer, the registered address of which is in a foreign state, provides in accordance with the requirements of the laws and regulations of his or her country;

4) any general difficulties in providing investment services or commencing the provision of investment services in foreign states faced by investment brokerage companies which have received a licence for the provision of investment services or ancillary investment services from the Commission.

(5) The Commission shall notify the European Securities and Markets Authority regarding:

1) issue of a licence for an investment brokerage company for the provision of investment services or ancillary investment services in the Republic of Latvia, indicating such type of investment service or ancillary investment service for the provision of which the investment brokerage company has received a licence, as well as regarding cancellation of the licence or change of the investment services and ancillary investment services laid down in the licence;

2) contracts on exchange of information which the Commission has entered into with the supervisory authorities of foreign financial instruments markets, other authorities or legal persons;

3) restrictive measures and sanctions which the Commission has applied to market participants for infringements of the norms of this Law. If the Commission publishes information regarding a restrictive measure or sanction applied to a market participant, it shall, without delay, inform the European Securities and Markets Authority thereof. Once a year the Commission shall send a summary to such authority regarding all restrictive measures and sanctions applied to market participants during a year.

(6) The Commission has the right to inform the European Securities and Markets Authority regarding the cases when the supervisory authority of another Member State fails to provide information after motivated request of the Commission or does not provide information within the relevant (reasonable) time period, or, regardless of the request of the Commission, refuses the possibility for the Commission to carry out examination in the territory of such Member State or for the authorised representatives of the Commission to participate in examination, or fails to reply to such request within the relevant (reasonable) time period.

(7) The Commission shall inform the European Banking Authority of any decisions taken with regard to the violations referred to in Section 148, Paragraph fifteen of this Law and the course of appeal procedure thereof.

(8) The Commission shall inform the European Commission, the European Banking Authority and the European Securities and Markets Authority regarding any laws and regulations governing establishment and activities of investment brokerage companies in the Republic of Latvia.

*[22 March 2012; 24 April 2014]*

**Part G.1**

**Registration and Supervision of External Credit Assessment Institutions (Rating Agencies)**

*[13 January 2011]*

**Section 147.1 Rights and Obligations of the Commission**

(1) [8 November 2012]

(2) The Commission shall carry out supervision of use of credit ratings by the subjects referred to in Article 4(1) of the Regulation No 1060/2009 which use credit ratings for regulatory purposes in accordance with this Regulation, as well as in accordance with the provisions of the Financial Instrument Market Law.

(3) An External Credit Assessment Institution (rating agency) shall be regarded as a participant to the financial and capital market within the meaning of the Law On Financial and Capital Market Commission, and the norms of the Law On the Financial and Capital Market Commission governing the activities of the participants to the financial and capital market shall apply to it. The regulatory provisions of the Commission issued in accordance with this Law and Regulation No 1060/2009 shall be binding to the External Credit Assessment Institution (rating agency).

*[8 November 2012]*

**Section 147.2 Issue and Appeal of Administrative Acts of the Commission**

(1) The Commission shall issue administrative acts in accordance with Section 4, Paragraph one of this Law in the cases laid down in the law and in Regulation No 1060/2009.

(2) An administrative act issued in accordance with Paragraph one of this Law may be appealed in accordance with the procedures laid down in Section 4, Paragraph two of this Law.

**Section 147.3 Payments for Funding the Activities of the Commission**

(1) The Commission shall receive funding for registration and supervision of external credit assessment institutions (rating agencies) to the extent and in accordance with the procedures laid down in Regulation No 1060/2009.

(2) An investment brokerage company shall pay the Commission for funding of its activities an amount of up to 1 per cent of the quarterly average gross income from transactions of an investment brokerage company but not less than EUR 2,845 per year.

(3) The regulated market operator shall pay the Commission for funding of its activities an amount of up to 2 per cent of the quarterly average gross income from transactions thereof but not less than EUR 7,114 per year.

(4) The Depository shall pay the Commission for funding of its activities an amount of up to 2 per cent of the quarterly average gross income from transactions of the Depository but not less than EUR 7,114 per year.

(5) The Commission shall issue regulatory provisions for the procedures for calculating the payments referred to in Paragraphs two, three, and four of this Section and the submission of reports.

(6) The payments referred to in Paragraphs two, three, and four of this Section shall be made by the thirtieth day of the month following the relevant quarter.

(7) If the payments referred to in Paragraphs two, three, and four of this Section are transferred with delay or not in full amount, late payment money amounting to 0.05 per cent of the unpaid amount shall be calculated for each delayed day.

(8) The payments referred to in this Section shall be transferred to the account of the Commission in the Bank of Latvia.

*[24 April 2014]*

**Part G2**

**Supervision of Short Selling and Credit Default Swaps**

*[8 November 2012]*

**Section 147.4 Rights and Obligations of the Commission in Supervision of Short Selling and Credit Default Swaps**

When supervising conformity with the requirements of Regulation No 236/2012, the Commission has the following rights in addition to the rights laid down in the Law On the Financial and Capital Market Commission:

1) to request a person to discontinue any activities which are in contradiction with the requirements of Regulation No 236/2012;

2) to request from credit institutions and investment brokerage companies that assets are frozen or sequestrated in respect of a person who is carrying out activities which are in contradiction with the requirements of Regulation No 236/2012.

**Part H**

**Liability for Infringements of the Laws and Regulations Governing Financial Instrument Market**

*[9 June 2005]*

**Section 148. Liability**

(1) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on a person making an offer or a person seeking admission of financial instruments to trading on a regulated market for making of the public offering of financial instruments or admission to trading thereof on a regulated market not in conformity with the requirements of this Law.

(2) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on an issuer or person seeking admission of financial instruments to trading on a regulated market for dissemination of false or misleading minimum information.

(3) [26 May 2016 / See Paragraph 55 of Transitional Provisions]

(4) If a person who in accordance with the provisions of Section 66 of this Law has a duty to make a mandatory share buy-back offer, fails to make it in accordance with specific procedures, the Commission has the right to impose a fine up to EUR 700,000 on a person.

(5) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on a person having infringed this Law and the laws and regulations issued in accordance with it.

(6) [8 November 2012]

(7) [26 May 2016 / See Paragraph 55 of Transitional Provisions]

(71) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on an issuer for failing to prepare a notification regarding corporate governance in accordance with the requirements of Section 56.2 of this Law or failing to publish it in accordance with the procedures laid down in Section 56.2 of this Law.

(8) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on an investment brokerage company or credit institution for provision of investment services and ancillary investment services failing to comply with the requirements of this Law.

(9) The Commission has the right to issue a warning or impose a fine up to EUR 14,200 on an investment brokerage company, credit institution, or regulated market operator for failing to comply with the requirements for disclosure of pre-trade and post-trade information laid down in this Law.

(10) The Commission has the right to issue a warning or impose a fine from EUR 1400 to EUR 142,300 on a person having infringed laws and regulations for failing to comply with the requirements of Part G.1of this Law.

(11) The Commission has the right to impose a fine EUR 1440 to EUR 14,200, if a person has acquired or increased major holding on a regulated market operator, the Latvian Central Depository, or investment brokerage company prior to submitting the notification referred to in Section 9, Paragraph one or two of this Law or during examination thereof.

(12) [24 April 2014]

(13) If a participant to the financial instrument market or another person referred to in Section 4.1, Paragraphs three and four of this Law fails to meet the requirements of Section 4.1 of this Law, the Commission has the right to issue a warning or impose a fine up to EUR 14,200 on such person.

(14) If a financial instrument market participant or any other person bound by directly applicable laws and regulations issued by the European Union institutions with regard to the financial instrument market (except Regulation No 575/2013) fails to conform to them, the Commission has the right to issue a warning or impose a fine on the relevant person. A fine imposed on legal persons shall not exceed EUR 142,300, but on natural persons – EUR 57,000.

(15) If an investment brokerage company does not conform to the requirements laid down in Section 122.2 and Section 124, Paragraph one, Clause 11 of this Law, Sections 35.26, 35.27 or 35.28 of the Credit Institution Law or Articles 28, 52 or 63 of Regulation No 575/2013 with regard to the payments to holders of instruments included in own funds, the requirements of Articles 99(1), 101, 394(1), 395, 405, 415(1) and (2), 430(1), 431(1), (2) and (3) or 451(1) of Regulation No 575/2013, systematically or permanently does not conform to the requirements of Article 412 of Regulation 575/2013, carries out activities as a result of which the requirements of laws and regulations with regard to prevention of money laundering and funding of terrorism have been violated or if a member of the board of directors or council of an investment brokerage company does not conform to the requirements laid down in Section 106.1 of this Law, the Commission is entitled to apply one or several of the following sanctions:

1) to express a public notification which indicates the natural or legal person responsible for the violation and the essence of the violation;

2) to request that an investment brokerage company or the person responsible for the violation immediately ceases the relevant practice;

3) to determine a temporary prohibition for a member of the board of directors or council of an investment brokerage company or for other natural person responsible for the violation to fulfil his or her duties in the investment brokerage company;

4) to impose a fine on a legal person of up to 10 per cent of the net income from the previous fiscal year that conforms to the amount which, in accordance with Regulation No 575/2013, is used in order to calculate the own funds requirements for operational risk according to the basic indicator approach. If 10 per cent of the net income from the previous fiscal year which has been calculated in accordance with the first sentence of this Clause are less than EUR 142,300, the Commission is entitled to impose a fine not exceeding EUR 142,300. If a legal person is a subsidiary of parent undertaking, the net income from the previous fiscal year shall conform to the amount, which, in accordance with Regulation No 575/2013, is used in order calculate own funds requirements for operational risk according to the basic indicator approach on the basis of the data presented by the final parent undertaking in consolidated financial statements of the previous fiscal year;

5) to impose a fine of up to five million euros on a natural person responsible for the violation;

6) to impose a fine of up to double amount of the income generated a result of the violation or of the prevented possible loss.

(16) If a person has not complied with the requirements of Sections 54, 56, 56.3, 56.4, 57, 57.2, 57.3 or Chapter IV of this Law or has not carried out the duty imposed thereto and has not notified, according to specific procedures, regarding acquisition or losing of major holding in a joint stock company in accordance with the requirements of Section 61 of this Law, the Commission is entitled to apply one or several of the following sanctions:

1) to indicate in a public notification the natural or legal person responsible for the violation and the essence of the violation;

2) to request that the natural or legal person responsible for the violation discontinues the relevant activity without delay;

3) to impose the fine of the largest amount to the legal person:

a) up to EUR 10,000,000 or up to five per cent from the total turnover of the previous financial year according to the approved annual account of the previous financial year. If the legal person is a subsidiary undertaking of a parent undertaking or a branch of such subsidiary undertaking which prepares a consolidated financial statement in accordance with the Law On Annual Accounts and Consolidated Annual Accounts, the total turnover shall consist of the total turnover of the previous financial year or of the income of corresponding type, on the basis of that indicated in consolidated financial statements of the previous financial year of the ultimate parent undertaking,

b) up to double amount of the income obtained or potential losses prevented by the person, if it possible to determine the income obtained as a result of violation or potential losses prevented;

4) to impose the fine of the largest amount to the natural person:

a) up to EUR 2,000,000,

b) up to double amount of the income obtained or potential losses prevented by the person, if it possible to determine the income obtained as a result of violation or potential losses prevented.

(17) If the person has not complied with the requirements of Articles 14, 15, Article 16(1) or (2), Article 17 (1), (2), (4), (5), or (8), Article 18(1), (2), (3), (4), (5), or (6), Article 19(1), (2), (3), (5), (6), (7), or (11), or Article 20(1), the Commission is entitled to apply one or several of the following sanctions or supervisory measures:

1) to request that the natural or legal person responsible for the violation discontinues the relevant activity without delay;

2) to impose a duty to reimburse the income obtained as a result of the violation or potential losses prevented, if it is possible to determine them;

3) to indicate in a public notification the natural or legal person responsible for the violation and the essence of the violation;

4) to temporarily suspend or cancel the licence issued to the investment brokerage company for provision of investment services and ancillary investment services or to prohibit a credit institution to provide investment services and ancillary investment services;

5) to determine a temporary prohibition for a member of the board of directors or council of an investment brokerage company or credit institution, or for other natural person responsible for the violation to fulfil his or her duties in the investment brokerage company or credit institution;

6) to remove a member of the board of directors or council of an investment brokerage company or credit institution from the office or to prohibit other natural person responsible for the violation to fulfil his or her duties in the investment brokerage company, if the abovementioned persons have repeatedly violated the requirements of Article 14 or 15 of Regulation No 596/2014;

7) to determine a temporary prohibition for a member of the board of directors or council of an investment brokerage company or credit institution, or for other natural person responsible for the violation to fulfil his or her duties on its behalf;

8) to impose a fine up to triple amount of the income acquired as a result of the violation or potential losses prevented, if it possible to determine the income acquired as a result of violation or potential losses prevented;

9) to impose a fine to a natural person for the following in relation to Regulation No 596/2014:

a) violations of the requirements of Article 14 or 15 up to EUR 5,000,000,

b) violations of the requirements of Article 16 or 17 up to EUR 1,000,000,

c) violations of the requirements of Article 18, 19, or 20 up to EUR 500,000;

10) to impose a fine to a legal person for the following in relation to Regulation No 596/2014:

a) violations of the requirements of Article 14 or 15 up to EUR 15,000,000 or up to 15 per cent from the total turnover of the previous financial year according to the approved annual account of the previous financial year. If the legal person is a subsidiary undertaking of a parent undertaking or a branch of such subsidiary undertaking which prepares a consolidated financial statement in accordance with the Law On Annual Accounts and Consolidated Annual Accounts, the total turnover shall consist of the total turnover of the previous financial year or of the income of corresponding type, on the basis of that indicated in consolidated financial statements of the previous financial year of the ultimate parent undertaking,

b) violations of the requirements of Article 16 or 17 up to EUR 2,500,000 or up to two per cent from the total turnover of the previous financial year according to the approved annual account of the previous financial year. If the legal person is a subsidiary undertaking of a parent undertaking or a branch of such subsidiary undertaking which prepares a consolidated financial statement in accordance with the Law On Annual Accounts and Consolidated Annual Accounts, the total turnover shall consist of the total turnover of the previous financial year or of the income of corresponding type, on the basis of that indicated in consolidated financial statements of the previous financial year of the ultimate parent undertaking,

c) violations of the requirements of Article 18, 19, or 20 up to EUR 1,000,000.

(18) If the person has not complied with the requirements of 55.2, 55.3, 55.5, 55.6, 55.7, 55.8 or 55.11 of this Law, the Commission is entitled to apply one or several of the following sanctions or supervisory measures:

1) issue a warning;

2) publish a public announcement on the website of the Commission, indicating the person liable for the violation and the essence of such violation;

3) require that the person liable for the violation immediately ceases the relevant activities;

4) determine a temporary prohibition to a member of the council or board of directors of the capital company who is liable for the relevant violation, to fulfil the duties specified for him or her in the capital company for a time period up to three years;

5) impose a fine to the capital company up to 10 per cent of the net turnover amount of the previous reporting year. If 10 per cent of the net turnover amount of the previous reporting year is less than EUR 142,300, the Commission is entitled to impose a fine up to EUR 142,300;

6) to impose a fine of up to one million euros on a natural person responsible for the violation.

*[29 March 2007; 4 October 2007; 22 May 2008; 13 January 2011; 22 March 2012; 8 November 2012; 19 September 2013; 24 April 2014; 26 May 2016; 15 December 2016 /* *See Paragraph 58 of Transitional Provisions]*

**Section 149. Collecting of Fines**

The fines collected for the infringements laid down in Section 148 of this Law shall be paid into the State budget.

**Section 150. Publishing of Sanctions and Supervisory Measures**

(1) The Commission shall post information regarding sanctions and supervisory measures applied to persons for the violations referred to in Section 148 of this Law on its website, indicating information regarding the person and the violation committed thereby, as well as regarding contesting of the administrative act issued thereby and taken decision.

(2) The Commission may make the information referred to in Paragraph one of this Section available to the public without identifying the person if, upon previous assessment, it has been ascertained that disclosure of data of the natural person, to which a sanction or measure has been applied, is not commensurate or that disclosure of data of the natural or legal person may pose a threat to stability of the financial market, initiate criminal proceedings, or cause incommensurate damage to the persons involved.

(21) The Commission has the right not to publish the information referred to in Paragraph one of this Section regarding the sanctions and supervisory measures referred to in Section 148, Paragraphs seventeen and eighteen of this Law, if it establishes after performance of prior assessment that publishing would endanger the stability of the financial market or publishing of such information is not commensurate with the violation committed.

(22) The Commission shall publish information regarding sanctions and supervisory measures imposed for the violations of Regulation No 596/2014, in accordance with the provisions of this Regulation.

(3) If it is expected that the circumstances referred to in Paragraph two of this Section may change within a reasonable time period, making of the information referred to in Paragraph one of this Section available to the public may be suspended for this time period.

(4) The information posted on the website of the Commission in accordance with the procedures laid down in this Law regarding the violations referred to in Section 148, Paragraphs fifteen, seventeen, and eighteen of this Law shall be available for five years from the day of their posting.

(5) The Commission shall inform the European Banking Authority regarding any sanctions applied for the violations referred to in Section 148, Paragraph fifteen of this Law.

(6) The Commission shall, within five working days from the day of taking the decision, inform the Ministry of Finance regarding the sanctions and supervisory measures imposed for the violations referred to in Section 148, Paragraph eighteen of this Law.

*[24 April 2014; 11 June 2015; 26 May 2016; 15 December 2016]*

**Chapter I**

**Renewal of Activities of an Investment Brokerage Company and Special Provisions of Resolution, Insolvency, and Liquidation**

*[24 April 2014; 11 June 2015]*

**Section 151. Handling of Monies of Clients**

(1) A liquidator or an administrator of an investment brokerage company shall invite the clients of the investment brokerage company to receive the monies held by this liquidator or administrator and agree upon the procedures for the receipt thereof. The liquidator or administrator of the investment brokerage company shall send a written notification to each client, as well as publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(2) The monies that are not withdrawn by the clients of an investment brokerage company shall be deposited by a liquidator or an administrator of an investment brokerage company in a credit institution for custody purposes registered in the Republic of Latvia and selected at his or her own discretion by concluding a written agreement. The liquidator or administrator of the investment brokerage company shall send a written notification on depositing of the moneys in a credit institution for custody purposes to each client, as well as publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(3) Fee for custody of the monies of clients of an investment brokerage company deposited in a credit institution shall be deducted in accordance with a price list of the credit institution from the amount of monies due to the clients.

(4) If a client of an investment brokerage company has not withdrawn his or her monies within ten years from the moment the monies were deposited in a credit institution, the client shall lose the right to claim them. The monies due to the clients of the investment brokerage company and with regard to which prescription period has set in shall be transferred to the State as vacant property.

(5) Upon conclusion of a custody agreement with a credit institution a liquidator or an administrator of an investment brokerage company shall submit information to the Commission regarding the credit institution which has accepted the monies for custody purposes and a list of clients of an investment brokerage company, indicating identification data of each client and amount of money due to each of the clients.

(6) Upon complete expiration of liabilities of a liquidator or an administrator of an investment brokerage company against the clients of an investment brokerage company, the liquidator or administrator shall submit information to the Commission regarding the fact of expiration of liabilities.

**Section 152. Handling of Financial Instruments of Clients**

(1) A liquidator or an administrator of an investment brokerage company shall invite the clients of the investment brokerage company to receive the financial instruments held by this liquidator or administrator and agree upon the procedures for the receipt thereof. The liquidator or administrator of the investment brokerage company shall send a written notification to each client, as well as publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(2) The financial instruments that are not withdrawn by the clients of an investment brokerage company may be deposited by a liquidator or an administrator of an investment brokerage company in a credit institution for holding purposes registered in the Republic of Latvia and selected at his or her own discretion or another investment brokerage company by concluding a written agreement. The liquidator or administrator of the investment brokerage company shall send a written notification on depositing of the financial instruments in a credit institution or another investment brokerage institution for custody purposes to each client, as well as publish it in the mass media and the official publication *Latvijas Vēstnesis*.

(3) Fee for holding the financial instruments of clients of an investment brokerage company deposited in a credit institution or an investment brokerage company shall be deducted from the clients of the investment brokerage company in accordance with a price list of the credit institution or investment brokerage company at the moment when they bring an action for receipt of financial instruments and of the value of financial instruments owned by them.

(4) If a client of an investment brokerage company has not withdrawn his or her financial instruments within ten years from the moment the financial instruments were deposited in a credit institution or another investment brokerage company, the client shall lose the right to claim them. The financial instruments due to the clients of the investment brokerage company and with regard to which prescription period has set in shall be transferred to the State as vacant property.

(5) Upon conclusion of a transfer agreement with a credit institution or another investment brokerage company a liquidator or an administrator of an investment brokerage company shall submit information to the Commission regarding the credit institution or the investment brokerage company which has accepted the financial instruments for holding purposes and a list of clients of an investment brokerage company, indicating identification data of each client and identification and number of the financial instruments due to each of the clients.

(6) The financial instruments owned by clients of an investment brokerage company with regard to which a liquidator or an administrator of an investment brokerage company has not concluded an agreement on the transfer thereof to a credit institution or another investment brokerage company for holding purposes, may be forfeited by the liquidator or administrator in a public bid. The liquidator or administrator of the investment brokerage company shall organise the bid and draw up regulations thereof.

(7) Upon forfeiture of financial instruments in a bid a liquidator or an administrator of an investment brokerage company shall invite the clients of an investment brokerage company to enter claims for payment of monies in accordance with the procedures for handling of monies of clients laid down in Section 151 of this Law.

(8) Upon complete expiration of liabilities of a liquidator or an administrator of an investment brokerage company against the clients of an investment brokerage company, the liquidator or administrator shall submit information to the Commission regarding the fact of expiration of liabilities.

**Section 153. Legal Framework of Recovery of Activities and Resolution, Insolvency, and Liquidation of Investment Brokerage Companies**

(1) The provisions of this Law for recovery of activities and resolution of an investment brokerage company shall be applicable insofar as it is not otherwise provided for in the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies.

(2) The Commission is entitled to appoint an authorised person for an investment brokerage company in the cases laid down in the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies. The provisions of Chapter VII of the Credit Institution Law shall be applied to the appointment of the authorised person and activities thereof.

(3) The norms of the Commercial Law and the Insolvency Law governing insolvency and liquidation shall be applied to an investment brokerage company insofar as they are not in contradiction with the norms of the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies.

(4) An insolvency application of the investment brokerage company shall be submitted only upon consent by the Commission.

(5) A court may initiate insolvency proceedings against the investment brokerage company in respect of which the Commission has taken a decision on further action in accordance with the procedures laid down in the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies only on the basis of the application of the Commission.

(6) The court, upon receipt of the insolvency application of the investment brokerage company, shall, without delay, inform the Commission thereof regardless of whether the resolution is applied to the investment brokerage company or a decision is published in accordance with the procedures laid down in the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies.

(7) After performance of the information obligation laid down in Paragraph seven of this Section the court may examine the insolvency application, if the Commission has notified the court that it does not plan to carry out resolution activities in respect of the investment brokerage company, or it has not provided any reply to the court within seven days.

(8) If after receipt of the information laid down in Paragraph six of this Section the Commission has notified that the investment brokerage company conforms to the resolution provisions and that it plans to carry out resolution activities in respect of the investment brokerage company, the court shall take an adjudication to refuse the insolvency application.

*[11 June 2015]*

**Section 154. Special Procedures for Covering of Creditors' Claims**

(1) After covering of the expenses of insolvency proceedings or liquidation of the investment brokerage company, the remaining funds shall be distributed, for the satisfaction of the principal sums (without interest) of the creditors’ claims, according to the following procedures:

1) disbursements to investors to whom compensation is to be disbursed in accordance with the Investor Protection Law. Disbursements shall be determined in the amount of compensation provided for in the Investor Protection Law. If the investor has received the compensation, he shall lose the right of claim with respect to the amount received, and the relevant claim shall be treated as claims of this group. A calculation submitted by the Commission to a liquidator or administrator regarding the disbursements carried out to investors in the amount of disbursed compensations shall be regarded as a creditor's claim that is to be satisfied as a priority before other claims of non-secured creditors;

2) after the disbursements referred to in Paragraph one, Clause 1 of this Section are covered completely – disbursements to natural persons and micro-enterprises, small and medium-sized companies (within the meaning of the Law On Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies) above the amount disbursed in the compensation.

(2) If the funds of the debtor are not sufficient in order to completely satisfy all the creditors' claims referred to in Paragraph one, Clause two of this Section, the relevant claims shall be satisfied in proportion to the amount of the claim which is due to other creditor.

(3) After the disbursements referred to in Paragraph one of this Section are covered and creditors' claims, other claims of non-secured creditors shall be covered in accordance with the procedures for covering of creditors' claims laid down in the Insolvency Law.

*[11 June 2015]*

**Transitional Provisions**

1. With the coming into force of this Law, the Law On Securities (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No.20; 1997, No. 14, 23; 1998, No. 22; 2000, No. 6, 13; 2001, No. 12, 23) is repealed.

2. A person who has either directly or indirectly acquired a holding in a joint stock company, the shares of which are admitted to trading on a regulated market in an amount ensuring at least 10 per cent of the number of shares with voting rights, shall submit a notification to the meeting of shareholders at which approval of the accounts for the year 2003 shall be decided upon. The notification shall include all of the information referred to in Section 61, Paragraph six of this Law.

3. Within one month after the meeting of shareholders at which approval of the accounts for the year 2003 was decided upon, the joint stock company the shares of which are admitted to trading on a regulated market, shall publish in the official publication *Latvijas Vēstnesis* the list of those persons which have either directly or indirectly acquired a holding in this joint stock company. The publication shall specify how many per cent of the number of shares with voting rights each person has acquired, as well as the extent of any indirectly acquired holding by each person.

4. The meeting of shareholders of such joint stock company the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, shall, not later than until 31 December 2005, decide an issue on admission of shares to trading on a regulated market with simple majority of the votes of participating shareholders. If, in voting in respect of the issue regarding admission of shares to trading on a regulated market, a shareholder refrains from it, then it shall be regarded in such voting that the shareholder has voted against admission of shares to trading on a regulated market. If the meeting of shareholders takes a decision not to admit shares to trading on a regulated market, by counting together the votes given in favour and the votes of those shareholders who refrain from voting, the shareholders who have voted against and refrained from the voting shall express a mandatory share buy-back offer in accordance with the procedures laid down in this Law, taking into consideration such requirements which apply to the share buy-back cases laid down in Section 66, Paragraph one, Clause 2 of this Law. If the meeting of shareholders takes a decision to admit the shares to trading on a regulated market, the documents laid down in Section 48, Paragraphs one and two of this Law shall be submitted to the Commission not later than within three months counting from the day of taking of the decision. The meeting of shareholders in the issue regarding admission of shares to trading on a regulated market shall be considered competent to take decisions regardless of the number of votes of participating shareholders. The board of directors of the joint stock company shall be responsible for convening of the meeting of shareholders.

*[9 June 2005]*

4.1 Such joint stock companies, the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market and which have taken a decision to admit the shares to trading on a regulated market, shall, until 31 December 2005, submit the documents laid down in Section 48, Paragraphs one and two of this Law to the Commission.

*[9 June 2005]*

4.2 For such joint stock companies, the shares of which are put into public circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, which are declared to be insolvent:

1) and are under restoration process, shall, not later than during three months after completion of restoration, the meeting of shareholders shall decide on the issue regarding admission of shares to trading on a regulated market in accordance with the procedures laid down in Paragraph 4 of these Transitional Provisions;

2) and in respect of which bankruptcy procedure has been initiated, the Commission shall take a decision to withdraw shares from public circulation and cancellation of the issue certificate.

*[9 June 2005]*

4.3 If the shares of the joint stock company are put into circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, the shareholders of such company:

1) shall submit the notification laid down in Section 61 of this Law to the Commission and joint stock company in accordance with the procedures and time period laid down in Section 61;

2) shall make a mandatory share buy-back offer in accordance with the procedures laid down in this Law in the case laid down in Section 66, Paragraph one, Clause 1.

*[9 June 2005; 4 October 2007]*

4.4 The joint stock companies, the shares of which are put into circulation until the day of coming into force of this Law, but are not admitted to trading on a regulated market, and the shareholders of such companies shall be liable for infringements of this Law in accordance with Section 148 of this Law.

*[9 June 2005; 4 October 2007]*

5. The shareholders who, on the day of coming into force of this Law, possess a qualifying holding in an investment brokerage company, shall, within 10 days, inform the Commission thereof in accordance with the procedures laid down in this Law.

6. The provisions of Section 69, Paragraph four of this Law also apply to those restrictions on disposal of shares specified in Section 34 of the Law On Joint Stock Companies, if before the coming into force of this Law the stock company has not re-registered in the Commercial Register.

7. Within one month from the date of coming into force of this Law, the Central Depository shall post on its website, as well as publish in the newspaper *Latvijas Vēstnesis* the regulations in force which are binding to the participants of the Central Depository and ensure the fulfilment of functions of the Central Depository laid down in this Law.

8. Investment brokerage companies which have received a licence for the performance of intermediary activity from the Commission shall, within six months from the day of coming into force of this Law, re-register such licence with the Commission, specifying in the submission for re-registration what investment services and ancillary investment services they propose to provide.

9. [9 June 2005]

10. Section 22; Section 25, Paragraphs four and five; Section 28, Paragraph four; Section 36, Paragraphs three and four; Section 37, Paragraph seven, second sentence; Section 48, Paragraph three; Section 49; Section 50, Paragraphs three and seven; Section 84, Paragraph three; Section 95, Paragraphs three and four; Section 102, Paragraph four; Section 103, Paragraph four; Sections 112, 113, 140 and 141; Section 142, Paragraphs five, twelve, thirteen and fourteen; and Section 147 shall come into force with a special law.

11. Chapter X of this Law comes into force on 1 January, 2005. An investment brokerage company shall prepare annual accounts for the years 2003 and 2004 in accordance with the requirements of the Law On annual accounts of Undertakings and the Law On Consolidated annual accounts.

12. Amendment to Section 93, Paragraph three and Section 93, Paragraph seven of this Law shall come into force on 1 January 2006.

*[9 June 2005]*

13. Such issuers which are registered in any foreign state and transferable securities of which are already admitted to trading on a regulated market, shall select their competent authority of the home Member State in accordance with the requirements of this Law and notify their decision to the selected competent authority of the home Member State until 31 December 2005.

*[9 June 2005]*

14. If the Commission has taken a decision to allow to make a public offering until 1 July 2005, the issue prospectus shall be valid for 12 months from the day of taking the decision.

*[9 June 2005]*

15. If the Commission has registered a prospectus until 1 July 2005, the requirements of Section 50, Paragraph one of this Law shall be applied.

*[9 June 2005]*

16. If the Commission has approved the issue prospectus or prospectus until 1 July 2005, but the issuer, the person making an offer, or the person seeking admission of transferable securities to trading on a regulated market, wants to make a public offering or seek admission of transferable securities to trading on a regulated market also in other Member State after coming into force of this Law, he or she must prepare a new issue prospectus or prospectus in accordance with the requirements of Part C and Part D, Chapter II of this Law.

*[9 June 2005]*

17. If the shares of a target company are put into circulation in several Member States at the same time, one of which is Latvia, and the registered office is not located in none of them, the Commission shall agree together with the supervisory authorities of other Member States within four weeks after coming into force of Section 56.1 of this Law, which of the supervisory authorities will supervise buy-back offers which will be made in respect of the shares of the target company. If the Commission together with the supervisory authorities of other Member States have not agreed within the time period laid down, the target company shall, on the first day following the end of the time period of four weeks, determine which of the abovementioned authorities will supervise buy-back offers that will be made in respect of the shares of the target company.

*[15 June 2006]*

18. Sections 56.1 and 57.2 of this Law shall come into force on 1 January 2007.

*[15 June 2006]*

19. The shareholders of joint stock companies (the shares of which are put into public circulation) who have acquired at least 95 per cent of the total number of shares with voting rights are entitled to make a final share buy-back offer within three months from the day of coming into force of Section 69.1 of this Law.

*[15 June 2006]*

20. The shareholders of joint stock companies (the shares of which are withdrawn from public circulation within 12 months before coming into force of Section 69.1 of this Law) who have acquired at least 95 per cent of the total number of shares with voting rights, are entitled to make a final share buy-back offer, without admitting the shares of the joint stock company to trading on a regulated market, within three months from the day of coming into force of Section 69.1 of this Law.

*[15 June 2006]*

21. A person who has either directly or indirectly acquired holding in a joint stock company (the shares of which are admitted to trading on a regulated market) in such amount which ensures at least one twentieth, but does not exceed one tenth of the total number of shares with voting rights, shall, within three months after the day of coming into force of Section 69.1 of this Law, inform the market operator on the regulated markets of which the shares of such company are admitted to trading, and the joint stock company itself thereof.

*[15 June 2006]*

22. A shareholder to whom the requirements of Part D, Chapter IV of this Law apply, shall, not later than until 30 June 2007, inform the issuer regarding the proportion of those voting rights and capital which are owned by him or her on the day of provision of information, unless such shareholder has submitted equivalent information prior to the coming into force of this Law.

*[29 March 2007]*

23. An issuer shall, not later than until 30 July 2007, publish information in accordance with the requirements of Section 64.2 of this Law which it has received in accordance with the requirements of Paragraph 22 of these Transitional Provisions.

*[29 March 2007]*

24. Investment brokerage companies shall apply the advanced internal ratings based approach for the calculation of credit risk capital requirement and the advanced measurement approach for the calculation of such risk capital requirement from 1 January 2008.

*[29 March 2007]*

25. Investment brokerage companies which for the calculation of risk-weighted exposure amounts apply the internal ratings based approach, shall until 31 December 2009 ensure own funds which always are greater than the amounts indicated in Paragraphs 27, 28, and 29 of these Transitional Provisions or equivalent to them.

*[29 March 2007]*

26. Investment brokerage companies which apply the advanced measurement approach for the calculation of the operational risk capital requirement, shall from 1 January 2008 to 31 December 2009 ensure own funds which always are greater than the amounts indicated in Paragraphs 28 and 29 of these Transitional Provisions or equivalent to them.

*[29 March 2007]*

27. Until 31 December 2007, the own funds of the investment brokerage company shall be at least 95 per cent of minimal own funds which are calculated in accordance with the procedures laid down by the Commission for the calculation of capital adequacy.

*[29 March 2007]*

28. From 1 January to 31 December 2008, the own funds of the investment brokerage company shall be at least 90 per cent of the minimal own funds which are calculated in accordance with the procedures laid down by the Commission for the calculation of capital adequacy.

*[29 March 2007]*

29. From 1 January to 31 December 2009, the own funds of the investment brokerage company shall be at least 80 per cent of the minimal own funds which are calculated in accordance with the procedures laid down by the Commission for the calculation of capital adequacy.

*[29 March 2007]*

30. For the fulfilment of the requirements of Paragraphs 25, 26, 27, 28, and 29 of these Transitional Provisions, the indicators characterising the investment brokerage company shall be calculated individually or at the consolidation group level in accordance with Sections 123.3 and 123.4 of this Law.

*[29 March 2007]*

31. Until 31 December 2007, an investment brokerage company has the right to prepare the credit risk and counterparty risk capital requirement calculation in accordance with the standardised approach laid down in Section 121 of this Law, by applying the capital adequacy calculation procedures laid down by the Commission.

*[29 March 2007]*

32. If an investment brokerage company uses the possibility referred to in Paragraph 31 of these Transitional Provisions, it has the right by 31 December 2007 to prepare the debt securities and capital securities position risk capital requirements calculation laid down in Section 121 of this Law according to the capital adequacy calculation procedures laid down by the Commission.

*[29 March 2007]*

33. If an investment brokerage company uses the possibility referred to in Paragraph 31 of these Transitional Provisions, the requirements of Section 123.1 and 123.2 of this Law shall not be applied until 31 December 2007.

*[29 March 2007]*

34. In using the possibility referred to in Paragraph 31 of these Transitional Provisions, an investment brokerage company shall reduce the operational risk capital requirement laid down in Section 121, Paragraph one, Clause 4 of this Law by such an amount, which is determined as such total exposure value which is calculated in the credit risk capital requirement in accordance with Paragraph 31 of these Transitional Provisions, in relation to the total exposure value subject to all credit risks.

*[29 March 2007]*

35. If the risk-weighted exposure for all exposures is calculated in accordance with Paragraph 31 of these Transitional Provisions, the investment brokerage company shall ensure the implementation of restrictions on large exposures and restrictions on exposures of persons related to the investment brokerage company in accordance with the procedures laid down by the Commission prior to the coming into force of these amendments.

*[29 March 2007]*

36. Section 124, Paragraph one, Clause 10 of this Law shall come into force on 1 November 2007.

*[29 March 2007]*

37. An issuer the financial instruments of which are admitted to trading on a regulated market, shall, until 1 February 2008, submit to the Commission:

1) internal rules of procedure developed by the issuer regarding establishment and maintenance of the list of holders of inside information, as well as the procedures for performing transactions by persons included in the list of holders of inside information with financial instruments or commodity derivatives of such issuer;

2) the list of holders of inside information in accordance with the requirements laid down in Section 86, Paragraph two and three of this Law. Historical information regarding former holders of inside information, starting from the day of establishment of the list, and updated information regarding existing holders of inside information shall be included in the list. The year and date when a person was included on the list shall be provided for the existing holders of inside information, the year and date when a person was included on the list of holders of inside information and the year and date when inside information of the issuer was no longer available for the person shall be provided for the former holders of inside information.

*[4 October 2007]*

38. Investment brokerage companies which have obtained a licence of the Commission for the provision of investment services, and credit institutions which have acquired the right to provide investment services in accordance with the procedures laid down in this Law, shall, until 1 February 2008, develop the policy referred to in Section 124.1 of this Law in respect of the ensuring the client status, the policy for prevention of conflict of interests referred to in Section 127, and the order execution policy referred to in Section 128.3 of this Law.

*[4 October 2007]*

39. Investment brokerage companies which have obtained a licence of the Commission for the provision of investment services, and credit institutions which have acquired the right to provide investment services in accordance with the procedures laid down in this Law, shall, until 1 February 2008, inform the existing clients regarding their status in accordance with the procedures laid Section 124.1 of this Law.

*[4 October 2007]*

40. Section 56.2 of this Law shall come into force on 1 September 2008 and shall be applied to the accounting periods which end on this date or later.

*[22 May 2008]*

41. A capital company the transferable securities of which are admitted to trading on a regulated market, shall apply the provisions of Section 54.1 of this Law after establishment of the audit committee. The capital company the transferable securities of which are admitted to trading on a regulated market, shall elect members of the audit committee in the nearest meeting of shareholders or members.

*[22 May 2008]*

42. Amendments to Section 119 of this Law shall apply to statements which have been submitted to the State Revenue Service on 1 July 2008 or later.

*[29 May 2008]*

43. If an application regarding an administrative act of the Financial and Capital Market Commission has been submitted to the Administrative District Court by 1 January 2009, a decision on the application submitted shall be taken, as well as the administrative case initiated shall be examined and a court adjudication in this case shall be rendered and appealed in accordance with the provisions of the Administrative Procedure Law.

*[23 October 2008]*

44. An issuer the registered office of which is in a foreign state may prepare consolidated annual financial statements and consolidated financial statements of interim periods of six-months in accordance with the generally accepted accounting principles of the Republic of India for the financial years which began until 1 January 2015.

*[8 November 2012]*

45. If a notification regarding convening of a meeting of shareholders is announced until 31 December 2009, the provisions of this Law, which were in force until 31 December 2009, shall be applicable for convening the meeting of shareholders, submitting of issues and inclusion in the agenda and occurrence of the meeting or shareholders.

*[15 October 2009]*

46. Until 31 December 2011 the own funds of the investment brokerage company which has obtained an authorisation of the Commission to apply the internal ratings-based approach for calculation of the risk weighted average or to apply the advanced measurement approach for calculation of the operational risk capital requirements, is at least 80 per cent of the minimum own capital which is calculated by applying appropriate simpler approaches for determination of the credit risk and the operational risk capital requirements in accordance with the procedures for calculation of the minimum capital requirements laid down by the Commission.

*[13 January 2011]*

47. The requirements of Part F of this Law shall be applicable to those contracts regarding transactions with the financial instruments referred to in Section 3, Paragraph two, Clause 6 of this Law which have been entered into after 1 July 2012.

*[22 March 2012]*

48. Until 31 December 2012 the own funds of the investment brokerage company, which has obtained an authorisation to apply the internal ratings-based approach for calculation of the risk weighted average or to apply the advanced measurement approach for calculation of the operational risk capital requirements, is at least 80 per cent of the minimum own capital which is calculated by applying appropriate simpler approaches for determination of the credit risk and the operational risk capital requirements in accordance with the procedures for calculation of the minimum capital requirements stipulated by the Commission.

*[22 March 2012]*

49. The accumulated other income referred to in Section 1, Clause 28, Sub-clause “c” of this Law which has been reflected in the comprehensive income statement shall be included in the initial capital from 1 January 2015 in accordance with the provisions for transitional period determined by the Commission.

*[24 April 2014]*

50. The requirement referred to in Section 124, Paragraph 1.2, Clause 2 of this Law shall be applied to the variable component of remuneration, which is determined not later than with regard to results of activities in the second half of 2014, and to the fixed component of remuneration in the relevant period, irrespective of the date of conclusion of an employment contract or an authorisation agreement.

*[24 April 2014]*

51. Amendments to Section 17.1, Paragraph three (in relation to the new wording of the first and second sentence) and Section 44.1, Paragraph four of this Law shall come into force on 1 January 2016.

*[11 June 2015]*

52. An issuer whose transferable securities are admitted to trading on a regulated market and whose home Member State is determined in accordance with Section 3.1, Paragraph four, Clause 2 of this Law or Paragraph six of this Section, but who until 27 November 2015 has not informed the competent authorities regarding the choice of the home Member State, shall inform the competent authority within three months from the day of coming into force of amendments to Section 3.1 of this Law.

*[26 May 2016]*

53. The requirements of Section 56, Paragraph three of this Law which are applicable to a capital company debt securities of which have been admitted to trading on a regulated market, shall be applied to annual accounts of the capital company which are prepared for the reporting period starting on 1 July 2016 or later, unless the capital company already prepares its financial statements in accordance with Regulation No 1606/2002.

*[26 May 2016]*

54. Application of Section 57 of this Law which has been reworded, and Section 57.2 shall be commenced with accounts of interim periods of issuers and financial information prepared for the reporting year starting on 1 July 2016 or later.

*[26 May 2016]*

55. Amendments to this Law in relation to deletion of Sections 59, 85, 86, 86.1, 87, 88, 88.1, 89 and 91, Sections 84 and 90 which have been reworded, as well as amendments to Section 148 in relation to deletion of Paragraphs three and seven, Paragraph four which has been reworded, and Paragraphs sixteen and seventeen of Section 148 shall come into force on 3 July 2016.

*[26 May 2016]*

56. In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 30 per cent from the total number of shares with voting rights of the joint stock company, however, does not reach or exceed 50 per cent from the total number of shares with voting rights of the joint stock company, provisions of Section 66 of this Law (in new wording) are applied from the day when they increase the amount of their holding above the amount of the holding obtained until the day of coming into force of Section 66 of this Law (in new wording). In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 30 per cent from the total number of shares with voting rights of the joint stock company, however, does not reach or exceed 50 per cent from the total number of shares with voting rights of the joint stock company, and who have expressed such voluntary share buy-back offer until the day of coming into force of Section 66 of this Law (in new wording) which has been expressed to all shareholders of the joint stock company for all shares of the joint stock company for a price determined in accordance with the requirements of Section 74 of this Law, a mandatory share buy-back offer need not be expressed.

*[26 May 2016]*

57. In relation to a person or persons who act in concert, who until the day of coming into force of Section 66 of this Law (in new wording) has directly or indirectly acquired holding in such joint stock company shares of which have been admitted to trading on a regulated market, in such amount which reaches or exceeds 50 per cent from the total number of shares with voting rights of the joint stock company, the norms governing the relevant matter regarding expressing a mandatory share buy-back offer which were in force until the day of coming into force of Section 66 of this Law (in new wording), shall be applied in relation to expressing the mandatory share buy-back offer.

*[26 May 2016]*

58. Section 56, Paragraph one, Clause 5, introductory part and Clauses 3 and 4 of Section 56.2, Paragraph two which have been reworded, Section 56.2, Paragraph two, Clause 8, Paragraph 2.1 and amendment to Paragraph seven, Sections 56.3, 56.4 and 56.5 and amendment to Section 148, Paragraph sixteen (liability for non-conformity with the requirements in relation to a non-financial statement or consolidated non-financial statement) shall be applicable to annual accounts and consolidated annual accounts starting from the reporting year of 2017 (the reporting year which starts on 1 January 2017 or during the calendar year of 2017).

*[15 December 2016]*

**Informative Reference to European Union Directives**

*[9 June 2005; 15 June 2006; 29 March 2007; 4 October 2007; 22 May 2008; 29 May 2008; 26 February 2009; 15 October 2009; 13 January 2011; 22  2012; 24 April 2014; 11 June 2015; 29 October 2015; 26 May 2016; 15 December 2016]*

This Law contains norms arising from:

1) Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;

2) [4 October 2007];

3) [4 October 2007];

4) European Parliament and Council Directive 95/26/EC of 29 June 1995 amending Directives 77/780/EEC and 89/646/EEC in the field of credit institutions, Directives 73/239/EEC and 92/49/EEC in the field of non- life insurance, Directives 79/267/EEC and 92/96/EEC in the field of life assurance, Directive 93/22/EEC in the field of investment firms and Directive 85/611/EEC in the field of undertakings for collective investment in transferable securities (Ucits), with a view to reinforcing prudential supervision;

5) Directive 2000/64/EC of the European Parliament and of the Council of 7 November 2000 amending Council Directives 85/611/EEC, 92/49/EEC, 92/96/EEC and 93/22/EEC as regards exchange of information with third countries;

6) Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities;

7) Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements;

8) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

9) Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse);

10) Commission Directive 2003/124/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the definition and public disclosure of inside information and the definition of market manipulation;

11) Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions;

12) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids;

13) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;

14) Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions;

15) Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;

16) Directive 2006/31/EC of the European Parliament and of the Council of 5 April 2006 amending directive 2004/39/EC on markets in financial instruments, as regards certain deadlines;

17) Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;

18) Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;

19) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings;

20) Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;

21) First Council Directive 68/151/EEC of 9 March 1968 on co-ordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;

22) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions;

23) Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies;

24) Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudent assessment of acquisitions and increase of holdings in the financial sector;

25) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies;

26) Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;

27) Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies;

28) Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market;

29) Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

30) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

31) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council Text with EEA relevance;

32) Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

33) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance);

34) Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC (Text with EEA relevance);

35) Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (market abuse directive);

36) Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (Text with EEA relevance);

37) Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Text with EEA relevance).

This Law shall come into force on 1 January 2004.

This Law has been adopted by the *Saeima* on 20 November 2003.

Acting for the President,

The Chairperson of the *Saeima* I. Ūdre

Rīga, 11 December 2003