**Information on the relevant laws, regulations and administrative provisions concerning investment management companies cross-border activities and marketing of investment certificates of the investment funds in Latvia**

European Union Member State investment management companies intending to provide investment management services in Latvia under the freedom of establishment and the freedom to provide services must take account of the following key provisions of Latvian legislation:

**I. Investment Management Companies Supervision**

The Financial and Capital Market Commission (hereinafter also – FCMC) is in charge of supervising the investment management in Latvia. Its address is as follows:

Financial and Capital Market Commission

Kungu iela 1, Rīga, LV-1050

Phone: +371 6777 4800

Mobile phone: +371 26515221

Fax: +371 6722 5755

E-mail: fktk@fktk.lv

E-mail for UCITS notification: ucitsnotification@fktk.lv

E-mail for cross-border activities notification: single.passport@fktk.lv

**II. Administrative Procedure for Branches of Investment Management Companies**

According to the Commercial Law, a branch of a Member State investment management company has to be registered with the Latvian Register of Enterprises. The address and contact details of the Register of Enterprises are as follows:

Register of Enterprises of the Republic of Latvia

Pērses ielā 2, Rīgā, LV - 1011

Phone: +371 67031703; +371 67031706

Fax: +371 67031793

E-mail: info@ur.gov.lv

Official website: www.ur.gov.lv

**III. Legislative Requirements**

**1. Law on Investment Management Companies** *(available in English on the homepage of the FCMC at:* http://www.fktk.lv/en/law/investment-management-companie/laws/4497-law-on-investment-management-c.html) regulates the procedures for public attraction of monetary assets in Latvia and for performance of their joint investment on behalf of the attractor, as well as marketing of investment certificates that do comply with conditions imposed by the UCITS IV Directive 2009/65/EC in Latvia.

**1.1. Cross-border activities:**

The FCMC has a designated e-mail address single.passport@fktk.lv for the purpose of transmitting the documentation referred to in Article 17 and 18 of the UCITS IV Directive 2009/65/EC related to the cross-border activities notification procedure set out in mentioned Article.

A Member State investment management company is entitled to provide investment management services in Latvia under the freedom of establishment and the freedom to provide services, as laid down in Article 77 of the Lawon Investment Management Companies.

According to Paragraph 2 of Article 77 of the Lawon Investment Management Companies a branch of a company licensed in a Member State may commence its operations in Latvia only after:

1) the FCMC has received notification from the supervisory authority of the home state of the company including:

a) confirmation that the relevant company has a valid licence to provide management services in the home state of the company. Where the company wishes to provide fund management services, it shall also submit a description about the scope of the licence granted to the company and the restrictions specified in the licence in respect of types of funds it is entitled to manage,

b) the programme of operations indicating those management services that the company intends to provide in Latvia and a description of risk management procedures. The programme of operations shall also include the procedure for dealing with applications and complaints (disputes) by fund investors as developed by the company and the measures to be taken, and also a description of the procedures for ensuring availability of information to the supervisory authority of the home state of the fund upon its request,

c) the address and organisational scheme of the branch,

d) the name, surname, citizenship, identity number (if any) or the year and date of birth of the head of the branch,

e) information regarding the scheme for the protection of investors whose participant the relevant company is,

f) written confirmation by the supervisory authority of the home state of the company that the said authority, prior to commencing internal investigation, will duly notify the FCMC of the investigations conducted at the company’s branches in Latvia and will enable the representatives of the FCMC to participate in such investigations and, upon completion of the investigation, will without delay submit a report to the FCMC on the findings of the investigation;

2) the FCMC has informed the supervisory authority of the home state of the company that it is ready to commence the supervision of the company’s branch or 60 days have elapsed since the date of receipt by the FCMC of the notification referred to in Subparagraph 1 of this Paragraph from the supervisory authority of the home state of the company.

According to Paragraph 3 of Article 77 of the Lawon Investment Management Companies a company licensed in a Member State is entitled to commence its operations in Latvia without opening a branch if the FCMC has received notification from the supervisory authority of the home state of the company including the information referred to in Items a), b) and e) of Subparagraph 1 of Paragraph 2 of Article 77 of the Lawon Investment Management Companies.

A branch of a company licensed in a Member State shall:

- comply with the requirements of Articles 13.1, 13.2, 13.3, 13.4, 14., 14.1 and 54.1 of the Lawon Investment Management Companies and also the requirements for establishing an efficient internal control system. The FCMC supervises compliance with these requirements;

 - comply with the requirements set out in Paragraphs 11, 12, 13 and 14 of Article 13 of the Lawon Investment Management Companies in respect of performing the critical situation analysis of investment plans if that company manages the assets of state-funded pension scheme in accordance with the requirements of the Law on State Funded Pensions;

- ensure that the annual report of the company of that Member State is published not later than within seven months after the end of the reporting year. At least the report disclosing the financial situation at the end of the reporting period and the report about the financial performance during the reporting period as well as the opinion of the certified auditor shall be translated into Latvian. The branch of the company of the Member State may make the respective information available on its website or choose another durable medium for making it available to the public.

Article 77.1 of the Law on Investment Management Companiesprescribes procedure for the management of an open-end investment fund (UCITS) registered in Latvia on a cross-border basis. According to Paragraph 1of Article 77.1 of the mentioned Law a company licensed in a Member State that has started providing management services in Latvia in due course of Article 77 of this Law by opening a branch or without opening a branch shall be entitled to manage open-end investment funds (UCITS) registered in Latvia provided that it complies with the procedure set out in this Article.

When a company licensed in a Member State carries out the management of open-end investment funds (UCITS) on a cross-border basis, it shall comply with the following:

1) the requirements of regulatory enactments of home state of the company regarding the business arrangement of a company, including rules for delegating functions, risk management procedures, supervision of compliance with the requirements for the operation of a company, as well as provisions governing the drawing up and submission of reports and internal control system rules developed by the company;

2) the requirements of the Law on Investment Management Companiesand of the FCMC regulations for the activities of an open-end investment fund (UCITS);

3) the fund rules and the fund prospectus in respect of which the approval has been requested.

**1.2. Marketing of investment certificates of the UCITS funds:**

According to Article 4.2 ofthe Regulation of the FCMC No 249Regulations Governing the Merger of Funds, the Dealing Between Master–Feeder Structures and the Procedure for Marketing Investment Certificates (available in the English language on the Financial and Capital MarketCommission website at: http://www.fktk.lv/en/law/investment-management-companie/fcmc-regulations/4608-2012-01-09-24112011-regulations-gov.html) marketing of investment certificates is a set of measures that comprises an offer to purchase investment certificates of an investment fund or an investment sub-fund by advertising the respective fund, placing announcements or making public notifications about investment opportunities, or arranging subscription to such investment certificates.

Article 77.3 of the Law On Investment Management Companies regulatesmarketing of the investment certificates of UCITS fund registered in a Member State. Distribution of the investment certificates of UCITS fund in Latvia may be performed only by the following commercial companies:

1) credit institutions that are entitled to provide investment services in Latvia;

2) investment management companies that are entitled to provide management services in Latvia or companies licensed in a Member State that intend to market in Latvia investment certificates of open-end investment funds they manage;

3) investment brokerage firms entitled to provide investment services in Latvia.

The UCITS fund management company when markets investment certificates of the mentioned fund in Latvia shall fulfil the following requirements:

1) it shall ensure that investors in Latvia have the same access to information and documents as in the home state of the fund;

2) it shall ensure that investors in Latvia are notified, in a timely manner, about changes in the operation of the fund and of the company, amendments to the fund prospectus, key investor information and the fund rules in line with the procedure set out in the fund rules or a document equivalent to fund rules;

3) it shall ensure that, upon request, investors are provided without a charge with a hard copy of the fund prospectus, key investor information, the fund rules or a document equivalent to fund rules, the fund’s annual and semi-annual reports;

4) it shall ensure that investors in Latvia can access the procedure for dealing with applications and complaints (disputes) by investors, as developed by the company, and they can submit complaints about the services provided by the company in the Latvian language;

5) it shall ensure that the FCMC is notified, in a timely manner, of amendments to key investor information, the fund prospectus, the fund rules or a document equivalent to the fund rules and indicate where the electronic documents are available;

6) it shall comply with the regulatory requirements of the home state of the fund about publishing the procedure for issuing, subscription to, repurchase and redemption of investment certificates;

7) it shall ensure that the documents referred to in Subparagraph 3 of Paragraph 4 of Article 77.3 of the Law On Investment Management Companies and any amendments thereto as well as their translations are available electronically on the website of the person marketing investment certificates, the fund’s management company or the fund itself;

8) it shall ensure that the content of the fund’s documents that are not translated into the Latvian language is explained to investors.

Section 4 (Articles 49-61) ofthe Regulation of the FCMC No 249 sets some additional rules for marketing of investment certificates of UCITS fund established in other Member States.

Articles 54 and 55 of the FCMC No 249 set content of the information that shall be included in Part B of the notification letter (Annex 1 of the FCMC Regulation (EU) No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC).

Article 57 ofthe Regulation of the FCMC No 249 prescribes requirements for the UCITS fund management company or the person marketing investment certificates:

1) mentioned person shall comply with requirements of Consumer Rights Protection Law (available in English on the homepage of the Consumer Rights Protection Centre at www.ptac.gov.lv) and of Personal Data Protection Law (available in English on the homepage of Data State Inspectorate at www.dvi.gov.lv);

2) mentioned person shall comply with requirements for placing advertisements and making public statements as set out in the regulatory requirements governing these areas, including in the Advertising Law (available in English on the homepage of the Consumer Rights Protection Centre at www.ptac.gov.lv) and in Article 59 of the Law on Investment Management Companies.

The FCMC has a designated e-mail address ucitsnotification@fktk.lv for the purpose of transmitting the documentation referred to in Article 93, Section 3 of Directive 2009/65/EC and for the purpose of the exchange of information related to the notification procedure set out in mentioned Article.

Requirements for submission of the fund documents referred to in Paragraph 4 of Article 77.3 of the Law on Investment Management Companies (*amended documents also*) of UCITS registered in a Member State to the FCMC:

* Size limit of the e-mail box ucitsnotification@fktk.lv is 30 MB;
* Format file accepted is pdf, .doc. and docx.;
* Zip is allowed, but required for documents which exceed 2 MB;
* E-mail object area naming convention:

sender (country code)\_receiver (country code)\_designation UCITS\_(if appropriate) ISIN\_Part (in case of multiple volumes);

* FCMC will send automatic acknowledgment of receipt from the same e-mail (ucitsnotification@fktk.lv);
* In addition to an e-mail, please specify where those documents can be obtained electronically;
* KIID or simplified prospectus (till 1 July 2012) must be translated in the Latvian language;
* Other fund documents could be submitted in English or Latvian.

Article 56 ofthe Regulation of the FCMC No 249 prescribes rules for money market funds. According to aforementioned where the name or marketing information of an open-end investment fund contains words "money market fund" or an abbreviation "MMF" as listed in Annex 1 of the CESR/10-049 Guidelines of the Committee of European Securities Regulators on a common definition of European money market funds for European Undertakings for Collective Investment in Transferable Securities (UCITS), the operation rule of that fund shall comply with the criteria set out in those Guidelines.

Before ceasing marketing of investment certificates of UCITS fund established in other Member States, the fund's management company or the person marketing investment certificates shall submit a written application to the FCMC in accordance with Paragraph 11 of Article 77.3 of the Law on Investment Management Companies whereby it indicates how it will ensure meeting liabilities to investors in Latvia, as well as shall ensure compliance with the requirements of Paragraphs 2 and 9 of Article 77.3 of the Law on Investment Management Companies until it will have met in full all liabilities to investors in Latvia.

**2. Consumer Rights Protection Law** (available on the official website of the Consumer Rights Protection Centre: www.ptac.gov.lv).

The Consumer Rights Protection Law applies to all contracts concluded between consumers and service providers. It should be particularly noted that pursuant to the Latvian Consumer Rights Protection Law, a consumer is a natural or legal person expressing a wish to use or who uses a service for a purpose not directly related to his or her entrepreneurial activity.

The Consumer Rights Protection Centre supervises the legality of the use of contract conditions from the point of view of consumer protection. Pursuant to Article 13.5, Paragraph 5 of the Law on Investment Management Companies, the fund investors that shall be treated as consumers in the meaning of the Consumer Rights Protection Law shall be entitled to submit applications and complaints about violations of this Law and of regulatory enactments for the protection of consumer rights to the Consumer Rights Protection Centre if these applications and complaints are about the provision of management services.

**3. Personal Data Protection Law** (available on the official website of the Data State Inspection: www.dvi.gov.lv).

The Personal Data Protection Law applies to the automatic processing of personal data when these data constitute, or will be used to constitute, a register of personal data or part thereof. The Law contains provisions on general principles related to personal data processing, the processing of sensitive information and personal codes, the rights of registered parties, data security and the storage of data.

**4. Other Provisions**

Furthermore, the FCMC would like to draw your attention to the following general legislation:

• The Civil Law;

• Commercial Law (available on the official website of the FCMC: www.fktk.lv)

• The Advertising Law (available in English on the homepage of the Consumer Rights Protection Centre at: www.ptac.gov.lv);

• Law on Prevention of Laundering of Proceeds Derived from Criminal Activity (available in English on the official website of the FCMC at: http://www.fktk.lv/en/law/general/laws/4260-2010-04-01-law-on-the-prevention-of.html);

• Regulations regarding a List of Elements of Unusual Transactions and Procedures for Reporting Thereof (Regulatory Enactments of the Cabinet) (available in English on the official website of the FCMC at: http://www.fktk.lv/en/law/general/laws/4264-regulation-on-unusual-transact.html).

Furthermore, investment management companies exercising the freedom of establishment and the freedom to provide services in Latvia have to follow also other requirements that have not been referred to above, but are provided for in Latvian legislation.

**IV. Reporting requirements**

**The** **FCMC Regulations No14** on **the Preparation of Reports of Investment Management Companies** is binding on the investment management company, licensed in a Member State that has established an UCITS fund in Latvia or a branch of the investment management company, licensed in a Member State, in Latvia.

The Regulations is available in English on the official website of the FCMC at: <http://www.fktk.lv/en/law/investment-management-companie/fcmc-regulations/4604-2015-01-29-20140205-regulations-on-the-preparation-of-reports-of-investment-management-companies1.html>.

Article 10 and 11 of the Regulations provide that:

10. The investment management company licensed in another Member State that has established a fund in Latvia shall prepare:

10.1. a quarterly report comprising Statement of Assets under Management and Compliance with Capital Requirements of the Company, Part I Assets Managed by the Company (Annex [3](http://likumi.lv/doc.php?id=264279#piel3));

10.2. monthly and quarterly reports referred to in Paragraph [7 of these Regulations](http://likumi.lv/doc.php?id=264279#p7), provided that it has registered an investment fund or investment fund with sub-funds in Latvia;

10.3. monthly and quarterly reports referred to in Paragraph 8 [of these Regulations](http://likumi.lv/doc.php?id=264279#p7), provided that it has obtained a licence for the activities of AIF manager and has registered AIF or AIF with sub-funds in Latvia.

11. A branch of the investment management company licensed in a Member State shall prepare a quarterly report comprising:

11.1. Profit or Loss Statement of the Company (Annex 2);

11.2. Statement of Assets under Management and Compliance with Capital Requirements of the Company, Part I Assets Managed by the Company (Annex [3](http://likumi.lv/doc.php?id=264279#piel3)).

**V. Fees to be paid to the FCMC**

According to Paragraph 2 of Article 78.1 of the Law on Investment Management Companies an investment management company licensed in another Member State that has established an UCITS fund in Latvia shall pay to the FCMC for the supervision of those investment fund up to 0,013 percent of the average amount of assets of those investment fund a quarter, but no less than 1422 euro a year.

In addition to the payments referred thereof an investment management company that has established an UCITS fund in Latvia shall pay to the FCMC the following:

1) 1422 euro for the registration of an UCITS fund;

2) 426 euro for registering amendments to the UCITS fund prospectus or fund rules.

According to Paragraph 4 of Article 78.1 of the Law on Investment Management Companies a branch of the company licensed in a Member State shall pay to the FCMC for the supervision of the branch according to the following procedure:

1) up to 1 percent of the gross income from the fund management services provided by the branch in Latvia a quarter, but no less than 2134 euro a year;

2) up to 1 percent of the gross income from investment services referred to in Paragraphs 2 and 3 of Article 5 of the Law on Investment Management Companies provided by the branch in Latvia a quarter, but no less than 711 euro a year.