



Unofficial translation

Riga, 14 July 2020

Regulations No 92
(Meeting of the Board of the Financial and Capital Market Commission
Min. No 28 p. 12)

List of Information Required for Notification of the Acquisition or Increase of a Qualifying Holding and General Principles and Procedure for the Examination of Notification

Issued in accordance with Section 29 (1) and (2) and Section 50 (2) of Credit Institution Law, Section 40 (6) and Section 76 (1) and (2) of Insurance and Reinsurance Law, Section 4.² and Section 9 (1) and (2), Section 95.² (6) of Law on the Financial Instruments Market, Section 12 (2) and (4) and Section 81 (8) of Law on Alternative Investment Funds and Managers Thereof, Section 14 (1) and (2) and Section 45 (1) of Law on Payment Services and Electronic Money and Section 7.¹ (2) and (4) and Section 78 (7) of Law on Investment Management Companies

I. General Provisions

1. Regulations "List of Information Required for Notification of the Acquisition or Increase of a Qualifying Holding and General Principles and Procedure for the Examination of Notification" (hereinafter – the Regulations) shall be binding on a person or several persons acting in concert based on agreement (hereinafter – the person) who intends to acquire a direct or indirect qualifying holding in a credit institution, insurance undertaking, reinsurance undertaking, regulated market organiser, investment management company, alternative investment fund manager, payment institution, electronic money institution or investment firm (hereinafter all the above together referred to as - the financial institution) or increase a qualifying holding in the financial institution, which amounts to or exceeds 20, 33 or 50 percent of share capital of the financial institution or the number of voting rights or part of the number (hereinafter – the shares), or provided that the financial institution becomes a subsidiary company of that person (hereinafter – the acquisition or increase of a qualifying holding). The Regulations shall be binding also on the person who intends to acquire control over a central securities depository.

2. The Regulations determine:

2.1. information that the person shall include into the notification of the acquisition or increase of a qualifying holding in the financial institution;

2.2. guiding principles for determination of persons to be considered as acquirers of a qualifying holding;

2.3. guiding principles for the calculation of a qualifying holding;

2.4. guiding principles for the assessment of a qualifying holding.

II. Guiding principles for the determination of persons to be considered as acquirers of a qualifying holding

3. Qualifying holding shall be acquired or increased by:

3.1. the person who acquires or increases a direct qualifying holding in the financial institution, which amounts to or exceeds 20, 33 or 50 percent of share capital of the financial institution or the number of voting rights or part of the number;

3.2. the person who acquires or increases an indirect qualifying holding in the financial institution, which amounts to or exceeds 20, 33 or 50 percent of the number of shares of the financial institution;

3.3. the persons acting in concert and acquire or increase a direct or indirect qualifying holding in the financial institution, which amounts to or exceeds 20, 33 or 50 percent of the number of shares of the financial institution;

3.4. the person who acquires or increases a direct or indirect qualifying holding in the financial institution below 10 percent of the number of shares of the financial institution, nevertheless the person exercises significant influence over the financial institution.

4. The persons, acting jointly based on a written or oral agreement to acquire or increase a qualifying holding in the financial institution, shall be considered as the persons acting in concert.

5. Following factors shall be evidence of concerted action of the persons:

5.1. shareholders agreements and agreements on the corporate governance matters, except share purchase agreements, tag along and drag along agreements and statutory pre-emption rights;

5.2. family relationships:

5.2.1. natural persons and persons under guardianship of those natural persons;

5.2.2. spouses;

5.2.3. first degree relatives in the descending and ascending line;

5.3. the person holds a senior management position or is a member of the board or council of the financial institution;

5.4. the person may have an influence on a decision regarding the vote or appointment of member of the board or council of the financial institution;

5.5. the relationship between undertakings in the same group (excluding the cases referred to in Section 61.⁶ of Law on the Financial Instruments Market);

5.6. companies controlled by the same person;

5.7. the use by the persons of same source of funding for the acquisition or increase of a qualifying holding in the financial institution;

5.8. consistent patterns of voting by the relevant shareholders;

5.9. a company and its board members.

6. Activities that do not lead to a conclusion that the persons act in concert as follows:

6.1. persons' discussions with each other about the structure of management body of the financial institution and its members;

6.2. complaints by the person to the board or council of the financial institution regarding current or planned strategy, the scope and further actions of the financial institution;

6.3. exercising shareholders' (members) statutory rights:

6.3.1. request by the person to include additional items or draft laws on the agenda of general shareholders' (members) meeting;

6.3.2. to call an extraordinary shareholders' (members) meeting;

6.4. to agree on voting in the same way in a general shareholders' (members) meeting on the following issues:

6.4.1. a proposal for remuneration of members of board and council;

6.4.2. the acquisition or disposal of assets of the financial institution;

6.4.3. the share capital increase or decrease;

6.4.4. the share buy-back;

6.4.5. the use of profits of past year;

6.4.6. the appointment, removal of auditors and their remuneration;

6.4.7. initiating of target inspection and the appointment of inspector;

6.4.8. approval of annual financial statement;

6.4.9. the financial institution's policy in relation to the environment or any other matter relating to environment protection or other social responsibility or compliance with recognized standards or codes of conduct;

6.4.10. rejecting the related parties' transaction.

7. When determining whether the activities of persons referred to in paragraph 5.4 of the Regulations can be regarded as acting in concert, the Commission shall consider the facts as follows:

7.1. the nature of the relationship between the person and members of the board or council proposed for the appointment/vote;

7.2. the number of members of the board or council proposed for the appointment/vote being voted pursuant to an agreement;

7.3. whether the persons have cooperated in relation to the appointment/vote of members of the board or council on more than one occasion;

7.4. whether the persons not merely vote together but also jointly submit a draft decision for the appointment/vote of certain candidate proposed by members of the board or council;

7.5. whether the appointment/vote of members of the board or council leads to the change in person's influence over the composition of the board or council.

8. To determine whether the persons act in concert, the Commission shall assess each case of possible acting in concert on a case-by-case basis, taking into account not only factors and activities referred to in paragraphs 5, 6 and 7 of the Regulations, but also other factors indicating the concerted activities of persons.

9. The person shall be regarded as the person having a significant influence over the financial institution in case it may affect decision-making processes by the executive body of the financial institution, disregarding whether the influence has been exercised in fact or not.

10. To assess whether the person has a significant influence over the financial institution, the Commission shall take into account the factors as follows:

10.1. the ownership structure of the financial institution;

10.2. the actual level of involvement of the person in the management of the financial institution;

10.3. the existence of material and regular transactions between the person and the financial institution;

10.4. the relationship of the person with the financial institution;

10.5. whether the person enjoys additional rights in the financial institution pursuant to a contract entered into, the financial institution's articles of association or other constitutional documents;

10.6. whether the person is a member of, has a representative in or is able to appoint a representative in the management body, the board or council of the financial institution or any similar body or the person may appoint/vote such representative;

10.7. the overall ownership structure of the financial institution or of a parent undertaking of the financial institution, as to the distribution of voting rights among shareholders;

10.8. the relationship between the person and un existing shareholders that would enable the person to exercise a significant influence;

10.9. the person's position within the group's structure of the financial institution;

10.10. the person's ability to participate in taking the operating and financial strategy decisions of the financial institution.

III. Guiding principles for the calculation of a qualifying holding

11. To determine whether the person has acquired an indirect qualifying holding, the calculation of the size of qualifying holding shall be performed using the following criteria in the sequence as follows:

11.1. control criterion;

11.2. multiplication criterion.

12. In accordance with the control criterion an indirect acquirer shall be deemed the ultimate persons at the top of the corporate control chain who:

12.1. acquire, directly or indirectly, control over the person in the financial institution, irrespective of whether such existing holding is direct or indirect;

12.2. directly or indirectly, exerts control over the person in the financial institution.

13. If the application of control criterion referred to in paragraph 12 does not determine whether the person, to which the control criterion was applied, has acquired a qualifying holding, the size of holding shall be calculated in accordance with the multiplication criterion in the sequence as follows:

13.1. the participation held directly in the financial institution has to be multiplied by the participation held in the company which has the participation in the qualifying holding acquirer;

13.2. above multiplication shall be carried out as long as the result of the multiplication continues to be 10% or more.

14. In accordance with the multiplication criterion the acquirer of an indirect qualifying holder shall be deemed:

14.1. all persons in respect of which the result of the multiplication is 10% or more;

14.2. all persons exercising, directly or indirectly, control over the person or persons identified pursuant to the application of the multiplication criterion in accordance paragraph 14.1 of the Regulations.

IV. Notification obligation regarding the acquisition or increase of an indirect qualifying holding

15. To assess whether the person who indirectly acquires or increases a qualifying holding in the financial institution has taken a decision on the on the acquisition or increase of such holding, the Commission shall take into account the factors as follows:

15.1. awareness of the person of the acquisition or increase of a qualifying holding and of the transaction giving rise to the acquisition or increase;

15.2. the person's ability to influence, object to or prevent the proposed acquisition or increase of a qualifying holding.

16. Each person who directly or indirectly acquires or increases a qualifying holding in the financial institution shall notify the Commission of it in advance in writing. The person who directly acquires or increases a qualifying holding in the financial institution shall have the right to submit notification regarding all persons that indirectly acquires or increases a qualifying holding in the financial institution if the persons have granted such authorisation.

17. If the person, who involuntarily indirectly acquires or increases a qualifying holding in the financial institution, establishes or otherwise becomes aware that it has acquired or increased a qualifying holding in the financial institution, it shall notify the Commission of the fact immediately even if the person has intended to reduce the crossed qualifying holding below the threshold level.

18. The Commission shall be entitled to exempt certain persons who indirectly acquire or increase a qualifying holding in the financial institution from the notification obligation on a case-by-case basis. The above exemption shall not be applicable to the assessment of the reputation of the person.

V. Proportionality principle

19. The Commission shall carry out the assessment of each transaction of the acquisition or increase of a qualifying holding and the acquirer on a case-by-case basis in accordance with the principle of proportionality in respect of:

19.1. the type of a qualifying holding (direct, indirect, significant influence, persons acting in concert);

19.2. the objective and size of the acquisition or increase of a qualifying holding;

19.3. the extent of influence the person may exert over the financial institution;

19.4. the extent of complexity of the proposed transaction (complex organisational structure of the acquirer of holding, intra-group transactions, specific acquirers of holding (unregulated investment funds, large investment groups, government funds, international organisations, public offer, cross-border transactions, leveraged exposure, change in strategy of the financial institution));

19.5. submission of information relevant to the influence exerted by the person and specifics of the transaction.

20. The principle of proportionality shall not be applicable to the assessment of the reputation of the person.

21. In the assessment of professional competence of the person the influence of the person in decision-taking in the financial institution shall be taken into account.

22. In the assessment of the financial soundness of the person, the nature of person (e.g., natural or legal person, complex structure) shall be taken into account, as well as the size of holding acquired and the influence over the financial institution after entering into the proposed transaction. If the person acquires control over the financial institution, in the assessment of the financial soundness of the person the ability of the person, in case of necessity, to provide for additional capital for the financial institution in the medium term shall be taken into account.

23. In case of the change in the structure of a qualifying holding resulting from intra-group transactions, the qualifying holding shall be assessed only for the new persons included in the holding structure and for the persons whose indirect qualifying holding becomes a direct qualifying holding.

24. Where the Commission has already carried out the assessment of the person, it shall carry out the assessment of the person's suitability for a qualifying holding under criteria as from the date of issuance the previous authorisation to acquire or increase a qualifying holding in the financial institution.

VI. Assessment period and information to be provided

25. The person who directly or indirectly acquires or increases a qualifying holding in the financial institution shall have the right to notify the Commission of the proposed transaction before the submission of notification to the Commission in writing, as well as to submit documents and their drafts for preliminary verification with a view of an efficient review of notification of a qualifying holding as possible.

26. The person shall submit a notification to the Commission before the acquisition or increase of a qualifying holding pursuant to Annex 1 to the Regulations.

26.1. The person, who intends to acquire or increase a qualifying holding in an insurance undertaking, reinsurance undertaking, regulated market organiser, investment management company, alternative investment fund manager, payment institution, electronic money institution or in an investment firm, in addition to the notification, shall submit the completed Annexes 2, 3, 4, 5, 6, 7, 8, 9, 10 to the Regulations including the requested information and documents.

26.2. The person, who intends to acquire or increase a qualifying holding in a credit institution, in addition to information referred to in paragraph 26.1, shall submit a completed Annex 11 to the Regulations.

26.3. The person, who intends to acquire or increase a qualifying holding in an investment firm, in addition shall submit information referred to in Commission Delegated Regulation (EU) 2017/1946 of 11 July 2017 supplementing Directives 2004/39/EC and 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for an exhaustive list of information to be included by proposed acquirers in the notification of a proposed acquisition of a qualifying holding in an investment firm.

27. The Commission shall acknowledge to the person in writing receipt of notification referred to in paragraph 26 within two working days, or within two working days from receipt of additional information requested by the Commission.

28. The Commission shall include in the notification information as follows:

28.1. acknowledgement that the notification shall be considered as complete and all the necessary information is submitted pursuant to provisions of the Regulations;

28.2. the date of expiry of the assessment period;

28.3. acknowledgement that during the assessment period but not later than on the 50th day of the assessment period the Commission shall be entitled to request additional information to assess compliance of the person with the assessment criteria for a qualifying holding;

28.4. acknowledgement that any new information or facts submitted additionally by the provider of notification or of which the Commission becomes aware from other sources and which are recognised as material for the assessment of the notification of a qualifying holding (e.g., substantial changes to business plans, nomination of officials, negative reputation of the person) pursuant to the assessment criteria for a qualifying holding, may give rise to the termination of the assessment of notification and submission of a new notification;

28.5. acknowledgement that the deadline for the assessment of a qualifying holding in the credit institution shall be calculated in accordance with the business calendar of the European Central Bank.

29. Where the notification submitted by the person is incomplete, the Commission shall, within two working days of the day of receipt of the notification referred to in paragraph 26, or within two working days after the Commission's request for additional information, notify the person in writing that the notification is incomplete and the assessment period is not launched. After sending such notification to the submitter the Commission in a reasonable period of time, depending on the amount of documents submitted in relation to the qualifying holding matter and complexity of the matter, shall inform the applicant in writing about the missing documents and information.

30. The documents and their copies developed and approved in the Republic of Latvia shall be formatted pursuant to the Cabinet of Ministers Regulations No 916 "Procedures for the development and formation of documents" of 28 September 2010.

31. Foreign natural and legal persons' documents shall be legalised, unless other procedure has been laid down in the laws of the Republic of Latvia or international agreements approved by the *Saeima* of the Republic of Latvia (Parliament). For the documents in foreign languages translation in Latvian or in the language agreed between the applicant and the Commission shall be submitted.

32. The Commission shall cooperate with foreign competent supervisory authorities to ensure consistent review and assessment of notification if the person, who directly or indirectly acquires or increases a qualifying holding in the financial institution in Latvia, as a result of cross-border transaction acquires such holding also in the financial institution of any third country.

33. The Commission shall cooperate with foreign competent supervisory authorities to receive from them the assessment of the person's reputation, professional competence and financial stability. The Commission shall be entitled not to rely on the assessment carried out by the supervisory authority of the Member State or a third country and carry out an individual assessment based on the assessment submitted by the supervisory authority of the Member State or the third country.

VII. Assessment criteria and procedures for a qualifying holding

34. In assessing overall reputation of the person, the Commission shall consider the person's reputation (integrity, lack of criminal records) and professional competence.

35. The proportionality principle shall not be applicable to the overall reputation requirement, and it shall apply to all persons and their beneficiaries irrespective of the size of proposed qualifying holding, intended involvement in the management of the financial institution or exercising an influence over the financial institution. To assess the overall reputation taking into account the nature of person (natural or legal person, natural or legal person subject to supervision by financial supervision authority, etc.), the Commission may apply the proportionality principle in relation to the documents and information to be submitted.

36. The person shall meet the reputation assessment criterion if the Commission has no reason to doubt the person's good repute and if there is no reliable evidence to suggest otherwise. In the assessment of reputation of the person the Commission shall take into account all relevant information regarding the person:

36.1. information on the person's criminal and administrative record;

36.2. any criminal or relevant administrative records should be taken into account, considering the type of conviction or indictment, the level of appeal, the sanction received, the phase of the judicial process reached and the effect of any rehabilitation measures. The Commission shall take into account the seriousness of any relevant offence, the time period elapsed and the acquirer's conduct since the offence, as well as the relevance of the offence to the person as the acquirer of a qualifying holding;

36.3. information on the person's action related to the business dealings:

36.3.1. any evidence that the person has not been transparent, open and cooperative in its relationship with supervisory or other regulatory authorities;

36.3.2. any refusal of any registration, authorisation, membership or licence to carry out a trade, business or profession, any revocation, withdrawal or termination of such registration, authorisation, membership or licence and any expulsion from a professional organisation or association;

36.3.3. the reasons for any dismissal from employment or any position of trust, fiduciary relationship or other similar situation, as well as any request to resign from such a position;

36.3.4. any disqualification of the person by the competent authority from carrying out business;

36.4. information on the offences committed by the person in the financial and capital market:

36.4.1. any breaches of laws governing financial and capital market and sanctions applied by the supervisory authorities;

36.4.2. offences related to financial crime, money laundering and terrorist financing, market manipulation, insider trading, usury and corruption;

36.4.3. any breaches of laws governing taxes and sanctions applied;

36.4.4. any other offences under legislation relating to business activities of companies, (leading them in bankruptcy or insolvency or consumer rights protection);

36.5. information on relevant findings from on-site and off-site controls, from investigations or enforcement actions or pretrial investigation to the extent that they relate to the person;

36.6. any information obtained from other sources that is relevant in the assessment of the reputation of the person.

37. In assessing information submitted pursuant to paragraph 36, the Commission shall take into account the factors as follows:

37.1. the type of criminal or administrative record, the type of punishment (fine, imprisonment etc.), the length of the sentence, the level of appeal, the phase of the judicial process (conviction, trial, indictment) and the status of the person in the proceedings;

37.2. the Commission shall have no reason to consider that the person is of good repute merely because of the absence of criminal prosecution against the person, it has not been held criminally liable and there is no criminal conviction, though there are still considerable statements regarding the act that could give rise to the criminal court proceedings;

37.3. in case of less significant offences where each of them have an impact on the reputation of the person, potential cumulative effect of those offences;

37.4. the reputation of any other person who has close family or business relationship with the person.

38. The proportionality principle shall be applicable to the professional competence requirement taking into account the influence of the person over the financial institution.

39. In case the person is a legal person, the assessment of professional competence shall cover this person, all the persons who effectively direct the business of the person and the beneficiaries of that legal person.

40. The person shall be regarded as compliant with the professional competence requirements, if the person is:

40.1. the person who has been authorised by the Commission or the European Central Bank to acquire a qualifying holding in another financial institution and which is subject to supervision by the Commission or financial supervisory authority of other Member State;

40.2. a natural person who already directs the business of this or other financial institution, and this financial institution is subject to supervision by the Commission or financial supervisory authority of other Member State;

40.3. a legal person who as a financial institution is subject to supervision by the Commission or financial supervisory authority of other Member State.

41. The Commission shall apply the provisions of paragraph 40 provided that it does not possess any facts or information that could cast doubt on the person's professional competence.

42. The Commission shall be entitled to disregard the provisions laid down in paragraph 40 if the person is recognised as professionally competent to exercise control over the financial institution that is significantly smaller in terms of its size, internal organisation and type of activities, scope and complexity than the financial institution that intends to acquire a qualifying holding.

43. The person's professional competence shall cover the competence in the governance area (governance competence) and in the core business area of the financial institution (technical competence).

44. In assessing the governance competence the Commission shall take into account the person's previous experience and professionalism in the acquisition of a qualifying holding in other companies and their governance.

45. In assessing the technical competence the Commission shall take into account the person's previous experience in the activities and governance of the financial institutions in the capacity of controlling shareholder, member of the board or council in the financial institution.

46. If the person is a legal person:

46.1. professional competence shall be assessed to the members of the board or council of the legal person or other person that in fact directs business activities of legal person;

46.2. technical competence shall be assessed for the business activities of the legal person or the group to which it belongs.

47. In assessing compliance of the person with professional competence criteria the Commission shall be entitled to apply the proportionality principle if the person intends to acquire a qualifying holding in the financial institution with the aim of diversifying its investment portfolio, obtaining dividends or capital gains rather than to be involved in the management of the financial institution.

48. The Commission shall take into account the previous and current results of the person's commercial activity and financial soundness that may have an influence on the professional competence of the acquirer of a qualifying holding:

48.1. the person's inclusion in any list of debtors or any similar negative records;

48.2. whether the person owns or directs or has owned or directed a company that has been declared insolvent, bankrupt, or the company has been deprived of the rights to carry on business, criminal proceedings initiated;

48.3. declaration of insolvency process against the person;

48.4. any civil lawsuit, administrative or criminal proceedings, large investments or exposures and loans taken if they have a significant impact on the person's financial soundness.

49. In assessing compliance of the person with the technical competence criteria the Commission shall be entitled to set more stringent requirements for the person if it will be able to exercise a significant influence on the financial institution (for example, a holding conferring a veto rights), to approve strategy and business plan of the financial institution.

VIII. Assessment of reputation and experience of the person who will direct the business of the financial institution

50. If the person has intended to make changes in the board or council of the financial institution or appoint new persons performing core functions in the financial institution (if the assessment of those persons has been carried out by the Commission pursuant to regulatory provisions), the person's notification shall be accompanied by all the information and documentation necessary for the assessment of those persons in accordance with regulatory provisions for each financial and capital market segment.

IX. Assessment of financial soundness of the acquirer

51. The financial soundness of the person shall be the capacity of the person to finance the proposed acquisition of a qualifying holding and to maintain, for the foreseeable future, a sound financial structure both of the person and financial institution.

52. The Commission, considering the nature of the person and the acquisition of a qualifying holding, shall assess whether the person has been is sufficiently sound to ensure the sound and prudent management of the financial institution for the foreseeable future (three years).

53. In assessing the financial soundness of the person, the Commission shall take into account:

53.1. whether the financial mechanisms used by the person to finance the acquisition or existing financial relationships between the person and financial institution could give rise to conflicts of interest that could affect the financial institution;

53.2. whether the financial soundness of the person shall not indicate that it may likely to face financial difficulties during in the process of the acquisition of a qualifying or in coming three years;

53.3. the potential influence of the person, the nature of person (for instance, whether the person is a strategic or financial investor, including whether it is a private capital investment fund or hedge fund) and the nature of the acquisition (for instance, whether the transaction is significant or complex);

53.4. whether the person will use borrowed funds to finance the acquisition of a qualifying holding and debt liabilities will have any negative impact on the financial soundness of the person, the person's commitments of the person to meet prudential requirements for the financial institution and capacity of the financial institution to meet the prudential requirements.

54. To assess the financial soundness of the person the Commission shall be entitled to apply the proportionality principle to the amount of information and documentation to be submitted or set more stringent requirements, taking into account whether the person is the financial institution subject to prudential supervision, or a legal person that is not a financial institution, or a natural person.

X. Assessment of compliance of the financial institution with prudential requirements

55. The Commission shall perform the assessment of the financial institution, whether it meets prudential requirements for the person, considering following factors:

55.1. the share of a qualifying holding, the person's reputation, financial soundness, group's structure;

55.2. the person's strategy regarding the further activities of the financial institution;

55.3. corporate governance issues;

55.4. the person's further objectives regarding a qualifying holding in the financial institution;

55.5. the person's commitment to provide financial support to ensure liquidity or solvency.

56. The Commission shall carry out the assessment of the financial institution, whether it meets prudential requirements taking into account the following factors:

56.1. the ability of the financial institution to comply with regulatory requirements (for instance, capital, liquidity, large exposures, internal control, risk management and compliance requirements) at the time of the review of notification and after the acquisition of a qualifying holding;

56.2. whether the structure of the group of companies in which the financial institution will be included does not prevent the Commission from exercising statutory supervision functions, ensuring efficient information exchange among credit institution supervisory authorities and provide for the division of credit institution supervisory authorities' competences;

56.3. whether the structure of the group of companies in which the financial institution will be included ensures clear and transparent corporate governance and organisational structure;

56.4. the ability of the person to provide financial support or find any other solution in case of liquidity or solvency problems;

56.5. the ability of the person to invest financial resources in the development of the financial institution.

XI. Assessment of money laundering and terrorist financing risk

57. The Commission shall be entitled to prohibit the person from the acquisition or increase of a qualifying holding in the financial institution, if:

57.1. the Commission possesses information or suspects or has reasonable grounds that the person is or was involved in money laundering operations or attempts whether or not directly or indirectly linked to the proposed acquisition or increase;

57.2. the Commission possesses information or suspects or has reasonable grounds that the person has carried out terrorism-related activities or terrorism financing, in particular if the person is subject to a relevant financial sanctions regime;

57.3. the proposed acquisition gives rise to an increased risk of money laundering or terrorism financing risk;

57.4. the acquisition of financial resources casts doubts of increased risk of money laundering and terrorism financing;

57.5. there is a lack of complete and reliable information and explanations regarding the origin of capital or business activities of the person (for instance, unrecorded capital movement, transferring the headquarters from the registration country to another country, changes in the management or owners of legal person, earlier associations of the owners with persons convicted of criminal offences).

58. Increased risk of money laundering and terrorism financing referred to in paragraph 57.4 of the Regulations shall arise if the acquirer of a holding is established in or it is connected by personal or business ties (through family members or close associates) with a country or territory which the Financial Action Task Force on Money Laundering (hereinafter - the FATF) has identified as the country or territory having material deficiencies in its national anti-money laundering or counter-terrorism financing regime that pose a risk to the international financial system, or the country or territory that the European Commission has identified as the country or territory having material deficiencies in its national anti-money laundering or counter-terrorism financing regime that pose significant threats to the financial system.

59. In assessing whether a proposed acquisition gives rise to an increased risk of money laundering or terrorism financing, the Commission shall consider all information about the person, the opinions, assessments or reports drawn up by international organisations in the field of anti-money laundering, predicate offences to money laundering and combating the financing of terrorism, as well as open media searches.

60. In assessing the sources of the funds that will be used for the acquisition or increase of a qualifying holding and their movement, the Commission shall consider whether:

60.1. the funds used for the acquisition of a holding are channelled through the financial institutions, which are subject to supervision by competent financial and capital market supervisory authorities of Member States, or the financial institutions, which are subject to supervision by foreign competent financial and capital market supervisory authorities, where effective anti-money laundering and combatting terrorism financing requirements are applied consistent with the FATF Recommendations and effectively implemented;

60.2. the information on the activity that generated the funds, including the history of the business activities of the person and on the financing scheme is credible and consistent with the value of the deal;

60.3. the funds may be trailed back on paper to their origins, or there is other information that allows the Commission to resolve all doubts as to their legal origin.

61. Where the person is unable to verify the source of the funds to the Commission pursuant to the provisions of paragraph 60 of the Regulations, it shall provide explanation of the source and movement of the funds. The Commission shall consider whether such explanation is credible and reasonable in conjunction with the assessment of person's overall reputation.

XII. Information obligation in case the person intends to acquire control over a central securities depository

62. To assess compliance of the person, who intends to acquire control over a central securities depository, requirements laid down in sections VII, VIII, IX, X and XI of the Regulations shall be applied.

63. Where control over a central securities depository is acquired as a result of a concerted action of persons, paragraphs 4–10 of the Regulations shall be applied to determine the concerted action.

64. Prior to the acquisition of control over a central securities depository the person shall submit to the Commission a notification pursuant to Annex 1 to the Regulations. The notification shall be accompanied by the completed Annexes 2, 3, 4, 5, 6, 9 and 10 to the Regulations including relevant information and documents.

XIII. Exemption rule from information obligation

65. Where the Commission already possesses the documents to be submitted mentioned to in the Regulations and information included in the documents has remained unchanged, the person shall not submit them repeatedly and it shall indicate in the notification to the Commission that the relevant documents have been already submitted to the Commission and information included has remained unchanged. The person shall indicate in the notification the administrative proceedings and the period of time during which the above documents were submitted.

XIV. Transitional provision

66. With these Regulations taking effect, the Commission's Regulations No 192 of 28 November 2017 "List of Information Required for the Notification of Acquisition or Increasing of a Qualifying Holding in a Credit Institution, Insurance Undertaking, Reinsurance Undertaking, Regulated Market Organizer, Latvian Central Depository or Investment Firm" shall become null and void.

Informative reference to the European Union law

The Regulations contain legal provisions deriving from the Joint Guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector (JC/GL/2016/01) developed by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

Chair of the Financial and Capital Market Commission

S.Purgaile