

(Unofficial translation by the Financial and Capital Market Commission)

Law on Payment Services and Electronic Money
*(Title of the Law in the wording of the Law of 17 March 2011
that is in effect as of 30 April 2011)*

Chapter I
General Provisions

Article 1. The following terms are used in this Law:

1) payment service:

a) a service as a result of which cash can be placed on a payment account as well as all necessary operations by the payment service provider to ensure that the payment service user can use the payment account,

b) a service as a result of which cash can be withdrawn from a payment account as well as all necessary operations by the payment service provider to ensure that the payment service user can use the payment account,

c) execution of a payment transaction, including of a direct debit and also one-off direct debit, execution of a payment transaction through a payment card or a similar device, execution of a credit transfer, also of a standing order. The payment service referred to in this Subparagraph includes a transfer of funds to a payment account opened by the payment service provider of the payment service user or by another payment service provider,

d) execution of a payment transaction, including of a direct debit and also one-off direct debit, execution of a payment transaction through a payment card or a similar device, execution of a credit transfer, also of a standing order. The term “payment service” referred to in this Subparagraph refers to a payment transaction where a credit line is applied to the funds available to the payment service user,

e) issuing and acquiring of a payment instrument,

f) money remittance,

g) execution of a payment transaction where the payer’s consent to execute the payment transaction is given by means of distance communication, a digital or an IT device and where the payment is made to the telecommunication, IT system or network operator that acts only as an intermediary between the payment service user and the seller of goods or the provider of services;

2) payment institution:

a) a commercial company that has received a licence for the operation of a payment institution,

b) a natural or a legal person that, in accordance with Article 5 hereof, does not need to

receive a licence to commence the operation of a payment institution;

2¹) **electronic money institution:**

a) a commercial company that has received a licence to issue electronic money,

b) a legal person that, in accordance with Article 5.¹ hereof, does not need to receive a licence to issue electronic money;

2²) **electronic money** — electronically (in a smart card or the computer memory) stored monetary value that:

a) represents a claim on the issuer,

b) has been issued on receipt of funds from the electronic money holder for the purpose of making payment transactions,

c) is used as a means of payment and is accepted by a natural or a legal person other than the electronic money issuer;

2³) **average outstanding electronic money** — the average value of the financial liabilities of the electronic money institution relating to issuing of electronic money that is calculated by totalling the amount of electronic money at the end of each calendar day over the preceding six calendar months and dividing the result with the number of days in six calendar months. Average outstanding electronic money is determined on the first day of each calendar month and applied for that calendar month;

2⁴) **electronic money holders** — a natural or a legal person that has received electronic money from the electronic money issuer or its agent;

2⁵) **institution** — a payment institution and an electronic money institution, except the terms “institution that in a member state is responsible for suspending payment services of a payment institution, for the payment institution’s insolvency and liquidation procedures and for the accounting inspection procedures of credit institutions and other financial institutions” and “financial institution”, and also a word combination “other institution” used in this Law;

3) **payment transaction** — an act initiated by the payer or by the payee with an aim of placing, transferring or withdrawing funds irrespective of any obligations underlying the legal relationship between the payer and the payee;

4) **payment system** — a funds transfer system with a standardised agreement for the rules and procedures regarding the processing, clearing or settlement of payment transactions;

5) **payer** — a natural or a legal person that:

a) holds a payment account and allows a payment transaction from that payment account,

b) gives a payment order where it does not have a payment account;

6) **payee** — a natural or a legal person that is the intended recipient of the funds that are the

subject of a payment transaction, including of a funds transfer;

7) **payment service user** — a natural or a legal person that makes use of a payment service in the capacity of either a payer or a payee, or both (hereinafter, also “a service user”);

8) **framework contract** — a payment service contract that governs the execution of individual and successive payment transactions and that may contain the obligations and the conditions for setting up a payment account;

9) **money remittance** — a payment service as a result of which funds are received from a payer without setting up a payment account in the name of the payer or the payee and whose sole purpose is to transfer a definite amount to a payee or to a payment service provider acting on behalf of the payee, or as a result of which such funds are received by the payment service provider that makes it available to the payee;

10) **payment account** — an account that is set up in the name of one or more payment service users and used for the execution of a payment transaction;

11) **payment order** — an instruction by a payer or by a payee to his payment service provider requesting the execution of a payment transaction;

12) **value date** — a reference time used by a payment service provider for the calculation of interest on the funds debited from or credited to a payment account;

13) **payment institution’s agent** — a natural or a legal person that acts on a payment institution’s behalf in providing payment services (hereinafter, also “an agent”);

14) **payment instrument** — any personalised device or a set of procedures agreed between the payment service user and the payment service provider that is used by the payment service user to initiate a payment transaction;

15) **means of distance communication** — any means that, without the simultaneous physical presence of the payment service provider and the payment service user, may be used for the conclusion of a payment service contract;

16) **durable medium** — any instrument that enables the payment service user to store information addressed personally to him/her in a way that information is accessible and can be used unchanged for a period of time adequate for the purposes of that information;

17) **business day** — a day on that the payer’s payment service provider or the payee’s payment service provider is open for business and carry out the operations necessary for the execution of a payment transaction;

18) **direct debit** — a payment service as a result of which a payer's payment account is debited where a payment transaction is initiated by the payee on the basis of the payer's consent given to the payee, the payee's payment service provider or the payer's payment service provider;

19) **participation** — a fact that a commercial company owns, directly or indirectly, at least 20 per cent of the share capital or of the number of shares or stock with voting rights of another

capital company;

20) **group of commercial companies** — a group that consists of a parent undertaking, its subsidiary undertakings, commercial companies in which the parent undertaking or the subsidiary undertakings have a participation, and of commercial companies that are linked to the parent undertaking, the subsidiary undertaking or the company in which the parent undertaking or the subsidiary undertaking has a participation by joint management pursuant to the concluded contract or a founding document of those commercial companies or articles of association or where at least one half of the members of any management body of these companies are the same persons during the financial year;

21) **initial capital** — capital that consists of the following elements:

- a) paid-up share or stock capital (share capital) less cumulative preferential shares,
- b) share or stock premium,
- c) reserves, excluding the revaluation reserve,
- d) profit or loss brought forward,
- e) profit of the current year of operation, provided that there is a statement by an official auditor or a commercial company of official auditors (hereinafter, “an official auditor”) about the existence of profit and it has been calculated by taking into account all necessary provisions for the impairment of assets, projected tax and dividend payments, and the Financial and Capital Market Commission (hereinafter, “the Commission”) has given its consent for the inclusion of the profit of the current year of operation into the initial capital;

22) **own funds** — the elements of capital, reserves and liabilities that are disclosed in the audited financial statements of a payment institution and of an electronic money institution and are freely available to the payment institution and the electronic money institution to cover the losses that are associated with operational risks, but have not yet been identified and thus are contingent;

23) **qualifying holding** — a holding that is directly or indirectly acquired by a person or persons acting in concert in accordance with an agreement and that represents 10 percent or more of the share capital or of the shares or stock with voting rights in a commercial company or that makes it possible to exercise a significant influence over the financial and operational policy of that commercial company;

24) **reference exchange rate** — the exchange rate that is used to calculate currency exchange and that is notified by the payment service provider to the payment service user or may be obtained from a publicly available source;

25) **authentication** — a procedure whereby the payment service provider can verify the use of a specific payment instrument, including its personalised security features;

26) **reference interest rate** — the interest rate that is used to calculate interest to be applied when providing payment services and that can be verified by the parties to a payment service contract by using a publicly available source;

27) **unique identifier** — a combination of letters, numbers or symbols specified by the payment service provider to the payment service user and to be provided by the payment service user to identify unambiguously the other payment service user or his payment account involved in the execution of a payment transaction.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 2. (1) This Law lays down the rights, duties and responsibility of payment service providers, payment service users, electronic money issuers, electronic money holders as well as the requirements for providing payment services, for issuing, distributing and redeeming electronic money, and also governs the legal status, operations and responsibility of payment institutions and of electronic money institutions.

(2) Payment services may be provided by:

- 1) a credit institution;
- 2) an electronic money institution;
- 3) a post office merchants that is entitled under regulatory provisions to provide payment services;
- 4) a payment institution;
- 5) the European Central Bank, the Bank of Latvia or other national central bank when carrying out activities other than implementing monetary policy or acting in their capacity as public authorities;
- 6) a direct administration authority or a derived public body when not acting in their capacity as public authorities;
- 7) a payment institution licensed in a European Union member state or in the country of the European Economic Area (hereinafter, “a member state”) that has commenced its operation in Latvia in due course of Article 31 hereof.

(2¹) Electronic money may be issued by:

- 1) a credit institution;
- 2) an electronic money institution;
- 3) a post office merchants that is entitled under regulatory provisions to issue electronic money;
- 4) the European Central Bank, the Bank of Latvia or other national central bank when carrying out activities other than implementing monetary policy or acting in their capacity as public authorities
- 5) a direct administration authority or a derived public body when not acting in their capacity as public authorities;

6) an electronic money institution licensed in a member state that has commenced its operation in Latvia in due course of Article 31 hereof;

7) a foreign branch of an electronic money institution that has been granted the licence in a member state.

(3) Provisions of Articles 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 98, 99, 100, 101, 102, 103 and 104 hereof apply to payment service providers that provide payment services in Latvia where the payer's payment service provider and the payee's payment service provider are in a member state and provide payment services in the euro or in the national currency of a member state.

(4) The amounts in euro referred to in this Law shall be treated as equivalent amounts in lats calculated at the Bank of Latvia's exchange rate.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 3. This Law does not apply to the following:

1) payment transactions made in cash directly from the payer to the payee, without any intermediary intervention;

2) payment transactions from the payer to the payee through a commercial agent authorised to sell or purchase goods or provide services;

3) physical transportation of banknotes and coins, including their collection, processing and delivery within the framework of a commercial, non-profit or charitable activity;

4) cases where cash is provided by the payee to the payer simultaneously with selling of goods or providing of services provided that the payer has explicitly requested so before the settlement for the purchase;

5) money exchange transactions where the funds are not deposited on a payment account;

6) payment transactions that have been effected with a view to placing funds at the disposal of the payee on the basis of any of the following documents drawn on the payment service provider that are referred to in Subparagraphs a), b), c), d), e), f) or g) hereof :

a) paper cheques in accordance with the Geneva Convention of 19 March 1931 providing a uniform law for cheques,

b) paper cheques similar to those referred to in Subparagraph a) hereof and governed by the laws of member states that are not party to the Geneva Convention of 19 March 1931 providing a uniform law for cheques,

c) paper-based drafts in accordance with the Geneva Convention of 7 June 1930 providing a uniform law for bills of exchange and promissory notes,

d) paper-based drafts similar to those referred to in Subparagraph c) hereof and governed by

the laws of member states that are not party to the Geneva Convention of 7 June 1930 providing a uniform law for bills of exchange and promissory notes,

e) paper-based vouchers,

f) paper-based traveller's cheques,

g) paper-based postal money orders as defined by the Universal Postal Union;

7) transactions carried out within a payment or securities settlement system by central counterparties, clearing houses, central banks, settlement agents and other participants of the system in the meaning of the Law „On Settlement Finality in Payment and Financial Instrument Settlement Systems” and payment service providers;

8) payment transactions related to securities asset servicing, redemption or sale, also distribution of dividends and other income, where they are carried out by the persons referred to in Subparagraph 7 hereof or by investment brokerage firms, investment management companies or credit institutions that provide investment services or by other commercial companies allowed to hold financial instruments;

9) services provided by technical service providers where the funds to be transferred are not at any time into their possession;

10) services whereby payment instruments for buying goods or services are used only on the premises used by the payment instrument issuer or, under a contract with the payment instrument issuer, either within a limited network of service providers or for a limited range of goods or services;

11) payment transactions executed by means of any telecommunication, digital or IT device, where the goods are purchased or services provided through a telecommunication, digital or IT device and where the telecommunication, digital or IT operator in the particular service does not act only as an intermediary between the payment service user and the supplier of goods or the provider of services;

12) payment transactions carried out between payment service providers, also their agents or branches;

13) payment transactions within a group of commercial companies between a parent undertaking and its subsidiary undertaking or between subsidiaries of the same parent undertaking, without any intermediary intervention by a payment service provider other than an undertaking belonging to the same group of commercial companies;

14) cash withdrawals by means of automated teller machines where the payment service provider acts as an agent of one or more card issuers, is not a party to the framework contract with the customer withdrawing money from a payment account, and does not provide other payment services.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter II
Licensing and Registration of an Institution
*(Title of the Chapter in the wording of the Law of 17 March 2011
taking effect on 30 April 2011)*

Article 4. (1) An institution shall be entitled to commence operation in Latvia only after it has been granted the licence by the Commission, except in cases referred to in Article 5 and 5.¹ hereof.

(2) An institution shall perform the activities governed by this Law as specified in the licence.

(3) After receiving the licence to commence its operation or after the registration in accordance with the requirements of Articles 5 and 5.¹ hereof, the institution shall be deemed a participant of the financial and capital market.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 5. (1) A payment institution does not need a licence issued by the Commission and it shall be entitled to commence its activity in Latvia after registration with the commercial register for performing commercial activity provided that it has notified the Commission in writing about the intended commencement of activity and it complies with the following conditions:

1) the mean value of the payments made during the previous 12 months by the payment institution or its agent for whose activity the payment institution assumes responsibility or the mean value of the payments intended to be effected within the next 12 months as set out in the commercial activity plan does not exceed three million euro per month;

2) the restrictions set out in Paragraph 1 of Article 21 hereof do not apply to any of the persons referred to in Subparagraph 10 of Paragraph 1 of Article 11 hereof.

(2) Simultaneously with the notification referred to in Paragraph 1 hereof the payment institution submits the following information to the Commission:

1) information about the person. Where a legal person wishes to provide payment services, it shall indicate its firm name, legal address, registration number and place of registration. Where a natural person wishes to provide payment services, it shall indicate the declared place of residence and submit a copy of the passport or of another personal identification document that bears the person's name, surname, year and date of birth and identity number;

2) information about the persons referred to in Subparagraph 10 of Paragraph 1 of Article 11 hereof;

3) a commercial activity plan or an equivalent document in respect of the payment institution that evidences compliance with the condition referred to in Subparagraph 1 of Paragraph 1 hereof;

4) information on how the payment institution will ensure compliance with the requirements set out in Paragraph 1 of Article 38 hereof where, apart from providing payment services, the payment institution intends to carry out the commercial activity referred to in Paragraph

1 of Article 36 hereof.

(3) Within 10 business days after the receipt of the documents referred to in Paragraph 2 hereof, the Commission shall assess whether the person that wants to provide payment services complies with the requirements of Paragraph 1 hereof. Where the person complies with these requirements, it shall be registered with the register referred to in Paragraph 3 of Article 10 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 5.¹ (1) An electronic money institution does not need a licence issued by the Commission and it shall be entitled to commence its operation in Latvia after registration with the commercial register for performing commercial activity provided that it has notified the Commission in writing about the intended commencement of activity and it complies with the following conditions:

1) the average outstanding electronic money within the commercial activity of the electronic money institution does not exceed five million euro. Where the electronic money institution also performs any of the activities referred to in Paragraph 1 of Article 36.¹ hereof and the volume of electronic money is not known, the electronic money institution shall use the volume of the issued electronic money to calculate the average outstanding electronic money. An electronic money institution that has not performed commercial activity for full six calendar months shall determine the average outstanding electronic money on the basis of the commercial activity plan unless the Commission has requested the electronic money institution to amend the plan;

2) the restrictions set out in Paragraph 1 of Article 21 hereof do not apply to any of the persons referred to in Subparagraph 10 of Paragraph 1 of Article 11 hereof.

(2) Simultaneously with the notification referred to in Paragraph 1 hereof the electronic money institution submits the following information to the Commission:

1) information about its firm name, legal address, registration number and place of registration;

2) information about the persons referred to in Subparagraph 10 of Paragraph 1 of Article 11 hereof;

3) a commercial activity plan or an equivalent document in respect of the electronic money institution that evidences compliance with the condition referred to in Subparagraph 1 of Paragraph 1 hereof.

(3) Within 10 business days after the receipt of the documents referred to in Paragraph 2 hereof, the Commission shall assess whether the person that wants to commence the operation of an electronic money institution complies with the requirements of Paragraph 1 hereof. Where the person complies with these requirements, it shall be registered with the register referred to in Paragraph 3 of Article 10 hereof.

(4) An electronic money institution that has been registered with the register referred to in Paragraph 3 of Article 10 hereof shall be entitled to provide payment services in addition to issuing electronic money provided that it complies with the requirements of Article 5 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 5.² Where the information referred to in Articles 5 and 5.¹ hereof is amended after the institution has been registered with the register referred to in Paragraph 3 of Article 10 hereof, the institution shall submit the amended information to the Commission within five business days after making the amendments.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 6. (1) Where a payment institution no longer complies with the requirements of Subparagraph 1 of Paragraph 1 of Article 5. hereof yet it wants to continue providing payment services, it shall submit to the Commission the documents referred to in Article 11 hereof within 30 days of non-compliance taking effect to receive a licence for the operation of a payment institution.

(2) Where an electronic money institution no longer complies with the requirements of Subparagraph 1 of Paragraph 1 of Article 5.¹ hereof yet it wants to continue issuing electronic money, or it fails to comply with the requirements of Subparagraph 1 of Paragraph 1 of Article 5 hereof yet it wants to continue providing payment services, it shall submit to the Commission the documents referred to in Article 11 hereof within 30 days of non-compliance taking effect to receive a licence for the operation of an electronic money institution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 7. For an institution registered in Latvia, the territory of Latvia shall be the place for carrying out its commercial activity .

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 8. The provisions set out in Articles 4 and 9, Paragraphs 1, 2 and 3 of Article 11, Article 12, 13, 14, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 37 and 45, Paragraph 3 of Article 46, as well as in Article 50 and 51 hereof shall not be binding on the institutions to which the exemption regarding the licence referred to in Articles 5 and 5.¹ hereof applies.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 9. A licensed institution shall be entitled to commence provision of payment services in another member state in due course of Articles 32 and 33 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 10. (1) Licensed institutions, their agents and branches shall be registered with the register of licensed institutions maintained by the Commission.

(2) The register of licensed institution shall specify the rights of an electronic money institution to issue electronic money and also the payment services that the persons referred to in Paragraph 1 hereof are entitled to provide.

(3) Institutions that do not need a licence to commence their operation, their agents and branches shall be registered with the register of institutions maintained by the Commission.

(4) The Commission shall send to the European Commission information about the number of the institutions, their agents and branches referred to in Paragraph 3 hereof as at 31

December of the calendar year and additionally specify the total volume of the payments they have executed during the 12 months of the respective calendar year as well as the volume of outstanding electronic money.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 11. (1) To receive the licence for the operation of an institution or for issuing electronic money, an application to this effect and the following documents shall be submitted to the Commission:

- 1) a programme of operations of the institution setting out the types of envisaged payment services. Where the electronic money institution intends only to issue electronic money, it shall indicate in the programme information about the intended issuance of electronic money;
- 2) a commercial activity plan for at least the first three financial years that details the institution's business strategy, financial forecasts, draft balance sheet and profit or loss statement, draft capital adequacy calculation, the amount of fixed costs estimated for each year, market research plans and other information deemed necessary by the institution and that provide additional information to obtain a clear and fair view of its intended operation;
- 3) an evidence that the institution holds initial capital provided for in Article 12 hereof;
- 4) a description of the measures taken for safeguarding the funds of payment service users and of electronic money holders in accordance with Article 38 hereof where, apart from providing payment services, the institution carries out other kind of commercial activity in accordance with Articles 36. and 36.¹ hereof;
- 5) a description of the institution's internal control and governance arrangements, including of its administrative, risk management and accounting procedures that are necessary to ensure appropriate and adequate governance arrangements;
- 6) a description of the institution's procedure for identifying unusual and suspicious financial transactions;
- 7) a description of the institution's structural organisation, including information about agents, branches, outsourcing arrangements and participation in a national or international payment system;
- 8) information about the identity of persons having acquired, directly or indirectly, a qualifying holding in the institution, the size of their actual holding and evidence of the compliance of these persons with Article 15 hereof;
- 9) the list of persons with who the institution has close links in the meaning of the Credit Institution Law;
- 10) information about the institution's members of the executive board and of the council, persons that, by taking important decisions on the institution's behalf, incur civil liability on the institution, and also about persons that are directly responsible for managing the institution's payment service operations as well as documents evidencing the compliance of those persons with the requirements of Articles 20 and 21 hereof;

11) information about the official auditor (name, surname or firm name);

12) the institution's articles of association where that information is not available in public registers;

13) information about compliance with the requirements set out in Paragraph 1 of Article 38 hereof where, apart from providing payment services or issuing electronic money, the institution intends to carry out the commercial activity referred to in Paragraph 1 of Article 36 hereof.

(2) The documents referred to in Subparagraphs 4, 5 and 7 of Paragraph 1 hereof shall specify the institution's audit and organisational arrangements to protect the interests of payment service users and of electronic money holders and to ensure continuity and reliability in the execution of payment services and issuing of electronic money.

(3) During the scrutiny of the documents referred to in Paragraph 1 hereof the Commission shall be entitled to request that the institution make corrections in them or submit additional documents that the Commission needs to ascertain whether the institution's business is reasonable and prudent and it complies with other requirements of this Law.

(4) The Commission shall establish the procedure whereby a licence for the institution's operation is granted, an institution is registered and information is provided, and specify the documents to be submitted.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 12. (1) A payment institution shall ensure that on the day when the Commission takes the decision to grant a licence for the operation of a payment institution its initial capital is at least:

1) 20 000 euro where the payment institution provides only money remittance services;

2) 50 000 euro where the payment institution provides the payment services referred to in Subparagraph g) of Paragraph 1 of Article 1 hereof;

3) 125 000 euro where the payment institution provides any of the payment services referred in Subparagraphs a), b), c), d) or e) of Paragraph 1 of Article 1 hereof.

(2) An electronic money institution shall ensure that on the day when the Commission takes the decision to grant a licence for the operation of an electronic money institution its initial capital is at least 350 000 euro.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 13. (1) Only a person that complies with the criteria set out in Paragraph 1 of Article 15 hereof shall be entitled to acquire a qualifying holding in the institution.

(2) The Commission shall be entitled to request information about the persons intending to acquire a qualifying holding (having actually acquired a qualifying holding or suspected of an acquired qualified holding), including natural persons that

are owners (beneficial owners) of legal persons, to assess their compliance with the criteria set out in Paragraph 1 of Article 15 hereof.

(3) The Commission shall be entitled to obtain identification of the founders (shareholders and members/participants) and owners (beneficial owners) of the legal persons intending to acquire a qualifying holding (having actually acquired a qualifying holding or suspected of an acquired qualified holding) until it has information on the owners (beneficial owners) that are natural persons. To obtain identification, the respective legal persons shall have an obligation to submit to the Commission all required information if it is not available in those public registers from which the Commission is entitled to receive such information

(4) Where the persons (shareholders or members/participants) suspected of an acquired qualifying holding in an institution fail or refuse to submit the information referred to in Paragraphs 2 or 3 hereof and the total holding of such persons is 10 percent or more of the share capital or shares or stock with voting rights of the institution, these persons shall not be entitled to exercise the voting rights attaching to all their shares. The Commission shall promptly notify to this effect the respective shareholders or members/participants and the institution.

(5) Investment funds and similar entities shall not be entitled to acquire a qualifying holding in an institution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 14. (1) Any person that wishes to acquire a qualifying holding in an institution, shall notify the Commission to this effect in advance in writing. The notification shall indicate the amount of the holding as a percentage of the share capital or the shares or stock with voting rights of the institution. The notification shall be submitted together with the information that is set out in the Commission's regulatory provisions and is necessary to assess the person's compliance with the criteria set out in Paragraph 1 of Article 15 hereof. The list of information to be attached to the notification shall be published on the Commission's Internet homepage.

(2) Where a person wishes to increase a qualifying holding so that it amounts to or exceeds 20, 33 or 50 percent of the share capital or of the shares or stock with voting rights of the institution or where the institution becomes a subsidiary undertaking of that person, that person shall notify the Commission in advance in writing. The notification shall indicate the amount of the holding as a percentage of the share capital or of the shares or stock with voting rights of the institution and it shall be submitted together with information that is set out in the Commission's regulatory provisions and is necessary to assess the person's compliance with the criteria set out in Paragraph 1 of Article 15 hereof. The list of information to be attached to the notification shall be published on the Commission's Internet homepage.

(3) Within two business days of the day of receiving the notification referred to in Paragraphs 1 or 2 hereof or within two business days of receiving the requested additional information, the Commission shall notify the person in writing about receiving of the notification or of the additional information and the date of the expiry

of the assessment period.

(4) Within the assessment period referred to in Paragraph 1 of Article 15 hereof but not later than on the 50th business day of the assessment period, the Commission shall be entitled to request additional information about the persons referred to in this Article to assess their compliance with the criteria set out in Paragraph 1 of Article 15 hereof

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 15. (1) Not later than within 60 business days of the day when information referred to in Paragraph 3 of Article 14 hereof about receiving the notification or of the additional information has been sent to the person, the Commission shall assess sufficiency of the person's free capital in respect of the volume of the shares or stock to be acquired in an institution, financial soundness of the person and the financial motivation of the proposed acquisition to ensure sustainable and careful management of the institution where the person intends to acquire the holding and the likely influence of that person on the management and business of the institution. In the assessment process, the Commission shall take into account also the following criteria:

1) good repute of the person and compliance with the requirements for an institution's shareholders or members/participants;

2) good repute and professional experience of the person that, as a result of the proposed acquisition, will direct the business of the institution;

3) financial soundness of the person, in particular in relation to the type of the business pursued or envisaged in the institution in which the acquisition is proposed;

4) whether the institution will be able to comply with the regulatory requirements set out in this Law and in other regulatory provisions and whether the group of commercial companies of which the institution will become a part has a structure that will not restrict the Commission's possibilities to exercise the supervision functions vested to it by law, to ensure efficient exchange of information among supervisory authorities and to determine the allocation of supervisory responsibilities among the supervisory authorities;

5) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing has been committed or attempted or that the proposed acquisition could increase the risk of such activity.

(2) When requiring the additional information referred to in Paragraph 4 of Article 14 hereof, the Commission is entitled to interrupt the assessment period once until the day when it receives that information but not for more than 20 business days. The Commission shall be entitled to extend the interruption of the assessment period for up to 30 business days where the person that wishes to acquire, has acquired, wishes to increase or has increased its qualifying holding in an institution is not subject to the supervision of the operation of institutions, investment brokerage firms, credit institutions, insurance companies, reinsurance undertakings or investment management companies

or where the declared place of residence or of registration of that person is in a foreign country. Where the Commission has interrupted the assessment period when requesting additional information, the interruption shall not be included in the assessment period.

(3) In the time period referred to in Paragraph 1 hereof, the Commission shall take a decision on prohibiting the person from acquiring or increasing a qualifying holding where the person:

- 1) fails to comply with the criteria set out in Paragraph 1 hereof;
- 2) fails or refuses to submit to the Commission the information set out in this Law or the additional information required by the Commission;
- 3) due to conditions beyond its control, cannot provide the information set out in this Law or the additional information required by the Commission.

(4) Within two business days of taking the decision referred to in Paragraph 3 hereof but not exceeding the assessment period referred to in Paragraph 1 hereof, the Commission shall send that decision to the person that has been prohibited from acquiring or increasing a qualifying holding in an institution.

(5) Where in the time period referred to in Paragraph 1 hereof the Commission does not send the decision to the person that has been prohibited from acquiring or increasing a qualifying holding in an institution, the Commission shall be deemed to agree that the person acquires or increases a qualifying holding in the institution.

(6) The provisions of Subparagraph 3 of Paragraph 3 hereof shall not apply to a legal person whose shares are listed on the regulated market of Latvia or of a member state or on the regulated market whose organiser is a full member the International Federation of Stock Exchanges and that legal person shall submit to the Commission information on its shareholders having a qualifying holding in it.

(7) Where the Commission agrees that a person acquires or increases a qualifying holding in an institution, that person shall acquire or increase the qualifying holding in the institution within six months of sending the information about receipt of the notification or of the additional information referred to in Paragraph 3 of Article 14 hereof. Where by the end of that period the person fails to acquire or increase the qualifying holding in the institution, the Commission's acceptance of acquiring or increasing the qualifying holding in an institution is no longer effective. Upon receipt of a motivated written request from the person, the Commission may take a decision on extending the deadline.

(8) When assessing the notifications referred to in Paragraphs 1 and 2 of Article 14 hereof, the Commission shall consult the supervisory authorities of the respective member state if a qualifying holding in an institution is acquired by a person that is an institution, an investment brokerage firm, a credit institution, an investment management company, an insurance company or a reinsurance undertaking that is registered in another member state, a parent undertaking of an institution, an investment brokerage firm, a credit institution, an investment management company, an insurance company or a reinsurance undertaking that is registered in another member state or a person that

exercises control over an institution, an investment brokerage firm, a credit institution, an investment management company, an insurance company or a reinsurance undertaking that is registered in another member state and where, as a result of acquiring or increasing the qualifying holding, the institution becomes a subsidiary undertaking of that person or is controlled by that person.

(9) Where the influence of an acquirer of a qualifying holding over an institution jeopardizes or is likely to jeopardize its management and operation in a financially sound, prudent and regulation-compliant manner, the Commission shall request that the influence be terminated without delay and, if necessary, that the executive board or the council (supervisory board) of the respective institution or any member thereof be suspended from office or shall prohibit the acquirers of a qualifying holding from exercising the voting rights attaching to all their shares or stocks.

(10) Appeal in court of the administrative act issued by the Commission that is referred to in Paragraphs 3 and 9 hereof shall not suspend its execution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 16. (1) Where a person wishes to terminate a qualifying holding in the institution, it shall notify the Commission to this effect in advance in writing. The notification shall indicate the residual amount of the holding in the share capital or of the shares or stock with voting rights as a percentage of the share capital or of the number of shares or stock with voting rights of the institution.

(2) Where a person wishes to decrease a qualifying holding so that it amounts to less than 20, 33 or 50 percent of the share capital or of the shares or stock with voting rights of the institution, or where the respective institution is no longer a subsidiary undertaking of that person, the person shall notify the Commission to this effect in advance in writing.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 17. Every year by 31 January the institution shall submit to the Commission the list of those shareholders or members/participants that had a qualifying holding in the institution on 31 December of the previous year and append to the list information about shareholders or members/participants and mutually linked groups of shareholders or members/participants and the amount of the holding as a percentage of the share capital or of the shares or stock with voting rights of the institution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 18. (1) Where a person fails to comply with the requirements of Article 14 hereof, the Commission shall apply the restrictions to its rights referred to in Paragraph 4 of Article 13 hereof.

(2) Where a person acquires or increases a qualifying holding despite the Commission's prohibition, that person shall not be entitled to exercise all voting rights attaching to its shares or stock and the decisions of the shareholders' or members'/participants' meeting that have been taken by exercising the voting rights attaching to these shares or stock shall not be valid as of the moment of taking them; also, such decisions shall not serve as the basis for a request for making an entry in a commercial register and other public registers.

Article 19. (1) To determine the amount of an indirectly acquired holding of a person, the following voting rights acquired by that person (hereinafter, "the particular person") shall be taken into account:

- 1) voting rights that may be exercised by a third party under an agreement concluded with the particular person whereby that third party is obliged to reach an agreement with the relevant person on the policy for using the voting rights and for taking measures in the long term in relation to the management of the institution;
- 2) voting rights that may be exercised by a third party under an agreement concluded with the particular person, providing for a temporary transfer of the voting rights in question;
- 3) voting rights attaching to shares that are lodged as collateral with the particular person, provided that the particular person may exercise the voting rights and has declared its intention of exercising them;
- 4) voting rights that the particular person may exercise for an indefinite period;
- 5) voting rights that may be exercised by a commercial company controlled by the particular person or that such commercial company may exercise in accordance with Subparagraphs 1, 2, 3 and 4 hereof;
- 6) voting rights attaching to shares transferred for holding to the particular person that the person may exercise at its discretion in the absence of specific instructions;
- 7) voting rights attaching to shares held on behalf of the third party for the benefit of the particular person;
- 8) voting rights that the particular person may exercise as a proxy where that person may exercise the voting rights at its discretion in the absence of specific instructions;
- 9) voting rights attaching to the shares otherwise indirectly acquired by the particular person.

(2) A person that wishes to acquire, has acquired, wishes to increase or has increased indirectly its qualifying holding in an institution shall, upon the Commission's request, submit to it information that allows it to ascertain that the person complies with the requirements of Paragraph 1 of Article 15 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 20. (1) A person shall be entitled to become chairman of the executive board, a member of the executive board, chairman of the council (if formed), a member of the council, a person that, by taking important decisions on the institution's behalf, incurs civil liability on the institution, and also a person that is directly responsible for managing the payment service operations or the issuance of electronic money, provided that he/she:

- 1) is competent in financial management matters;
- 2) has the necessary education and at least three years of work experience at a commercial

company, an organisation or an institution of a similar size;

3) is of good repute;

4) has not been deprived of the right to engage in commercial activities.

(2) Chairman and members of the institution's executive board shall have a higher education.

(3) The competent management body of the institution shall have an obligation, either upon its own initiative or the Commission's request, to promptly suspend from office the persons referred to in Paragraph 1 hereof where they fail to comply with the requirements of this Article.

(4) Where the Commission takes a decision to suspend from office the persons referred to in Paragraph 1 hereof due to their non-compliance with the requirements of this Article, an appeal of the Commission's decision shall not suspend its execution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 21. (1) A person shall not be entitled to become chairman of the executive board, a member of the executive board, chairman of the council (if formed), a member of the council, a person that, by taking important decisions on the institution's behalf, incurs civil liability on the institution, and also a person that is directly responsible for managing the payment service operations or the issuance of electronic money where he/she:

1) has been convicted for a deliberate crime or to whom, for having committed a deliberate crime, an order about a punishment issued by a prosecutor has been applied;

2) has been convicted for a deliberate crime or to whom, for having committed a deliberate crime, an order about a punishment issued by a prosecutor has been applied, though he/she has been released from the punishment due to limitation, pardon or amnesty;

3) has been a subject in a criminal procedure for a deliberate crime that was dismissed due to limitation or amnesty;

4) has been a subject in a criminal procedure for a deliberate criminal offence that has been dismissed and the person has been released from criminal liability, where the criminal offence has not resulted in a detriment liable to criminal punishment or where a settlement with the victim or his/her representative has been reached;

5) has been a subject in a criminal procedure for a deliberate criminal offence that has been dismissed where the person had assisted in solving a serious crime or a particularly serious crime whose gravity or hazardousness exceeds the criminal offence committed by the person himself/herself;

6) has been a subject in a criminal procedure for a deliberate criminal offence that has been dismissed and the person has been conditionally discharged from criminal liability.

(2) The competent management body of the institution shall have an obligation, either upon its own initiative or the Commission's request, to promptly suspend from office the persons

referred to in Paragraph 1 hereof where the restrictions referred to in Paragraph 1 hereof may apply to them.

(3) Where the Commission takes a decision to suspend from office the persons referred to in Paragraph 1 hereof due to their non-compliance with the restrictions determined for them, an appeal of the Commission's decision shall not suspend its execution

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 22. The Commission shall be entitled not to grant a licence to the institution where:

1) the information referred to in Article 11 hereof or the additional information requested by the Commission has not been submitted;

2) the information submitted by the applicant fails to ensure a reasonable and prudent management of the institution;

3) the Commission detects that the financial resources that are invested in the share capital of the institution have been derived from unusual or suspicious financial transactions or there is no documental evidence to the legal source of the resources;

4) the persons that have a qualifying holding in the institution fail to comply with the requirements of Paragraph 1 of Article 15 hereof;

5) one or more persons referred to in Paragraph 10 of Article 11 hereof fail to comply with the requirements of Articles 20 and 21 hereof;

6) the documents submitted by the institution contain false information;

7) the institutions close links with third parties are likely to undermine the institution's financial soundness or restrict the right of the Commission to carry out the supervision function as established by law;

8) the laws and other regulatory provisions of a foreign country (a non-member state) that apply to the persons that have close links with the institution restrict the right of the Commission to carry out the supervision function as established by law.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 23. (1) Where, apart from providing payment services, the payment institution carries out other type of commercial activity that impairs or is likely to impair either the financial soundness of the payment institution or the Commission's ability to monitor the payment institution's compliance with the requirements of this Law, the Commission may require the establishment of a separate legal person for the provision of payment services.

(2) Where, apart from issuing electronic money and providing payment services, an electronic money institution carries out other type of commercial activity that impairs or is likely to impair either the financial soundness of the institution or the Commission's ability to monitor the electronic money institution's compliance with the requirements of this Law, the Commission may require the establishment of a separate legal person for the issuance of electronic money or for the provision of payment services.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 24. (1) The Commission shall take a decision on granting or refusing to grant a licence and notify the applicant within three months after receiving of all necessary documents; where it refuses to grant the licence, it shall specify the reason for refusal.

(2) The Commission grants the licence for the operation of an institution for an indefinite time.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 25. (1) The Commission may revoke the licence where:

- 1) the institution fails to start its business within 12 months of the day of granting the licence;
- 2) it is detected that the institution has submitted false information for receiving the licence or has obtained the licence by other irregular means;
- 3) the institution has suspended its activity for a time period that exceeds six months;
- 4) the institution has initiated a liquidation procedure;
- 5) the institution renounces the licence where the institution is reorganised;
- 6) the creditors' meeting has taken a decision to initiate bankruptcy procedure;
- 7) the institution fails to comply the requirements of this Law and of other laws governing the institution's activity, the Commission's regulatory provisions and instructions, or its continuing activity would constitute a threat to the stability of the payment system;
- 8) the institution has requested the revocation of the licence granted to it.

(2) Where the Commission revokes the licence of an institution, it is not renewed.

(3) Information about the revocation of a licence of an institution shall be published on the Commission's Internet homepage.

(4) Where the Commission has taken a decision to revoke the licence of the institution, appeal in court of the decision shall not suspend its execution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 26. (1) Where an institution wants to make notable changes in the information set out in Article 11 that is to be submitted to the Commission, it shall notify the Commission to this effect in writing and shall submit to it the information referred to in Article 11 hereof in which the intended changes are included.

(2) The Commission shall be entitled to request that the institution submit additional information to assess whether the intended changes comply with the requirements of this Law.

(3) Within 30 days of receiving the notification about the changes and the relevant

information, the Commission shall be entitled to object to the changes intended by the institution, where:

- 1) these changes are likely to affect a reasonable and prudent management of the institution;
 - 2) these changes fail to comply with the requirements of this Law;
 - 3) the institution fails to submit or refuses to submit to the Commission information set out in this Law or the additional information requested by the Commission.
- (As amended by the Law of 17 March 2011 taking effect on 30 April 2011)*

Chapter III

Use of Agents, Branches or Entities to which Activities are Outsourced

Article 27. (1) An institution may provide payment services directly or through an agent in due course of this Article.

(1¹) In addition to the provisions contained in Paragraph 1 hereof, an electronic money institution may distribute and redeem electronic money through an agent.

(2) An agent of an institution shall be the person that has the necessary qualification and experience to perform the duties delegated to it.

(3) The institution shall submit a written application whereby it notifies the Commission about its wish to provide payment services through an agent. In the application, it shall specify the agent's name, surname, the declared place of residence un identity number or information equivalent to identity number where the agent is a natural person. Where the agent is a legal person or a merchant, its name, legal address and registration number shall be specified.

(4) The institution shall append the following to the application referred to in Paragraph 3 hereof:

- 1) a description of the agent's operational policy that gives a clear and fair view of the procedure for providing payment services through an agent;
- 2) a description of the procedure for providing payment services through an agent and the original of the authorisation contract concluded with the agent or a certified copy thereof;
- 3) a description of the internal control mechanism that the agent will use to comply with the regulatory provisions on the prevention of money laundering and terrorist financing;
- 4) information that certifies that the members of the agent's management bodies and the persons responsible for the operation of the agent comply with the requirements of Articles 20 and 21 hereof.

(5) The authorisation contract shall include the following:

- 1) a description of the procedure for providing payment services through an agent;

- 2) explicit requirements regarding the quality of the payment services provided through an agent;
- 3) the rights and the obligations of the institution and of the agent, including:
 - a) the institution's rights to monitor the quality of the payment services on an ongoing basis,
 - b) the institution's rights to issue instructions, whose execution is mandatory, on issues related to the provision of payment services in good faith, in good quality, in a timely manner and in compliance with the regulatory provisions,
 - c) the institution's rights to submit to the agent a motivated written request for terminating the authorisation contract without delay where the institution has detected that the agent fails to comply with the requirements set out in the contract regarding the volume or the quality of payment services,
 - d) the agent's obligation to ensure that the institution can monitor the quality of payment services on an ongoing basis,
 - e) the agent's obligation to terminate the authorisation contract without delay upon receipt of the institution's motivated written request to this effect.
- (6) The procedure for providing payment services through an agent shall govern the following:
 - 1) the internal procedure whereby decisions to delegate the provision of payment services are taken;
 - 2) the procedure whereby the authorisation contract is concluded, its execution is monitored and the contract is terminated;
 - 3) the persons and the structural units that are responsible for cooperation with the agent and for monitoring the volume and the quality of the payment services provided through an agent, as well as the rights and obligations of those persons;
 - 4) the measures the institution takes in cases when the agent fails to comply with or cannot comply with the authorisation contract.
- (7) The Commission shall be entitled to inspect the agent's operation at the place where it is located or where it provides payment services, to access all documents, accounting and document registers, make copies of documents, and also to request that the agent submit to it information that is related to the provision of the delegated payment services or is needed to the Commission to perform its functions.
- (8) An institution may commence provision of payment services through an agent where within 30 days of the submission of the application referred to in Paragraph 4 hereof and of the documents appended to it the Commission does not object to the provision of payment services through the respective agent.

(9) The Commission shall be entitled to request additional information about the procedure for providing payment services through an agent so that it can assess the agent's impact on the institution's operation.

(10) Where an institution wishes to provide payment services through an agent in another member state, the Commission, before taking the decision referred to in Paragraph 8 hereof, shall consult the supervisory authority of the respective member state and take account of its opinion.

(11) The competent management body of the institution shall have an obligation, upon its own initiative or upon the Commission's request, to terminate the provision of payment services through an agent without delay where the agent fails to comply with the requirements of this Article or fails to ensure the provision of payment services in accordance with the requirements of this Law.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 28. (1) The Commission shall prohibit an institution from providing payment services through an agent where:

- 1) the requirements of this Law are not complied with;
- 2) the institution has submitted documents that contain false information;
- 3) the provision of payment services through an agent jeopardise or is likely to jeopardise a sound functioning of the institution and is likely to affect the lawful interests of the users of the institution's services;
- 4) the provision of payment services through an agent is likely to restrict the ability of the institution's management bodies to exercise their duties as set out in regulatory provisions, articles of association of the institution or other internal regulatory provisions;
- 5) the provision of payment services through an agent will prevent the Commission from exercising its functions established by law or restrict its ability to perform these functions;
- 6) the authorisation contract fails to comply with this Law and fails to give a clear and fair opinion of the intended cooperation of the institution and the agent and the requirements to the agent regarding the volume and the quality of the payment services delegated to it;
- 7) provision of payment services through an agent may not ensure compliance with the regulatory provisions for the prevention of money laundering and terrorist financing.

(2) The fact that an institution provides payment services through an agent does not release the institution from responsibility laid down in this Law or in the contracts it has concluded with its customers. The institution shall be responsible for the agent's operation and performance to the same extent as it is responsible for its own overall operation.

(3) The Commission shall be entitled to request that the institution correct the deficiencies arising as a result of the agent's performance on the institution's behalf and determine the deadlines for their elimination. Where the deficiencies are not corrected by the established deadline, the Commission shall request that the institution terminate the authorisation

contract and shall establish the contract termination deadline.

(4) The Commission shall be entitled to request that the institution terminate the authorisation contract without delay where the Commission establishes that:

1) the institution fails to monitor the quality of the payment services provided through an agent or monitors it on an irregular basis and insufficiently;

2) the institution fails to manage the risks associated with the payment services provided through an agent or manages them on insufficiently and in poor quality;

3) there are notable deficiencies in the agent's performance that jeopardise or are likely to jeopardise meeting of the institution's liabilities;

4) there is any of the conditions referred to in Paragraph 1 hereof.

(5) Where the institution uncovers that the agent fails to comply with the requirements set out in the authorisation contract in respect of the volume or the quality of the payment services delegated to it, it shall notify the Commission without delay.

(6) Where the institution amends the policy and the procedure governing the provision of payment services through an agent, it shall submit these amendments to the Commission not later than on the next business day after their approval.

(7) The agent shall be entitled to delegate the provision of payment services to another person only after it has received the institution's consent in writing. Before further delegating the provision of payment services the institution shall notify the Commission in writing and submit to it the documents referred to in Article 27 hereof. The provisions of this Law shall apply to a further delegation of the provision of payment services and the ultimate provider of payment services.

(8) Where the Commission has taken a decision on the basis of the provisions contained in Paragraphs 1, 3 and 4 hereof, appeal in court of the decision shall not suspend its execution. *(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)*

Article 29. (1) An institution shall be entitled to delegate to one or several providers of outsourced services the functions (outsourced services) that are necessary to ensure the institution's operation, in particular, arrangement of accounting procedures, management or development of IT or systems, organisation of the internal control system, performing the functions of the internal audit service or providing payment services or an essential element thereto.

(2) Outsourced services shall be provided to the institution by a provider of such services that has the necessary qualification and experience to perform the duties delegated to it.

(3) Performance of internal audit services of an institution may be delegated only to an official auditor or to a parent undertaking of the institution that is an institution registered in a member state.

(4) Prior to receiving an outsourced service the institution shall submit to the Commission a

motivated written application about the intended receiving of an outsourced service. It shall also submit a description of the policies and the procedure regarding outsourcing of services and the original of the contract for outsourcing a service or a certified copy thereof.

(5) The contract for outsourcing a service shall include the following:

- 1) a description of the outsourced service to be received;
- 2) explicit requirements regarding the volume and the quality of the outsourced service;
- 3) the rights and the obligations of the institution and of the provider of the outsourced service, including:
 - a) the institution's rights to monitor the quality of the outsourced service on an ongoing basis,
 - b) the institution's rights to issue instructions to the provider of the outsourced service, whose execution is mandatory, on issues related to the provision of the service in good faith, in good quality, in a timely manner and in compliance with the regulatory provisions,
 - c) the institution's rights to submit to the provider of the outsourced service a motivated written request for terminating the contract for outsourcing a service without delay where the institution has detected that the provider of the outsourced service fails to fulfil the requirements set out in the contract regarding the volume or the quality of the outsourced service,
 - d) the obligation of the provider of the outsourced service to ensure that the institution can monitor the quality of the outsourced services on an ongoing basis,
 - e) the obligation of the provider of the outsourced service to terminate the contract for outsourcing a service without delay upon receipt of the institution's motivated written request to this effect;
- 4) the Commission's rights to access all documents, accounting and document registers and request that the provider of the outsourced service submit any information related with the provision of the outsourced service and the execution of the Commission's functions.

(6) An institution that intends to receive an outsourced service in due course of this Law shall develop appropriate policies and procedures. The procedure for outsourcing services shall govern the following:

- 1) the internal procedure whereby decisions to receive outsourced services are taken;
- 2) the procedure whereby the contract for outsourcing a service is concluded, its execution is monitored and the contract is terminated;
- 3) the persons and the structural units that are responsible for cooperation with the providers of outsourced services and for monitoring the volume and the quality of the received outsourced services, as well as the rights and obligations of those persons;

4) the measures the institution takes in cases when the provider of an outsourced service fails to comply with or cannot comply with the contract for outsourcing a service.

(7) The Commission shall be entitled to inspect the operation of the provider of the outsourced service at the place where it is located or where it provides the outsourced service, to access all documents, accounting and document registers, make copies of documents, and also to request that the provider of the outsourced service submit to it information that is related to the provision of the outsourced service or is needed to the Commission to perform its functions.

(8) The provider of an outsourced service may commence provision of the outsourced service to the institution where within 30 days of the submission of the application referred to in Paragraph 4 hereof the Commission does not object to the receiving of an outsourced service.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 30. (1) The Commission shall prohibit an institution from receiving the intended outsourced service where:

- 1) the requirements of this Law are not complied with;
- 2) receiving of an outsourced service is likely to restrict the institution's ability to provide payment services and may affect the lawful interests of the users of the institution's services;
- 3) receiving of an outsourced service is likely to restrict the ability of the institution's management bodies to exercise their duties as set out in regulatory provisions, articles of association of the institution or other internal regulatory provisions;
- 4) receiving of an outsourced service will prevent the Commission from exercising its functions established by law or restrict its ability to perform these functions;
- 5) the contract for outsourcing services fails to comply with this Law and fails to give a clear and fair opinion of the intended cooperation of the institution and the provider of the outsourced service and the requirements regarding the volume and the quality of the outsourced service.

(2) The fact that an institution receives an outsourced service does not release the institution from responsibility laid down in this Law or in the contracts it has concluded with its customers. The institution shall be responsible for the operation and performance of the provider of the outsourced service to the same extent as it is responsible for its own overall operation.

(3) The Commission shall be entitled to request that the institution correct the deficiencies arising as a result of receiving outsourced services and determine the deadlines for their elimination. Where the deficiencies are not corrected by the established deadline, the Commission shall request that the institution terminate the contract for outsourcing a service and shall establish the contract termination deadline.

(4) The Commission shall be entitled to request that the institution terminate the contract for outsourcing a service where the Commission establishes that:

- 1) the institution fails to monitor the quality of the outsourced service or monitors it on an irregular basis and insufficiently;
 - 2) the institution fails to manage the risks associated with the provision of outsourced services or manages them insufficiently and in poor quality;
 - 3) there are notable deficiencies in the performance of the provider of an outsourced service that jeopardise or are likely to jeopardise meeting of the institution's liabilities;
 - 4) there is any of the conditions referred to in Paragraph 1 hereof.
- (5) Where the institution uncovers that the provider of an outsourced service fails to comply with the requirements set out in the contract for outsourcing a service in respect of the volume or the quality of the outsourced service, it shall notify the Commission without delay.
- (6) Where the institution amends the policy and the procedure governing the provision of outsourced services it shall submit these amendments to the Commission not later than on the next business day after their approval.
- (7) The provider of an outsourced service shall be entitled to delegate the provision of outsourced services further to another person only after it has received the institution's consent in writing. Before further delegating the provision of an outsourced service the institution shall notify the Commission in writing and submit to it the documents referred to in Article 29 hereof. The provisions of this Law shall apply to a further delegation of the provision of outsourced services and the ultimate provider of the outsourced service.
- (8) Where the Commission has taken a decision on the basis of the provisions contained in Paragraphs 1, 3 and 4 hereof, appeal in court of the decision shall not suspend its execution. *(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)*

Article 31. (1) An institution registered in another member state may open a branch or perform through an agent (hereinafter in this Article, "a branch") in Latvia without receiving the licence specified in this Law only after:

- 1) the Commission has received a notification from the authority of the respective member state responsible for the supervision of institutions that includes:
 - a) a confirmation that the respective institution has a valid licence for the operation of an institution,
 - b) the institution's name,
 - c) the address of the branch,
 - d) the name and the surname of the branch's manager,
 - e) a description of the organisational structure of the branch,

f) information about the types of payment services the institution intends to provide in Latvia;

2) the Commission has notified the authority of the respective member state responsible for the supervision of institutions about receiving the notification referred to in Subparagraph 1 of Paragraph 1 hereof.

(2) An institution registered in another member state shall have an obligation to notify the Commission at least one month before making any amendments in the information contained in the notification referred to in Subparagraph 1 of Paragraph 1 hereof and also about an intention to terminate the operation of a branch.

(3) An institution registered in another member state shall commence the provision of payment services in Latvia without opening a branch after:

1) the Commission has received a notification from the authority of the respective member state responsible for the supervision of institutions that includes:

a) a confirmation that the respective institution has a valid licence for the operation of an institution,

b) the institution's name,

c) information about the types of payment services the institution intends to provide in Latvia;

2) the Commission has notified the authority of the respective member state responsible for the supervision of institutions about receiving the notification referred to in Subparagraph 1 of Paragraph 3 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 32. (1) An institution registered in Latvia may open a branch or perform through an agent (hereinafter in this Article, "the branch") in another member state in due course of this Article.

(2) The institution shall notify the Commission in writing that it wishes to open a branch in another member state. In the application, it shall indicate the member state where it intends to open the branch, the address of the branch, the name, surname and the identity number of the branch's manager, if granted, and also the types of payment services it intends to provide in that member state.

(3) The application referred to in Paragraph 2 hereof shall be accompanied by a description of the organisational structure of the branch and documents that confirm compliance of the branch's manager with the requirements set out in Articles 20 and 21 hereof regarding the members of the executive board and of the council.

(4) The Commission shall scrutinize the application for opening a branch in another member state within 30 days of receiving all necessary documents that have been prepared in due course of the regulatory provisions and it shall notify the authority of the respective member state responsible for the supervision of institutions and the respective institution about its

decision in writing.

(5) A branch of an institution may be established and commence its operation in another member state provided that the institution has received the confirmation of the authority of the respective member state responsible for the supervision of institutions to the effect that it has received the Commission's statement about its decision referred to in Paragraph 4 hereof.

(6) Not later than within 30 days before amending the information referred to in Paragraphs 2 and 3 hereof the institution shall notify the Commission and the authority of the respective member state responsible for the supervision of institutions in writing. The Commission takes a decision on approving amendments and it shall notify of its decision the authority of the respective member state responsible for the supervision of institutions and the institution by the deadline and in accordance with the procedure set out in Paragraph 4 hereof.

(7) Irrespective of the number of branches established in another member state they shall be considered as a single branch in that member state.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 33. (1) An institution licensed in Latvia shall commence providing payment services or issuing electronic money in another member state without opening a branch in due course of this Article.

(2) The institution shall submit a written application whereby it notifies the Commission that it wishes to commence the provision of payment services or issuing of electronic money in another member state without opening a branch. In the application, it shall specify the member state where it intends to provide payment services or issue electronic money and the types of payment services it intends to provide.

(3) The Commission shall scrutinize the application for providing payment services or for issuing electronic money in another member state without opening a branch within 30 days of receiving all necessary documents that have been prepared in due course of the regulatory provisions and it shall notify the authority of the respective member state responsible for the supervision of institutions and the respective institution about its decision in writing.

(4) An institution may commence operation in another member state without opening a branch provided that the authority of the respective member state responsible for the supervision of institutions has confirmed that it has received the Commission's statement about its decision referred to in Paragraph 3 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter IV **Regulatory Requirements Governing the Operation of an Institution** *(Title of the Chapter in the wording of the Law of 17 March 2011 that is in effect as of 30 April 2011)*

Article 34. (1) An institution's own funds shall never fall below the minimum initial capital or the capital requirement calculated in accordance with the provisions of Article 35 hereof, whichever the higher.

(2) The Commission shall establish the procedure whereby an institution calculates its own funds and capital adequacy.

(3) The Commission may exempt an institution that is a subsidiary undertaking of a credit institution registered in Latvia and subject to consolidated supervision from the obligation to comply with the requirements of Article 35 hereof provided that all conditions specified below to ensure appropriate distribution of own funds between the parent undertaking and the subsidiary undertaking are complied with :

1) there are no essential practical or legal impediments for the parent undertaking to promptly transfer own funds to the subsidiary undertaking or settle the subsidiary's liabilities, and such impediments are not likely;

2) the parent undertaking ensures appropriate management of the subsidiary undertaking and guarantees meeting the subsidiary's liabilities, or the subsidiary's risks are insignificant at the level of the consolidation group;

3) the procedures whereby the parent undertaking assesses, measures and controls risk apply also to the subsidiary undertaking;

4) the parent undertaking owns more than 50 percent of voting rights in the subsidiary undertaking or has the rights to appoint or to dismiss from office the majority of members of the subsidiary's management body.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 35. (1) A payment institution shall ensure that, at all times, its own funds equal or exceed 10 percent of the total fixed overheads of the previous reporting year.

(2) Total fixed overheads are determined on the basis of the institution's most recent audited annual accounts. Where there have been notable changes in the commercial activity as of the previous reporting year, the institution shall agree with the Commission the re-calculated total fixed overheads in view of these changes. Where an institution has not carried out commercial activity for a full reporting year, total fixed overheads shall be determined on the basis of the commercial activity plan unless the Commission has requested the institution to amend the plan.

(3) On the basis of the institution's risk management process, information about the existing and the potential risk of loss and the internal control system, the Commission shall be entitled to establish that the institution shall have an obligation to maintain an amount of own funds that is up to 20 per cent higher than the capital requirement calculated in accordance with the provisions of Paragraph 1 hereof.

(4) Where an electronic money institution provides payment services, it shall ensure a sufficient amount of own funds for the provision of these services that complies with the requirements of Paragraph 1 hereof.

(5) Where an electronic money institution engages only in issuing electronic money, it shall ensure that its own funds shall at all times exceed or equal two percent of the average outstanding electronic money.

(6) Where, apart from issuing electronic money, an electronic money institution also provides payment services, it shall ensure that at all times its own funds shall exceed or equal the sum of own funds requirements calculated in accordance with the requirements of Paragraphs 1 and 5 hereof.

(7) Where an electronic money institution provides payment services or any activity referred to in Paragraph 1 of Article 36.¹ hereof and the volume of outstanding electronic money is unknown in advance, a representative portion assumed to be used for the issuance of electronic money shall be used to calculate the own funds requirement provided such a representative portion can be reasonably estimated on the basis of historical data about the issuance of electronic money. Where the electronic money institution has not carried out commercial activity for full six calendar months, the average outstanding electronic money shall be established on the basis of the commercial activity plan unless the Commission has requested the electronic money institution to amend the plan.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 36. (1) Apart from providing payment services, an institution may also engage in the following activities:

- 1) activities related to the provision of payment services;
- 2) operation of payment systems;
- 3) other type of commercial activity in accordance with the requirements of regulatory provisions.

(2) A payment institution shall ensure that the funds received from payment service users or another payment service provider for the execution of payment transactions shall be held in payment accounts that are used exclusively for payment services.

Article 36.¹ (1) Apart from issuing electronic money,¹ an electronic money institution may also engage in the following activities:

- 1) provision of payment services;
- 2) provision of services related to issuing electronic money or providing payment services;
- 3) the operation of payment systems;
- 4) other type of commercial activity in accordance with the requirements of regulatory provisions.

(2) An electronic money institution shall ensure that the funds received from payment service users or another payment service provider for the execution of payment transactions shall be held in payment accounts that are used exclusively for payment services.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 36.² Any funds received by an electronic money institution from the electronic money holder shall be exchanged for electronic money without delay.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 37. An institution may grant a credit related to payment services where the following conditions have been met:

- 1) a credit is granted only to provide the payment services specified in Subparagraphs d), e) and g) of Paragraph 1 of Article 1 hereof;
- 2) the credit shall be repaid within no more than 12 months of its granting;
- 3) the credit is not granted from the funds received or held for the execution of payment transactions or from the funds received in exchange for electronic money;
- 4) the overall amount of credits granted by the institution shall at all times be commensurate with the size of own funds established in accordance with Article 34 hereof.
(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 38. (1) A payment institution that, apart from providing payment services, engages in the commercial activity referred to in Paragraph 1 of Article 36 hereof and an electronic money institution that, apart from issuing electronic money, engages in the commercial activity referred to in Paragraph 1 of Article 36.¹ hereof shall ensure that the funds received from payment service users or another payment service provider to execute payment transactions are covered by an insurance policy or some other comparable guarantee from an insurer a credit institution that does not belong to the same group of commercial companies as the institution itself, or shall ensure that these funds:

1) shall not be commingled at any time with the funds of any persons other than payment service users on whose behalf the funds are held. The funds not yet credited to the payee's payment account or transferred to another payment service provider by the end of the business day following the day when the funds have been received shall be credited to a separate account in a bank or invested in secure, liquid, low-risk assets deemed as such in accordance with the regulatory provisions of the Commission;

2) shall be held distinct from the funds of any persons other than payment service users on whose behalf the funds are held and the institution shall ensure that these funds are not included in the property of the payment institution that is used to cover the claims of other creditors of the institution.

(2) The requirements laid down in Paragraph 1 hereof shall apply also to the funds the institution has received to execute future payment transactions. Where the volume of these funds is unknown, the institution shall apply the requirements of Paragraph 1 hereof in view of the historical data about such transactions during an operational year of the institution. Where an institution has not performed commercial activity for a full year of operation, it shall apply the requirements of Paragraph 1 hereof in view of the commercial activity plan.

(3) Where the institution has concluded an agreement for receiving an insurance policy or some other comparable guarantee referred to in Paragraph 1 hereof, it shall notify the Commission about the terms and conditions of the agreement.

(4) The institution shall have an obligation to establish the internal control system to ensure control over the compliance with the requirements set out in Paragraph 1 hereof on an

ongoing basis.

(5) An electronic money institution shall ensure compliance with the requirements of Paragraphs 1, 2 and 3 hereof in respect of the funds it has received in exchange for the issued electronic money not later than within five business days after the issuance of the electronic money.

(6) The requirements of Paragraph 5 hereof shall not apply to the funds received by the electronic money institution in the form of a payment transaction executed with a payment instrument until they are credited to the electronic money institution's payment account or are otherwise made available to the electronic money institution for executing the payment transaction in accordance with the payment execution time laid down in this Law.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 38.¹ The funds received from payment service users or from another payment service provider to execute a payment transaction shall not, in case of insolvency, be included in the institution's — that, apart from providing payment services or issuing electronic money, carries out the commercial activity referred to in Paragraph 1 of Article 36 and of Article 36.¹ hereof — property that is used to cover the expenses of insolvency proceedings or liquidation expenses and creditor claims. After the initiation of insolvency proceedings these funds shall be immediately paid out to payment service users or to another payment service provider from whom they were received.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 39. Documents related to the licensing of the institution and the use of agents, branches and outsourcing entities, the regulatory requirements governing the operation of the institution and its supervision shall be kept by the institution for at least five years.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 40. (1) A payment institution that has received the Commission's licence shall pay up to 0,05 percent (including) of the total payments made by the payment institution during a quarter but not less than 2500 lats per year to finance the operation of the Commission.

(1¹) An electronic money institution that has received the Commission's licence shall pay up to 0,02 percent (including) of the average total assets of the electronic money institution during a quarter but not less than 2500 lats per year to finance the operation of the Commission.

(2) An institution that has received the Commission's licence shall submit to it, in accordance with the procedure and by the deadline established by the Commission, a report necessary to calculate the payments referred to in Paragraph 1 hereof and shall make the respective payments by the 30th date of the month following the quarter.

(3) The Commission shall issue regulatory provisions for the procedure governing the submission of the report referred to in Paragraph 2 hereof and the calculation of payments.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 40.¹ (1) An institution that, in accordance with the provisions of Articles 5 and 5.¹ hereof, does not need a licence to commence its operation, shall pay 100 lats per year to finance the operation of the Commission after it has been registered with the register

referred to in Paragraph 3 of Article 10 hereof.

(2) The Commission shall issue regulatory provisions governing the procedure whereby the payment referred to in Paragraph 1 hereof is made.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter V
Relationship Between an Institution and a Payment Service User
*(Title of the Chapter in the wording of the Law of 17 March 2011
that is in effect as of 30 April 2011)*

Article 41. The relationship between an institution and a payment service user are governed by this Law, other laws and the agreements concluded in accordance with laws.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 42. Within a year after the termination of the contract concluded between the payment institution and the payment service user, the institution shall have an obligation, upon request of the payment service user, to repay any unused funds without a charge. The condition referred to in the first sentence hereof shall be included in the contract between the institution and the payment service user.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 43. (1) The institution shall have an obligation to guarantee the confidentiality of the personal, account and transaction information of the payment service user.

(2) Information about payment accounts of natural persons and the effected transactions may be disclosed to the natural persons themselves and their legal representatives.

(3) Information about payment accounts of legal persons and the effected transactions may be disclosed to the authorised representatives of these legal persons and to supreme institutions upon request of the managers of such institutions.

(4) Information about a payment service user, its payment accounts and effected transactions may be disclosed, in accordance with a written agreement, to third parties provided that the payment service user has explicitly agreed to this in the agreement concluded with the institution.

(5) Information about a payment service user and its effected transactions that the institution obtains when providing payment services in accordance with the concluded agreements shall be treated as confidential information that does not contain state secret.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 44. (1) Any person that is entrusted with information about the institution's customer accounts or the payment services provided to customers or that learns such information as a shareholder or a member/participant of the institution, a member of the council (if formed) or of the executive board of the institution or an employee of the institution and that makes the information public, intentionally or unintentionally, or discloses the data to persons not entitled to receive it shall be held criminally liable in due course of law.

(2) The persons that have committed the violation referred to in Paragraph 1 hereof shall be held liable also where the violation has been committed after these persons have terminated their contractual relationship or performance of duties or job relationship with the institution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter VI

Supervision of the Institution's Operation and Responsibility

(Title of the Chapter in the wording of the Law of 17 March 2011 that is in effect as of 30 April 2011)

Article 45. The Commission shall be entitled to establish additional requirements governing the operation of licensed institutions to mitigate their operational risk and protect electronic money holders and payment service users.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 46. (1) In annual report/accounts and the consolidated annual accounts, a payment institution that is a commercial company and an electronic money institution that provides payment services shall disclose separately information about the payment services referred to in Paragraph 1 of Article 1 hereof and about other activity it carries out in due course of Paragraph 1 of Article 36 hereof.

(2) In the appendix of the annual report/accounts and of the consolidated annual accounts, a payment institution that is a commercial company and an electronic money institution that provides payment services shall disclose the total of payment transactions executed during the reporting year.

(2¹) In the appendix of the annual report/accounts and of the consolidated annual accounts, an electronic money institution shall disclose the volume of outstanding electronic money as at 31 December of the reporting year.

(3) A payment institution that is a natural person shall submit to the Commission by 1 April of the current calendar year the total of payment transactions executed during the previous calendar year .

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 47. An institution shall have an obligation to notify the Commission about all conditions that are likely to notably affect the future operation of the institution.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 48. To perform its supervisory function, the Commission shall be entitled to request that the institution prepare reports about its activities in line with the Commission's regulatory provisions governing the procedure whereby these reports are prepared and submitted.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 49. To verify compliance of institutions with the requirements of this Law, the Commission shall be entitled to:

1) request that the institution submit information needed for supervision purposes;

2) carry out inspections in institutions.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 50. (1) The authority of another member state responsible for the supervision of institutions shall be entitled to carry out inspections in the branches of the institutions of the respective member states that are registered in Latvia.

(2) Prior to commencing an inspection the authority of another member state responsible for the supervision of institutions shall notify the Commission in writing in due time. The Commission's representative is entitled to participate in the inspection. The authority of another member state responsible for the supervision of institutions shall submit to the Commission a copy of the report about inspection findings.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 51. (1) Where the Commission uncovers that the activities of a Latvian branch of an institution registered in another member state or of an institution registered in another member state that provides financial services without opening a branch contradict the Latvian laws, it shall request without delay that the respective branch or institution terminate those activities.

(2) Where a Latvian branch of an institution registered in another member state or an institution registered in another member state that provides financial services without opening a branch fails to terminate the activities that contradict the Latvian laws, the Commission shall notify the authority of the respective member state responsible for the supervision of institutions without delay and this authority shall have an obligation to take measures to prevent these violations. The authority of another member state responsible for the supervision of institutions shall inform the Commission about the measures taken.

(3) Where a Latvian branch of an institution registered in another member state or an institution registered in another member state that provides financial services without opening a branch continues performing activities that contradict the Latvian laws, the Commission shall notify the authority of the respective member state responsible for the supervision of institutions and take measures to prevent these violations.

(4) The requirements of Paragraphs 1, 2 and 3 hereof do not prevent the Commission from taking measures to prevent violations that contradict the Latvian laws that protect public interests and from applying penalties for these violations.

(5) An administrative act issued by the Commission in due course of this Law may be appealed to the Administrative Regional Court. The Court, composed of three judges, shall hear the case as the court of first instance. The judgment of the Administrative Regional Court may be appealed to a court of cassation

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 52. (1) Information about an institutions and its customers, the operation of the institution and of its customers that has not been previously published in due course of law or whose disclosure is not governed by other laws, or that has not been approved by the Board of the Commission, and also information at the Commission's disposal related to the

activities of the financial and capital market participants shall be deemed restricted information and shall not be disclosed to third parties otherwise than in the form of a report or as aggregated data that excludes the possibility to identify a particular institution or its customer.

(2) The provisions of Paragraph 1 hereof do not prohibit the Commission from exchanging restricted information that is within its competence with the supervisory authorities of the financial and capital market participants of another member state while retaining the restricted status to that information.

(3) The Commission shall be entitled to use the information it receives in accordance with Paragraphs 2, 4 and 5 hereof exclusively for performing the supervisory function:

1) to verify compliance with the regulatory provisions governing the establishment of institutions and their operations;

2) to apply the restrictions of rights and penalties set out in laws;

3) in a court proceeding where the administrative acts or the actual measures of the Commission are disputed.

(4) The provisions of Paragraphs 1 and 3 hereof do not prohibit the Commission from exchanging restricted information that is within its competence with the following:

1) supervisory authorities of financial and capital market participants of another member state;

2) institutions or persons in member states that are responsible for terminating payment services of institutions and for the insolvency and liquidation procedures and also for the procedures whereby the accounting of credit institutions and other financial institutions are inspected;

3) persons in member states that carry out internal inspections and audits in institutions, credit institutions, insurers, investment brokerage firms, investment management companies and other financial institutions in accordance with law.

(5) The provisions of this Article do not prohibit the Commission from exchanging restricted information with national central banks of member states and with other institutions that are responsible for payment system oversight, where such information is needed to perform their functions set out in law.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 53. (1) The Commission's employees, the authorised representatives or other persons acting on instruction of the authorised persons of the Commission shall be treated as officials and shall be held liable for disclosing confidential information where they, intentionally or unintentionally, have made public or disclosed to other persons information about the institution.

(2) The provisions of Paragraph 1 hereof shall not apply to information that the persons referred to in Paragraph 1 hereof disclose in cases set out in this Law and in other laws in

due course of law.

(3) The persons that have committed the violation referred to in Paragraph 1 hereof shall be held liable also where the violation has been committed after these persons have terminated their contractual relationship or performance of duties or job relationship with the Commission or in the capacity of the authorised persons of the Commission or persons acting on instruction of the persons authorised by the Commission.

(4) Where the Commission uncovers violations of law in the institution's activity, it shall be entitled to notify of these violations the State Revenue Service, the Office of the Prosecutor of the Republic of Latvia and pre-trial investigation institutions.

(5) The Commission, its employees and proxies shall not be liable for any losses incurred on the institution or third parties and shall not be held liable for the activities that they have performed while carrying out the supervisory function in a legally acceptable, accurate and motivated manner and in good faith in due course of this Law and of other regulatory provisions.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 54. In respect of registered payment service providers that are legal persons the payment systems operating in Latvia shall ensure objective, non-discriminatory and proportionate access (participation) rules. Payment systems shall not be entitled to inhibit access to the system (participation in the system) more than is reasonably necessary to safeguard the system against settlement risk, operational risk and commercial activity risk or to protect the operational or the financial stability of the system.

Article 55. (1) Payment systems operating in Latvia shall not be allowed to impose any of the following conditions on payment service providers, payment service users or other payment systems:

- 1) restrictive rules on effective participation in other payment systems;
- 2) rules that discriminate between licensed payment service providers or between registered payment service providers in relation to their rights and obligations;
- 3) any restriction on the basis of institutional status.

(2) Paragraph 1 hereof and Article 54 hereof shall not apply to the following:

- 1) payment systems designated under the Law "On Settlement Finality in Payment and Financial Instrument Settlement Systems";
- 2) payment systems composed exclusively of payment service providers belonging to the same group of commercial companies composed of commercial companies linked by mutual investments in the share capital, where one of the commercial companies enjoys effective control over the other commercial companies;
- 3) payment systems where a payment service provider, whether as a single entity or as a group:

- a) provides or can provide payment services to both the payer and the payee and is exclusively responsible for the management of the system;
- b) licenses other payment service providers to participate in the system and the latter have no right to negotiate charges between or among themselves in relation to the participation in the payment system although they may establish their own pricing in relation to payers and payees.

Article 56. (1) Where the Commission uncovers that an institution fails to comply with the requirements of Chapters II, III, IV, V and VI hereof or the Commission's laws, the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing or directly applicable legal acts by European Union institutions, it shall request that the institution take measures to correct the situation without delay.

(2) In addition to the provision of Paragraph 1 hereof, the Commission shall be entitled to carry out one or several following measures:

- 1) issue a warning to the institution;
- 2) set restrictions on the institution's activity;
- 3) suspend in part or in full the provision of payment services;
- 3¹) suspend in part or in full the issuance of electronic money;
- 4) issue motivated written instructions to supervisory authorities and executive authorities, the managers and members of such authorities that are necessary to restrict or suspend the institution's activities that jeopardise or are likely to jeopardise the stability, solvency or reputation of the institution;
- 5) impose a charges of up to 100 000 lats.

(3) Where, on the basis of the provisions of Paragraphs 1 and 2 hereof, the Commission has issued an administrative act, appeal in court of that act does not suspend its execution.
(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter VII

Provisions Governing the Provision of Payment Services, Holding of Electronic Money and Redemption of Electronic Money and Notification Requirements

*(Title of the Chapter in the wording of the Law of 17 March 2011
that is in effect as of 30 April 2011)*

Article 57. Where the payment service user is not a consumer in the meaning of the Consumer Rights Protection Law, the payment service provider and the payment service user may agree not to apply separate provisions of Chapters VII, VIII and IX hereof.

Article 58. (1) Payment transactions shall be executed in the currency agreed by the payment service provider and the payment service user.

(2) Where, prior to initiating a payment transaction, currency conversion is offered by the

seller to the payer at the point of sale or by the payee, the party that offers the currency conversion service to the payer shall have an obligation to notify the payer of the charges and of the exchange rate that will be used for converting the amount of the payment transaction.

Article 59. (1) Where a payee offers a reduction for the use of a certain payment instrument, it shall notify the payer thereof prior to initiating the payment transaction.

(2) Where a payment service provider requests a charge for the use of a certain payment instrument, it shall notify the payment service user thereof prior to initiating a payment transaction, where the payment service provider has not provided that information in accordance with the requirements of Article 63 hereof.

(3) An electronic money issuer shall be prohibited from granting to electronic money holder interest or any other financial benefit related to a set of activities for holding electronic money during a certain time period.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 60. (1) The payment service provider shall provide to the payment service user the information set out in Chapters VII, VIII and IX hereof free of charge.

(2) Upon agreeing with the payment service user, the payment service provider may collect a charge where upon a request from the payment service user:

- 1) information is provided more frequently than stated in the framework contract;
- 2) information is provided by using means other than set out in the framework contract;
- 3) not only information set out in the framework contract, but also additional information is provided.

(3) Where the payment service provider levies a charge for providing information in accordance with Paragraph 2 hereof, the charge shall be justified and commensurate with the actual costs of the payment service provider.

Article 61. (1) Where a dispute arises between the payment service provider and the payment service user, the payment service provider shall have an obligation to prove its compliance with the notification requirements set out in Chapters VII, VIII and IX hereof.

(2) The payment service provider discloses confidential information at its disposal to a state institution, a state official or to another institution and official according to the same procedure as credit institutions pursuant to the provision of Section 63 of Credit Institution Law.

Article 62. Where a payment service user uses a payment instrument that, according to the framework contract, solely concerns such individual payment transactions that do not exceed EUR 30 or a payment instrument that either has a spending limit of EUR 150 or stores funds that do not exceed EUR 150 at any time:

- 1) the payment service provider provides information to the payer about the manner of using

the payment instrument, the responsibility of the payment service provider and of the payment service user, the charge levied on the payment transaction and other information the payer needs to take a motivated decision about the use of the payment service; the payment service provider shall also specify where other information referred to in Article 64 hereof is available;

2) the payment service provider and the payment service user may agree that, by amending the framework contract, the provisions of Article 66 hereof may not apply;

3) the payment service provider and the payment service user may agree that after the payment transaction:

a) the payment service provider notifies the payment service user only of a reference enabling the payment service user to identify each payment transaction, its amount and also the charge paid by the payment service user to the payment service provider for the payment transaction. Where several payments of the same type are made to the same payee, the payment service provider shall notify the payment service user of the total of all payment transactions made and the charge paid by the payment service user to the payment service provider for the payment transaction,

b) the payment service provider does not have an obligation to provide information referred to in Subparagraph a) hereof if the payment instrument is used anonymously or if, due to reasons that are intrinsic to the payment instrument, the payment service provider does not have access to information referred to in Subparagraph a) hereof. In these cases the payment service provider shall ensure that the payer can verify the monetary value stored on payment instruments.

Article 62.¹ (1) Upon request by the electronic money holder, the electronic money issuer shall have an obligation to redeem, at any moment and at par value, the monetary value of the electronic money held by it.

(2) The contract between the electronic money issuer and the electronic money holder shall state the conditions and the procedure regarding the redemption, including any charges relating thereto. The electronic money holder shall be informed of those conditions before he is being bound by any contract or is consenting to any offer made by the electronic money issuer.

(3) Any charges for redemption shall be proportionate and commensurate with the actual costs incurred by the electronic money issuer. Redemption may be subject to a charge only if stated in the contract referred to in Paragraph 2 hereof and in one of the following cases:

1) redemption is requested before the termination of the contract;

2) the contract provides for a termination date and the electronic money holder terminates the contract before that date;

3) redemption is requested more than one year after the date of termination of the contract.

(4) Where redemption is requested up to one year after the date of the termination of the contract referred to in Paragraph 2 hereof, the electronic money issuer shall redeem the total

monetary value of the electronic money held. Where the electronic money issuer is an electronic money institution that performs the commercial activity specified in Subparagraph 4 of Paragraph 1 of Article 36.¹ hereof and it is unknown in advance what proportion of funds is to be used as electronic money, the electronic money institution shall redeem all funds requested by the electronic money holder.

(5) Where redemption is requested before the termination of the contract referred to in Paragraph 2 hereof, the electronic money holder may request redemption of the electronic money in whole or in part.

(6) A person that is not a consumer in the meaning of the Consumer Rights Protection Law and that accepts electronic money for settlement purposes shall agree with the electronic money issuer about its redemption rights when concluding the contract referred to in Paragraph 2 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter VIII **Payment Transactions to Which the Framework Contract Applies**

Article 63. (1) Before the payment service user agrees to the offer, the payment service provider shall provide the payment service user, on paper or on another durable medium, with the information specified in Article 64 hereof. Information about the payment services offered in Latvia shall be given in an easily understandable and clear form, in an official language or in any other language agreed between the parties.

(2) If, at the request of the payment service user, the framework contract has been concluded by using a means of distance communication due to which compliance with the obligations set out in Paragraph 1 hereof is impossible to ensure, the payment service provider shall fulfil its obligations under that paragraph immediately after the conclusion of the framework contract.

(3) The payment service provider may also discharge the obligations under Paragraph 1 hereof by submitting to the payment service user the draft framework contract provided that it includes the information specified in Article 64 hereof.

Article 64. In the framework contract, the payment service provider shall provide the following information to the payment service user:

1) about the payment service provider:

a) the name, the legal address, the e-mail address and other addresses that may be used to contact the payment service provider, as well as the legal address of its agent or branch in Latvia, where payment services are provided through an agent or a branch. Where a payment service provider that is founded and registered in Latvia provides payment services in another member state, also the legal address of the agent or the branch in the member state where the payment services are offered,

b) the particulars of the Commission or the supervisory authority of the payment service provider, and also of the register indicated in Article 10 hereof in which the respective payment service provider is registered;

2) about the use of the payment service:

- a) a description of the payment service to be provided,
- b) a specification of the information or the unique identifier that has to be provided by the payment service user in order for a payment order to be properly executed,
- c) the form of giving consent to execute a payment transaction and of withdrawing of such consent in accordance with the provisions of Articles 80 and 92 hereof,
- d) a reference to the point in time when a payment order is deemed received as defined in Article 90 hereof and to the cut-off time, if established by the payment service provider,
- e) the maximum execution time for the payment services,
- f) whether there is a possibility to agree on spending limits for the use of the payment instrument in accordance with Paragraph 1 of Article 81 hereof;

3) about charges, interest and the exchange rate:

- a) all charges payable by the payment service user to the payment service provider and a breakdown of these charges,
- b) the interest and the exchange rate to be applied to the payment transaction or, if reference interest and reference exchange rate are to be used, the method of calculating the actual interest, and the relevant reference interest or reference exchange rate used as the base for currency conversion and the date for setting that interest or exchange rate,
- c) an indication to the effect that changes in reference interest or reference exchange rate are applied immediately without a prior notification and that information about these changes will be provided to the payment service user in accordance with Paragraphs 3, 4 and 5 of Article 66 hereof, where the payment service provider and the payment service user had agreed on that;

4) about communication:

- a) information about the means of communication, including about the technical requirements for the payment service user's equipment, whose use for the transmission of the information or the notifications set out in this Law has been agreed between the payment service provider and the payment service user,
- b) the manner in which and frequency with which information under this Law will be provided or made available,
- c) the language in which the framework contract will be concluded and the parties will use for communication during this contractual relationship,
- d) an indication to the payment service user's rights to receive information in accordance with Article 65 hereof;

5) about safeguards:

- a) a description of the measures that the payment service user is to take in order to keep safe a payment instrument and information about notifying the payment service provider for the purposes of Subparagraph 2 of Paragraph 1 of Article 82 hereof,
- b) an indication to the cases under which the payment service provider reserves the rights to block a payment instrument in accordance with Paragraph 2 of Article 81 hereof, where the payment service provider and the payment service user have agreed to this effect,
- c) information about the liability of the payer in accordance with Article 87 hereof,
- d) information as to how and within what period of time the payment service user is to notify the payment service provider of any unauthorised or incorrectly executed payment transaction in accordance with Article 84 hereof as well as the payment service provider's liability for an unauthorised payment transaction in accordance with Article 86 hereof,
- e) information about the liability of the payment service provider for the execution of payment transactions in accordance with Article 99 hereof,
- f) the conditions for refund in accordance with Articles 88 and 89 hereof;

6) about changes in and termination of the framework contract:

- a) an indication to the effect that the payment service user is deemed to have accepted changes to the framework contract where by the proposed date of entry into force of the framework contract the payment service user has not notified the payment service provider of his objections to these changes, provided that the payment service provider and the payment service user have agreed to this effect in accordance with Paragraph 2 of Article 66 hereof,
- b) the duration of the framework contract,
- c) the rights of the payment service user to terminate the framework contract and an agreement to terminate the contract in accordance with Paragraph 1 of Article 66 and Article 67 hereof;

7) about complaint and redress procedures:

- a) regulatory requirements applicable to the framework contract and the competent court that is competent to review the cases related to the framework contract,
- b) an indication to the out-of-court complaint and redress procedures available to the payment service user in accordance with Articles 105 and 106 hereof.

Article 65. During the validity of the framework contract, the payment service user shall have the right to receive, on request, information about the contractual terms of the framework contract as well as the information and the conditions specified in Article 64 hereof on paper or using on another durable medium.

Article 66. (1) Any changes to the framework contract as well as the changes in the information and conditions specified in Article 64 hereof shall be proposed by the payment service provider in accordance with the provisions of Paragraph 1 of Article 63 hereof no later than two months before their proposed (intended) date of taking effect.

(2) The payment service provider and the payment service user may agree that the latter is deemed to have accepted the changes to the framework contract where by the proposed (intended) date of entry into force of the framework contract the payment service user has not notified the payment service provider of his objections to these changes. In this case, the payment service provider shall also specify that the payment service user has the right to terminate the framework contract immediately and without any charges before the date of the proposed changes taking effect.

(3) Changes in the interest or in the exchange rate may be applied without a prior notice, provided that this is agreed upon in the framework contract and that the changes are based on the reference interest or the reference exchange rate agreed by the payment service provider and the payment service user in accordance with Subparagraphs b) and c) of Paragraph 3 of Article 64 hereof.

(4) In cases referred to in Paragraph 3 hereof the payment service provider shall inform the payment service user at the earliest opportunity in accordance with the provisions of Paragraph 1 of Article 63 hereof, except in cases when the parties have agreed on another manner in which the information is to be provided or made available by the payment service provider.

(5) Changes in the interest or in the exchange rate that are more favourable to the payment service user may be applied without a prior notice.

(6) Changes in the interest or in the exchange rate used in payment transactions shall be calculated and implemented in a manner that does not discriminate against payment service users.

Article 67. (1) The payment service user may terminate the framework contract at any time, except in cases when the payment service provider and the payment service user have agreed on a period of prior notice. Such period may not exceed one month.

(2) Where the framework contract has been concluded for an indefinite period or for the period that exceeds 12 months and the payment service user terminates the contract after the expiry of 12 months, the payment service provider shall not impose any charges for terminating the contract. In other cases when penalties apply to the termination of the framework contract, these penalties shall be commensurate with the expenses.

(3) If agreed to this effect in the framework contract, the payment service provider may terminate a framework contract concluded for an indefinite period by notifying the payment service user at least two months before in accordance with the provisions of Paragraph 1 of Article 63 hereof.

(4) Charges for payment services that are levied on a regular basis by the payment service provider shall be payable by the payment service user only proportionally up to the

termination of the framework contract. If such charges are collected in advance, the payment service provider shall reimburse them proportionally.

Article 68. Where a payment transaction under a framework contract is initiated by the payer, the payment service provider shall, at the payer's request, provide information about the maximum execution time and the charges payable by the payer as well as the breakdown of these charges before the initiation of the payment transaction.

Article 69. (1) After the amount of a payment transaction is debited from the payer's account or, where the payer does not use a payment account, after the receipt of the payment order, the payer's payment service provider shall provide the payer without delay in accordance with the provisions of Paragraph 1 of Article 63 hereof with the following information:

- 1) an indication (a reference) enabling the payer to identify each payment and, where appropriate, information about the payee;
- 2) the amount of the payment transaction in the currency in that the payer's payment account is debited or in the currency used in the payment order;
- 3) the amount of any charges for the service paid by the payment service user and a breakdown of these charges, or the interest paid by the payment service user;
- 4) the exchange rate used in the payment transaction by the payer's payment service provider, and the amount of the payment transaction after that currency conversion, if conversion has been made;
- 5) the value date of debiting the payer's account or the date of receipt of the payment order.

(2) A framework contract may include a condition that the information referred to in Paragraph 1 hereof is to be provided or made available at least once a month and specify the manner for providing information thus enabling the payer to store and reproduce information unchanged.

Article 70. (1) After the execution of a payment transaction, the payee's payment service provider shall provide the payee without delay in accordance with the provisions of Paragraph 1 of Article 63 hereof with the following information:

- 1) an indication (a reference) enabling the payee to identify the payment transaction and, where appropriate, also the payer, and any information transferred along with the payment transaction;
- 2) the amount of the payment transaction in the currency in which the payee's payment account is credited;
- 3) the amount of any charges for the service paid by the payment service user and a breakdown of these charges or the interest paid by the payment service user;
- 4) the exchange rate used in the payment transaction by the payee's payment service provider, and the amount of the payment transaction before that currency conversion, if

conversion has been made;

5) the value date of crediting the account.

(2) A framework contract may include a condition that the information referred to in Paragraph 1 hereof is to be provided or made available at least once a month and specify the manner for providing information thus enabling the payer to store and reproduce information unchanged.

Chapter IX **Single Payment Transactions**

Article 71. (1) This Chapter applies to single payment transactions to which the framework contract does not apply.

(2) When a payment order for a single payment transaction is submitted by using a payment instrument covered by a framework contract, the payment service provider does not have an obligation to provide or make available to the payment service user the information that has already been given to him on the basis of a framework contract with another payment service provider or that will be given to him according to that framework contract.

Article 72. (1) Before the payment service user commits to use any single payment service, the payment service provider, in an easily accessible manner, makes available to the payment service user the information specified in Article 73 hereof. At the payment service user's request, the payment service provider shall provide the information on paper or using another durable medium. The information about the payment services provided in Latvia shall be given in easily understandable and clear form, in the official language or in any other language agreed between the payment service provider and the payment service user.

(2) If, at the request of the payment service user, the payment service provider and the payment service user agree on the single payment service using a means of distance communication due to which compliance with the obligations set out in Paragraph 1 hereof is impossible to ensure, the payment service provider shall fulfil its obligations under that paragraph immediately after the execution of the payment transaction.

(3) The payment service provider may also discharge the obligations under Paragraph 1 hereof by submitting to the payment service user the draft single payment service contract or the draft payment order provided that it includes the information specified in Article 73 hereof.

Article 73. (1) The payment service provider shall provide or make available to the payment service user the following information:

- 1) a specification (a reference) of the information or the unique identifier that has to be provided by the payment service user in order for a payment order to be properly executed;
- 2) the maximum execution time for the payment service;
- 3) all charges for the service payable by the payment service user and a breakdown of these charges;

4) the actual or the reference exchange rate to be applied to the payment transaction, where currency conversion will be made.

(2) The payment service provider shall make available to the payment service user any other information specified in Article 64 in an easily accessible manner provided that the information refers to the payment service and is available to the payment service provider.

Article 74. Immediately after receipt of the payment order, the payer's payment service provider shall provide or make available to the payer, in accordance with Paragraph 1 of Article 72 hereof, the following information:

- 1) an indication (a reference) enabling the payer to identify the payment and also information about the payee, if indicated in the payment order;
- 2) the amount of the payment transaction in the currency used in the payment order;
- 3) the amount of any charges for the service paid by the payment service user and a breakdown of these charges;
- 4) the exchange rate used in the payment transaction by the payer's payment service provider, if currency conversion has been made. Where the payment transaction is executed using an exchange rate that differs from the rate notified to the payer in accordance with Subparagraph 4 of Paragraph 1 of Article 73 hereof, the payment service provider shall notify the payer about the applied exchange rate. The payment service provider shall inform the payment service user about the amount of the payment transaction after the currency conversion;
- 5) the date of receipt of the payment order.

Article 75. Immediately after the execution of the payment transaction the payee's payment service provider shall provide or make available to the payee, in accordance with Paragraph 1 of Article 72 hereof, the following information:

- 1) an indication (a reference) enabling the payee to identify the payment transaction and, where appropriate, also the payer, and any information transferred along with the payment transaction;
- 2) the amount of the payment transaction in the currency in which funds are at the payee's disposal;
- 3) the amount of any charges for the service payable by the payment service user and a breakdown of these charges;
- 4) the exchange rate and the amount of the payment transaction before that currency conversion, where the payee's payment service provider has made currency conversion;
- 5) the value date of crediting the account.

Chapter X

Rights and Obligations of the Payment Service Provider and of the Payment Service User

Article 76. Where the payment service user is not a consumer in the meaning of the Consumer Rights Protection Law, the payment service provider and the payment service user may agree not to apply separate provisions of Paragraph 1 of Article 77, Paragraph 3 of Article 80 and of Articles 85, 87, 88, 89, 92 and 99 hereof. The payment service provider and the payment service user may also agree on a term for requesting the redress other than referred to in Article 84 hereof.

Article 77. (1) The payment service provider may not charge the payment service user for fulfilment of its information obligation and for corrective and preventive measures under Chapters X, XI, XII, XIII and XIV hereof unless specified otherwise in Paragraph 2 of Article 91, Paragraph 7 of Article 92 and Paragraph 3 of Article 98 hereof. Where the payment service provider and the payment service user agree on the charge specified in Paragraph 2 of Article 91, Paragraph 7 of Article 92 and Paragraph 3 of Article 98 hereof, the charge shall be commensurate with the payment service provider's actual costs for providing information and for taking the corrective and preventive measures.

(2) Where a payment transaction does not involve any currency conversion, the payee shall pay the charges levied by his payment service provider, and the payer shall pay the charges levied by his payment service provider.

(3) The payee shall be prohibited from requesting a charge from the payer for the use of a certain payment instrument.

Article 78. Where the payment service user uses a payment instrument that, according to the framework contract, solely concerns individual payment transactions not exceeding EUR 30 or that has a spending limit of EUR 150 or stores funds that do not exceed EUR 150 at any time:

1) provisions of Subparagraph 2 of Paragraph 1 of Article 82, Subparagraphs 3, 4 and 5 of Paragraph 1 of Article 83 and Paragraphs 4 and 5 of Article 87 hereof do not apply if the payment instrument does not allow its blocking or prevention of its further use;

2) provisions of Articles 85 and 86 and of Paragraphs 1 and 2 of Article 87 hereof do not apply if the payment instrument is used anonymously or the payment service provider is not in a position, for other reasons that are intrinsic to the payment instrument, to prove that a payment transaction was authorised;

3) the payment service provider is not required to notify the payment service user of the refusal of a payment order if the non-execution is apparent from the context;

4) the payer may not revoke the payment order after transmitting it or giving his consent to execute the payment transaction to the payee;

5) other execution periods may apply as stated in Article 96 hereof;

6) Articles 86 and 87 hereof apply also to electronic money except in cases when the payer's

payment service provider does not have the ability to freeze the payment account or block the payment instrument.

Article 79. (1) The payer's payment service provider, the payee's payment service provider and the intermediaries of payment service providers transfer the amount of the payment transaction and shall not deduct any charges for the service from the amount transferred.

(2) The payee and its payment service provider may agree that the payment service provider deducts charges from the transferred amount prior to crediting it to the payee's account. In that case, the full amount of the payment transaction and the charges deducted shall be separated in the information given to the payee.

(3) Where the payment transaction is initiated by the payer and charges other than those referred to in Paragraph 2 hereof are deducted from the amount transferred, the payer's payment service provider shall ensure that the payee receives the full amount of the payment transaction initiated by the payer.

(4) Where the payment transaction is initiated by or through the payee, and charges other than those referred to in Paragraph 2 hereof are deducted from the amount transferred, the payee's payment service provider shall ensure that the payee receives the full amount of the payment transaction.

Chapter XI **Authorising a Payment Transaction**

Article 80. (1) A payer may give consent to execute a payment transaction prior to the execution or, if agreed between the payer and the payment service provider, after the execution of the payment transaction.

(2) Consent to execute a payment transaction as well as several or successive payment transactions shall be given in the form agreed between the payer and the payment service provider. In the absence of such consent, a payment transaction shall be considered to be unauthorised.

(3) The payer may withdraw consent at any time, but no later than the point in time set in Article 92 hereof. The payer may also withdraw consent to execute several or successive payment transactions. Any future payment transactions are to be considered as unauthorised.

Article 81. (1) Where a specific payment instrument is used for the purposes of authorising, the payer and the payment service provider may agree on the spending limits for payment transactions executed through that payment instrument.

(2) If agreed in the framework contract by the payment service provider and the payment service user, the payment service provider may reserve the right to block the use of the payment instrument in cases related to the security of the payment instrument, on justified suspicion of unauthorised or fraudulent use of the payment instrument or in cases when a payment instrument is linked with a credit line and there is a significant increase in the risk of the payer's probable default.

(3) In cases referred to in Paragraph 2 hereof the payment service provider shall inform the

payer of blocking the payment instrument and the reasons for it in the manner they have agreed on, where possible, before the intended blocking of the payment instrument and at the latest immediately thereafter, except in cases when giving such information would compromise objectively justified security reasons or is prohibited by the regulatory provisions effective in Latvia.

(4) The payment service provider shall unblock the payment instrument or replace it with a new payment instrument when the reasons for blocking no longer exist.

Article 82. (1) The payment service user that is entitled to use a payment instrument shall have the following obligations:

1) to use the payment instrument in accordance with the provisions governing the issue and use of the payment instrument;

2) to notify the payment service provider or the entity specified by the payment service provider without delay as soon as it is aware of loss, theft or misappropriation of the payment instrument or of its unauthorised use.

(2) The payment service user shall take all necessary steps to keep safe the personalised security features of a payment instrument.

Article 83. (1) The payment service provider issuing a payment instrument shall comply with the following requirements:

1) to make sure that the personalised security features of the payment instrument are not accessible to parties not entitled to use the payment instrument;

2) to refrain from sending an unsolicited payment instrument to the payment service user, except where a payment instrument already held by the payment service user is to be replaced with a new payment instrument;

3) to ensure that the payment service user can at all time make a notification regarding the cases referred to in Subparagraph 2 of Paragraph 1 of Article 82 hereof or request unblocking pursuant to Paragraph 4 of Article 81 hereof;

4) within 18 months after the notification by the payment service user to the payment service provider regarding the cases referred to in Subparagraph 2 of Paragraph 1 of Article 82 hereof or after the request of unblocking pursuant to Paragraph 4 of Article 81 hereof, to provide evidence that the payment service user has made such notification;

5) to prevent any use of the payment instrument as soon as the notification pursuant to Subparagraph 2 of Paragraph 1 of Article 82 hereof has been made.

(2) The payment service provider shall bear the risk relating to sending a payment instrument or of any personalised security features of the payment instrument to the payer except in cases when, upon request by the payment service user, the payment service provider and the payment service user have agreed otherwise in advance.

Article 84. (1) The payment service user shall be entitled to a rectification from the payment service provider in accordance with Articles 86 and 99 hereof provided that the payment service user has notified the payment service provider without delay as soon as he was aware of any unauthorised or incorrectly executed payment transaction, but no later than within 13 months after the debit date.

(2) Where the payment service provider has failed to provide or make available the information on that payment transaction in accordance with the provisions of Chapters VII, VIII and IX hereof, the payment service user may obtain the rectification referred to in Paragraph 1 hereof in accordance with Articles 86 and 99 hereof, if he has notified the payment service provider as soon as he was aware of any unauthorised or incorrectly executed payment transaction.

Article 85. (1) Where the payment service user denies having authorised an executed payment transaction or claims that the payment transaction was not correctly executed, the payment service provider shall have an obligation to prove that the payment transaction was authenticated, accurately recorded and entered in the accounts, and it was not affected by a technical breakdown or other deficiencies.

(2) Where a payment service user denies having authorised an executed payment transaction, it is not sufficient that the payment service provider has recorded the use of a payment instrument to prove either that the payer authorised the payment transaction or acted fraudulently or failed, intentionally or due to negligence, to fulfil one or more obligations set out in Article 82 hereof.

Article 86. (1) In cases referred to in Article 54 hereof, the payer's payment service provider shall immediately refund to the payer the amount of the unauthorised payment transaction or restore the debited payment account to the state in which it would have been had the unauthorised payment transaction not taken place.

(2) Further rectification may be determined in accordance with the regulatory provisions relating to the contracts concluded between the payer and the payment service provider.

Article 87. (1) The payment service provider shall not compensate to the payer the losses up to EUR 150 where they relate to unauthorised payment transactions due to lost, stolen or otherwise misappropriated payment instrument or if the payer has failed to keep the personalised security features safe and therefore allowed the misappropriation of a payment instrument.

(2) The payment service provider shall not compensate to the payer the losses relating to unauthorised payment transactions if the payer incurred them by acting fraudulently or by failing to fulfil one or more obligations set out in Article 82 hereof, intentionally or due to negligence.

(3) Where the payer has neither acted fraudulently nor intentionally failed to fulfil the obligations set out in Article 82 hereof, the payment service provider may reduce the liability of the payer referred to in Paragraphs 1 and 2 hereof, taking into account the nature of the personalised security features of the payment instrument and the circumstances under that it was lost, stolen or misappropriated.

(4) The payment service provider, without applying the provisions of Paragraph 1 hereof, shall compensate to the payer the losses resulting from the use of a lost, stolen or misappropriated payment instrument after the payer has notified the payment service provider or the entity specified by the payment service provider in due course of Subparagraph 2 of Paragraph 1 of Article 82 hereof, except in cases when the payer has acted fraudulently.

(5) If the payment service provider fails to provide appropriate means to the payer to make the notification at all times of a lost, stolen or misappropriated payment instrument, as required under Subparagraph 3 of Paragraph 1 of Article 83 hereof, the payment service provider, without applying the provision of Paragraph 1 hereof, shall compensate to the payer the losses resulting from the use of that payment instrument, except in cases when the payer has acted fraudulently.

(6) Liability for losses incurred by a payer that is a consumer in the meaning of the Consumer Rights Protection Law due to misappropriation of his payment card is established in accordance with the Consumer Rights Protection Law.

Article 88. (1) The payer is entitled to receive from the payment service provider a refund for an authorised and already executed payment transaction, if initiated by or through the payee, where the following conditions are met:

1) when the authorisation was made, the exact amount of the payment transaction was not specified;

2) the amount of the payment transaction exceeds the amount the payer could reasonably have expected for the respective payment transaction, taking into account his previous spending pattern, the conditions in the framework contract and the relevant circumstances of the deal.

(2) At the payment service provider's request, the payer shall provide evidence relating to the conditions referred to in Paragraph 1 hereof.

(3) For direct debits the payer and the payment service provider may agree in the framework contract that the payer is entitled to a refund from the payment service provider even though the conditions referred to in Paragraph 1 hereof are not met.

(4) For the purposes of ensuring compliance with the conditions referred to in Subparagraph 2 of Paragraph 1 hereof the payer may not use currency conversion considerations if the exchange rate agreed with his payment service provider in accordance with Subparagraph b) of Paragraph 3 of Article 64 and Subparagraph 4 of Paragraph 1 of Article 73 was applied.

(5) In the framework contract, the payer and the payment service provider may agree that the payer has no right to a refund where:

1) he has given his consent to execute the payment transaction directly to his payment service provider;

2) at least four weeks before the due date, the payment service provider or the payee

provided or made available to the payer information on that payment transaction in the manner agreed before.

Article 89.(1) The payer may request the refund referred to in Article 88 hereof of an authorised payment transaction initiated by or through the payee within a period of eight weeks from the date on which the account was debited.

(2) Within ten business days of receiving a request for a refund, the payment service provider shall refund the full amount of the payment transaction or provide justification for refusing the refund, indicating the bodies to which the payer may refer the matter in accordance with Articles 105 and 106 hereof.

(3) The payment service provider shall not be entitled to refuse the refund in the cases set out in Paragraph 3 of Article 88 hereof.

Chapter XII Payment Order

Article 90. (1) The point in time of receipt of a payment order shall be the time when the payment order transmitted by the payer or by or through the payee is received by the payer's payment service provider.

(2) If the payment order is received after the end of the business day for the payer's payment service provider, the payment order shall be deemed to have been received on the following business day.

(3) The payment service provider may establish a cut-off time as of that payment orders are no longer received. This point in time may be near the end of a business day and any payment order received beyond that time shall be deemed to have been received on the following business day.

(4) If the payment service user that submits a payment order agrees with the payment service provider that the execution of the payment order shall start on a specific day or at the end of a certain period or on the day on which the payer has placed funds at disposal of the payment service provider, the point in time of receipt of the payment order is deemed to be the agreed day.

(5) If the agreed day is not a business day for the payment service provider, the payment order received shall be deemed to have been received on the following business day.

Article 91. (1) Where the payment service provider refuses to execute a payment order, the refusal and the reasons thereof as well as the procedure for correcting any factual mistakes that led to the refusal shall be provided or made available to the payment service user as soon as possible, but no later than by the deadline set in Article 94 hereof and in a previously agreed manner, unless that notification is prohibited by the regulatory provisions effective in Latvia.

(2) The framework contract may include a provision that the payment service provider charges for the notification referred to in Paragraph 1 hereof if the refusal is objectively justified.

(3) Where all provisions set out in the framework contract between the payer and his payment service provider are met, the payer's payment service provider shall not refuse to execute an authorised payment order irrespective of whether the payment order is submitted by a payer or by or through the payee, unless the execution of the payment order is prohibited by legal acts.

(4) For the purposes of Articles 94 and 99 hereof a payment order shall be deemed not to have been received if its execution has been refused.

Article 92. (1) The payment service user may not revoke a payment order after it has been received by the payer's payment service provider, unless otherwise specified in this Article.

(2) Where the payment transaction is initiated through the payee, the payer may not revoke the payment order after transmitting it to the payee.

(3) Where the payment transaction is initiated by the payee, the payer may not revoke the payment order after giving his consent to initiate the payment transaction to the payee.

(4) In the case of a direct debit, the payer may revoke the payment order at the latest by the end of the business day preceding the agreed day for debiting the funds.

(5) In the case referred to in Paragraph 4 of Article 90 hereof the payment service user may revoke a payment order at the latest by the end of the business day preceding the day when, according to the agreement, the account will be debited.

(6) After the time limits specified in Paragraphs 1, 2, 3, 4 and 5 hereof the payment order may be revoked only if that possibility has been agreed between the payment service user and the payment service provider. In the cases referred to in Paragraphs 2, 3 and 4 hereof the payee's consent shall also be required.

(7) If the framework contract contains the respective provision, the payment service provider may request a charge for the revocation of a payment order.

(8) This Article shall not apply in the cases referred to in Paragraph 4 of Article 78 hereof.

Chapter XIII **Execution Time of a Payment Transaction and Value Date**

Article 93. (1) This Chapter shall apply to the following:

1) payment transactions in euro;

2) payment transactions in lats executed in Latvia;

3) payment transactions whose execution involves only one currency conversion between the euro and the national currency of a member state. The payment service, where the required currency conversion is carried out in the member state, is provided in the national currency of that member state, and in the case of a cross-border payment transaction, it is provided in the euro.

(2) This Chapter shall apply also to other payment transactions unless otherwise agreed between the payment service user and his payment service provider. The payment service provider shall be prohibited from agreeing with the payment service user on non-application of the provisions of Article 97 hereof. The payment service user and his payment service provider may agree on a longer period than the one laid down in Article 94 hereof. Where the payment service providers of both the payer and of the payee are in a member state, the deadline for executing a payment transaction shall not exceed four business days following the point in time of receipt of the payment order set out in Article 90 hereof.

Article 94. (1) The payer's payment service provider shall ensure that after the receipt of the payment order in accordance with Article 90 hereof the amount of the payment transaction is credited to the payee's payment service provider's account at the latest by the end of the next business day.

(2) After the payee's payment service provider has received the amount of the payment transaction, it shall establish the value date and make available the amount of the payment transaction to the payee's payment account in accordance with Article 97 hereof.

(3) The payee's payment service provider shall transmit to the payer's payment service provider the payment order initiated by or through the payee within the time limits agreed between the payee and his payment service provider to ensure settlement in respect of the direct debit on the due date when, in accordance with the agreement, the payer shall discharge its obligations in respect of the payee.

(4) The provisions of this Article shall not apply in the cases referred to in Article 78 hereof.

Article 95. (1) Where the payee does not have a payment account with the payment service provider, the payment service provider that receives the funds for the payee shall make them available to the payee within the period specified in Article 94 hereof.

(2) The provisions of this Article shall not apply in the cases referred to in Article 78 hereof.

Article 96. Where a consumer places cash on a payment account opened with the payment service provider in the currency of that payment account, the payment service provider shall ensure that the amount is made available immediately after its receipt and the value date is the same business day or the next business day if the cash is placed on a day that is not the payment service provider's business day. Where the payment service user is not a consumer, the payment service provider shall ensure that the amount is made available and the value date is at the latest on the next business day after the receipt of the funds.

Article 97. (1) The value date for crediting the funds to the payee's payment account shall be no later than the business day on which the amount of the payment transaction is credited to the payee's payment service provider's account. The payee's payment service provider shall ensure that the amount of the payment transaction is at the payee's disposal immediately after that amount is credited to the payee's payment service provider's account.

(2) The value date for debiting funds from the payer's payment account shall be no earlier than the point in time at which the amount of the payment transaction is debited from that payment account.

(3) The provisions of Paragraphs 2 and 3 hereof shall apply also to the payment service providers operating in Latvia provided that the payment service provider of the payer or of the payee is in a member state and payment services are provided in the euro or in the national currency of any member state.

Chapter XIV

Liability of Payment Service Providers and of Electronic Money Issuers

*(The title of the Chapter as amended by the Law of 17 March 2011
taking effect on 30 April 2011)*

Article 98. (1) The payment order is deemed to have been executed correctly if it has been executed in accordance with the unique identifier specified in it.

(2) If the payment service user has provided an incorrect unique identifier, the payment service provider shall not be liable under Article 99 hereof for non-execution or defective execution of the payment transaction.

(3) The payer's payment service provider shall make reasonable efforts to recover the funds involved in the non-executed or defectively executed payment transaction referred to in Paragraph 1 hereof. If agreed in the framework contract, the payment service provider may request a charge from the payment service user for recovery.

(4) If the payment service user provides information additional to that specified in Subparagraph 1 of Paragraph 1 of Article 73 or in Subparagraph b) of Paragraph 2 of Article 64 hereof, the payment service provider shall be liable only for the execution of the payment transaction in accordance with the unique identifier provided by the payment service user.

Article 99. (1) Where a payment order is submitted by the payer, his payment service provider shall be liable to the payer for the correct execution of the payment transaction, unless he can prove to the payer and, where relevant, to the payee's payment service provider that the payee's payment service provider received the amount of the payment transaction in accordance with Paragraph 1 of Article 94 hereof. Where the payer's payment service provider can prove that the payee's payment service provider received the amount of the payment transaction, the payee's payment service provider shall be liable to the payee for the correct execution of the payment transaction.

(2) Where the payer's payment service provider is liable for the execution of the payment transaction under Paragraph 1 hereof, he shall without delay refund to the payer the amount of the non-executed or the defectively executed payment transaction or restore the volume of funds on the payer's payment account to the state in that it would have been had the defective payment transaction not taken place.

(3) Where the payee's payment service provider is liable for the execution of the payment transaction under Paragraph 1 hereof, he shall immediately place the amount of the payment transaction at the payee's disposal or credit the corresponding amount to the payee's account.

(4) In the case of a non-executed or defectively executed payment transaction where the payment order was submitted by the payer, his payment service provider shall, regardless of liability under this Article, on request, make immediate efforts to trace the payment

transaction and notify the payer of the outcome.

(5) Where a payment order is submitted by or through the payee, the payee's payment service provider shall be liable to the payee for the correct transmission of the payment order to the payer's payment service provider in accordance with Paragraph 3 of Article 94 hereof.

(6) Where the payee's payment service provider is liable for the transmission of the payment order under Paragraph 5 hereof, he shall, upon the payee's request, immediately re-transmit the respective payment order to the payer's payment service provider.

(7) The payee's payment service provider shall be liable to the payee for handling the payment transaction in accordance with Article 97 hereof.

(8) Where the payee's payment service provider is liable under Paragraph 7 hereof, he shall ensure that the amount of the payment transaction is at the payee's disposal immediately after that amount is credited to the payee's payment service provider's account.

(9) In the case of a non-executed or defectively executed payment transaction when the payee's payment service provider is not liable under this Article, the payer's payment service provider shall be liable to the payer.

(10) Where the payer's payment service provider is liable in accordance with Paragraph 9 hereof, he shall without delay refund to the payer the amount of the non-executed or defectively executed payment transaction and restore the volume of funds on the payer's payment account to the state in that it would have been had the defective payment transaction not taken place.

(11) In the case of a non-executed or defectively executed payment transaction where the payment order was submitted by or through the payee, the payee's payment service provider shall, regardless of liability, on request, make immediate efforts to trace the payment transaction and notify the payee of the outcome.

(12) Payment service providers shall cover the costs arising from a non-executed or a defectively executed payment transaction.

Article 100. Any financial compensation additional to that provided for under Articles 98 and 99 hereof may be determined in accordance with the regulatory provisions applicable to the contracts concluded between the payment service user and the payment service provider.

Article 101. (1) Where the liability of the payment service provider set out in Article 99 hereof is attributable to another payment service provider or to an intermediary, the respective payment service provider or intermediary, in accordance with the provisions of Article 99 hereof, shall compensate the first payment service provider for any losses incurred or sums paid.

(2) Additional financial compensation may be determined in contracts in accordance with the regulatory provisions applicable to the contracts concluded between payment service providers and intermediaries.

Article 102. Liability under Chapters XI, XII, XIII and XIV hereof shall not apply in cases of abnormal and unforeseeable circumstances beyond the control of the party pleading for the application of those circumstances, the consequences of which would have been unavoidable despite all efforts, or where the regulatory provisions effective in Latvia set out an obligation to discharge other legal obligations.

Article 103. Payment systems and payment service providers shall process personal data in accordance with the regulatory provisions governing the protection of natural person data.

Article 104. The payment service provider and the electronic money issuer shall ensure an efficient procedure whereby the applications by payment service users and electronic money holders and disputes regarding the provision of services are reviewed. Complete written information about the procedure for reviewing applications and disputes shall be freely available at the institution of the payment service provider or of the electronic money issuer and on the Internet homepage of the payment service provider or of the electronic money issuer, if established.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Chapter XV

Out-of-court Complaint and Redress Procedures

Article 105. (1) The Consumer Rights Protection Centre shall in accordance with the regulatory provisions monitor compliance with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof in respect of payment service users or electronic money holders that are deemed to be consumers in the meaning of the Consumer Rights Protection Law. Upon receipt of an application of a payment service user or of an electronic money holder for a failure to comply with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof the Consumer Rights Protection Centre shall assess whether consumer rights have been violated and whether that infringement has jeopardised or might seriously jeopardise the interests of the consumer group (collective interests of consumers). Where it does not derive from the information provided in the application or any materials appended to the application that there has been an infringement that has jeopardised or may seriously jeopardise the interests of a consumer group (collective interests of consumers), the Consumer Rights Protection Centre shall be entitled not to initiate an administrative case. In that case the Consumer Rights Protection Centre shall provide a response to the payment service user or the electronic money holder.

(2) The Commission in accordance with the regulatory provisions shall scrutinise the applications submitted by payment service users and electronic money holders that are not deemed consumers in the meaning of the Consumer Rights Protection Law for the failure to comply with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof where it has jeopardised or may seriously jeopardise the group interests (collective interests) of these payment service users or electronic money holders. Where it does not derive from the information provided in the application or any materials appended to the application that there has been an infringement that has jeopardised or may seriously jeopardise the group interests (collective interests) of these payment service users or electronic money holders, the Commission shall be entitled not to initiate an administrative case. In that case the Commission shall provide a response to the payment service user or the electronic money holder.

(3) The Consumer Rights Protection Centre and the Commission shall, within their

competence, be entitled to request that payment service users, electronic money holders, payment service providers and electronic money issuers submit information necessary to review the particular case and establish the deadline for submitting that information.

(4) Where during the revision of the administrative case the Consumer Rights Protection Centre uncovers that non-compliance with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof has jeopardised or may seriously jeopardise the interests of the consumer group (collective interests of consumers), it shall be entitled to take a decision whereby a payment service provider or an electronic money issuer is obliged to terminate non-compliance with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof or correct the detected infringements and determine the deadline for taking the necessary measures. The procedure whereby the Consumer Rights Protection Centre takes decisions and whereby these decisions may be appealed in court is set out in the Consumer Rights Protection Law.

(5) Where during the scrutiny of an administrative case the Commission uncovers that non-compliance with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof has jeopardised or may seriously jeopardise the collective interests of those payment service users of electronic money holders that are not considered as consumers in the meaning of the Consumer Rights Protection Law, it shall be entitled to take a decision whereby a payment service provider or an electronic money issuer shall have an obligation to terminate non-compliance with Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof or correct the uncovered infringement and determine the deadline for taking the necessary measures.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 106. (1) Where a payment service user or an electronic money holder has lodged a complaint for the failure to comply with Chapters VII, VIII, IX, X, XI, XII, XIII, XIV and XV hereof to the Association of Commercial Banks of Latvia Ombudsman (hereinafter in this Article, “the Ombudsman”) and the Ombudsman detects that the provided payment service fails to comply with the requirements of this Law or the concluded contract and consequently incurs losses on the payment service user or the electronic money holder, the Ombudsman suggests that the payment service provider refund the loss to the payment service user or the electronic money holder.

(2) Once a year the Ombudsman shall submit to the Consumer Rights Protection Centre and to the Commission a report about the complaints received from payment service users of electronic money holders.

(3) A payment service user or an electronic money holder may file a claim with the court irrespective of whether a complaint has been lodged with the Ombudsman before that.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Article 107. Where an institution that has commenced the provision of payment services in Latvia without opening a branch has breached the provisions of Chapters VII, VIII, IX, X, XI, XII, XIII and XIV hereof or where there is a justified suspicion about such breach, the institutions that are authorised to ensure compliance with these legal norms (hereinafter in this Article, “competent authorities”) shall be the competent authorities of the country of origin (home country) of the respective payment institution and the electronic money institution. Where an institution provides services through agents and branches, the competent authorities shall be the competent authorities of the member state in which the respective service is provided.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Transitional Provisions

1. In respect of the payment transactions initiated by 1 January 2012, except the payment transactions referred to in Paragraph 2 of Article 93 hereof, the payer and his payment service provider may agree on an execution term that does not exceed three business days. The term for executing a payment transaction may be extended for another business day where the payment transaction has been initiated and executed on paper.
2. By 31 May 2010 in respect of the payment services that are provided in accordance with framework contracts concluded by 31 May 2010 the provisions of Chapters VII, VIII, IX, X, XI, XII, XIII, XIV and XV hereof may not apply. Payment service providers shall ensure compliance with the requirements of Chapters VII, VIII, IX, X, XI, XII, XIII, XIV and XV hereof in respect of all valid contracts as of 1 June 2010.
3. For the purposes of the direct debit contracts that are concluded by the day of this Law taking effect and in respect of which the euro is used for the settlement, the intended consent of the payer (in the meaning of Article 80 hereof) to the payment service provider for debiting funds from the payer's account shall be also considered as the payee's consent to submit to the payment service provider a payment order for debiting funds from the payer's account as of 1 June 2010.
4. For the purposes of the direct debit contracts that are concluded by the day of the euro introduction and in respect of which the lats are used for the settlement, the intended consent of the payer (in the meaning of Article 80 hereof) to the payment service provider to debit funds from the payer's account shall be also considered as the payee's consent to submit to the payment service provider a payment order for debiting funds from the payer's account as of the day of introduction of the euro.
5. An electronic money institution that until 30 April 2011 in accordance with the Credit Institution Law has notified the Bank of Latvia of commencing the operation of an electronic money institution shall, by 30 October 2011 in line with the provisions of Article 5.¹ of the Law on Payment Services and Electronic Money, submit to the Commission the notification about its registration with the register of institutions.
(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)
6. An electronic money institution that by 30 April 2012 has not been registered with the register of institutions referred to in Article 10 hereof shall be prohibited from issuing electronic money after 30 April 2012.
(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)
7. A payment institution that does not need a licence to commence its operation in accordance with Article 5 hereof and that by 30 April 2011 has already been registered with the register referred to in Paragraph 3 of Article 10 hereof shall submit to the Commission by 1 July 2011 information about how it ensures compliance with the requirements of Paragraph 1 of Article 38 hereof where, apart from providing payment services, the payment institution also carries out the commercial activities referred to in Paragraph 1 of Article 36 hereof and also an evidence to the fact that it complies with the requirements of Subparagraph 2 of Paragraph 1 of Article 5 hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

8. A payment institution that by 1 July 2011 fails to comply with the requirements of Paragraph 7 of the Transitional Provisions hereof as to submitting information and evidence shall be excluded by the Commission from the register referred to in Paragraph 3 of Article 10 hereof and shall be prohibited from providing payment services.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

9. A payment institution that does not need a licence to commence its operation in accordance with the provisions of Article 5 hereof and that by 30 April 2011 has already been registered with the register referred to in Paragraph 3 of Article 10 hereof, by 1 September 2011 shall make the payment referred to in Paragraph 1 of Article 40.¹ hereof to finance the operation of the Commission following the procedure set out in the regulatory provisions of the Commission specified in Paragraph 2 of Article 40.¹ hereof.

(As amended by the Law of 17 March 2011 taking effect on 30 April 2011)

Reference to the European Union Directives

(In the wording of the Law of 17 March 2011 taking effect on 30 April 2011)

The Law incorporates the legal norms deriving from:

1) Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC;

2) Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

The Saeima adopted this Law on 25 February 2010.

Riga, 17 March 2010

V. Zatlars, President of Latvia