

Law on Latvijas Banka [unofficial translation]

Adopted on 19 May 1992
In effect as of 19 May 1992

With amendments passed by the Saeima of the Republic of Latvia on 18 June 1997 (in effect as of 3 July 1997) [1]

With amendments passed by the Saeima of the Republic of Latvia on 29 October 1998 (in effect as of 18 November 1998) [2]

With amendments passed by the Saeima of the Republic of Latvia on 4 November 1999 (in effect as of 24 November 1999) [3]

With amendments passed by the Saeima of the Republic of Latvia on 1 June 2000 (in effect as of 1 July 2001) [4]

With amendments passed by the Saeima of the Republic of Latvia on 25 October 2001 (in effect as of 1 January 2002) [5]

With amendments passed by the Saeima of the Republic of Latvia on 20 June 2002 (in effect as of 12 July 2002) [6]

With amendments passed by the Saeima of the Republic of Latvia on 1 December 2005 (in effect as of 27 December 2005) [7]

With amendments passed by the Saeima of the Republic of Latvia on 15 June 2006 (in effect as of 11 July 2006) [8]

With amendments passed by the Saeima of the Republic of Latvia on 8 October 2009 (in effect as of 11 November 2009) [9]

With amendments passed by the Saeima of the Republic of Latvia on 19 April 2012 (in effect as of 22 May 2012) [10]

With amendments passed by the Saeima of the Republic of Latvia on 10 January 2013 (in effect as of 6 February 2013) [11]

With amendments passed by the Saeima of the Republic of Latvia on 10 January 2013 (in effect as of the date when the Council of the European Union abrogated the derogation granted to the Republic of Latvia pursuant to Article 140(2) of the Treaty on the Functioning of the European Union) [12]

With amendments passed by the Saeima of the Republic of Latvia on 22 December 2016 (in effect as of 19 January 2017) [13]

With amendments passed by the Saeima of the Republic of Latvia on 21 November 2019 (in effect as of 11 December 2019) [14]

Section I GENERAL PROVISIONS

Article 1. Latvijas Banka is the central bank of the Republic of Latvia.

Latvijas Banka shall enjoy the full rights of an autonomous state institution. It shall hold state property and have a stamp (seal) reproducing the large coat of arms of the Republic of Latvia and bearing the Bank's name "Latvijas Banka" (Bank of Latvia). Administration of Latvijas Banka shall be located in Riga. [4]

Article 2. Latvijas Banka shall be established by a resolution passed by the Supreme Council of the Republic of Latvia.

Latvijas Banka is a member of the European System of Central Banks. [8]

In its operation Latvijas Banka shall observe the laws, the Treaty on the Functioning of the European Union (hereinafter, the Treaty) as well as other legal acts and instruments regulating the functioning of the national central banks in accordance with the Treaty and Protocol (No 4) "The Statute of the European System of Central Banks and of the European Central Bank" (hereinafter, the Statute). [8] [11]

Article 3. The primary objective of Latvijas Banka shall be to maintain price stability. Without prejudice to the primary objective, Latvijas Banka shall support the general economic policies in the European Union in accordance with Article 127(1) of the Treaty. [7] [12]

Latvijas Banka shall participate in the carrying out of the tasks of the European System of Central Banks in accordance with the Treaty and the Statute. [12]

Article 4. Within the limits set by the Treaty, the Statute and this Law, Latvijas Banka shall be entitled:

1. to grant and take loans;
2. to accept and place deposits;
3. to carry out transactions in financial instruments and precious metals as well as perform other operations in the financial markets;
4. to open accounts, accept and execute payment orders, and ensure payment clearing;
5. to issue euro banknotes and coins, process and exchange them, withdraw them from circulation as well as distribute them to and accept them from credit institutions;
6. to define requirements for the collection of statistical data and compilation and submission of statistical reports. [12]

Article 5. Latvijas Banka shall hold and manage its foreign reserves, taking into account the provisions of the Statute. [12]

The government shall deposit its foreign exchange working balances with Latvijas Banka. Upon receipt of specific authorisation from the government, Latvijas Banka shall be entitled to act as the government's financial agent in banking transactions. [12]

Article 6. Latvijas Banka shall advise the Saeima (Parliament) and the Cabinet of Ministers on monetary policy and other matters pertaining to the execution of Latvijas Banka's tasks.

Latvijas Banka shall be entitled to receive information necessary for the execution of its tasks from the Financial and Capital Market Commission and other public institutions and public administration authorities. [4]

Article 7. Latvijas Banka shall cooperate with the European Central Bank, the European Union and foreign national central banks and other financial institutions. [12]

Latvijas Banka may participate in international monetary institutions, subject to the approval of the European Central Bank, in accordance with Article 6.2 of the Statute. Latvijas Banka, complying with the provisions of the Treaty and the Statute, may participate in the activities of other international financial institutions, provided that these activities conform to the objectives and tasks of Latvijas Banka. [12]

Article 8. *[Excluded 7]*

Article 9. Latvijas Banka shall participate in promoting the smooth operation of payment systems in compliance with the provisions of the Treaty and the Statute. [12]

Article 10. Latvijas Banka shall be entitled to inspect the implementation of the regulations and regulatory instructions it has adopted. The inspection procedures shall be performed by persons authorised by the Bank on its assignment. [4]

Article 11. Latvijas Banka shall issue permits (licences) to legal persons registered with the Register of Enterprises of the Republic of Latvia, except credit institutions, for buying and selling foreign currency as a commercial activity. [4]

Latvijas Banka shall be entitled to revoke a permit (licence) it has issued where the procedure it has established for effecting foreign currency buying and selling transactions has been violated. [4]

The amount of the state duty for issuing a permit (licence) for buying and selling foreign currency as a commercial activity shall be established by the Cabinet of Ministers. [7]

Article 12. For the purpose of fulfilling its tasks, Latvijas Banka may open accounts for the government of Latvia, credit institutions, international institutions, members of the European System of Central Banks and other financial market participants. [7]

On the accounts opened for the government, Latvijas Banka shall keep the state budget resources and the resources of special funds, and shall effect the transfer of the budget resources free of charge.

The Ministry of Finance of the Republic of Latvia shall be entitled to receive information on state budget resources at any time and to control the utilisation of these resources.

Article 13. Neither Latvijas Banka nor its Governor, Deputy Governor or any member of the Council shall seek or take instructions from the government of Latvia and of other Member States of the European Union, institutions of the European Union and other national, foreign or international institutions, agencies, offices or bodies; the governments, institutions, agencies, offices or bodies referred to in this Article are not entitled to give instructions or otherwise seek to influence the Governor, the Deputy Governor and the members of the Council of Latvijas Banka in the performance of their tasks in accordance with Article 130 of the Treaty. [1] [6] [11]

Latvijas Banka shall be independent in the adoption and practical implementation of its decisions.

Article 14. Latvijas Banka shall be entitled to have commercial companies, provided that they are essential for the execution of its tasks, improvement of employee qualifications, and ensuring its operation. [7]

Latvijas Banka shall not participate in any commercial activity.

Article 15. Latvijas Banka shall draw up its financial statements in accordance with the legal acts of the European Central Bank on accounting and financial statements binding on the European System of Central Banks and the requirements stipulated by the Council of Latvijas Banka. The financial statements shall be approved by the Board of Latvijas Banka. [12]

The Council of Latvijas Banka shall approve the annual report. [12]

Article 16. The fiscal year of Latvijas Banka shall begin on 1 January and end on 31 December.

Article 17. *[Excluded 11]*

Section II

CAPITAL OF LATVIJAS BANKA AND APPROPRIATION OF PROFIT

Article 18. The nominal capital of Latvijas Banka shall be 100 million euro. [1] [12]

[Paragraph 2 excluded 6]

Article 18.¹ Within 15 days following the approval of the annual report by the Council of Latvijas Banka and after covering losses accumulated in the previous years, if any, Latvijas Banka shall transfer to the central government basic budget account indicated by the Treasury:

- 1) a part of its profit earned during the reporting year, which shall be calculated by multiplying the profit earned during the reporting year by the corporate income tax rate established by the Law on Corporate Income Tax (without applying the coefficient increasing the tax base laid down by the above Law); [14]
- 2) payments for the usage of state capital in the amount of 50 percent of the profit earned during the reporting year. [9] [12]

Upon approval of the annual report, the Council of Latvijas Banka may reduce the percentage share of the payment referred to in Clause 2 of Paragraph 1 of this Article where it is necessary for increasing the reserve capital of Latvijas Banka in relation to the financial risks Latvijas Banka is exposed to when executing its tasks. Latvijas Banka shall immediately notify the Saeima and the Ministry of Finance of such a decision. [12]

Article 19. The profit remaining after making the deductions stipulated in Article 18¹ shall be transferred to the reserve capital. The reserve capital shall be formed to cover possible losses. Where the reserve capital is not sufficient to cover all losses, the remaining amount of losses shall be covered from the nominal capital. [6]

Article 20. *[Excluded 6]*

Section III

ADMINISTRATION OF LATVIJAS BANKA

Article 21. Latvijas Banka shall be administered by the Council and the Board of Latvijas Banka. The Council of Latvijas Banka shall consist of six persons: the Governor, the Deputy Governor and four members of the Council. [13]

The Council of Latvijas Banka shall be chaired by the Governor or the Deputy Governor.

Article 22. The Governor of Latvijas Banka shall be appointed by the Saeima upon the recommendation of at least ten members of the Saeima. [1] [10]

The Deputy Governor and members of the Council of Latvijas Banka shall be appointed by the Saeima upon the recommendation of the Governor of Latvijas Banka. [1] [10]

The Governor of Latvijas Banka, the Deputy Governor and members of the Council shall hold office for five years. In case the Governor of Latvijas Banka, the Deputy Governor or any member of the Council leaves the office before his/her term of office has expired, a new Governor of Latvijas Banka, Deputy Governor or member of the Council of Latvijas Banka respectively shall be appointed by the Saeima for a term of office of five years. The same person may hold the office of the Governor of Latvijas Banka Deputy Governor or member of the Council of Latvijas Banka for no more than two subsequent terms. [11] [14]

The Governor of Latvijas Banka, the Deputy Governor and members of the Council of Latvijas Banka may be relieved from office before the expiry of the term of office stipulated in Paragraph 3 of this Article only in the following cases:

- 1) he/she has submitted his/her resignation;
- 2) he/she has been guilty of serious misconduct or no longer fulfils the conditions required for the performance of his/her duties pursuant to Article 14.2 of the Statute; [14]
- 3) [1] [6] [11] [*Paragraph 3 excluded*] [14]

In the case referred to in Clause 2 of Paragraph 4 of this Article, the Saeima may decide on relieving the Governor of Latvijas Banka, the Deputy Governor and members of the Council of Latvijas Banka from office after the court decision on finding him/her guilty has become effective. [11]

The Governor of Latvijas Banka may refer the Saeima's decision regarding his/her relief from office to the Court prescribed by Article 14.2 of the Statute. The Deputy Governor or a member of the Council of Latvijas Banka may refer the Saeima's decision regarding his/her relief from office to the Court prescribed by the Administrative Procedure Law. [11]

Article 23. To execute the practical work and ensure efficient management of Latvijas Banka, the Council of Latvijas Banka shall establish a permanent Board consisting of four persons.

The Chairperson of the Board shall be confirmed in office by the Council of Latvijas Banka upon the recommendation of the Governor of the Bank. Other members of the Board shall be confirmed in office by the Council of Latvijas Banka upon the recommendation of the Chairperson of the Board.

[*Paragraph 4 excluded*] [6]

The members of the Board shall be appointed from among the Bank's senior management. The members of the Board shall be dismissed from their positions following a decision of the Council of Latvijas Banka.

Article 24. Meetings of the Council of Latvijas Banka shall be valid if more than half of its members, including the Governor and the Deputy Governor, participate. The Council shall resolve all issues with a majority vote of those present. In the event of a tie, the chairperson of the meeting shall have the casting vote. The meetings of the Council of Latvijas Banka shall be convened as required, but at least once a quarter.

Article 25. *[Excluded 6]*

Article 26. The Council of Latvijas Banka shall make such decisions on behalf of Latvijas Banka that are necessary to ensure the implementation of the tasks of Latvijas Banka, including the tasks of the European System of Central Banks. [12]

[Paragraph 2 excluded 4]

The Council of Latvijas Banka shall review and approve the annual budget of the Bank, stipulating that all expenses of the Bank shall be financed from the Bank's revenue. [4]

Article 27. The Board of Latvijas Banka shall manage the Bank's operation, implementing the resolutions of the Council of Latvijas Banka. [4] [8]

The meetings of the Board shall be convened as required, but at least once a month, and the meetings shall be valid if more than half of the Board members, including the Chairperson of the Board, participate. The Board of Latvijas Banka shall make decisions following the same procedure as the Council of Latvijas Banka does.

Article 28. The Governor of Latvijas Banka shall chair the Council of Latvijas Banka and shall be responsible for the successful organisation of the Council's work.

The Governor of the Bank shall approve Latvijas Banka's organisational structure and shall have the power to hire and dismiss Latvijas Banka's employees.

The Governor of the Bank shall represent Latvijas Banka in relations with other banks, public and local government institutions of Latvia as well as international financial organisations.

The Governor of Latvijas Banka shall be entitled to participate in the meetings of the government of the Republic of Latvia.

If the Governor of Latvijas Banka has been relieved from office or his/her term of office has expired, his/her duties shall be performed by the Deputy Governor until a new Governor of Latvijas Banka is appointed. In the absence of the Governor of Latvijas Banka, his/her duties shall be performed by the Deputy Governor. In the absence of the Governor and the Deputy Governor, the duties of the Governor of Latvijas Banka shall be performed by a member of the Council of Latvijas Banka appointed by the Governor; such member of the Council shall also, inter alia, chair the meetings of the Council of Latvijas Banka. [11]

Article 29. The Chairperson of the Board of Latvijas Banka shall organise and manage Latvijas Banka's practical work by implementing the decisions adopted by the Council and the Board of Latvijas Banka. The Chairperson of the Board of Latvijas Banka shall be entitled to participate in the meetings of the Republic of Latvia's government when authorised by the Governor of the Bank or in the absence of the Governor, as well as to represent the interests of Latvijas Banka.

Article 30. The remuneration of the Governor, the members of the Council and the Board of Latvijas Banka as well as the Bank employees shall be determined by the Council of Latvijas Banka. The Council shall also approve staff numbers, positions and salaries.

Article 31. Restrictions on holding more than one position by the Governor, the Deputy Governor, the members of the Council and the Board of Latvijas Banka and their responsibilities regarding the prevention of conflict of interest shall be as laid down by the Law "On Prevention of Conflict of Interest in Activities of Public Officials". [6]

Article 32. The members of the Board and heads of organisational units of Latvijas Banka shall be prohibited from engaging, either directly or indirectly, in any commercial activity whatsoever.

Article 33. The Governor, the Deputy Governor, the members of the Council and the Board as well as the employees of Latvijas Banka shall have no right to disclose restricted information that has become known to them as a consequence of their service or function to any person not qualified to have knowledge thereof. This prohibition shall be in effect also after the expiry of the term of office or the termination of employment relationship. [6]

Section IV MONETARY POLICY INSTRUMENTS

Article 34. Latvijas Banka shall issue euro banknotes in compliance with the provisions of the Statute and legal acts and instruments of the European Central Bank. Latvijas Banka shall organise and implement the designing, production and delivery of euro circulation coins as well as euro commemorative and collector coins and issue them as per the volume of euro coin issuance approved by the European Central Bank and in compliance with the provisions of the European Union legislation. [12]

Latvijas Banka shall process euro banknotes and coins, withdraw the damaged ones from circulation and substitute them with valid ones in compliance with the provisions of the European Union legislation, including the legal acts and instruments of the European Central Bank. [12]

Latvijas Banka shall define the requirements for euro cash processing machines and the quality requirements for euro banknote processing as well as the registration and reporting requirements for merchants engaged in cash processing and recirculation in compliance with the provisions of the European Union legislation. Latvijas Banka shall be entitled to prohibit the merchant referred to in the first sentence of this paragraph from performing cash processing and recirculation where it fails to comply with the legislative requirements for euro cash processing stipulated by the European Union, including the European Central Bank, and Latvijas Banka. [12]

Article 35. Latvijas Banka shall be entitled to operate in the financial markets of Latvia and Member States of the European Union as well as in foreign financial markets by engaging in transactions in financial instruments and precious metals. [8]

Article 36. In order to achieve the objectives and carry out the tasks, Latvijas Banka shall be entitled to conduct credit operations, based on adequate collateral, with credit institutions and other financial market participants. Latvijas Banka shall not be entitled

to grant any type of credit facilities and purchase debt instruments in accordance with Article 123 of the Treaty and Article 21 of the Statute. [11]

Article 37. [*Excluded* 11]

Article 38. Financial market participants who are subject to the minimum reserve requirement stipulated by the European Central Bank shall hold the required minimum reserves on an account with Latvijas Banka in compliance with the provisions of the Statute and in the amount of and in line with the procedure stipulated by the European Central Bank. [1] [8] [12]

Pursuant to the provisions of the Statute and legal acts of the European Central Bank, Latvijas Banka shall pay remuneration to the financial market participants for holding their minimum reserves on the account with Latvijas Banka, monitor the compliance with the minimum reserve requirement and take measures to ensure the compliance with the minimum reserve requirement, inter alia implementing sanction-imposing decisions or performing other sanction-imposing activities. [12]

Section V

STATISTICS AND ANALYTICAL TASKS

Article 39. Latvijas Banka shall collect, store and process statistical data as well as develop, compile, analyse and disseminate statistics to ensure the fulfilment of its tasks, including assisting the European Central Bank in compiling the statistics required for the execution of the tasks of the European System of Central Banks in accordance with the requirements of the legislation of the European Union and legal acts of the European Central Bank. [2] [12]

Latvijas Banka shall establish the procedure for compiling and submission of statistical reports, the submission deadline as well as specify the persons in charge of the submission of statistical reports for the purpose of monetary and financial statistics, banknote statistics, payment and payment system statistics, financial stability statistics, balance of payments and international investment position statistics and other statistics required for carrying out the tasks referred to in Paragraph 1 of this Article. [12]

Article 40. Latvijas Banka shall disseminate statistical information collected exclusively for statistical purposes in a manner that prevents the identification, direct or indirect, of the person who has submitted the statistical report or any other natural or legal person. [12]

Taking due account of the requirements of the legislation of the European Union and legal acts of the European Central Bank, Latvijas Banka shall be entitled to exchange confidential statistical information with the following institutions:

1. the European Central Bank and the national central banks of the Member States of the European Union where such information is required for carrying out the tasks of the European System of Central Banks;
2. the European Systemic Risk Board and other institutions of the European Union where such information is required for carrying out their tasks and a reasoned request has been received;
3. the Financial and Capital Market Commission where such information is required for carrying out the tasks of Latvijas Banka, the European System of Central Banks or the Financial and Capital Market Commission;

4. the Central Statistical Bureau of Latvia and national central statistical authorities of the Member States of the European Union where such information is required for compiling the statistics within the competence of the European System of Central Banks or Eurostat, the statistical bureau of the European Union, in compliance with the requirements for the exchange of confidential statistical information as stipulated by the European System of Central Banks and Eurostat, the statistical bureau of the European Union. [12]

Article 41. In accordance with Article 127(5) of the Treaty and Article 3.3 of the Statute, Latvijas Banka shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system. [12]

In order to achieve the objectives and to carry out the tasks, Latvijas Banka shall research and analyse the development of the financial market and economy in Latvia, other Member States of the European Union and foreign countries. [2] [11]

Article 42. The regulations and regulatory instructions on the requirements regulating the operation of credit institutions and on the procedures for calculating credit institutions' performance indicators and drafting and submission of business reports of commercial companies approved by Latvijas Banka shall be published in the official gazette "Latvijas Vēstnesis" and shall take effect on the day following the publication, unless another effective date is specified therein. [4] [11]

Section V¹ [13]

ENSURING THE PHYSICAL SECURITY OF LATVIJAS BANKA

Article 42¹. The physical security of Latvijas Banka shall be ensured by the Security Department, an organisational unit of Latvijas Banka (hereinafter, the Security Department). The primary tasks of the Security Department shall be to ensure the protection of Latvijas Banka's premises and resources against physical hazards, to analyse the risks associated with the physical security of Latvijas Banka's premises and resources and implement security measures.

In addition to the primary tasks referred to in Paragraph 1 of this Article, the Security Department shall implement other tasks stipulated under the internal regulations of Latvijas Banka.

Within the meaning of this Law, Latvijas Banka's premises and resources shall be the movable property and money, immovable property, staff, officials of Latvijas Banka and other persons present on the immovable property of Latvijas Banka, as well as other persons, premises and resources whose protection against physical hazard needs to be ensured within the framework of events organised by Latvijas Banka and during cash transportation by Latvijas Banka.

Article 42². To ensure the implementation of the primary tasks of the Security Department, Latvijas Banka shall have the rights to:

- 1) acquire, possess, sell, utilise and use weapons in its operation, including all-category firearms, high energy pneumatic weapons and gas pistols (revolvers), the ammunition thereof and special means;

2) request information from the Punishment Register to ascertain that a physical person applying for a position in the Security Department or holding such a position satisfies the requirements specified in Clauses 2, 3, 4 and 5 of Paragraph 1 and Clauses 1 and 2 of Paragraph 2 of Article 423 of the present Law;

3) request information from the Register of Weapons to ascertain that a physical person applying for a position in the Security Department or holding such a position satisfies the requirements specified in Clauses 3, 6 and 7 of Paragraph 2 of Article 423 of the present Law;

4) request information from the State Police to ascertain that a physical person applying for a position in the Security Department or holding such a position satisfies the requirements specified in Clauses 4 and 5 of Paragraph 2 of Article 423 of the present Law;

5) request information from the national security authorities to ascertain that a physical person applying for a position in the Security Department or holding such a position satisfies the requirements specified in Clause 5 of Paragraph 2 of Article 423 of the present Law.

Latvijas Banka shall acquire and sell weapons, including firearms, high energy pneumatic weapons and gas pistols (revolvers), the ammunition thereof and special means, in compliance with the Law on the Handling of Weapons and Special Means. The Council of Latvijas Banka shall:

1) establish the procedure for possessing, carrying, utilising and using the weapons and special means in the possession of the Security Department;

2) identify the types of special means that may be used by a staff member of the Security Department while discharging the professional duties.

Article 42³. A person applying for a position in the Security Department and employed in the Security Department shall meet the following requirements:

1) the person is a citizen of the Republic of Latvia, and its education, professional experience, knowledge, skills, including the state language proficiency, physical fitness, health condition and psychological qualities are adequate in the light of the professional qualifications required and the professional duties to be discharged when holding the respective position in the Security Department;

2) the person has not been punished for committing a criminal offence (regardless of the criminal record having been set aside or extinguished);

3) the person has not been held criminally liable except for the case when a person has been held criminally liable but the criminal proceedings against it have been terminated on a vindicatory basis;

4) the person has not been convicted of a criminal offence, releasing from punishment;

5) the person has not been administratively punished for violations committed under the influence of alcoholic beverages, narcotic, psychotropic, toxic or other intoxicating substances, refusal to submit to a medical test for determining alcohol concentration, or a test for narcotic or other intoxicating substances, for malicious non-compliance with the lawful orders or requests of a police officer, a border guard, a national guard or a soldier, except for a case when a year has passed since the fulfilment of the administrative punishment.

A person applying for a position in the Security Department where the discharge of professional duties requires receiving a firearm or a high energy pneumatic weapon or a person holding such a position shall meet the requirements specified in Paragraph 1 of the present Article and the following additional requirements:

- 1) the person has not been recognised as a suspect in criminal proceedings;
- 2) the person has not been administratively punished for petty hooliganism or for intentional infliction of insignificant bodily harm, except for a case when a year has passed since the fulfilment of the administrative punishment;
- 3) the person's rights concerning the acquisition, possession or carrying of weapons or rights to be engaged in commercial activities in the field of handling of weapons have not been restricted (temporarily withdrawn), except for a case when the period of the restriction of rights has expired;
- 4) the State Police has no reasonable information that the person could misuse the weapon, endangering himself or herself, public order or safety;
- 5) the State Police or national security authorities have no information confirming that the person belongs to a prohibited militarised or armed group, association, foundation, political party or any other prohibited organisation;
- 6) the person has not been diagnosed with psychiatric disorders, addiction to alcohol, narcotic, psychotropic or toxic substances, behavioural disorders which give grounds for doubting his or her ability to comply with the conditions for the handling of weapons;
- 7) the person has no physical deficiencies due to which the person is unable to use a firearm or high energy pneumatic weapon;
- 8) the person has a declared (registered) place of residence;
- 9) the person has reached the age of 21 years.

Article 42⁴. While discharging the professional duties, a staff member of the Security Department shall have the rights to:

- 1) check the personal identity documents of persons wishing to enter or present on Latvijas Banka's premises and resources as well as request that a person present on Latvijas Banka's premises and resources voluntarily shows the personal belongings, the vehicle or freight thereof and the supporting documents;

2) request a person to stop unlawful activities or other actions interfering with a staff member of the Security Department discharging the professional duties, to comply with the rules established for Latvijas Banka's premises and resources, or, depending on the actions of that person, request the relevant person to leave Latvijas Banka's premises and resources and expel the person from Latvijas Banka's premises and resources if he or she disobeys the request and continues to breach the rules established for Latvijas Banka's premises and resources;

3) detain a person who is suspected of infringement of law until handing over to the State Police;

4) use physical force, possess, carry and use the gas pistols (revolvers) and special means received for the discharge of the professional duties, in compliance with the conditions and procedure specified in Article 426 of the present Law;

5) carry, use and utilise service firearms in compliance with the conditions and procedure specified in Article 425 of the present Law.

Article 42⁵. While discharging the professional duties, a staff member of the Security Department may use a service firearm, as a last resort, in order to:

1) protect Latvijas Banka's premises and resources from an attack that poses a real threat to human life or health or may cause substantial material damage, including the cases when it is required to free Latvijas Banka's premises and resources unlawfully taken by armed persons or to ward off a group attack or an attack on Latvijas Banka's premises or resources where weapons or objects endangering human life or health are used;

2) prevent an illegal attempt to take the service firearm away by force;

3) detain a person caught in the act of infringing the law on Latvijas Banka's premises and resources or against Latvijas Banka's premises and resources, if such a person demonstrates resistance;

4) stop a vehicle by damaging it, if the actions of its driver pose a real threat to Latvijas Banka's premises or resources and there is no other way of stopping the vehicle, as well as render harmless an animal which endangers Latvijas Banka's premises or resources.

A warning regarding an intention to use a service firearm shall be made by firing a warning shot. A firearm may be used without a warning if an attack is sudden or a weapon or an object that endangers human life or health, combat vehicles or any type of motor vehicle is employed in the attack, or the person to be detained demonstrates resistance by using a weapon or an object that endangers the life or health of another person.

It shall be prohibited to use or utilise service firearms in places where other persons against whom the firearm is not directed may suffer as a result of the employment or utilisation thereof.

A staff member of the Security Department may utilise a service firearm to fire a warning shot, signal distress or frighten away an animal that endangers Latvijas Banka's premises and resources.

A staff member of the Security Department shall have the right to draw the service firearm and prepare for shooting, if he/she believes that the given situation may warrant the use or utilisation of a firearm.

In all instances of using and utilising a firearm, the staff member of the Security Department shall be obliged to do the utmost to guarantee the safety of other persons, preserve the scene as intact as possible as well as administer first aid and summon emergency medical services, if required.

The staff member of the Security Department shall immediately, as soon as possible, report every instance of using the service firearm the State Police.

Article 42⁶. Following an oral warning, a staff member of the Security Department may use physical force, special means or a gas pistol (revolver) to ward off an attack, free Latvijas Banka's premises and resources unlawfully taken by armed persons, terminate any other type of illegal actions and detain the perpetrator, if such perpetrator, by his or her unlawful actions, poses a real threat to Latvijas Banka's premises or resources. The detained person shall be immediately handed over to the police authorities.

Physical force, special means or a gas pistol (revolver) may be used without an oral warning if the infringement of law involves a sudden attack or a violent break-in.

If necessary, first aid shall be administered to the detained person against whom physical force, special means or a gas pistol (revolver) has been used and the summoning of emergency medical services shall be ensured. If the use of physical force, special means or a gas pistol (revolver) has resulted in an injury to a person or his/her death, the staff member of the Security Department shall immediately, as soon as possible, report it to the State Police.

Section VI CONTROL AND SUPERVISION OF LATVIJAS BANKA'S OPERATION

Article 43. The Saeima shall supervise Latvijas Banka. [1]

The annual financial statements of Latvijas Banka shall be audited by independent external auditors recommended by the Governing Council of the European Central Bank and approved by the Council of the European Union. The State Audit Office shall carry out the compliance and performance audits of Latvijas Banka consistently with the provisions of Article 13 herein. The State Audit Office shall not carry out audits of the European System of Central Banks' tasks and shall act without prejudice to the audits conducted at Latvijas Banka by independent external auditors referred to in this Article. [1] [12]

Transitional provisions

1. In order to ensure legal integration of Latvijas Banka into the Eurosystem, the amendments to Articles 3, 4, 5, 7, 9 and 15, Paragraph 1 of Article 18, Article 18¹, Paragraph 1 of Article 26, Articles 34, 38, 39, 40 Paragraph 1 of Article 41 and Paragraph 2 of Article 43 herein shall take effect on the date when the Council of the European Union, pursuant to Article 140(2) of the Treaty, abrogates the derogation granted to the Republic of Latvia.
2. Within three business days following the date when the Council of the European Union, pursuant to Article 140(2) of the Treaty, has abrogated the

derogation granted to the Republic of Latvia, Latvijas Banka shall transfer part of its reserve capital into its nominal capital, increasing it to the amount stipulated in Paragraph 1 of Article 18 herein.

3. By 31 October 2020, the Cabinet of Ministers shall submit to the Saeima a draft Law on Latvijas Banka governing its governance framework and operation and providing for the incorporation of the Financial and Capital Market Commission into Latvijas Banka, respecting the independence of its monetary policy functions and the functions of the finance and capital market supervisor and resolution authority.
4. Amendment to Paragraph 3 of Article 22 herein with respect to its new wording shall apply as of the moment when the Governor of Latvijas Banka,

Deputy Governor or any member of the Council resigns upon the expiry of the six-year term of office, stipulated by Paragraph 3 of Article 22 herein (the previous wording); where the Governor of Latvijas Banka, Deputy Governor or any member of the Council resigns before the expiry of the six-year term of office, the new wording shall apply as of the moment when the Saeima appoints a new Governor of Latvijas Banka, Deputy Governor or member of the Council of Latvijas Banka respectively for a term of office of five years. The current Governor of Latvijas Banka, Deputy Governor or member of the Council of Latvijas Banka shall continue in office by the end of the six-year term of office or by the time the Saeima has relieved him/her from office pursuant to Paragraph 4 of Article 22 herein.

5. Amendments to Paragraph 1 of Article 23 herein with respect to the Board of Latvijas Banka consisting of four persons shall take effect on 1 March 2020.

A. Gorbunovs, Chairman, Supreme Council of the Republic of Latvia

I. Daudišs, Secretary, Supreme Council of the Republic of Latvia Riga, 19

May 1992