

# Conditions Attached to Operations by Way of the Freedom of Establishment in Latvia

A payment institution and an electronic money institution (hereinafter – a payment institution) licensed in another Member State intending to commence the activity of payment institution in Latvia under the freedom of establishment (open a branch or provide services through an agent) must take account of the essential provisions required by Latvian legislation.

## **I. Payment Institution Supervision**

The authority responsible for supervising compliance of the payment services in Latvia is Latvijas Banka. Its address and contact details:

Latvijas Banka  
K. Valdemara iela 2A, Rīga, LV-1050  
Phone: +371 6702 2300  
E-mail: [info@bank.lv](mailto:info@bank.lv), [single.passport@bank.lv](mailto:single.passport@bank.lv)  
Official website: [www.bank.lv](http://www.bank.lv)

## **II. Administrative Procedure**

According to the Commercial Law, a branch of a Member State payment institution has to be registered with the Latvian Register of Enterprises. The address and contact details of the Enterprise Register: <https://www.ur.gov.lv/en/contacts/>.

## **III. Legislative Requirements**

Laws and other regulation are available on the official website: [www.likumi.lv](http://www.likumi.lv). Laws directly related to payment institutions are also available on the official website of Latvijas Banka: <https://www.bank.lv/en/legislation/legislation-navigation>.

The information below is not exhaustive and is provided for general information purposes only and should not be regarded as a substitute for seeking legal advice.

### **1. Payment Institution Legislation**

According to the Section 31, Paragraph 1 of the Law on Payment Services and Electronic Money, a payment institution licensed in another member state may open a branch or perform through an agent in Latvia without receiving the licence specified in this Law only after Latvijas Banka has received a notification from competent authorities of the home Member State according to this Section and according to the Commission delegated Regulation (EU) 2017/2055.

According to the Section 49, Paragraph 2 of this Law, activities of the branch and agent of the payment institution must comply with the requirements of following **Chapters: V, VI, VII, VIII, IX, X, XI, XII, XIII, XIV<sup>1</sup> and XV.**

Latvijas Banka has the right to: 1) to request that the branch, agent or central contact point of agent provide the information necessary for supervision; 2) to perform inspections at the branch or at the location of the agent.

According to the Section 51 of this Law, Latvijas Banka may request that the payment institution terminates activities that contradict the Latvian laws.

According to the Section 105 of this Law, The Consumer Rights Protection Centre ([www.ptac.gov.lv](http://www.ptac.gov.lv)) carries out supervision over compliance with the provisions of this Law regarding consumer protection.

According to the Section 61(2) of this Law, the payment institution shall provide requested information as stated in the Section 63 of the Credit Institution Law. In particular, the information to the following extent set in the Credit Institution Law shall be provided to Latvijas Banka, the Financial Intelligence Unit of Latvia, courts, the person directing proceedings in accordance with the laid down in the Criminal Procedure Law, persons performing investigative field work, bailiffs, notaries who examine inheritance matter, the information technologies security incidents response institution and other state institutions and officials.

According to the Section 44.<sup>1</sup> of this Law, a payment institution shall provide information to the State Revenue Service ([www.vid.gov.lv](http://www.vid.gov.lv)) regarding the suspicious transactions, customers and the payment account in accordance with the Account Register Law and in accordance with the Law on Taxes and Duties.

According to the Section 44.<sup>2</sup> of this Law, the payment institution shall not enter into business relationship with the gambling organizer or its intermediary listed in a decision provided to the payment institution by the Lotteries and Gambling Supervisory Inspection (<https://www.iaui.gov.lv/en/>) regarding the ban on entering into and carrying on business relationship with the gambling organizer that performs its activity without a licence as prescribed in the regulatory provisions of the Republic of Latvia or its intermediary.

According to the Section 46.<sup>1</sup> of this Law, the payment institution, which provides services related to a payment account, shall submit to The Consumer Rights

Protection Centre ([www.ptac.gov.lv](http://www.ptac.gov.lv)) information regarding the service fee referred to in Section 60.<sup>1</sup>, Paragraph 2 of this Law. The exceptions from this duty are provided in Section 2, Paragraph 6, 7, and 8.

## **2. AML/CFT and Sanctions**

According to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (hereinafter – AML/CFT Law) payment institutions (including payment institutions exercising the freedom of establishment in Latvia) are the subject of this law and shall ensure AML/CFT requirements set by the said law, including obligation to establish an internal control system for the prevention of money laundering and terrorism and proliferation financing, appoint persons responsible for the fulfilment of the AML/CFT requirements. and report to the Financial Intelligence Unit of Latvia.

In addition, according to Article 22<sup>2</sup> of the Law "On Taxes and Duties", the subjects of AML/CFT Law, upon detecting a suspicious transaction within the meaning of the AML/CFT Law, are obliged to immediately report not only the Financial Intelligence Service, but also the State Revenue Service about a person whose country of residence (registration) is Latvia Republic. The report to the State Revenue Service shall be submitted using the Financial Intelligence Service's Financial Intelligence Data Receiving and Analysis System. Additional guidance specific on reporting requirements on suspicious transactions can be found on website of Financial Intelligence Unit (<https://www.fid.gov.lv/en/roles-and-responsibilities/guidelines>).

According to Law on International Sanctions and National Sanctions of the Republic of Latvia requirements provided in this Law applies to every person.

In addition, Latvijas Banka as supervisory institution has issued several regulations and guidance in AML/CFT area applicable for payment institutions exercising the freedom of establishment via branches. Additional information is available on the official website of Latvijas Banka: <https://www.bank.lv/en/legislation/legislation-navigation>.

## **3. Consumer Protection**

The Consumer Rights Protection Law applies to all contracts concluded between consumers and service providers (payment institutions). Pursuant to the Consumer Rights Protection Law, a consumer is a natural person who expresses a wish to purchase, purchases or might purchase, or use goods or a service for a purpose, which is not related to his or her economic or professional activity. The Consumer Rights Protection Centre ([www.ptac.gov.lv](http://www.ptac.gov.lv)) supervises the legality of the use of contract conditions from the point of view of consumer protection.

#### **4. Data Protection**

Data protection is regulated by the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The Data State Inspectorate ([www.dvi.gov.lv](http://www.dvi.gov.lv)) is a data supervisory authority within the meaning of the General Data Protection Regulation and carries out the tasks in the area of data processing specified in the General Data Protection Regulation and Personal Data Processing Law.

#### **5. Payments to Latvijas Banka**

According to the Section 40, Paragraph 1.<sup>5</sup> of The Law on Payment Services and Electronic Money, a branch or agent of a payment institution licensed in another Member State shall pay up to EUR 7000 per year for the financing of the activities of Latvijas Banka, making payments by 30 January of the following year. The specific Regulations are found at <https://likumi.lv/ta/id/338266-noteikumi-par-finansu-tirgus-dalibnieku-maksajumu-apmeru-un-so-maksajumu-aprekinanas-un-veikšanas-kartibu>

#### **6. Taxes**

According to the Law on Taxes and Fees, a Member State payment institution is responsible for the payment of taxes according to the Latvian tax legislation. For further information, please contact the State Revenue Service ([www.vid.gov.lv](http://www.vid.gov.lv)).

#### **7. Statistical information**

A branch or agent of a payment institution shall submit to Latvijas Banka information needed for supervision purposes as well as statistical information. It shall submit to Latvijas Banka at least once a year a report regarding the payment services provided, as well as information regarding the electronic money issued, distributed and repurchased. It also shall submit to Latvijas Banka twice a year statistical data on fraud and other illegal activities in the previous half-year related to the use of means of payment during the previous half-year.

The relevant regulations and reporting forms are available on the official website of Latvijas Banka: [www.bank.lv](http://www.bank.lv).

Latvijas Banka collects, stores and process statistical data as well as develop, compile, analyse and disseminate statistics to ensure the fulfilment of its tasks. Laws and regulations regarding statistical data and procedure for compiling and

submission of statistical reports are available on the official website of Latvijas Banka: [www.bank.lv](http://www.bank.lv).

## **8. Other Provisions**

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

The Civil Law;  
The Commercial Law;  
The Competition Law; and  
The Law on Advertising.

Apart from that, we would like to note that payment institutions exercising the freedom of establishment in Latvia have to follow other requirements that have not been referred to above, but are provided for in the Latvian legislation applicable to branches or agents.