



**OPINION OF THE EUROPEAN CENTRAL BANK**  
**of 29 October 2012**  
**on amendments to the Law on Latvijas Banka**  
**(CON/2012/80)**

**Introduction and legal basis**

On 8 October 2012, the European Central Bank (ECB) received a request from Latvijas Banka for an opinion on draft amendments to the Law on Latvijas Banka (hereinafter the ‘draft law’).

The ECB’s competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third indent of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions<sup>1</sup>, as the draft law relates to Latvijas Banka. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

**1. Purpose of the draft law**

The draft law addresses a number of issues raised by the ECB and the European Commission in their Convergence Reports<sup>2</sup> in relation to the Law on Latvijas Banka. In this regard, amendments are made to the provisions concerning Latvijas Banka’s independence, prohibitions on monetary financing and privileged access, and the legal integration of Latvijas Banka into the Eurosystem.

The draft law introduces additional amendments to the Law on Latvijas Banka compared to the previous draft legislation on which the ECB commented in Opinion CON/2012/73<sup>3</sup>. In particular, the draft law aligns the grounds for dismissal of the Governor, the Deputy Governor and other members of the Council of Latvijas Banka under Article 22(4) of the Law on Latvijas Banka with grounds for dismissal set out in Article 14.2 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the ‘Statute of the ESCB’).

The draft law amends Article 41 of the Law on Latvijas Banka, by explicitly providing that Latvijas Banka shall, *inter alia*, contribute to the stability of the financial system.

The draft law also amends Article 34(3) of the Law on Latvijas Banka, providing that the requirements for euro cash processing systems and the quality requirements for euro banknote processing must be performed in compliance with Union law.

---

<sup>1</sup> OJ L 189, 3.7.1998, p. 42.

<sup>2</sup> See the ECB’s Convergence Report 2012, p. 237 and the European Commission’s Convergence Report 2012, p. 71.

<sup>3</sup> All ECB opinions are published on the ECB’s website at [www.ecb.europa.eu](http://www.ecb.europa.eu).

## 2. General observations

The ECB welcomes the fact that the Latvian authorities have taken into account the ECB's earlier observations in Opinion CON/2012/73. The ECB also notes that the compatibility of Latvian legislation, including the Law on Latvijas Banka and the Law on prevention of conflict of interests in activities of public officials<sup>4</sup>, with Article 130 and 131 of the Treaty will be assessed in the ECB's next Convergence Report.

## 3. Specific observations

- 3.1 The ECB welcomes the amendments to Article 22 of the Law on Latvijas Banka that refer to Article 14.2 of the Statute of the ESCB as regards the grounds for dismissal of the Governor, the Deputy Governor and other members of the Council of Latvijas Banka.
- 3.2 As regards institutional independence, the ECB reiterates its observations in paragraph 3.2 of Opinion CON/2012/73, specifically that it understands that the term 'supervision' in the context of Article 43(1) of the Law on Latvijas Banka refers to the Parliament's right to ask questions pursuant to the Law on the Rules of Procedure of the Parliament<sup>5</sup> so as to enhance Latvijas Banka's accountability for its decisions. Based on this understanding, Article 43(1) of the Law on Latvijas Banka is compatible with the principle of central bank independence enshrined in Article 130 of the Treaty and mirrored in Article 7 of the Statute of the ESCB.
- 3.3 The ECB welcomes the amendment to Article 34(3) of the Law on Latvijas Banka which takes into account the observation made by the ECB in paragraph 3.5 of Opinion CON 2012/73 on the legal integration of Latvijas Banka into the Eurosystem.
- 3.4 The ECB further welcomes the amendment to Article 41 of the Law on Latvijas Banka which provides for Latvijas Banka to 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. This amendment takes into account the role of the Eurosystem under Article 127(5) of the Treaty, as recommended by the ECB in paragraph 3.6 of Opinion CON/2012/73.
- 3.5 Furthermore, the ECB is of the view that it would be beneficial, from a financial stability perspective, to establish an effective macro-prudential policy framework at a national level, where Latvijas Banka plays a key role<sup>6</sup>.

---

<sup>4</sup> In the request of 8 October 2012 from Latvijas Banka for an opinion on draft amendments to the Law on Latvijas Banka, Latvijas Banka informs the ECB that it has taken into account the ECB's observation made in Opinion CON/2012/73.

<sup>5</sup> *Saiemas Kārtības rullis*, "LV", 96 (227), 18.08.1994.

<sup>6</sup> See Recommendation ESRB/2011/3 of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (OJ C 41, 14.2.2012, p. 1).

**ECB-PUBLIC**

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 29 October 2012.

[signed]

*The President of the ECB*

Mario DRAGHI