

FDI Guide
Latvia

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1.	Principle	Describe if the FDI regime is built by exception to a principle of freedom of investment or whether restrictions to transferring funds to and from your country apply generally.	<p>Regime by exception</p> <p>The Maastricht Treaty applicable to Latvia guarantees the principle of free movement of capital between Member States of the European Union and the third countries.</p> <p>In accordance with Article 65 of the Treaty on the Functioning of the EU (TFEU) exceptions nevertheless exist, including, inter alia, measures grounded on public policy or public security.</p> <p>Based on this exception principle, Latvia has implemented a screening procedure regarding foreign direct investment (FDI) in some sensitive sectors. The exceptions are included in various laws (in depth descriptions are in the items below).</p>
2.	Legal regime Authority(ies) in charge	Describe source(s). Name of authority in charge of applying the FDI rules (Minister/Agency/...).	<p>EU-level</p> <p>Regulation (EU) 2019/452 establishes intra-EU cooperation with regard to FDI screening mechanisms. The respective authorities of other EU Member States and the European Commission may be involved by virtue of comments and opinions provided for due consideration by the relevant Latvian authorities.</p> <p>National level</p> <p>In addition to this, there are multiple laws and Cabinet of Ministers' regulations with regard to various FDI options and investment fields, along with different control mechanisms.</p> <p>The amendments to the National Security Law of 23 March 2017, which entered into force on 29 March 2017, include chapter VI, which sets restrictions on both transactions involving critical infrastructure and the acquisition of influence in a commercially important commercial company, providing that it is necessary to receive the permission of the Cabinet of Ministers.</p> <p>Additional regulations regarding Latvian foreign investment are set out in other laws, such as the Investor Protection Law, Financial Instrument Market Law and Energy Law.</p> <p>Currently, FDI rules are monitored by the Law on the Financial and Capital Market Commission, and, with respect to investing in national security objects, the National Security Council, Cabinet of Ministers, Ministry of Economics and so on.</p>

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			In general, the Financial and Capital Market Commission and Cabinet of Ministers' permission has to be obtained if the investment object involves national security objects that are finance market participants.
3.	Transactions that may be subject to FDI <ul style="list-style-type: none"> • Type • Materiality thresholds • Rights of evocation 	Describe the nature of the transactions that may be subject to FDI rules. In the case of share acquisition, specify if the FDI regime is triggered only beyond a certain threshold and, if so, describe such a threshold.	<p>In order to prevent an impact that threatens or potentially endangers national security in a commercial company important for national security, the Cabinet of Ministers determines the obligations of commercial companies important for national security:</p> <ol style="list-style-type: none"> 1. acquisition of a qualifying holding (ten per cent or more); 2. acquisition of decisive influence; 3. transfer of the company; and 4. the preservation of the status of a shareholder or participant or the preservation of the right to use indirect participation (voting rights) if the beneficial owner changes. <p>With regard to partnerships, the Cabinet of Ministers decides on:</p> <ol style="list-style-type: none"> 1. the accession of a new member; and 2. maintaining the status of a member if the beneficial owner changes. <p>In its turn, the Energy Law prescribes state pre-emption rights if:</p> <ol style="list-style-type: none"> 1. a person who owns shares in a merchant who is the owner of the unified natural gas transmission and storage system or the unified operator of the natural gas transmission and storage system disposes of more than one per cent of the part or shares of the unified owner of the natural gas transmission and storage system or the unified natural gas transmission and storage system operator; and 2. a merchant who owns a natural gas transmission system or any part thereof, or a part of an underground natural gas storage facility, alienates the natural gas transmission system or any part thereof or land plots on which the underground natural gas storage facility is located the buildings, structures and technological equipment necessary for the provision of the operation, as well as the technological equipment that ensures the operation of the underground natural gas storage facility or the buffer gas.

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		<p>Are indirect acquisitions of assets or shares in the jurisdiction subject to the relevant FDI rules (acquisitions in a parent company outside the jurisdiction)?</p> <p>Are share transfers involving a group company internal restructuring covered?</p> <p>Are greenfield investments covered?</p> <p>Does the FDI Authority (or another type of governmental authority) have a power of evocation/ex officio/call-in powers? If so, please describe.</p>	<p>Transactions with national security objects that are carried out without the permission of the authority are considered as not in force (invalid).</p> <p>Finance institution transactions are carried out with the Financial and Capital Market Commission informing/permission; however, if the transaction matter covers the National Security Law scope, permission must also be received from the Cabinet of Ministers.</p> <p>Greenfield investments are covered.</p>
4.	Sectors falling under the FDI scope	<p>Describe the economic sectors for which the FDI regime will apply. If relevant, explain for each sector the level of flexibility that the Authority may apply (or not) in evaluating whether FDI rules should apply.</p> <p>Are there sector-specific stricter limits on foreign investment that will apply such as a lower threshold of investment by foreign interests or sectors for which no foreign investment is possible? If yes, which sectors (eg, nuclear energy/agriculture)?</p>	<p>Multiple sectors are under FDI rules</p> <ul style="list-style-type: none"> • State security objects (certain real estate, goods, companies, etc); • finance and brokerage institutions; • immigration; and • forestry and so on. <p>With regard to immigration, an immigration permit is granted to an investor that has acquired and owns one functionally related real estate property with buildings in Riga or certain other areas specified in law with a value of not less than EUR 250,000. If the acquired real estate is outside the specified areas, the criteria differ and the value threshold is higher.</p> <p>With regard to national security objects and commercial companies of significance to national security, the Cabinet of Ministers evaluates the restriction on the rights of the person, its commensurability with national security interests and the opinion of a state security institution, in addition to the conformity with the principle of protection of legitimate expectations.</p> <p>Restrictions apply to commercial companies registered in the Republic of Latvia that comply with at least one of the following conditions, regarding the National Security Law, Article 37:</p>

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			<ol style="list-style-type: none"> 1. is an electronic communications merchant with significant market power;¹ 2. is an audio electronic media company, the programme coverage area of which is Latvia or at least a major part of its territory;² 3. has received a licence in the Republic of Latvia for the transmission, distribution and storage of natural gas or owns a liquefied natural gas installation connected to the transmission system; 4. is a producer of electricity or heat, the installed actual capacity of which exceeds 50 megawatts; 5. is a heat transmission and distribution operator that owns heating networks of at least 100 kilometres in length; 6. has received a licence for the transmission of electricity in the Republic of Latvia; 7. owns at least 10,000 hectares of forest land in the Republic of Latvia; 8. owns at least 4,000 hectares of agricultural land in the Republic of Latvia; and 9. has received a special permit (licence) issued by the Ministry of Defence for commercial activities with goods of strategic importance or the certificate of a military manufacturer and has a valid strategic partnership agreement with the Ministry of Defence. <p>In accordance with the Republic of Latvia Cabinet of Ministers Regulation No 606 of 3 October, 2017 ‘Regulations Regarding the Information to be Submitted to the Authority Determined in the National Security Law and the Handling of Information on Foreign Direct Investments’ (the ‘Regulation’), a ‘foreign investor’ is a natural person from a third country or a third-country company that is planning to make or has already made an FDI.</p> <p>In accordance with the Regulation, Member States and the European Commission may request and provide information on FDI, including comments from Member States, but the European</p>

1 For which obligations for the regulation of tariffs and calculation of costs have been determined in accordance with the procedures provided for in the Electronic Communications Law.

2 Using the technical means of terrestrial broadcasting, at least 60 per cent of its territory is in accordance with the broadcasting permit issued by the National Electronic Media Council; or is an audiovisual electronic media company whose programme coverage area, when using the technical means of terrestrial broadcasting, in accordance with the broadcasting permit issued by the National Electronic Media Council, Latvia, is at least 95 per cent of its territory.

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			<p>Commission may issue an opinion. The comments and opinions provided are of a recommendatory nature; the assessment of FDI, as well as the decision on FDI, is a matter for each Member State.</p> <p>The person submits an application for the acquisition of a transaction involving critical infrastructure or the acquisition of influence in a commercial company important for national security to the Ministry of Economics.</p> <p>The Ministry of Economics sends the application to the national security authorities for an opinion. In the opinion, the national security authorities indicate whether the issuance of the permit does not endanger national security interests. If the state security authorities do not provide the information within seven working days, the investment shall be deemed not to affect the national security of Latvia.</p> <p>In accordance with the Regulation, state security institutions and the Ministry of Economics also have the right to request additional information. If it is not provided or false information is provided, the Cabinet of Ministers makes a decision regarding the refusal to issue a permit. After receiving the opinion of the state security authorities, the Ministry of Economics prepares the draft decision of the Cabinet of Ministers.</p> <p>The information to be provided about the investor is as follows: (1) name; (2) address and domicile of the investor; (3) type of economic activity according to the <i>Nomenclature des Activités Économiques dans la Communauté Européenne</i> (NACE) code; (4) EU Member State where the investor has significant business activities; (5) annual turnover of the investor for the last fiscal year; (6) ownership structure of the investor, and address and country of the beneficial owner; (7) listing on the stock exchange (country, trading code, stock exchange or share symbol); (8) approximate value of the investment in euros; (9) financing and its source; and (10) date the transaction is planned or will be executed.</p> <p>In addition, the following information will be provided: whether the investment is or has been subject to assessment, authorisation, supervision or other inspection in accordance with EU national legislation (eg, local competition control, prudential supervision, industry authorisation or certification).</p> <p>The Cabinet of Ministers makes a decision regarding the refusal to issue a permit if: (1) the issuance of a permit endangers national security interests; (2) the person who has submitted the application has not submitted additional information or documents that are necessary for the provision of an opinion to the state security authorities within the term specified by the Ministry of</p>

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			Economics or the state security authorities; and (3) the Ministry of Economics or the state security authorities establish that they have been provided with false information.
5.	Qualified investors	Describe the main characteristics of investors that fall under the FDI regime and if there are nuances depending on their origin (eg, EU v not EU).	<p>EU-level</p> <p>Regulation (EU) 2019/452, directly applicable to Latvia, prescribes that screening mechanisms must be applied to third countries in a non-discriminatory manner.</p> <p>National level</p> <p>Specific obligations are applicable to investments, investors and activities regarding national security objects and commercial companies of significance to national security, as well as financial investment companies and brokerage companies.</p> <p>No distinction applies between Latvian and EU investors. The Law on the Financial and Capital Market Commission lays down the main principle, where the same requirements as those used for Latvian companies and investors apply for foreign investors.</p> <p>In accordance with the Investor Protection Law, a foreign company is an investment service provider that is registered in a foreign country other than a country of the EU or the European Economic Area and which, in accordance with the procedures laid down in the law, has commenced the provision of investment services in the territory of Latvia.</p> <p>For instance, the notification requirements to the Financial and Capital Market Commission in the case of obtaining a significant influence are not applicable if the information provided by the issuer in accordance with the requirements of the regulatory enactments of its country is the same as that specified in the regulatory enactments of the Republic of Latvia (eg, for annual financial statement filing).</p> <p>Foreign companies have the obligation to inform the Financial and Capital Market Commission of the choice of the Member State of origin.</p>
6.	Procedure 6.1 Before or post-closing filing		<p>Procedure regarding national security objects</p> <p>National Security Law, Article 39 describes the procedure for FDI approval for companies of significance to national security:</p>

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			<ol style="list-style-type: none"> 1. Within five working days from the day when the commercial company is registered, notification must be submitted to the Commercial Register Office regarding its conformity with the conditions for a commercial company of significance to national security. 2. An entry must be made in the register of stockholders or shareholders regarding the status of the capital company. 3. The shareholders or stockholders of the relevant capital company and persons who exercise an indirect holding (right to vote) or members of the partnership must be informed regarding its conformity with the conditions for a commercial company of significance to national security. 4. The authority stipulated by the Cabinet of Ministers must be informed regarding its shareholders, stockholders and persons who exercise an indirect holding (right to vote) or regarding members and beneficial owners – natural persons who directly or indirectly have a qualifying holding in this commercial company. <p>Decisive influence</p> <p>A permit from the Cabinet of Ministers must be received <i>before</i> qualifying holding or decisive influence can be obtained in a commercial company of significance to national security or changes in the membership of such a company can occur. This equally applies to obtaining influence in a capital company registered in the Republic of Latvia that is a member of a commercial company of significance to national security.</p> <p>An application for the receipt of a permit must be submitted by the person who wishes to obtain a qualifying holding or decisive influence in a commercial company of significance to national security.</p> <p>Change of beneficial owner</p> <p>A shareholder or stockholder in a commercial company of significance to national security, a person who exercises an indirect holding (right to vote) or a member must receive a permit to retain the holding or to remain a member in the commercial company if its beneficial owner changes.</p> <p>An application for the receipt of a permit must be submitted by the relevant shareholder, stockholder in a commercial company of significance to national security, person who exercises an</p>

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			<p>indirect holding (right to vote) or member within five working days from the day when the change of beneficial owner occurred.</p> <p>Transfer of an undertaking</p> <p>A permit from the Cabinet of Ministers must be required for each transfer of an undertaking as a result of which a person obtains such an undertaking in its ownership from a capital company of significance to national security.</p>
7.	6.2 In the case of pre-closing filing	Mandatory/optional filing	It is mandatory to file a request for clearance to the Cabinet of Ministers <i>before</i> the completion of the investment in companies of significance to national security and other national security objects, as well as financial investment and brokerage companies.
8.	6.3 In the case of post-closing, what are the powers of the authority?		Not applicable (pre-filing is mandatory).
9.	6.4 Advance ruling	Explain if it is possible to obtain a pre-ruling from the authority as to whether the transaction falls under the FDI rules and, as the case may be, describe the process to be followed.	<p>There is no advance ruling process. However, authority decisions can be appealed in the Administrative District court of first instance in the administrative process order.</p> <p>The judgement can be appealed in cassation in the Supreme Court.</p>
10.	6.5 Timing of various steps (i) Filing	How much lead time is required?	<p>EU-level</p> <p>The timing of the decision may be affected by the review procedures introduced by Regulation (EU) 2019/452.</p> <p>National level</p> <p>With regard to national security objects, the decision of the Cabinet of Ministers is taken within <i>one month</i> from the day it receives an application concerning any triggering scenarios. This time period may be extended up to four months. If the Cabinet of Ministers has not made a decision</p>

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			<p>within the time period specified, it shall be deemed that a permit has been granted after expiry of the time period.</p> <p>Upon taking a decision, the Cabinet of Ministers evaluates the restriction on the rights of the person, its commensurability with national security interests and the opinion of a state security institution, as well as conformity with the principle of legitimate expectations.</p>
11	(ii) Review by the authority	Specify the timing available to the Authority; indicate if the timeframe is mandatory or not and describe what other flexibility may exist <i>de facto</i> or <i>de jure</i> .	<p>Under Regulation (EU) 2019/452, which entered into force on 11 October 2020, Latvia is obliged to notify the European Commission and the other Member States of any FDI undergoing screening in its territory.</p> <p>Accordingly, the Member States are entitled to provide comments on the respective FDI screening if it is considered to be likely to affect their public order or security. An opinion may be further issued by the European Commission if deemed necessary. These opinions and comments are to be given due consideration by the responsible Latvian authority.</p> <p>The intention to provide comments or opinions on the part of the Member States or European Commission must be communicated no later than <i>15 days</i> from the receipt of the notification of FDI screening. Any comments or opinions must be communicated no later than <i>35 calendar days</i> from the receipt of the notification.</p>
12.	(iii) Negotiation with the authority	Describe how to handle the relationship with the Authority, including when approval is subject to commitments from, or conditions imposed on, the investor.	Not applicable.
		Are there any guidelines issued by the Authority?	<p>21.01.2015 guidelines No 11 'Recommendations on the Procedure for Handling, Registering and Providing Information on Complaints Received by Credit Institutions, Cooperative Credit Unions, Investment Brokerage Companies, Investment Management Companies, Alternative Investment Fund Managers, Payment Institutions and Electronic Money Institutions' are available online:</p> <p>https://likumi.lv/doc.php?id=271748.</p> <p>These regulate the complaint procedure for FDI regulatory institution decisions.</p>

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13.	(iv) Filing fees	Is there a filing fee?	Fees are determined in accordance with the Regulations of the Financial and Capital Market Commission No 164 (07.12.2021) 'Normative Regulations for Determining the Amount of Payments of Financial and Capital Market Participants for Financing the Financial and Capital Market Commission in 2022 and Submitting Reports'.
14.	(v) Information needed for filing	What information about the investor is required? Are there any thresholds for the identity and nationality of minority passive shareholders? Information on other FDI approvals by other authorities?	The following information is required: name, registration number and legal address or country of residence, if the legal address is unknown, for a legal person; and name, surname, personal identification code or other personal identification data, address or country of residence, if the address is unknown, and citizenship.
15.	(vi) Final decision	Indicate if the final decision is to be issued within a set timeframe and what are the consequences if the Authority does not issue a decision within the set timeframe.	For some FDI objects, if the decision is not made within the timeframe noted in the law, it is deemed that permission/the licence has been granted.
16.	Conditionality of approval (i) Type of conditions or commitments	Describe the type of conditions or commitments to which FDI approval may be subject. Specify their usual duration. Specify what powers the Authority may exercise to control/monitor the satisfaction of such conditions/commitments.	The conditions and aims vary with regard to different FDI objects' evaluations and procedures. Screening aims to evaluate the FDI impact on national security, money laundering, and terrorist and proliferation financing risk and so on.
17.	(ii) Level of discretionary power of the authority	Indicate if it exists and, if so, describe exceptional circumstances that have led to the use of such discretionary power.	With regard to the FDI procedures, the authority exercises discretion within the criteria and limits set out in applicable laws. The decisions of the authority can be appealed.

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18.	(iii) Risk of veto	Describe a topical case. Statistics	Not applicable.
19.	Role of other national authorities	Indicate if other authorities or administrations (eg, Army or Defence Minister) can get involved and, if so, how (by the Authority or otherwise) and how much influence it may exercise.	<p>EU level</p> <p>Where deemed necessary, Regulation (EU) 2019/452 provides for the possibility of involvement on the part of other EU Member States and the European Commission.</p> <p>National level</p> <p>The FDI process involves numerous authorities, taking into account different FDI processes. For example, the National Security Council, Cabinet of Ministers and Committee.</p>
20.	Sanctions	Describe the type of sanctions that may be imposed by the authority in the case of:	<p>Decisions made at a meeting of shareholders or stockholders of a commercial company of significance to national security for a holding or change of beneficial owner for which the Cabinet of Ministers has not issued a permit, or decisions made in violation of the prohibition of the right to vote, are considered <i>not invalid</i>.</p> <p>Any action of a member that has been carried out on behalf of the commercial company of significance to national security, thus violating the restrictions on representation and record-keeping, <i>are not valid</i>.</p> <p>Regarding European Commission decisions, if the informing duty has not been fulfilled, or permission or the licence has not been received, outcomes vary regarding different FDI objects.</p> <p>For example, if a person acquires or increases a qualifying holding without complying with the European Commission's prohibition, he or she shall not be entitled to exercise the voting rights of all shares held by him or her, but resolutions of the shareholders' meeting adopted using the voting rights of those shares' entries in the commercial register and other public registers may not be requested on the basis of these decisions.</p> <p>For other breaches, the European Commission is entitled to impose the following sanctions:</p> <ol style="list-style-type: none"> 1. make a public statement indicating the natural or legal person responsible for the violation and provide information about the nature of the violation;

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			<p>2. as an alternative, impose a fine up to twice the amount of the income gained or possible loss prevented by the violation, if it is possible to determine the profit gained or loss avoided due to the violation;</p> <p>3. impose a fine of up to €5m or up to three per cent of the total annual turnover of the legal person in accordance with the last available audited annual report of the legal person;³ and</p> <p>4. impose a fine of up to €700,000 on a natural person.</p> <p>For the dissemination of false or misleading regulated information, the European Commission has the right to issue a warning or impose a fine of up to €14,200 on the issuer or the person requesting the admission of transferable securities to the regulated market.</p> <p>For some breaches, there is criminal liability.</p>
		<ul style="list-style-type: none"> • breach of conditions and/or commitments attached to the approval; and 	Please view item 20.
		<ul style="list-style-type: none"> • investment carried out without prior approval. 	
21.	Covid – special regime	Please describe specific rules applicable as a result of the Covid-19 pandemic	No special regime is currently in force regarding FDI and Covid-19.

³ Where a legal person is a parent undertaking or a subsidiary of a parent undertaking that draws up consolidated accounts in accordance with the Law on Annual Accounts and Consolidated Financial Statements in accordance with the relevant laws and regulations of the home Member State, the total turnover shall consist of the total annual turnover or, using the relevant accounting laws of the home Member State, take into account the latest available consolidated annual report approved by the parent company's management body.

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