



FINANCE LATVIA ASSOCIATION

ARTICLES OF ASSOCIATION

APPROVED AT THE MEMBERS' MEETING OF
FINANCE LATVIA ASSOCIATION ON
27.02.2020, RIGA

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1. Corporate Title

- 1.1. The title of the Association is “Latvijas Finanšu nozares asociācija” (hereinafter – the Association). The short title of the Association in Latvian is “Finanšu nozares asociācija”.
- 1.2. The English translation of the Title of the Association is “*Finance Latvia Association*”.

2. Purpose of the Association

2.1. The main aim of the Association is to purposefully work upon the development of the business and financial services environment in Latvia in conjunction with its partners from the public and private sector.

2.2. For the attainment of its aims the Association has set the following core tasks:

- 2.2.1. Coordination of the process of addressing topical issues;
- 2.2.2. Representation of the collective interests of the Association’s members before state and municipal institutions, local and international organizations;
- 2.2.3. Protection of the rights and interests of its members;
- 2.2.4. Facilitation of experience sharing events for its members on topical issues;
- 2.2.5. Training and upskilling of its members’ staff;
- 2.2.6. Methodological, legal, consultative etc. support to the Association’s members.

2.3. To fulfil its goals and assignments, the Association:

- 2.3.1. Monitors and follows up on matters topical for its members;
- 2.3.2. Identifies issues and drafts recommendations for resolving of the identified issues;
- 2.3.3. Coordinates drafting and implementation of necessary projects;
- 2.3.4. Participates in drafting of legislation and public consultations;
- 2.3.5. Maintains regular contacts with governmental institutions and competent authorities regarding matters of interest for the Association;
- 2.3.6. Organizes training events (courses, workshops and conferences) for the employees of the Association’s members;
- 2.3.7. Compiles data on significant indicators associated with the industries of its members and provides regular publications of respective data;
- 2.3.8. Facilitates dialog of the Association’s members and ensures compliance with the code of conduct;
- 2.3.9. Ensures the functioning of the Ombudsman.

3. Tenure of the Association

3.1. The Association is founded for an unlimited tenure.

4. Membership, Admission, Termination and Expelling

4.1. The following entities are eligible for the membership in the Association:

4.1.1. firms authorised to perform the operations of a credit institution in the Republic of Latvia within the meaning of the Credit Institution Law (hereinafter – the Bank);

4.1.2. firms which provide financial services in the Republic of Latvia that are relevant or innovative for the financial sector, including financial technology or consulting services, provided the number of such members cannot exceed the number of members – Banks.

4.2. To apply for the membership in the Association, the applicant must submit a written application.

4.3. The decision on the admission of a new member is taken by the Association's Council. The applicant is invited to attend the Council's meeting at which the applicant's membership application will be considered. The absence of the applicant's representative is not an obstacle for the council to decide on the applicant's membership. The Council's decision is notified to the applicant within 10 days after taking the decision.

4.4. In case the membership is rejected, the applicant may appeal in writing this decision to the members' meeting. In case the members' meeting upholds the decision, the applicant is not admitted to the Association and may reapply for the membership not sooner than a year after the decision taking date.

4.5. Any member may terminate its membership in the Association anytime, by giving a written notification to the council and by paying the membership fee or the additional member's fee for the duration of its membership in the current calendar year. In case the termination notice is submitted after approval of the Association's annual budget, the member must pay full membership or additional member's fee for the entire calendar year. Before terminating the membership, the member must satisfy all membership fee debts, if any.

4.6. The members' meeting may decide on the exclusion of a member from the Association, in case:

4.6.1. The member violates the decisions of the members' meeting or the council;

4.6.2. The member violates its duties or obligations.

4.7. In case the banking licence of a member is revoked, the member is expelled from the Association by the decision of the council. The member is notified on the council's decision in writing within five days after the date of taking the decision.

4.8. A member may anytime place the membership in the Association on hold, due to a justified cause however for a term not exceeding six months. The member must notify the council thereof in writing and pay the membership or additional member's fee for the term up till the day of filing such a notification within the current calendar year and settle all membership fee debts, if any.

5. Rights and Obligations

5.1. The members of the Association shall have the following rights:

- 5.1.1. To participate and vote at the members' meetings and to participate in the work of sectoral steering groups, if any, and in the work of committees and sub-committees;
- 5.1.2. To chair committees and to be elected in the Audit Commission;
- 5.1.3. To be elected a council member in accordance with the procedure laid down in the Articles of Association;
- 5.1.4. For the members not elected in the council - to be appointed members of the sectoral steering groups, if any;
- 5.1.5. To propose, raise or submit legislative drafts, policy planning proposals and to defend one's opinion;
- 5.1.6. To receive information on the Association's work, have access to the minutes of the meetings and orders of all Association's institutions;
- 5.1.7. To receive the latest information on the sectoral topicalities;
- 5.1.8. To place information on its members in the Association's informative materials and to participate in the Association's publicity events;
- 5.1.9. To have access to the surveys and statistical data prepared by the Association;
- 5.1.10. To participate in the events organised by the Association;
- 5.1.11. To submit recommendations for the Association's operation and its improvement;
- 5.1.12. To make use of the Association's support in case any issue dealing with the member's actions are examined at some state, municipal or other institution or international organization.

5.2. The members of the Association shall have the following obligations:

- 5.2.1. To respect the Association's Articles of Association, mission, values, self-regulation principles and guidelines, and to implement the decisions of the members' meeting, the council, the board and the sectoral steering groups, if any;
- 5.2.2. To take active involvement in supporting the implementation of the Association's objectives;
- 5.2.3. To respect and with one's acts - facilitate compliance with high ethical and compliance standards;
- 5.2.4. To raise the reputation of the financial sector, inter alia, to avoid taking any acts that could be detrimental to the sectoral reputation;
- 5.2.5. To assume responsibility, by revoking its representative from the positions taken at the Association's institutions and structural units, in case the individual is subject to a penalty for violations imposed by the supervisory institution or is subject to criminal proceedings;

- 5.2.6. To raise the authority of the Association as the representative of the joint position of financial services providers;
- 5.2.7. Not to disclose any information that is deemed to constitute a commercial secret;
- 5.2.8. To pay the enrolment fee and the membership or additional member's fees, the amount of which and the terms of payment are determined by the members' meeting.

6. Associate Members

6.1. A member of the Association may be permanently or temporarily granted the status of a special member – associate member. An entity that is not a member of the Association may become the associate member.

6.2. To become an associate member, the applicant has to file a written application and must satisfy the following criteria:

- 6.2.1. The applicant is a company that provides financial services of closely related ancillary services (processing of payments, debt management, authentication services, credit reference services etc.) in Latvia, including Bank's outsourced service provider that in accordance with laws and regulations have been assessed by the Financial and Capital Market Commission.
- 6.2.2. The applicant is a member who provides licensed financial services, however its license for providing the respective service has been revoked in one of the following cases:
 - 6.2.2.1. The member has put its operations on hold for a term longer than six months;
 - 6.2.2.2. The member has given up the license because of reorganization.

6.3. The decision to grant or to refuse to grant the status of an associate member in accordance with the Paragraph 6.2 of the Articles of Association is adopted by the council. The applicant is invited to attend the council's meeting at which the applicant's request is considered. The absence of the applicant's representative shall not be considered an obstacle for the council to decide the matter. The council's decision on granting or changing the status of an associate member is notified to the applicant within 10 days after taking the decision.

6.4. The associate members shall have the following rights:

- 6.4.1. To participate in the meetings of the Association's members and in the work of specific Association's committees and sub-committees corresponding to their respective profiles;
- 6.4.2. To make use of the Association's support in case any issues that pertain to the associate member are considered by state, municipal or other institutions or by international organizations;
- 6.4.3. To propose, raise or submit legislative drafts and to defend one's opinion;
- 6.4.4. To submit recommendations for the Association's operations and its improvement;

- 6.4.5. To receive the latest information on the Association's work;
- 6.4.6. To participate in events organised by the Association;
- 6.4.7. To place information on the associate members in the Association's informative materials and to participate in the Association's publicity events;
- 6.4.8. To have access to research and statistical data prepared by the Association;
- 6.4.9. To have access to the working materials of the Association's committees, in which the associate member participates.

6.5. Associate members are not entitled to vote at the members' meeting.

6.6. The supreme officials of associate members may not act as members of the Audit Commission, sectoral steering groups, if any.

6.7. The associate members shall have the following obligations:

- 6.7.1. To respect the Articles of Association of the Association and the decisions of the members' meetings, the council and the board;
- 6.7.2. To take active involvement in ensuring compliance with the Association's mission, values and self-regulation principles and to support implementation of the Association's objectives;
- 6.7.3. Not to disclose any information that constitutes commercial secrets;
- 6.7.4. To pay the associate membership fee, the amount of which and the terms of payment are determined by the members' meeting.

6.8. An associate member may anytime terminate his membership in the Association, by giving the council a written notification and paying the associate membership fee for the duration of his membership in the calendar year. In case the termination notice is filed after approval of the Association's annual budget, the associate member must pay the associate membership fee for the entire calendar year. Before terminating the membership, the associate member must satisfy all associate membership fee debts, if any.

6.9. An associate member may be expelled from the Association by a council's decision, in case:

- 6.9.1. The associate member violates the decisions of the members' meetings or the council;
- 6.9.2. The associate member violates his duties or obligations;
- 6.9.3. In other cases, if there is a justified reason for doing so.

7. Structural Units and Institutions

7.1. The Association may have its territorial and other structural units and institutions (sectoral steering groups, committees; sub-committees).

7.2. To ensure advancement and supervision of the strategic interests and priorities and more active involvement of members in the Association's work, the Association may set up sectoral steering groups. The appointment, composition, duration and other operating requirements of the sectoral steering groups are set out in the regulations of each steering group that are approved by the council.

7.3. There are committees and sub-committees set up for the purpose of discussing the working issues of the Association, in which the representatives nominated by the Association's members participate based upon voluntary principles. The co-chairpersons of committees and the heads of sub-committees are appointed by the Association's council on the basis of the recommendations of the Association's board.

8. Members' Meeting

8.1. The members' meeting is the highest decision-making body of the Association.

8.2. All members of the Association are entitled to participate and vote at the members' meetings.

8.3. The ordinary members' meeting is convened once in a year – on 31 March at the latest.

8.4. The extraordinary members' meeting may be convened at the discretion of the board, the council or the Audit Committee or in case it is requested in writing by at least 1/10 of the Association's members, by specifying the cause for the necessity to call the meeting.

8.5. The members' meeting is called not later than two weeks before the scheduled date of the meeting, by giving each member a written notice of the meeting.

8.6. For the members' meeting to have quorum, more than half of its members must be participating in the meeting.

8.7. In case the members' meeting is not eligible to vote due to lack of quorum, a repeated members' meeting is called within three weeks' time which shall be eligible to adopt decisions, irrespective of the number of members present, provided the meeting is attended by at least two members.

8.8. The decision of the members' meeting is adopted, in case more than half of the present members have voted "for" the decision. Any decision on amending the Articles of Association, termination, setting forth or reorganization of the Association's operations, pre-term expulsion of a member of the Association's council and the Audit Committee is adopted in case more than 2/3 of the present members vote "for" that decision.

8.9. The following matters are within exclusive authority of the members' meeting:

- 8.9.1. The adoption, amending and supplementing of the Articles of Association;
- 8.9.2. The appointment or revocation of the Association's council or separate its members;
- 8.9.3. The election or revocation of the members of the Association's Audit Committee;
- 8.9.4. The approval of the Association's work plan;
- 8.9.5. The amount of the enrolment and the membership fee for the members, associate members and additional members of the Association;
- 8.9.6. The approval of the Association's budget;
- 8.9.7. The approval of the reports of the council, board and the Audit Committee;
- 8.9.8. Decision-taking on the termination, setting forth or reorganization of the Association's activities;
- 8.9.9. Decision-taking on the expelling of Association's members in cases referred in Paragraph 4.6 and according to the Associations and Foundations Law Article 31(4);
- 8.9.10. The approval of the vision, mission, principles and values of the Association;
- 8.9.11. The approval of the rules of governance of the board and the council of the Association.

8.10. The Members' meeting may consider any other matters of importance for the Association and take respective decisions.

9. Council

9.1. The Association's council:

- 9.1.1. Enrols new Association's members and associate members;
- 9.1.2. Appoints and revokes board members, including the CEO;
- 9.1.3. Decides on setting up, merger, division or dissolution of Association's committees and sub-committees, approves the rules of governance of Association's committees and sub-committees, their co-chairpersons and heads;
- 9.1.4. Considers matters that are associated with the allocation of the Association's budget;
- 9.1.5. Considers matters on setting up funds necessary for effective operations of the Association;
- 9.1.6. Defines a common position on significant issues;
- 9.1.7. Approves the Association's guidelines, standards, projects and the main documents regulating its operations;
- 9.1.8. Decides matters on which the sectoral steering group has been unable to reach an agreement;

9.1.9. Takes decisions on the expelling of members or associate members from the Association or on the granting of the status of associate member in accordance with the Articles of Association, Paragraphs 4.7., 6.2., 6.3. or 6.9. and according to the Associations and Foundations Law Article 31(2); 9.1.10. Approves the decision on the member's application for temporary suspension of its membership in the Association, with the exception of cases when the council persists that the decision referred in Paragraph 9.1.9. should be taken.

9.2. The council may anytime request the board to provide a report on the Association's standing and be informed on all operations of the board. The council has the right to inspect the Association's documents and all its property. The council may entrust the inspection to any of its members or to assign the inspection or the clarification of individual issues to an invited expert. The council retains the right to call a members' meeting or to instruct the board to call the meeting, if it is required in the Association's interests.

9.3. The council is composed of six members which are appointed by the Members' meeting for the term of office of three years. The members' meeting may revoke the council prior the term and to elect a new council at the same meeting.

9.4. The council is composed of:

- 9.4.1. five members – banks with the highest operating income in the previous fiscal year;
- 9.4.2. one member that is elected by the members' meeting – which is not a bank;

9.5. The members of the council shall nominate their supreme officials (chairpersons or members of the board, directors or deputy directors of representative offices of subsidiaries) to act as council members.

9.6. Before the members' meeting which will appoint the council's members, the board identifies five members with the highest operating income in the previous fiscal year and the members' meeting appoints the roster of the new council prescribed in Paragraphs 9.4.1. and 9.4.2. in accordance with the provisions of Paragraphs 9.4 and 9.5 of the Articles of Association.

9.7. If during the term of office of the council any of the representatives of the council's members is revoked, the respective member must nominate a new representative for the council, by notifying the Association's board accordingly. In such a case no separate decision of the members' meeting on the appointment of a new representative is required.

9.8. The members of the council shall adopt the chairperson and the deputy chairperson of the council from among themselves.

9.9. The chairperson of the council:

- 9.9.1. Organizes the work of the council;
- 9.9.2. Chairs the council's meetings and signs minutes of the meetings;
- 9.9.3. Represents the Association before the Council of the European Banking Federation.

9.10. Council's meetings are called by the chairperson of the council and in his absence or in his assignment – by the deputy chairperson, when necessary, however at least once every quarter. Any council's member and the board have the right to request a council's meeting to be called, by substantiating the necessity and the purpose of calling the meeting. In case the request to call a meeting remains unfulfilled by the chairperson of the council within two weeks after the date of receiving the request, the person proposing the necessity to call a meeting has the right to call the council's meeting by explaining the circumstances of the case.

9.11. The council has quorum, if the meeting is attended by at least five council members. The decisions at the council are taken by simple majority vote of the present council members. Each council member has one vote. In case of a tied vote, the vote of the chairperson or the deputy chairperson, in case the meeting, is chaired by the latter, shall be the decisive vote.

9.12. There are minutes taken of the council's meetings. The minutes shall specify the name of the Association, the venue and time of the meeting, the participants, the agenda and the decisions taken at the meeting. If a council member disagrees with a decision and votes against it, in case of a respective request by the member, his differing opinion is indicated in the minutes of the council's meeting.

9.13. In case a member of the council cannot participate in a meeting, he may transfer the voting right to another council member or to authorize a member of the board or deputy director of the respective member or associated member to use the voting right, by notifying the chairperson of the council or the chairperson of the board accordingly.

10. Executive Body

10.1 The board is the executive body of the Association. It consists of three members, one of which is the CEO. The board, including the CEO, is elected by the council for the term of three years. The candidates for the position of the CEO are discussed by the council with the members.

10.2. The board shall manage and represent the Association.

10.3. The board:

- 10.3.1. Calls the meetings of the Association's members;
- 10.3.2 Organizes enactment of the decisions and performance of the assignments of the meetings of the Association's members, council and sectoral steering groups;
- 10.3.3 Manages sectoral steering groups;

- 10.3.4. Organizes and manages the Association's work;
- 10.3.5. Uses the Association's budget in accordance with the decisions of the members' meeting and the council;
- 10.3.6. Represents the Association in relations with state and other organizations, likewise foreign and international organizations, among other things, on issues that do not fall under the authority of the chairperson of the council.

10.4. The board may decide upon all issues that do not fall under the area of authority of the members' meeting, the council and the sectoral steering groups and that are necessary for effective management of the Association.

10.5. The members of the board perform their obligations against a remuneration, the amount of which is set by the Association's council when entering into the employment contract.

10.6. The Association may be represented by each member of the board separately.

10.7. The decisions of the board are taken by simple majority voting.

11. Audit Committee

11.1. The financial and operating control of the Association is provided by the Audit Committee.

11.2. The Audit Committee is composed of three members that are elected by the members' meeting for the term of three years. The representatives of associate members cannot be elected members of the Audit Committee. The members of the Audit Committee appoint the chairperson of the Audit Committee from among themselves.

11.3. The Audit Committee:

- 11.3.1. Audits the property and the financial standing of the Association and, if necessary, also that of the companies and associations established by the Association;
- 11.3.2. Provides opinion on the Association's budget and annual report;
- 11.3.3. Assesses the work of the Association's accounting and record keeping units;
- 11.3.4. Provides recommendations for the improvement of the Association's financial and operating activity.

11.4. The Audit Committee conducts audit at least once every year.

11.5. The decisions of the Audit Committee are taken by means of an open simple majority voting. The Audit Committee has quorum, in case the meeting is attended by more than half of its members.

11.6. The members' meeting approves the Association's annual report only after receipt of the Audit Committee's opinion.