

Cabinet Regulation No. 237

Riga, 6 May 2014 (minutes No. 26 §. 7)

Regulation on Issuing Government Securities

*Issued pursuant to Part Three of Section 35 of the
Law on Budget and Financial Management*

1. General issues

1. This Regulation sets forth the procedure for the issue and circulation of government securities in the Republic of Latvia.

2. Terms used in the Regulation:

2.1. government security – a treasury bill, bond, savings bond and interest-free bond issued on behalf of the Republic of Latvia;

2.2. issuer – the Republic of Latvia represented by the Minister of Finance;

2.3. investor:

2.3.1. a legal entity or an individual investing the funds in treasury bills or bonds;

2.3.2. an individual who has reached the age of at least 18 years old on the day of investing its funds in savings bonds;

2.3.3. an individual investing the funds into the interest-free bonds to receive a temporary residence permit in the events and the procedure set forth in the Immigration Law (hereinafter the foreigner);

2.4. bondholder – an investor, in the financial instrument account of which the bond is recorded;

2.5. short-term government security – a treasury bill and a savings bond with a maturity of up to one year (inclusive);

2.6. medium-term government security – a bond, a savings bond and an interest-free bond with a maturity exceeding one and up to five years (inclusive);

2.7. long-term government security – a bond and a savings bond with a maturity exceeding five years;

2.8. treasury bill – a government security that is issued at a discount, at a premium or at par value and is redeemed at its par value on the maturity date and that can be publicly circulated;

2.9. treasury bond – a government security that is issued at a discount, at a premium or at par value at a fixed or variable interest rate and fixed income payable at specified times if the fixed income rate is above zero, that is redeemed at par value and that can be publicly circulated;

2.10. savings bond – a government security that has been issued at a fixed interest rate and fixed income payable at specified times that is redeemed at par value and that cannot be publicly circulated

and traded. Fixed income on short-term savings bonds is paid on the maturity date, and for medium- and long-term savings bonds, once a year;

2.10.¹ interest-free bond – a government security intended for a special purpose that has no fixed income, that is redeemed at par value, that cannot be publicly circulated, pledged or traded;

2.11. discount – the difference between the par value and price of a security if the price of the security is lower than the par value;

2.11.¹ premium – the difference between the par value and price of a security if the price of the security is higher than the par value;

2.12. price – the purchase value of a government security that is paid by an investor, except for the investor specified in Subparagraph 2.3.3 of this Regulation, on the date of issue of the government security;

2.13. par value – the value for which a government security is redeemed on its maturity date;

2.14. issue – launch of government securities of the same type and having the same characteristics;

2.15. issue date – the date on which government securities are issued and fixed income, if any, starts or continues to accrue;

2.16. fixed income – revenue determined by fixed or variable interest rate that is paid on the fixed income payment date of the respective government security;

2.17. initial placement – a public offer made by the issuer to purchase government securities and their initial purchase;

2.18. public offer – information provided by any means on a government security that enables an investor, except for the investor specified in Subparagraph 2.3.3 of this Regulation, to decide on the purchasing of a government security;

2.19. public circulation – entering into a transaction in treasury bills or bonds that are included in the regulated market;

2.20. financial agent – the organiser of the regulated market, the Latvian Central Depository or a participant of the financial instruments market licensed and supervised for the purposes of operating in the financial instruments market in the Republic of Latvia that has entered into an agreement with the Treasury regarding technical support for the initial placement of government securities;

2.21. distribution agent – a legal entity that has entered into an agreement with the Treasury regarding the distribution of government securities;

2.22. series – a tranche of government securities, together with any further tranche of government securities of the same series that have the same characteristics, except the issue date or the fixed income payment dates determined in advance, and which has been granted an individual international security identification number (ISIN). Series are issued in one or several tranches;

2.23. early maturity – maturity of a government security prior to its maturity date;

2.24. participant of initial placement – a legal entity that is entitled to participate in the initial

placement of treasury bills or bonds organised by a financial agent and is technically supported by that financial agent, in accordance with the rules governing initial placement approved by the financial agent;

2.25. direct selling – a method of the initial placement of government securities where government securities are offered directly to an investor or a participant of the initial placement at a price set by the issuer. In the case of direct selling of savings bonds and the direct selling of new series of bonds the issuer sets their fixed income interest rate;

2.26. competitive multi-price auction – a method of the initial placement of treasury bills or bonds where treasury bills or bonds are auctioned based on competitive yield rate bids by the participants of the initial placement;

2.27. fixed-rate amount (non-competitive) auction – a method of the initial placement of treasury bills or bonds where those securities are auctioned based on a previously established yield rate. The yield rate is determined according to the yield rate set at the most recent competitive auction of the respective debenture or bond;

2.28. yield rate – the annual return on an investment that is expressed as a percentage based on the price of a government security, and the expected incomes from a government security during its maturity.

2.29. accrued fixed income – the portion of the fixed income that has accrued on a bond or savings bond at a certain date since the date of issue of that government security or the previous fixed income payment date;

2.30. business day – any calendar day except for Saturdays, Sundays and public holidays as defined in the legal acts of the Republic of Latvia;

2.31. record date – a business day fixed by the issuer, at the end of which the aggregate of bondholders of series affected in the process of amending one or several terms and conditions of bonds is recorded;

2.32. terms and conditions of bonds – the aggregate of mutual rights and duties of the issuer and the bondholder in relation to the investment of the bondholder in the particular bond that arises from the order of the Treasury regarding the issue of bonds discussed in Paragraph 8 herein and from this Regulation;

2.33. modification of the terms and conditions of bonds – change of conditions and other modification of the terms and conditions of one series of bonds in the procedure set forth in Chapter 7 of this Regulation;

2.34. cross-series modification of the terms and conditions of bonds – modification of terms and conditions of bonds that includes interrelated modification of the terms and conditions of bonds of more than one series;

2.35. bond having the right to vote – a bond belonging to the bondholder, which is entitled to use the right to vote arising from the bonds and to participate in the bondholders' meeting or the procedure of adoption of written decisions regarding modification of the terms and conditions of bonds;

2.36. related series of bonds – a series of bonds, the terms and conditions of which are modified in relation to the cross-series modification of the terms and conditions of bonds;

2.37. income on bonds – fixed income, par value or other kind of income that the bondholder is entitled to receive pursuant to the terms and conditions of bonds.

3. The issuer issues government securities; it has obligations to pay fixed income and to redeem government securities on their maturity dates at their par value.

4. The Minister of Finance authorises the Treasury to enter into agreements with the financial agent, the distribution agent, the Latvian Central Depository, the administrator of the joint state and municipal services portal www.latvija.lv (hereinafter the portal www.latvija.lv) and other persons in order to ensure, in accordance with the legal acts, the issue and circulation (including public circulation) of government securities in the Republic of Latvia as well as to perform activities for the issuance, initial placement and maturity of government securities and the activities in relation to the modification of the terms and conditions of bonds discussed in Chapter 7 of this Regulation.

5. The investor and the distribution agent shall be bound by the rules approved by the financial agent and agreed with the Treasury that govern the procedure of acquisition of savings bonds, payment of fixed income and maturity as well as the procedure of making payments related to savings bonds. The above rules are publically available on the website www.krajobligacijas.lv; the investor may research such at the distribution agent as well.

2. Issuance of government securities

6. Government securities are issued in a dematerialised form.

7. Government securities are registered with the Latvian Central Depository in accordance with the regulations issued by it. Each issue of government securities shall be assigned an individual International Securities Identification Number (ISIN) by the Latvian Central Depository.

8. Treasury bills and bonds are issued pursuant to an order by the Treasury regarding the issuance of treasury bills or bonds. The above order serves as the public offer notification of the treasury bills or bonds and it shall include the following information:

8.1. the ISIN assigned to the series by the Latvian Central Depository;

8.2. the type of government security (short-term, medium-term or long-term);

8.3. the amount of issue offered (if applicable);

8.4. par value of the treasury bill or bond;

8.5. date of the public offer or the auction, date of issue on which payment for the purchase of the treasury bills or bonds shall be made and maturity date;

8.6. fixed or variable interest rate of the series (if applicable);

8.7. dates of payment of fixed income (if applicable);

8.8. conditions for early maturity (if applicable);

8.9. other information about treasury bills or bonds.

9. Savings bonds are issued pursuant to an order by the Treasury regarding the issue of savings bonds.

The above order serves as the savings bond offer notification and it shall include the following information:

- 9.1. the ISIN assigned by the Latvian Central Depository;
- 9.2. par value of the savings bonds;
- 9.3. date of the public offer, date of issue and maturity date;
- 9.4. type of the savings bonds (short-term, medium-term or long-term);
- 9.5. price of the savings bonds;
- 9.6. fixed interest rate of series;
- 9.7. dates of payment of fixed income;
- 9.8. minimum and maximum volume of purchase of savings bonds with one application by one investor (if applicable);
- 9.9. other information about the savings bonds.

9.¹ Interest-free bonds are issued pursuant to an order by the Treasury regarding the issue of interest-free bonds. The order shall include the following information:

- 9.¹ 1. the ISIN assigned by the Latvian Central Depository;
- 9.¹ 2. par value of the interest-free bond;
- 9.¹ 3. the amount of issue of the interest-free bond;
- 9.¹ 4. date of issue and maturity ;
- 9.¹ 5. other information about the interest-free bonds.

(Wording of Cabinet Regulation No. 766 of 16.12.2014)

9.² The maturity term set forth for interest-free bonds is five years starting from the date of adoption of the resolution regarding the issue of the temporary residence permit provided for by the legal acts governing the issue of temporary residence permits.

(Wording of Cabinet Regulation No. 766 of 16.12.2014)

3. Initial placement of government securities

3.1. General issues

10. The initial placement of government securities may be performed by a financial agent. The rights, obligations and responsibility of the financial agent are set forth in the agreement between the Treasury and the financial agent referred to in Sub-paragraph 2.20 of this Regulation. Where the initial placement services by a financial agent are not used, the regulations for the initial placement of government securities shall be approved by the Minister of Finance.

11. In addition to the provisions specified in Paragraphs 20 and 25 herein the financial agent, after coordination with the treasury, may include the provisions for participation in the initial placement of

government securities in the rules governing the initial placement of government securities by providing for the rights and duties of the participant of the initial placement and the investor.

12. The Treasury is entitled to announce the increase of volume of series of government securities in circulation with additional issue by an individual order.

13. The initial placement of government securities and settlements with the issuer for the purchased government securities shall take place on the dates specified in the Treasury order.

3.2. Initial placement of treasury bills and bonds

14. The following methods shall be used in the initial placement of treasury bills or bonds:

14.1. direct selling;

14.2. competitive multi-price auction;

14.3. fixed-rate amount (non-competitive) auction.

15. With respect to the initial placement and public offer of treasury bills or bonds the Minister of Finance shall be entitled to withdraw from methods of initial placement or amend the conditions thereof if such may ensure the more effective attainment of the purposes of government debt management.

16. The initial placement of treasury bills and bonds performed by a financial agent shall be governed by the regulations on the initial placement of treasury bills and bonds approved by the financial agent and agreed by the Treasury.

17. The initial placement of treasury bills and bonds through direct selling shall take place by offering the government securities directly to an investor or a participant of the initial placement at a price set by the issuer. In the event of the direct selling of new series of bonds the issuer shall set the rate of fixed income on such bonds.

18. The initial placement of treasury bills and bonds in a competitive multi-price auction shall be performed subject to the following conditions:

18.1. a participant of the initial placement that submits an offer to purchase a certain amount of treasury bills or bonds on its own behalf or on behalf of another person shall state in such offer the par value amount of the government securities and the yield rate for the purchase of the government securities;

18.2. where no fixed income is established in the Treasury order on the issuance of the first series of treasury bills or bonds, the fixed income shall be determined:

18.2.1 as the average weighted yield rate from the government security orders satisfied at an competitive multi-price auction, rounded down to the nearest one eighth of a percentage point of the rate;

18.2.2. as zero, if the average weighted yield rate from the government security orders satisfied at an competitive multi-price auction is zero or below that.

18.3. the Treasury shall set the maximum permissible yield rate for each issue;

18.4. the yield rate offer increment of the auction shall be one thousandth of one percent.

19. The initial placement of treasury bills or bonds in a fixed-rate amount (non-competitive) auction shall be performed subject to the following conditions:

19.1. the yield rate and purchase price shall be determined according to the average yield rate set at the most recent competitive multi-price auction of treasury bills or bonds of the same series and the purchase price of one treasury bill or bond corresponding to that rate;

19.2. the fixed income rate of a bond shall be determined equal to the fixed income rate applied to the bonds of the same series issued earlier.

20. Only participants of initial placement shall be entitled to participate in the initial placement of treasury bills or bonds through a financial agent.

21. The Treasury shall be entitled to agree with the Financial and Capital Market Commission on the investment of funds from the Deposit Guarantee Fund or the Fund for the Protection of the Insured in treasury bills and bonds during the initial placement thereof with direct selling by a Treasury order regarding the increase of the volume of the issue of treasury bills or bonds offered at the most recent competitive multi-price auction by an additional issue. The rate for the additional issue shall be determined according to the average weighted yield rate set at the most recent competitive auction of the particular series or, where no average weighted yield rate is set for such series, then in accordance with the maximum permissible yield rate for that issue as established by the Treasury.

3.3. Initial placement of savings bonds

22. Direct selling shall be used for the initial placement of savings bonds.

22.¹ The fixed income rates of savings bonds offered at the initial placement are set by the Treasury on the basis of financial market interest rates.

23. The initial placement of savings bonds shall be performed in the procedure provided in this Regulation and pursuant to the provisions specified in Paragraph 5 of this Regulation:

23.1. through a financial agent on the website www.krajobligacijas.lv, using the authorisation and online payment sharing service of the portal www.latvija.lv;

23.2. through a distribution agent.

24. The procedure in which a financial agent and the Treasury use the authorisation and online payment sharing service of the portal www.latvija.lv, maintained by the administrator of the portal www.latvija.lv, shall be determined in the agreement between the financial agent, the Treasury and the administrator of the portal www.latvija.lv.

25. An investor meeting one of the following conditions may participate in the initial placement of savings bonds:

25.1. it has been authorised on the website www.krajobligacijas.lv, has agreed to observe the provisions specified in Paragraph 5 of this Regulation and has submitted an application to purchase savings bonds by stating the ISIN of the savings bond series and the amount of purchase of savings

bonds;

25.2. it has agreed to observe the provisions specified in Paragraph 5 of this Regulation (including that it has opened an appropriate current account) and has submitted an application to a distribution agent to purchase savings bonds by stating the ISIN of the savings bond series and the amount of purchase of savings bonds.

26. The application of the investor to purchase savings bonds submitted in the procedure specified in Paragraph 25 of this Regulation shall be final and irrevocable. The application of the investor submitted in the procedure specified in Sub-paragraph 25.1 of this Regulation shall be sufficient confirmation of the expression of the investor's intent and shall be equivalent to a document signed by the investor's own hand.

3.¹ Issue of interest-free bonds

(Chapter in the wording of Cabinet Regulation No. 766 of 16.12.2014)

26.¹ The procedure in which the Office of Citizenship and Migration Affairs, the Latvian Central Depository and the Treasury cooperate in the provision of the issue of interest-free bonds shall be determined in the agreement between the Office of Citizenship and Migration Affairs, the Latvian Central Depository and the Treasury.

26.² The interest-free bonds shall be issued and shall be granted to a foreigner if he/she has received the resolution regarding the issue of a temporary residence permit pursuant to the legal acts governing the issue of temporary residence permits and:

26.² 1. has paid for the interest-free bonds from his/her current account that has been opened in the credit institution or a branch of a foreign credit institution registered in the Republic of Latvia according to the payment details specified in the resolution of the Office of Citizenship and Migration Affairs regarding the issue of the temporary residence permit and the amount set forth in the Immigration Law;

26.² 2. has filed a signed application for the purchase of the interest-free bonds with the Office of Citizenship and Migration Affairs.

4. Payments for government securities

4.1. General issues

27. Those investors shall be entitled to receive fixed income on or the par value of treasury bills and bonds, in the financial instrument accounts of which such treasury bills or bonds were at the end of the previous business day prior to the date of the payment of fixed income or the date of maturity of the treasury bill or bond. Those investors shall be entitled to receive fixed income on or the par value of savings bonds, in the savings bond accounts of which such savings bonds were at the end of the respective business day that is two business days prior to the date of payment of the fixed income or the date of maturity of the savings bond. That foreigner shall be entitled to receive the par value of the interest-free bond, in the registration account of which the interest-free bonds were at the end of the previous business day prior to the maturity date of the interest-free bond.

28. Where the date of payment of fixed income on government securities is not a business day, the payment of the fixed income shall be made on the next business day, but the accrued fixed income for the days up to the date of payment shall be included in the next fixed income calculation and shall be paid out on the next fixed income payment date.

29. Where the maturity date or the date of the last fixed income payment on government securities is not a business day, the maturity or payment of the last fixed income shall be made on the next business day. No additional fixed income for the respective period up to the date of payment shall be accrued or paid.

4.2. Payments for treasury bills and bonds

30. Payments for treasury bills and bonds are provided for by the Latvian Central Depository in accordance with the “delivery versus payment” principle as well as in compliance with the terms of payment approved by the financial agent and agreed by the Treasury where initial placement takes place through a financial agent.

31. When performing the initial placement of treasury bills or bonds, the financial agent, upon agreement with the Treasury, may determine the commission for payments for treasury bills or bonds that shall be paid by the participants of the initial placement.

32. The costs of secondary circulation transactions in treasury bills or bonds shall be paid by the participants of the secondary circulation.

4.3. Payments for savings bonds

33. After submission of the application specified in Paragraph 25 of this Regulation and until the day of issue of the savings bonds, the investor shall make payment for the purchase of the savings bonds in accordance with the purchase volume of the savings bonds stated in the application from the current account belonging to the investor, in accordance with the payment procedures for the purchase of savings bonds specified in Paragraph 5 of this Regulation.

34. Procedure for recording and accounting of a savings bond issue:

34.1. savings bonds shall be issued on their issue date, provided that the investor has made payment for the purchase of the savings bonds in the procedure specified in Paragraph 33 of this Regulation;

34.2. the Latvian Central Depository shall open a savings bond account in the name of the investor and on the day of issue shall record the respective volume of savings bonds that have been paid for in this account. The holder of the investor’s savings bond account shall be the Latvian Central Depository;

34.3. the owner of the savings bonds shall be the investor in whose name the savings bonds have been recorded in the opened savings bond account.

35. The financial agent shall make a statement of the savings bond account for the previous business day (including the day of issue) available to the investor by 12:00 p.m. of the following business day on the website www.krajobligacijas.lv or from the distribution agent through which the investor purchased the respective savings bonds.

36. If the investor has not made payment for the purchase of the savings bonds specified in the application discussed in Paragraph 25 of this Regulation in the procedure specified in Paragraph 33 of this Regulation, has not made payment in full or has failed to observe the provisions of this Regulation and the procedure and term of payment specified in the rules discussed in Paragraph 5 of this Regulation, the investor’s application regarding the purchase of savings bonds submitted in the procedure specified in Paragraph 25 of this Regulation shall become null and void and:

36.1. the financial agent shall refund the funds received to the investor’s current account from which

the relevant payment has been made;

36.2. the Latvian Central Depository shall not record the savings bonds in the savings bond account of the investor.

37. Redemption proceeds for savings bonds shall be paid to an investor in the currency of the savings bonds on their maturity date in accordance with the procedures specified in the provisions of Paragraph 5 of this Regulation by bank transfer to the account opened by the investor in a credit institution registered in the Republic of Latvia, the branch of a foreign credit institution or the postal payments system.

38. All costs associated with cash payments related to savings bonds shall be covered by the investor.

4.4. Payments for interest-free bonds

(Subchapter in the wording of Cabinet Regulation No. 766 of 16.12.2014)

38.¹ A foreigner shall pay for the interest-free bonds according to the payment details specified in the resolution of the Office of Citizenship and Migration Affairs regarding the issue of temporary residence permits and the amount set forth in the Immigration Law as well as in line with the payment deadline specified in the legal acts governing the issue of temporary residence permits and the procedure set forth in this Regulation.

38.² If upon making the interest-free bond purchase payment the foreigner has failed to take into account the payment details specified in the resolution of the Office of Citizenship and Migration Affairs regarding the issue of temporary residence permits and the amount set forth in the Immigration Law then the Latvian Central Depository shall consider the payment not received and shall refund it to the current account from which such payment has been made on the following business day.

38.³ The issue of interest-free bonds is recorded and accounted in the following procedure:

38.³ 1. interest-free bonds are issued on the second business day after the foreigner has filed a signed application for the purchase of the interest-free bonds with the Office of Citizenship and Migration Affairs;

38.³ 2. the Latvian Central Depository, based on the information about the foreigner provided by the Office of Citizenship and Migration Affairs, shall open an interest-free bond registration account in the name of the foreigner and on the day of issue shall record the paid-up volume of interest-free bonds in that account. Holding of the interest-free bond registration account of the foreigner shall be provided for by the Latvian Central Depository. Servicing of the interest-free bond registration account of the foreigner shall be governed by the agreement specified in Paragraph 26.² of this Regulation;

38.³ 3. the owner of the interest-free bonds is the foreigner in whose name such governmental securities have been recorded in the opened interest-free bond registration account.

38.⁴ The Latvian Central Depository shall make a statement of the interest-free bond registration account for the date of issue available to the foreigner by 12:00 p.m. on the following business day by sending such to the electronic mail address specified in the application of the foreigner for the purchase of the interest-free bonds.

38.⁵ Redemption proceeds for interest-free bonds are paid to the foreigner in the currency of the governmental security on their maturity date by bank transfer to the account opened with the credit institution or a branch of a foreign credit institution registered in the Republic of Latvia from which

the foreigner has purchased the interest-free bonds, except for the event if the foreigner, no less than two business days prior to the interest-free bond maturity date has filed an application regarding the change of the current account according to the legal acts governing the issue of residence permits.

38.⁶ If the current account of the foreigner from which the interest-free bonds were purchased is closed at the moment of maturity of the interest-free bonds and the payment has returned to the Treasury as not executed, the foreigner shall open another account with the credit institution or a branch of a foreign credit institution registered in the Republic of Latvia and shall file an application for the change of the current account with the Office of Citizenship and Migration Affairs pursuant to the legal acts governing the issue of residence permits by specifying the account to which the sum for the interest-free bond maturity should be transferred.

38.⁷ The funds for the redeemed interest-free bonds that have not been paid out shall be kept in an account with the Treasury until the payment thereof to the foreigner and the Latvian Central Depository shall pay those to the foreigner in one payment in the currency of interest-free bonds within five business days after filing the application specified in Paragraph 38.⁶ of this Regulation with the Office of Citizenship and Migration Affairs.

38.⁸ All costs associated with cash payments related to the purchase of interest-free bonds shall be covered by the foreigner.

5. Circulation of government securities

5.1. Circulation of treasury bills and bonds

39. Circulation of treasury bills and bonds may take place within a regulated market and outside of a regulated market on the basis of legal acts and in compliance with the regulations issued by the Bank of Latvia, the organiser of the regulated market and the Latvian Central Depository.

40. Treasury bills or bonds shall be in circulation as of their date of issue on which payments take place for the purchase of the treasury bills or bonds. The final day of circulation of treasury bills or bonds included in a regulated market shall be set by the organiser of the regulated market in the regulations issued by the organiser.

41. The Treasury shall be entitled to fully or partially repurchase unencumbered treasury bills or bonds of the same series by organising an auction or offering them to be repurchased directly from the investor at the price or rate previously set forth in the Treasury order.

42. The Treasury shall be entitled to make full or partial early maturity of treasury bills or bonds of the same series only with respect to such treasury bills or bonds that the Treasury has repurchased in accordance with the conditions specified in Paragraph 41 of this Regulation, if such securities are not encumbered.

5.2. Early maturity of savings bonds

5.2.1. General issues

43. An investor may apply for the early maturity of savings bonds no later than on the sixth business day prior to the maturity date of the savings bonds set forth in the Treasury order by submitting a final and irrevocable application for the early maturity of savings bonds on the website www.krajobligacijas.lv or to the distribution agent through which the investor is submitting the savings bond purchase and early maturity applications. An application for the early maturity of savings bonds submitted on the website www.krajobligacijas.lv shall be sufficient confirmation for the

expression of the investor's intent and shall be equivalent to a document signed by the investor's own hand.

44. The early maturity of savings bonds shall be effected in accordance with the applications for the purchase of savings bonds specified in Paragraph 25 of this Regulation by redeeming the entire volume of savings bonds specified in the relevant application, and the funds due to the investor shall be paid in the currency of the savings bonds.

45. The early maturity of savings bonds shall be effected on the fifth business day after receipt of the application specified in Paragraph 43 of this Regulation. The early maturity of savings bonds shall be effected in the following procedure:

45.1. the accrued fixed income up to the date of receipt of the application specified in Paragraph 43 of this Regulation shall not be paid out. If the application specified in Paragraph 43 of this Regulation has been submitted one business day prior to the next regular payment date of fixed income then the fixed income shall be paid out and shall be included in the amount of fixed income to be withheld at the time of early maturity;

45.2. savings bonds shall be redeemed at their par value by withholding the fixed income paid out from the par value at the moment of maturity up to the day of submission of the application specified in Paragraph 43 of this Regulation pursuant to the following conditions:

45.2.1. for savings bonds with a maturity of up to two years (inclusively) the entire amount of fixed income paid out previously shall be withheld;

45.2.2. for savings bonds with a maturity of more than two years, if the application specified in Paragraph 43 of this Regulation has been received before half of the maturity term of the respective savings bonds has elapsed, the entire amount of the fixed income paid out previously shall be withheld;

45.2.3. for savings bonds with a maturity of more than two years the fixed income paid out previously shall be withheld in accordance with the following principle:

45.2.3.1. for savings bonds the maturity of which is an even number of years (e.g. four, six, eight years) the entire amount of fixed income paid out previously shall be withheld, except for the first instalment of fixed income paid, if the application specified in Paragraph 43 of this Regulation has been received no earlier than after half and not later than one year after half of the maturity term of the respective savings bonds (e.g. the maturity period of a savings bond is four years, and the application for the early maturity of savings bonds is submitted during the third year), or the entire amount of the fixed income paid out previously shall be withheld, except for the first two instalments of fixed income paid, if the application specified in Paragraph 43 of this Regulation has been received no earlier than one year, but not later than two years after half of the maturity term of the respective savings bonds. If the application specified in Paragraph 43 of this Regulation has been received later than two years after half of the maturity term of the respective savings bonds then, in addition to the first two instalments of fixed income paid, two more instalments of fixed income paid out previously shall not be withheld for each year after the above term;

45.2.3.2. for savings bonds the maturity of which is an odd number of years (e.g. three, five, seven years) the entire amount of fixed income paid out previously shall be withheld, except for the first instalment of fixed income paid, if the application specified in Paragraph 43 of this Regulation has been received no earlier than half a year and not later than one and a half years after half of the maturity term of the respective savings bonds (e.g. the maturity period of a savings bond is three years,

and the application for the early maturity of savings bonds is submitted during the third year), or the entire amount of the fixed income paid out previously shall be withheld, except for the first three instalments of fixed income paid, if the application specified in Paragraph 43 of this Regulation has been received no earlier than one and a half years, but not later than two and a half years after half of the maturity term of the respective savings bonds. If the application specified in Paragraph 43 of this Regulation has been received later than two and a half years after half of the maturity term of the respective savings bonds then, in addition to the first three instalments of fixed income paid, two more instalments of fixed income paid out previously shall not be withheld for each year after the above term.

46. The funds for savings bonds redeemed in the procedure specified in Paragraph 45 of this Regulation shall be paid to the investor in accordance with Paragraph 37 of this Regulation.

47. If the savings bonds are alienated in the event of insolvency pursuant to a court adjudication or application of the insolvency administrator, the Latvian Central Depository shall, upon receipt of the application of the insolvency administrator and presentation of the court adjudication, redeem savings bonds in compliance with the procedures for the maturity of savings bonds specified in Paragraph 52 of this Regulation and shall transfer the funds for the redeemed savings bonds to the current account specified in the application.

48. If the savings bonds are alienated pursuant to a court adjudication the Latvian Central Depository shall, upon receipt of the application of the bailiff and presentation of the writ of execution, redeem savings bonds in compliance with the procedures for the maturity of savings bonds specified in Paragraph 52 of this Regulation and shall transfer the funds for the redeemed savings bonds to the current account specified in the application.

49. If the savings bonds are recognised as escheated then the Latvian Central Depository shall, after receipt of written information from the bailiff or the State Revenue Service and a copy of the excerpt from the notary act regarding termination of the inheritance case, redeem savings bonds in compliance with the procedures for the maturity of savings bonds specified in Paragraph 52 of this Regulation and shall transfer the funds for the redeemed savings bonds to the account specified by the bailiff or the state budget account specified by the State Revenue Service by notifying the State Revenue Service about it.

5.2.2. Process of inheritance of savings bonds

50. Savings bonds that are part of the entirety of an estate shall be redeemed if the heir submits the application on the pay-out of the value of the savings bonds that are a part of the entirety of the estate that is due to the heir to the financial agent. The above application shall be final and irrevocable.

51. On the day of receipt of the application specified in Paragraph 50 of this Regulation the financial agent shall suspend operations with the savings bonds of the estate-leaver, except for the next regular payment of the fixed income or the maturity of the savings bonds, if the application specified in Paragraph 50 of this Regulation has been received one business day before the date of the next regular payment of the fixed income or the maturity date of the respective savings bonds that are part of the entirety of the estate.

52. The Latvian Central Depository shall redeem the savings bonds that are part of the entirety of an estate in the following procedure:

52.1. where the entirety of an estate includes savings bonds, the date of payment of the fixed income or maturity of which is later than 30 calendar days after the receipt of the application, the respective

savings bonds shall be redeemed at their par value within 30 calendar days from the day of receipt of the application, without paying out the accrued fixed income up to the day of receipt of the application;

52.2. where the entirety of an estate includes savings bonds, the date of payment of fixed income or maturity of which is sooner than 30 calendar days after the receipt of the application, the respective savings bonds shall be redeemed at their par value on the date of maturity or after the payment of the fixed income, but not later than within 30 calendar days from the day of receipt of the application;

52.3. all funds due to the respective heir shall be paid in a single payment in the currency of the savings bonds within two business days after the maturity of all savings bonds in the procedure specified in Sub-paragraphs 52.1 and 52.2 of this Regulation.

53. When submitting an application for the pay-out of the value of savings bonds included in the entirety of an estate that is due to the heir, the heir shall present the inheritance certificate or a court adjudication. Where there are co-heirs, if the heirs have agreed upon the division of the estate, the agreement or the inheritance division deed certified by the Orphan's Court or the court shall also be presented (in the instances specified in the Civil Law).

54. All savings bonds included in the entirety of an estate shall be redeemed in the procedure specified in Paragraph 52 of this Regulation after receipt of the first application from the heir.

55. The funds for savings bonds redeemed in the procedure specified in Paragraph 52 of this Regulation shall be paid to the heir by bank transfer to the current account opened by the heir in a credit institution or a branch of a foreign credit institution registered in the Republic of Latvia, a postal payments system account or an account with the Treasury.

56. The funds for the redeemed savings bonds that have not been paid out shall be kept in an account with the Treasury until the payment thereof to the heirs or co-heirs.

57. Where there are co-heirs, if savings bonds have already been redeemed in the procedure specified in Paragraph 52 of this Regulation, the funds for the redeemed savings bonds shall be paid to the remaining co-heirs within 10 business days after submission of the application specified in Paragraph 50 of this Regulation to the financial agent by bank transfer to the current account opened by the co-heir in a credit institution or a branch of a foreign credit institution registered in the Republic of Latvia, a postal payments system account or an account with the Treasury.

5.3. Procedure of inheritance and forced alienation of interest-free bonds

(Subchapter in the wording of Cabinet Regulation No. 766 of 16.12.2014)

57.¹ The funds for interest-free bonds that are a part of the entirety of property of an estate shall be paid to the heir after the expiry of term of their maturity and after the heir has filed an application with the Latvian Central Depository for payment of the value of the interest-free bonds that are a part of the entirety of property of an estate due to the heir and has presented documents confirming the right to receive the estate. The above application is final and irrevocable. Where there are co-heirs, if the heirs have agreed upon the division of the estate, the agreement or the inheritance division deed certified by the court or the Orphan's Court shall also be presented (in the instances specified in the Civil Law, insofar as not specified otherwise in international legal acts binding upon the Republic of Latvia).

57.² All funds that are payable to the respective heir shall be paid in one payment in the interest-free bond currency within two business days after the performance of the conditions specified in Paragraph 57.¹ of this Regulation, if the heir has filed the documents specified in Paragraph 57.¹ of this

Regulation with the Latvian Central Depository not later than five business days prior to the maturity of the interest-free bonds that are a part of the entirety of property of an estate. The funds specified in this Paragraph shall be paid by bank transfer to the account opened by the heir in a credit institution or a branch of a foreign credit institution registered in the Republic of Latvia and specified in the application, or an account with the Treasury.

57.³ If the heir files an application for payment of the value of the interest-free bonds that are a part of the entirety of property of an estate with the Latvian Central Depository later than set forth in Paragraph 57.² of this Regulation, the Latvian Central Depository shall perform it only if the unpaid redemption proceeds of these interest-free bonds are on an account with the Treasury pursuant to Paragraph 57.⁴ of this Regulation.

57.⁴ The unpaid redemption proceeds for interest-free bonds shall be kept on an account with the Treasury until their payment to the heirs or recognition as escheated

57.⁵ If the redemption proceeds for interest-free bonds are recognised as escheated then the Latvian Central Depository shall, within two business days after the receipt of written information from the bailiff or the State Revenue Service and a copy of the notary act regarding termination of the inheritance case, transfer such to the account specified by the bailiff or the state budget account specified by the State Revenue Service by notifying the State Revenue Service about it.

57.⁶ If interest-free bonds are alienated pursuant to court adjudication the Latvian Central Depository shall, upon receipt of the application of the bailiff and presentation of the writ of execution, redeem the interest-free bonds at their maturity and shall transfer the redemption proceeds to the account specified in the application of the bailiff.

6. Calculation of the price, accrued fixed income and yield rate of government securities

58. The annual basis for the calculation of the price and fixed income of treasury bills shall be Act/360 (the actual number of days is used in the calculation, using 360 days as the basis), but for the calculation of the price, accrued fixed income, fixed income and yield of bonds it shall be Act/Act (the actual number of days is used in the calculation, with the actual number of days in a year used as the basis), using the standard of the International Capital Market Association (ICMA).

59. The methods and principles for the calculation of the price, yield rate and fixed income for treasury bills and bonds are defined in the regulations issued by the organiser of the regulated market.

60. For savings bonds with a maturity period of up to one year (inclusively) Act/360 shall be used for the calculation of the annual basis of fixed income (the actual number of days is used in the calculation, using 360 days as the basis), but for savings bonds with a maturity period of more than one year Act/Act shall be used for the calculation of the annual basis of fixed income (the actual number of days is used in the calculation, with the actual number of days in a year used as the basis).

7. Modification of the terms and conditions of bonds

7.1. General issues

61. Bondholders are entitled to use the rights set forth in this Chapter if the issuer fails to perform the obligations discussed in Paragraph 3 of this Regulation for longer than 30 calendar days after their maturity.

62. The terms and conditions of bonds may be modified at the bondholder meeting or in a written

process by adopting a decision in accordance with the procedure set forth in this Regulation.

63. The issuer shall publish all notices and information relating to Paragraph 62 of this Regulation by using:

63.1. websites of the issuer www.fm.gov.lv and www.kase.gov.lv;

63.2. website of the financial agent and website of the organiser of the regulated market where the respective series of bonds is included.

64. In addition to the websites specified in Paragraph 63 of this Regulation the issuer may publish notices in the media or other sources for the distribution of information, thus ensuring the availability of information to as wide a range of bondholders as possible.

7.2. Bondholder meetings

7.2.1. Convening the meeting

65. A meeting of bondholders may be convened by the issuer:

65.1. based on its own initiative;

65.2. based on the initiative of bondholders holding at least 10% of the par value of the respective series on the day of initiation of the meeting in aggregate.

66. Bondholders holding at least 10% of par value of the respective series on the day of request in aggregate shall be entitled to request convening the bondholder meeting by sending a written request to the issuer in the event specified in Paragraph 61 of this Regulation.

67. The issuer shall convene and hold the bondholder meeting by individually deciding on each series of bonds or deciding on the cross-series modification of the terms and conditions of bonds.

7.2.2. Notice of the meeting

68. The notice convening a meeting of bondholders shall be published by the issuer at least 21 calendar days prior to the date of the meeting or, if the bondholder meeting is convened repeatedly, at least 14 calendar days prior to the date of the repeated meeting.

69. The notice convening a meeting of bondholders shall specify:

69.1. the date, time and venue of the meeting;

69.2. agenda of the meeting;

69.3. the required amount of bonds having the right to vote represented at the meeting so that the meeting is entitled to decide the issues on its agenda and the prepared draft resolutions;

69.4. a date of entry that is not earlier than five business days prior to the scheduled day of the bondholder meeting;

69.5. information regarding the presentation of documents confirming the identity of the bondholders or authorised representatives prior to participation in the bondholder meeting;

69.6. other provisions that the issuer deems required in relation to convening or the course of the meeting;

69.7. if the meeting is convened to adopt decisions regarding the cross-series modification of the terms and conditions of bonds, then the conditions upon which the above modifications shall enter into force if several but not all bondholders of series of bonds related to modifications have agreed to the cross-series modification of the terms and conditions of bonds;

69.8. the representative appointed by the issuer as the calculation agent in the bondholder meeting.

70. If it is not possible to include the full text of draft resolutions that shall be adopted at the meeting into the notice convening a meeting of bondholders due to its volume or another justified reason, the draft resolutions shall be attached to the notice as appendices.

71. In the notice convening a meeting of bondholders the issuer shall specify information about the procedure of appointing the authorised representative and shall attach the document that should be filled in should the bondholder want to appoint the authorised representative.

7.2.3. Quorum of the bondholder meeting

72. Those bondholders which own the respective bonds having the right to vote on the date of record shall be entitled to participate in the bondholder meeting and vote on the issues on the agenda.

73. The bondholder meeting shall only be entitled to decide those issues that have been specified in the notice convening a meeting of bondholders. This condition shall not apply to the adoption of a decision regarding the appointment of the chair of the bondholder meeting.

74. If one or several reserved matter modifications specified in Paragraph 80 of this Regulation have been included in the agenda of the bondholder meeting, the bondholder meeting shall have the quorum if bondholders holding the bonds having the right to vote of this series, the total par value of which on the date of record is not less than two thirds of the total par value of the bonds having the right to vote of the respective series, are present or represented at the meeting.

75. If an issue is included in the agenda of the bondholder meeting that is not specified in Paragraph 80 of this Regulation, the bondholder meeting shall have the quorum if bondholders holding the bonds having the right to vote of this series, the total par value of which on the date of record is not less than half of the total par value of the bonds having the right to vote of the respective series, are present or represented at the meeting.

76. If the required volume of bonds having the right to vote is not represented at the bondholder meeting then the only issue that the bondholder meeting is entitled to decide shall be the appointment of the chair of the bondholder meeting, unless such has already been appointed by the issuer itself.

7.2.4. Appointment of the chair of the bondholder meeting

77. The issuer shall be responsible for the appointment of the chair of the bondholder meeting.

78. If the issuer has not appointed the chair of the bondholder meeting or the chair of the bondholder meeting appointed by the issuer is not able to ensure chairing the meeting then the chair of the bondholder meeting shall be appointed by the bondholders. The chair of the meeting is appointed if bondholders holding the bonds having the right to vote of the respective series, the total par value of which on the date of record exceeds one half of the total par value of the bonds having the right to vote

of this series represented at the meeting, have voted for it.

7.2.5. Adoption of a decision of the bondholder meeting

79. A decision of the bondholder meeting on the reserved matter modifications specified in Paragraph 80 of this Regulation is adopted if bondholders representing the bonds having the right to vote, the total par value of which is not less than three fourth of the total par value of the bonds having the right to vote of the respective series represented at the meeting, have voted for it.

80. The volume of represented bonds having the right to vote specified in Paragraph 79 of this Regulation is required for the adoption of a decision of the bondholder meeting regarding the following reserved matter modifications of the terms and conditions of bonds:

80.1. with respect to revenue for bonds:

80.1.1. change of payment term;

80.1.2. decrease of volume;

80.1.3. change or amendment of calculation methods;

80.1.4. change of currency or place of settlement;

80.2. introduction of new conditions with respect to the obligations of the issuer pursuant to Paragraph 3 of this Regulation as well as any other modifications of the terms and conditions of bonds that relate to Paragraph 3 of this Regulation;

80.3. modifications in circumstances or events, upon the occurrence of which income on bonds may be announced as payable prematurely if the terms and conditions of bonds provide for such;

80.4. modifications in priority of the bond obligation performance towards other investors on government securities;

80.5. modifications of this Regulation, which have been conceptually supported by the Cabinet before their inclusion in the agenda of the meeting;

80.6. modification of court jurisdiction, modifications of the waiver of the issuer's immunity with respect to judicial proceedings in issues arising from or related to the bonds that should be resolved in court if the Cabinet has adopted the respective resolution before inclusion of the issue in the agenda of the meeting;

80.7. modifications of the volume of represented bonds having the right to vote, so that the bondholders are entitled to adopt a decision regarding modifications of the terms and conditions of bonds at the bondholder meeting or in the procedure for adopting written decisions of bondholders if the Cabinet has adopted the respective resolution before inclusion of the issue in the agenda of the meeting;

80.8. modifications of the volume of represented bonds having the right to vote for each series so that the bondholders are entitled to adopt a decision regarding the cross-series modifications of the terms and conditions of bonds at the bondholder meeting or in the procedure for adopting written decisions of bondholders if the Cabinet has adopted the respective resolution before inclusion of the issue in the

agenda of the meeting;

80.9. modifications of conditions pursuant to which it is determined whether the bond is regarded as the bond having the right to vote if the Cabinet has adopted the respective resolution before inclusion of the issue in the agenda of the meeting.

81. The decision on other issues included in the agenda of the bondholder meeting that have not been specified in Paragraph 80 of this Regulation is adopted if bondholders representing the bonds having the right to vote, the total par value of which exceeds one half of the bonds having the right to vote of the respective series represented at the meeting, have voted for it.

7.2.6. Convening a repeated bondholder meeting and adoption of a decision

82. If the total volume of bonds having the right to vote required for the meeting is not represented within 30 minutes after the scheduled start of the bondholder meeting, the chair of the bondholder meeting shall declare the bondholder meeting adjourned by determining the day for the repeated bondholder meeting not later than 42 calendar days after the day of the adjourned bondholder meeting.

83. A repeatedly convened bondholder meeting shall be entitled to decide on the reserved matter modifications specified in Paragraph 80 of this Regulation if such volume of bonds of the respective series is represented in it, the total par value of which on the date of record is not less than two thirds of the total par value of the bonds having the right to vote of the this series on the date of record.

84. A repeatedly convened bondholder meeting shall be entitled to decide the issues included in its agenda that are not specified in Paragraph 80 of this Regulation if bondholders holding the bonds having the right to vote of the respective series, the total par value of which on the date of record is not less than one fourth of the total par value of the bonds having the right to vote of the respective series on the date of record, are present or represented at the meeting.

7.3. Procedure for the adoption of a written decision of bondholders

7.3.1. Organising the adoption of a written decision

85. The adoption of a written decision of bondholders may be initiated by the issuer:

85.1. based on its own initiative;

85.2. based on the initiative of bondholders holding at least 10% of the par value of the respective series or issue of bonds having the right to vote in aggregate on the day of request.

86. Bondholders holding at least 10% of the par value of the respective series in aggregate on the day when the adoption of a written decision is initiated are entitled to request the adoption of the bondholders' decision in a written procedure by sending a written request to the issuer in the event specified in Paragraph 61 of this Regulation.

87. The issuer shall organise the process of adoption of a written decision of bondholders for each series of bonds individually or together for several series if cross-series terms and conditions of bonds are modified.

7.3.2. Notice of adoption of a written decision

88. The issuer shall organise the process of adoption of a written decision of bondholders and shall

publish a notice about it as well as other notices related to it in the procedure set forth in this Regulation.

89. In the notice about the process of adoption of written decision of bondholders the issuer shall specify:

89.1. the procedure and rules for the adoption of the written decision, including the requirements for designing the written vote of the bondholder and documents that the bondholders should attach to the written vote or present so that their written vote is acknowledged as valid;

89.2. the date by which the bondholder may submit or send its written vote and the procedure for submitting the vote to the issuer;

89.3. a contact person to whom the written vote of the bondholder should be submitted or the mailing address where it should be sent to;

89.4. issues that are discussed in the process of adoption of a written decision and the draft decisions;

89.5. the date of record, which is not sooner than five business days prior to the day of the scheduled adoption of the written decision;

89.6. if the process of adoption of a written decision has been initiated for the adoption of a decision regarding the cross-series modification of the terms and conditions of bonds then the conditions upon which the cross-series modification of the terms and conditions of bonds shall enter into force if several, but not all bondholders of bond series related to modifications have agreed to the cross-series modification of the terms and conditions of bonds;

89.7. a representative appointed by the issuer as the calculation agent in the process of the adoption of a written decision of bondholders;

89.8. other conditions that the issuer deems required.

90. If it is not possible to include the full text of draft resolutions that shall be adopted in the process of adoption of a written decision of bondholders into the notice regarding the process of adoption of a written decision of bondholders due to its volume or another justified reason, the draft resolutions shall be attached to the notice as appendices.

7.3.3. Adoption of a written decision

91. Those bondholders who hold the respective bonds having the right to vote on the date of record shall be entitled to participate in the process of adoption of a written decision of bondholders.

92. Written votes of bondholders are summarised and the results of the process of adoption of a written decision are calculated by the calculation agent appointed by the issuer.

93. Written votes that are not valid shall not be taken into account when calculating the results of the adoption of a written decision of bondholders.

94. Written votes of bondholders that do not comply with the requirements set forth in the issuer's notice regarding the process of adoption of a written decision of bondholders shall not be taken into account in the process of adoption of a written decision.

95. The issuer shall notify the bondholder if its written vote is invalid and shall specify the reason.

96. The decision of bondholders regarding the reserved matter modifications specified in Paragraph 80 of this Regulation is adopted in the process of adoption of a written decision if it has been voted for by bondholders, the total par value of bonds having the right to vote represented by whom exceeds two thirds of the total par value of bonds having the right to vote of the respective series.

97. The decision of bondholders regarding modifications not specified in Paragraph 80 of this Regulation is adopted in the process of adoption of a written decision if it has been voted for by bondholders, the total par value of bonds having the right to vote represented by whom exceeds one half of the total par value of bonds having the right to vote of the respective series.

98. The calculation agent appointed by the issuer shall draft the protocol regarding the decisions adopted in the process of adoption of a written decision of bondholders.

99. The protocol specified in Paragraph 98 of this Regulation shall be signed by the calculation agent to confirm the majority specified in Paragraph 96 or 97 of this Regulation.

100. The document confirming authorisation of the bondholder shall be submitted to the calculation agent.

7.4. Modification of the terms and conditions of one series of bonds

101. The issuer shall be obliged to convene the meeting of bondholders holding the bonds of the respective series and to inform about the issues on the agenda of the meeting and draft decisions to be adopted in the procedure set forth in this Regulation.

102. The bondholders shall adopt a decision regarding the modification of the terms and conditions of one series of bonds at the bondholder meeting or in the process of adoption of a written decision discussed in Sub-chapter 7.3.3 of this Regulation.

103. The decision regarding the modification of the terms and conditions of one series of bonds is adopted if the majority of bondholders specified in Paragraphs 79 and 81 of this Regulation has voted for it, but in the process of adoption of a written decision if the majority of bondholders specified in Paragraphs 96 and 97 of this Regulation has voted for it.

104. Decisions regarding the modification of the terms and conditions of one series of bonds adopted at the bondholder meeting or in the process of adoption of a written decision of bondholders shall be binding upon all bondholders holding bonds of the respective series, irrespective of whether they have participated in the bondholder meetings or in the process of adoption of a written decision of bondholders and have voted “for” or “against” such decision.

105. The issuer shall publish the decision regarding the modification of the terms and conditions of one series of bonds adopted at the bondholder meeting or in the written process in the procedure set forth in this Regulation.

7.5. Cross-series modification of the terms and conditions of bonds

106. The decision regarding each series of bonds involved in the process of cross-series modification of the terms and conditions of bonds shall be adopted by bondholders holding the bonds of the respective series at the bondholder meeting or in the process of adoption of the written decision

discussed in Sub-chapter 7.3.3 of this Regulation.

107. Upon the cross-series modification of the terms and conditions of bonds the decision regarding the modification of the terms and conditions of bonds of related series with respect to reserved matter modifications specified in Paragraph 80 of this Regulation is adopted if the vote has been held for both modification of the terms and conditions of bonds of each related series individually and respectively for all modifications of the terms and conditions of related series together by the majority vote specified in Paragraphs 108 and 109 of this Regulation respectively.

108. The decision regarding the cross-series modification of the terms and conditions of bonds is adopted in each of the following events:

108.1. if it has been voted for by bondholders of all related series of bonds that are represented in deciding this issue at the bondholder meeting and that represent not less than three fourths of the total par value of bonds having the right to vote of all related series of bonds in aggregate;

108.2. if it has been voted for by bondholders of all related series of bonds that have participated in deciding this issue in the process of adoption of written decisions and that hold not less than two thirds of the total par value of bonds having the right to vote of all related series of bonds.

109. Considering the provisions of Paragraph 108 of this Regulation the decision regarding modification of the terms and conditions of bonds of each individual series of related bonds is adopted in each of the following events:

109.1. if it has been voted for by bondholders that are represented in deciding this issue at the bondholder meeting and that represent not less than two thirds of the total par value of bonds having the right to vote of the respective series in aggregate;

109.2. if it has been voted for by bondholders of the respective series that have participated in deciding this issue in the process of adoption of written decisions and that hold not less than one half of the total par value of bonds having the right to vote of the respective series.

110. The cross-series modification of the terms and conditions of bonds may include one or several options of draft decisions and such shall be offered with respect to all related series of bonds.

111. If in the process of cross-series modification of the terms and conditions of bonds the decision regarding reserved matter modifications specified in Paragraph 80 of this Regulation is not adopted according to the majority vote set forth in Paragraph 108 or 109 of this Regulation, however such a decision would have been adopted if individual (but not all) related series of bonds had been involved in the process of cross-series modification of the terms and conditions of bonds, the cross-series modification of the terms and conditions of bonds shall be deemed adopted with respect to those related series of bonds, with respect to which such modifications would have been adopted.

112. Paragraph 111 of this Regulation shall apply if by the date of record the issuer has, in the procedure set forth in Paragraph 69 of this Regulation, notified the conditions upon which any option of a draft decision shall be deemed adopted if it has been adopted in the procedure set forth in Paragraph 111 of this Regulation with respect to one or several (but not all) series of bonds involved in the process of cross-series modification of the terms and conditions of bonds and the bondholder majority vote set forth in Paragraph 108 or 109 of this Regulation has been reached in voting for the modification of the terms and conditions of the respective related bonds.

113. If the process of cross-series modification of the terms and conditions of bonds involves series of

bonds that have been denominated in more than one currency then, upon determining whether the proposed cross-series modifications of the terms and conditions of bonds have been adopted with the bondholder majority vote set forth in this Regulation, the par value of each related bond that has not been denominated in euros shall be calculated by applying the currency exchange rate of the respective currency against the euro published by the European Central Bank on the date of record.

7.6. Bonds having the right to vote

114. The number of bonds having the right to vote represented at the bondholder meeting or in the process of adoption of a written decision of bondholders corresponds to the sum of par values of bonds having the right to vote held by the bondholder on the date of record.

115. When determining whether a decision of the bondholder meeting or a written decision has been adopted with the majority vote of represented bonds having the right to vote specified in this Regulation as well as when determining whether the volume of bonds having the right to vote specified in this Regulation is represented at the bondholder meeting, the following bonds shall not be regarded as bonds having the right to vote:

115.1. the bonds, with respect to which the repurchase offer has been expressed before the date of record or their maturity date has come, or by the date of record the issuer has partially performed the obligations regarding the respective series;

115.2. the bonds, the owner of which is a public person of the Republic of Latvia;

115.3. the bonds, the owner of which is a commercial company controlled by a public person of the Republic of Latvia and the bondholder has no decision-making independence with respect to the bonds.

116. For the purposes of Sub-paragraph 115.3 of this Regulation:

116.1. a public person of the Republic of Latvia is controlling the commercial company if it holds decisive influence in the respective commercial company based on participation or an agreement;

116.2. the bondholder has decision-making independence if according to the legal acts in force and independent of any direct or indirect duty that the bondholder has towards the issuer, the bondholder:

116.2.1. is not entitled to directly or indirectly accept the instructions of the issuer regarding voting rights arising from the bonds;

116.2.2. upon deciding on the use of voting rights, is obliged to act in accordance with objective precaution considerations in the interests of all persons holding the interest in the bondholder or the interests of the bondholder itself;

116.2.3. has a fiduciary or other similar duty to use the voting rights in the interests of one or several other persons, except for the interests of such persons, the bonds held by which (if they hold the bonds at the respective moment) are not taken into account pursuant to Paragraph 115 of this Regulation.

117. After the notice of the proposed modifications of the terms and conditions of bonds has been published the issuer shall immediately, but not later than 10 business days prior to the meeting or written vote, publish the list of all those commercial companies that, pursuant to Paragraph 115 of this Regulation, are regarded as commercial companies controlled by a public person of the Republic of Latvia and which, in reply to the request of the issuer, have notified the issuer that they hold one or

several bonds.

7.7. Substitution and replacement of bonds

118. The issuer shall be entitled to modify the terms and conditions of bonds by providing for the replacement of bonds and by replacing the bonds that are mandatorily replaced in the decision-making process with other bonds of the issuer or by substituting the respective bonds with new bonds issued by the issuer.

119. The issuer may use the rights specified in Paragraph 118 of this Regulation if it has informed the bondholders about the envisaged substitution or replacement of bonds by the date of record.

120. Any substitution or replacement of bonds that is performed pursuant to Paragraph 118 of this Regulation shall be binding upon all bondholders of the respective series of bonds.

7.8. Authorised representative of the bondholder

121. The bondholder shall be entitled to appoint its authorised representative to participate in the bondholder meeting or the process of adoption of a written decision.

122. The authorised representative of the bondholder, according to the scope of the granted authorisation, shall be entitled to represent the bondholder and to vote at the bondholder meetings or the processes of adoption of written decisions of bondholders.

123. To appoint the authorised representative, the bondholder shall, not later than 48 hours prior to start of the bondholder meeting or end of term for the adoption of a written decision of bondholders set forth by the issuer, submit the completed and signed documents specified in the issuer's notice regarding the bondholder meeting or the processes of adoption of a written decision.

124. During the term of authorisation the authorised representative of the bondholder that has been appointed pursuant to Paragraph 123 of this Regulation shall have all voting rights of a bondholder provided for in this Regulation and the terms and conditions of bonds.

125. The vote of the authorised representative shall be in force if no nullification of authorisation has been submitted to the issuer or the issuer has not been informed about such otherwise at least 48 hours prior to the bondholder meeting in which the authorised representative is planning to use voting rights granted to him/her or by the end of term for the adoption of a written decision of bondholders set forth by the issuer.

7.9. The calculation agent

126. The issuer shall appoint the calculation agent that shall calculate the number of votes of bondholders and shall determine whether the decision of the bondholder meeting or the written decision has been adopted according to the majority vote of bondholders having the right to vote set forth in this Regulation.

127. In the process of cross-series modification of the terms and conditions of bonds the calculation agent shall determine the total number of bonds having the right to vote for all related series of bonds in aggregate and the number of bonds having the right to vote for each related series individually, as well as shall determine whether the proposed cross-series modifications of the terms and conditions of bonds have been approved with the bondholder majority vote specified in this Regulation.

128. In the process of the cross-series modification of the terms and conditions of bonds the issuer shall appoint one calculation agent for all series related in the cross-series modification of the terms and conditions of bonds.

129. By the day of the bondholder meeting or, if the issue has been delivered for deciding by bondholders in the process of adoption of a written decision, then by the expiry of term for delivery of written votes set forth by the issuer, the issuer shall submit to the calculation agent and shall publish a confirmation specifying:

129.1. the total par value of bonds on the date of record;

129.2. the total par value of bonds having the right to vote on the date of record;

129.3. the total par value of those bonds, which pursuant to Paragraph 115 of this Regulation are not regarded as bonds having the right to vote;

129.4. the list of bondholders discussed in Paragraph 117 of this Regulation.

130. If the information discussed in Sub-paragraphs 129.1 and 129.3 of this Regulation should be delivered regarding the related series of bonds that have not been denominated in euros, the total par value of such bonds shall be calculated by applying the currency exchange rate of the respective currency against the euro published by the European Central Bank on the date of record.

131. The calculation agent shall be entitled to rely on information included in the confirmation provided by the issuer pursuant to Paragraph 129 of this Regulation.

132. Details specified by the issuer in the confirmation discussed in Paragraph 129 of this Regulation shall be indisputable and binding upon the issuer and the bondholders, except for in the event if the bondholder, the interests of which have been affected, shall submit its justified objections regarding the details included in the confirmation discussed in Paragraph 129 of this Regulation to the issuer in writing by the moment of voting at the bondholder meeting or by the expiry of the term for the delivery of written votes set forth by the issuer and the objections submitted by the bondholder, if they are acknowledged as justified and impact the vote at the bondholder meeting or the adopted written decision.

133. The calculation agent shall disregard the objection of the bondholder discussed in Paragraph 132 of this Regulation if:

133.1. the objection raised by the bondholder is revoked;

133.2. the bondholder that has raised the objection has not brought an action in court regarding the expressed objection within 15 calendar days after the publication of the decision of the bondholder meeting or the written decision of bondholders;

133.3. the court having jurisdiction to decide the objection of the bondholder has acknowledged that objections raised by the bondholder are not justified or do not in any event affect the vote at the bondholder meeting or the adopted written decision.

134. The issuer shall publish the results of voting at the bondholder meeting determined by the calculation agent immediately after the bondholder meeting or, if the issue has been delivered for deciding in the process of adoption of a written decision of bondholders, then after the expiry of the

term for the delivery of written votes of bondholders set forth by the issuer.

8. Final issues

135. Cabinet Regulation No. 120 of 5 March 2013 "Regulations on Issuing Government Securities" (Latvijas Vēstnesis, 2013, No. 50) shall be recognised null and void.

136. For long-term bonds released into circulation before the date of entry into force of Cabinet Regulation No. 387 of 31 May 2005 "Regulations on Issuing Government Securities" the basis 30E/360 shall be applied (in the calculation, each calendar month is considered as 1/12 of 360 days in a year, or 30 days, and the period from the particular date of the month until the corresponding date of the subsequent month is considered to be 30 days). The annual basis set at the time of issue shall be applied until the maturity of the respective series.

137. For government securities that have been issued prior to the entry into force of this Regulation the pay-out of fixed income, maturity and the last fixed income shall be made in the procedure set forth in this Regulation.

138. The provisions of Chapter 7 of this Regulation shall be applied to all bond series with a maturity term exceeding one year, which have been issued after the entry into force of the Treaty Establishing the European Stability Mechanism, and shall enter into force as of 13 March 2014.

139. The provisions of Chapter 7 of this Regulation shall not be applied to bond series issued before 13 March 2014 and supplemented with additional issue after 13 March 2014.

140. The total volume of additional issues of bonds discussed in Paragraph 139 of this Regulation shall not exceed:

140.1. 45 % of the gross bond issues in aggregate in 2014, starting from 13 March 2014;

140.2. 40 % of the gross bond issues in aggregate in 2015;

140.3. 35 % of the gross bond issues in aggregate in 2016;

140.4. 30 % of the gross bond issues in aggregate in 2017;

140.5. 30 % of the gross bond issues in aggregate in 2018;

140.6. 25 % of the gross bond issues in aggregate in 2019;

140.7. 25 % of the gross bond issues in aggregate in 2020;

140.8. 25 % of the gross bond issues in aggregate in 2021;

140.9. 25 % of the gross bond issues in aggregate in 2022;

140.10. 10 % of the gross bond issues in aggregate in 2023;

140.11. 5 % of the gross bond issues in aggregate in 2024 and further years.

141. The rules regarding the initial placement of government securities that have been approved by the financial agent and agreed by the Treasury based on Cabinet Regulation No. 120 of 5 March 2013

"Regulations on Issuing Government Securities" shall be in force for not longer than three months after the day of entry into force of this Regulation.

Prime Minister Laimdota Straujuma

Minister of Finance Andris Vilks