

**Nasdaq Riga “RULES ON THE PROCEDURES FOR INITIAL PLACEMENT AND BUYBACKS OF
LATVIAN GOVERNMENT SECURITIES IN THE TRADING SYSTEM OF Nasdaq Riga”**

Nasdaq Riga “Rules on the procedures for initial placement and buybacks of Latvian government securities in the trading system of Nasdaq Riga” (hereinafter – rules) establish the procedures for initial placement of Latvian government securities – bills and bonds (hereinafter also – securities) in competitive multi-price auctions, fixed-rate (non-competitive) auctions and in tap issues of government securities, and the procedures for buybacks of securities in the trading system of Nasdaq Riga (hereinafter – Exchange). These procedures have been prepared with due respect to the regulations of the Cabinet of Ministers “Regulation on Issuing Government Securities” (hereinafter – Cabinet Regulation) in force. Initial placement of government securities in Latvia is subject to these regulations and other regulatory acts on government securities in force in the Republic of Latvia.

1. USED TERMS

- 1.1. The terms and definitions used herein that are not defined correspond to the terms and definitions used in the Cabinet Regulation.
- 1.2. Member of the Exchange – a legal entity registered in the Republic of Latvia or a foreign legal entity which in according to the Exchange rules obtains the member status of the Exchange.
- 1.3. Maximum admissible yield rate – a government security yield rate fixed by the Treasury above which bids submitted to competitive auction at the initial placement are not satisfied.
- 1.4. Minimum admissible yield rate – a government security yield rate fixed by the Treasury below which bids submitted to the Treasury in case of security buybacks are not satisfied.
- 1.5. Nominal amount – the total sum of nominal amounts of securities which is divided by the nominal value of a securities series without remainder.
- 1.6. Minimum amount of purchase – minimum nominal amount set by the Treasury which an auction participant can submit at an auction and which cannot be divided.
- 1.7. Transaction – a transaction performed with securities in a competitive multi-price auction or a fixed-rate (non-competitive) auction and tap issues of securities, as well as buying back or redeeming securities before the maturity, which is made or registered in the trading system of the Exchange according to the procedures set by the Exchange.
- 1.8. ISIN code – an internationally recognized identification number of financial instruments (International Securities Identification Number), allocated for any total of replaceable financial instruments – financial instruments of identical characteristics issued by the same issuer.
- 1.9. Primary Dealer – Member of the Exchange that has signed agreement with the Treasury on participation in initial placement and buyback of securities.
- 1.10. Depository – central securities depository, in which’s security settlement system securities are registered and which ensures settlement of transactions.

2. GENERAL PROVISIONS

- 2.1. Securities are issued by the Republic of Latvia, represented by the Minister of Finance, and their initial placement and buyback is carried out by the Treasury. Initial placement and buyback of securities with mediation of the Exchange is carried out, using the trading system of the Exchange in accordance with these rules and the agreement concluded between the Treasury and the Exchange. The dates of initial placement, buyback and settlement of the securities and the characteristics of security series shall be set in separate instructions of the Treasury.
- 2.2. Primary Dealers have rights to participate in the initial placement and buyback of securities according to the signed agreement with the Treasury, unless instruction from the Treasury specifies that all Members of the Exchange have rights to participate.
- 2.3. If all Members of the Exchange shall have rights to participate in the initial placement or buyback of securities, The Treasury shall send the respective information no later than four business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, no later than at 10:00 at the previous business day prior to the initial placement or buyback of securities.
- 2.4. Within the framework of initial placement and buybacks of securities, the Exchange shall carry out the following functions:
 - 2.4.1. ensure information technologies required for the process of initial placement and buyback;
 - 2.4.2. electronically ensure to members of the Exchange and to the Treasury information about the results of the initial placement and buyback of securities and ensure availability of the information on the Exchange homepage;
 - 2.4.3. provide access to Depository concerning transaction information;
 - 2.4.4. perform other functions envisaged in agreements concluded between the Treasury and the Exchange on co-operation on initial placement and buyback of securities;
 - 2.4.5. ensure that the Member has access, via Trading system to the information on the transactions executed during the respective auction or buyback, except the information about the transaction parties. Irrespective of the above, Member is able to identify own transactions in the Trading system;
 - 2.4.6. ensure that the list of Primary Dealers is available on the Exchange homepage.
- 2.5. The Treasury shall confirm the results of the initial placement and buyback of securities, examine claims and other cases and make other decisions in the course of initial placement and buyback of securities.
- 2.6. Settlements on transactions with securities in cases of initial placement and buybacks of securities and when acting according to provisions on financial instruments applying to securities shall be performed according to Depository's rules.
- 2.7. Members of the Exchange shall pay a commission fee once a month for participation in initial placement and buyback of securities according the fees set forth by the Exchange. Members of the Exchange shall pay the invoices within the time stated on the invoices of the Exchange.

3. INITIAL PLACEMENT OF SECURITIES IN A COMPETITIVE AUCTION

- 3.1. Placement of securities in a competitive auction shall be carried out in accordance with an instruction from the Treasury. One or more competitive auctions can take place on the same day. Competitive auctions are closed, unless the instructions from the Treasury indicate otherwise.
- 3.2. The nominal amount which has not been sold on a competitive auction can be repeatedly auctioned at a competitive auction or sold in tap issues, the amount of series of securities in circulation can be increased on an additional auction or through tap issues.
- 3.3. The Treasury shall electronically send to the Exchange a respective instruction about issue of securities, indicating the information specified in the Cabinet Regulation that has to be included into the instruction regarding the issuance of government securities and date and the time of start and set time till which bids are

accepted for each competitive auction, and, if necessary, other information. The Treasury shall send the information mentioned in this paragraph no later than four business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, no later than at 10:00 at the previous business day prior to each competitive auction. At the same time the Treasury shall ensure availability of the indicated information on the homepage of the Treasury.

- 3.4. Upon the receipt of the Treasury instruction indicated under section 3.3, the Exchange shall immediately forward the information to members of the Exchange in electronic format and ensure availability of the information on the Exchange homepage.
- 3.5. A competitive auction shall take place should at least one member of the Exchange that has rights to participate in the auction has applied for it.
- 3.6. To participate in a competitive auction, a member of the Exchange that has rights to participate in the auction shall submit at least one bid to the trading system of the Exchange on the date of the competitive auction by the time set by the Treasury. All bids submitted to the competitive auction can be modified or cancelled before the time set by the Treasury.
- 3.7. A member of the Exchange that has rights to participate in the auction shall take part on a competitive auction with one or several bids, indicating the nominal amount to be purchased for each bid and the respective corresponding yield rate of the security. The yield rate increment in the bid shall be 0.001 of one percent.
- 3.8. Bids of a competitive auction shall be satisfied starting from the lowest offered yield rate within the margins of the amount of securities issue fixed by the Treasury and the maximum admissible yield rate.
- 3.9. In cases where it is impossible to fully satisfy the bid of the competitive auction, it shall be satisfied within the range of the unauctioned nominal amount.
- 3.10. In case if there are several competitive auction bids with equal yield rates which cannot be fully satisfied, they will be satisfied in proportion to the nominal amount indicated in the bid, taking into account the amount of issue of securities and the minimum amount of purchase. Should nominal amount of securities remain unallocated after this process, it shall be allocated to the bid that has indicated the largest nominal amount of securities. In case if an identical nominal amount of securities has been indicated in two or more bids, the remaining nominal amount shall be allocated to one of these bids, according to principle of randomness generated by the trading system of the Exchange.
- 3.11. Over the course of the competitive auction the Exchange shall prepare a summary of results of the auction and ensure its availability on the homepage of the Exchange by the end of the day of competitive auction.

4. INITIAL PLACEMENT OF SECURITIES IN A NON-COMPETITIVE AUCTION

- 4.1. Placement of securities in a non-competitive auction shall be carried out in accordance with instructions from the Treasury. One or more non-competitive auctions can take place in one day. Non-competitive auctions shall be closed, unless the instructions from the Treasury state otherwise.
- 4.2. The Treasury shall electronically send to the Exchange a respective instruction about issue of securities, indicating the information specified in the Cabinet Regulation that has to be included into the instruction regarding the issuance of government securities and the date and time of start and set time till which bids are accepted for each non-competitive auction and, if necessary, providing other information. The Treasury shall send the information mentioned in this paragraph no later than four business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, no later than at 10:00 at the previous business day prior to each competitive auction. The Treasury shall at the same time ensure availability of the indicated information on the Treasury homepage.
- 4.3. Upon receipt of the Treasury instructions indicated under section 4.2, the Exchange shall immediately forward the indicated information to members of the Exchange in electronic format and ensure availability of the information on the Exchange homepage.

- 4.4. After competitive auction until the start of non-competitive auction the Exchange shall ensure availability of information on the homepage of the Exchange about the yield rate and fixed income rate for the tranche of securities to be auctioned at the non-competitive auction.
- 4.5. A non-competitive auction shall take place if at least one member of the Exchange that has rights to participate in the auction has applied for it.
- 4.6. In order to participate in a non-competitive auction, on the date of a non-competitive auction a member of the Exchange that has rights to participate in the auction shall submit at least one bid to the trading system of the Exchange until the time set by the Treasury. All bids submitted for non-competitive auction can be modified or cancelled before the time set by the Treasury.
- 4.7. A member of the Exchange that has rights to participate in the auction shall participate in a non-competitive auction with one or several bids, indicating on each bid the yield rate fixed by the Treasury and the nominal amount. The total nominal amount of securities contained in an Exchange member's bids shall not exceed the amount of the same tranche of securities offered by the Treasury at the last competitive auction.
- 4.8. In a non-competitive auction bids shall be satisfied in proportion to the nominal amounts of securities indicated in the bid. Should a nominal amount of securities remain unallocated after this process, it shall be allocated to the bid that has indicated the largest nominal amount of securities. In case if an identical nominal amount of securities has been indicated in two or more bids, the remaining nominal amount shall be allocated to one of bids, according to principle of randomness generated by the trading system of the Exchange.
- 4.9. Over the course of a non-competitive auction the Exchange shall prepare a summary of results of the auction and ensure its availability on the homepage of the Exchange by the end of the day of non-competitive auction.
5. INITIAL PLACEMENT OF SECURITIES AT TAP ISSUES
- 5.1. Placement of securities at tap issues shall be made according to instructions from the Treasury.
- 5.2. The Treasury shall send respective instructions about issue of securities no later than on the date of tap issues of the securities or in case of a new series of securities, no later than one business day before tap issues of the securities by 13.00, send respective instructions on issue of securities to the Exchange, indicating the information specified in the Cabinet Regulation that has to be included into the instruction regarding the issuance of government securities and date and time of start and set time till which bids are accepted and, if necessary, indicate other information. At the same time the Treasury shall ensure availability of the indicated information on the homepage of the Treasury.
- 5.3. Upon receipt of the Treasury instructions indicated under section 5.2, the Exchange immediately, but not later than until the beginning of tap issue, shall forward electronically that information to the members of the Exchange and ensure availability of the information on the homepage of the Exchange.
- 5.4. In order to participate in tap issues of the securities, member of the Exchange that has rights to participate in the tap issue shall submit to the Exchange trading system a bid for purchase of securities. All bids submitted for tap issues are irrevocable and unchangeable.
- 5.5. Members of the Exchange that have rights to participate in the tap issue shall take part in tap issues with one or several bids, indicating yield specified by The Treasury and nominal amount.
- 5.6. The bids on tap issues of securities submitted by members of the Exchange shall be executed in the rank of their submission, taking into account minimum amounts of purchase.
- 5.7. After execution of bids for tap issues of securities the Exchange shall prepare a summary of results of the tap issues and ensure its availability on the homepage of the Exchange by the end of the day of tap issue.

6. BUYBACKS OF SECURITIES

- 6.1. Full or partial buybacks of unencumbered series of securities shall be carried out in accordance with the instructions of the Treasury. Buybacks of securities can be made by using competitive multi-price auctions, fixed-rate (non-competitive) auctions or methods of direct buyback. The Treasury performs full or partial redemption of the series of securities only for securities that are bought back.
- 6.2. The Treasury shall electronically send appropriate instructions about buybacks of securities to the Exchange, indicating the date and time of start and set time till which bids are accepted for buybacks of securities, the ISIN code of the securities, their nominal value, amount of buyback, the date of settlement, and, if necessary, other information in a competitive multi-price or non-competitive auction or direct buyback. The Treasury shall send the information mentioned in this paragraph no later than four business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, no later than at 10:00 at the previous business day prior to each buyback auction or direct buyback. At the same time the Treasury shall ensure availability of the indicated information on the homepage of the Treasury. The Exchange shall ensure further distribution of the information about buybacks pursuant to the provisions of sections 3, 4 and 5 of the rules.
- 6.3. Carrying out buyback of securities, a member of the Exchange that has rights to participate in the buyback of securities shall submit to the Exchange trading system at least one bid for buybacks of securities by the deadline set by the Treasury.
- 6.4. In case of a competitive multi-price auction a member of the Exchange that has rights to participate in the buyback of securities shall indicate in each bid the securities to be sold and the nominal amount as well as the offered yield rate. The yield rate increment on the security offered in the bid shall be 0.001 of one percent. Bids submitted to the competitive multi-price auction can be modified or cancelled before the time set by the Treasury.
- 6.5. In case of a non-competitive auction a member of the Exchange that has rights to participate in the buyback of securities shall indicate on each bid the securities, the yield rate fixed by the Treasury and the nominal amount. The total nominal amount of securities contained in an Exchange member's bids shall not exceed the total nominal amount of securities offered by the Treasury at the respective non-competitive auction. All bids submitted for non-competitive auction can be modified or cancelled before the time set by the Treasury.
- 6.6. In case of direct buybacks of securities a member of the Exchange that has rights to participate in the buyback of securities shall indicate the securities, the yield rate or price fixed by the Treasury and the nominal amount. The bids submitted for direct buybacks are irrevocable and unchangeable.
- 6.7. In a competitive multi-price auction the bids shall be satisfied starting from the highest offered yield rate within the amount of buyback of securities set by the Treasury. The Treasury shall have the right to set the minimum admissible yield rate of securities buybacks. In case of several bids for competitive multi-price competition with identical yield rates which cannot be fully met, these shall be satisfied in proportion to the nominal amount indicated in the bid, taking into account the amount of issue of securities and the minimum amount of buyback. Should a nominal amount of securities remain not bought back after this process, this amount shall be bought back from the member of the Exchange that participates in the buyback with the largest nominal amount of securities indicated on the bid. In case if an identical nominal amount of securities has been indicated in two or more bids, the remaining of nominal amounts of securities shall be bought back from one of these bids, according to principle of randomness generated by the trading system of the Exchange.
- 6.8. In a non-competitive auction bids shall be satisfied in proportion to the nominal amount of securities indicated in the bid. Should a nominal amount of securities remain unallocated after this process, it shall be allocated to the bid that has indicated the largest nominal amount of securities. In case if an identical nominal amount of securities has been indicated in two or more bids, the remaining nominal amount shall be allocated to one of bids, according to principle of randomness generated by the trading system of the Exchange.
- 6.9. Bids submitted for direct buybacks of securities shall be satisfied in the order of submission.

7. LIABILITES FOR FAILURE TO PERFORM ON OBLIGATIONS

- 7.1. Should a member of the Exchange fail to secure a sufficient amount of funds (in case of initial placement of securities) or fail to ensure the necessary amount of securities (in case of buyback of securities), the Exchange according to the information provided in the request from the Treasury shall charge the member of Exchange with a penalty of EUR 100 and 0.5 % of the nominal amount of securities in the transaction. The member of the Exchange shall pay up the penalties to the Exchange within 10 days after receipt of a respective invoice from the Exchange by transfer of funds to the Exchange account indicated on the invoice. After receipt of the invoice the Exchange shall transfer the received funds to the Treasury in accordance to agreements concluded between the Treasury and the Exchange on co-operation on initial placement of securities and buyback of securities.
- 7.2. The member of the Exchange shall pay a penalty in the amount of 0.5 % from the outstanding amount per delayed day in case the payment of the commission fee under section 2.7 is not made on time. Payment of the penalty will not liberate the member of the Exchange from the obligation to perform its obligations.

8. CALCULATION OF SECURITIES PRICE, ACCRUED INTEREST, FIXED INCOME RATE AND YIELD RATE

- 8.1. 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 interest, 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).
- 8.2. The following conditions shall be taken into account when calculating the price, yield rate, accrued interest, and fixed income rate for T-bonds:
- 8.2.1. The accrued interest is calculated up to six decimals.
- 8.2.2. The price in percentage of the nominal value is calculated up to six decimals. The settlement amount for transaction is calculated up to two decimals.
- 8.2.3. In case of repeated or additional issue of bonds in circulation the accrued interest shall be added to the price.
- 8.2.4. In case of repeated or additional issue of bonds in circulation the fixed income rate from the first issue of these bonds shall remain without change.

8.3 Methods for securities price calculation.

8.3.1. Method for calculation of price for T-bills:

$$P = 100 / (1 + Y * r / 360) \text{ where}$$

P – price of the security;

Y – yield rate in decimal fractions;

r – the number of actual days till maturity;

8.3.2. The method for calculation of price for bonds according to the standard of the International Capital Market Association (ICMA) :

Total price of the bond $K=P+Ac$, where

$$P = \sum_{i=1}^n \frac{CF_i}{(1 + Y/Fq)^{Li}}, \text{ where}$$

P – bonds price excluding accrued interest (clean price);

n – the number of coupon payments till maturity;

CF_i – the amount paid at the end of the i -th period;

Y – yield to maturity in decimal fractions;

Fq – number (frequency) of fixed income payments per annum;

Li – the number of fixed-income periods until the date of calculation of the fixed income at the end of the i -th period:

$$Li = t - m / k$$

$$Ac = \frac{100 * Fi * m}{Fq * k}, \text{ where}$$

Ac – accrued interest;

Fi – fixed annual income rate in decimal fractions;

m – the number of the actual days for which the accrued interest is calculated;

k – the actual number of days over the period of coupon where the date of accrued interest calculation falls;

t – number of fixed income payments till the Treasury payment at the end of the i -th period.

8.4 Methods of yield rate calculation for the securities.

8.4.1. For T-bills:

$$Y = \frac{100 - P}{P} * \frac{360}{r}, \text{ where}$$

Y – yield rate in decimal fractions;

P – price of the security

r – the number of actual days till maturity.

8.4.2. The accrued interest shall be calculated from the last date of fixed income settlement date or the date of settlement of the initial issue (including) until the date of settlement of repeated or additional issue of the same bonds (not including).

9. FINAL PROVISIONS

9.1. These rules and proceeding amendments shall take effect after receiving approval from the Treasury and according to the procedures stated in the Law on the Financial Instrument Market.

9.2. These rules shall not be applicable in case of modification of the terms and conditions of issuing government securities (bonds) according to the Cabinet Regulation that makes the applicability of the rules not possible.