

NASDAQ RIGA RULES “ON THE OFFERING AND SALE OF SECURITIES OF THE REPUBLIC OF LATVIA INITIALLY ISSUED UNDER THE GMTN PROGRAM IN THE INITIAL PLACEMENT ON THE NASDAQ RIGA TRADING SYSTEM”

Nasdaq Riga rules “On the offering and sale of securities of the Republic of Latvia initially issued under the GMTN program in the initial placement on the Nasdaq Riga trading system” (hereinafter – “rules”) establish the procedures for initial placement of new tranches of existing Note series that were initially issued under the GMTN programme (hereinafter also – “GMTN Notes” and hereinafter the new tranches– “domestic GMTN Notes”) by way of competitive multi-price auctions, fixed-rate (non-competitive) auctions and in direct sales in the trading system of Nasdaq Riga (hereinafter – Exchange). Initial placement of domestic GMTN Notes in Latvia is subject to these rules and other regulatory acts in force in the Republic of Latvia, including the GMTN programme documentation of the Republic of Latvia (hereinafter – “GMTN documentation”).

1. USED TERMS

- 1.1. The terms and definitions used herein that are not defined correspond to the terms and definitions used in the GMTN documentation published on Luxembourg Stock Exchange and the Treasury website, for example terms used in the Offering Circular and Pricing Supplement of the respective Notes issued under GMTN documentation.
- 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 acceptable yield – a yield fixed by the Treasury above which bids submitted to competitive auction of the domestic GMTN Notes at the initial placement are not satisfied.
- 1.4. Nominal amount – the total sum of nominal amounts of domestic GMTN Notes which is divided by the nominal value (i.e. calculation amount) of a respective GMTN Note series without remainder.
- 1.5. Minimum amount of purchase – minimum nominal amount set in the GMTN documentation and in the terms of the GMTN Note series.
- 1.6. Transaction – a transaction performed with domestic GMTN Notes in a competitive multi-price auction or a fixed-rate (non-competitive) auction and direct sales, which is made or registered in the trading system of the Exchange according to the procedures set by the Exchange.

- 1.7. 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.
- 1.8. Primary Dealer – Member of the Exchange that has signed Primary Dealer Agreement with the Treasury that regulates settlement matter for domestic GMTN Notes, as well as obligations in case of domestic GMTN Notes settlement failures.

2. GENERAL PROVISIONS

- 2.1. Domestic GMTN Notes are issued by the Republic of Latvia acting through the Treasury. Initial placement of domestic GMTN Notes 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 of the domestic GMTN Notes and the settlement, and the characteristics of the offered tranche shall be set in separate order of the Treasury.
- 2.2. Primary Dealers have rights to participate in the initial placement of domestic GMTN Notes according to the signed agreement with the Treasury, unless the order of 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 of domestic GMTN Notes, The Treasury shall send the respective information not 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 of domestic GMTN Notes.
- 2.4. Within the framework of initial placement of domestic GMTN Notes, the Exchange shall carry out the following functions:
 - 2.4.1. ensure information technologies required for the process of initial placement;
 - 2.4.2. in electronic format ensure to Members of the Exchange and to the Treasury information about the results of the initial placement of domestic GMTN Notes and ensure availability of the information on the Exchange homepage, including the public communication disclaimer in respect to GMTN Notes (hereinafter – Disclaimer);
 - 2.4.3. ensure transaction information in a format that is pre agreed with the Treasury and Member of the Exchange who participated in primary placement and that is needed to ensure next steps for the settlement process;
 - 2.4.4. perform other functions envisaged in outstanding agreements between the Treasury and the Exchange on co-operation on initial placement and buyback of securities;
 - 2.4.5. ensure that the Member of the Exchange 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 of the Exchange 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 (by phone or e-mail) the results of the initial placement of domestic GMTN Notes, examine claims and other cases and make other decisions in the course of initial placement of domestic GMTN Notes.
- 2.6. Settlements on transactions with domestic GMTN Notes in cases of initial placement shall be performed according to the agreement between the Treasury and Primary Dealers and according to GMTN documentation.
- 2.7. Members of the Exchange shall pay a commission fee once a month for participation in initial placement of domestic GMTN Notes according the fees set forth by the Exchange. Members of the Exchange shall pay the invoices within the date stated on the invoices of the Exchange.

3. INITIAL PLACEMENT OF SECURITIES IN A COMPETITIVE AUCTION

- 3.1. Placement of the domestic GMTN Notes in a competitive auction shall be organised in accordance with the Treasury Order “On issuance of the domestic GMTN Notes” (hereinafter – Order). One or more competitive auctions can take place on the same day. Competitive auctions are closed, unless the Order indicate otherwise.
- 3.2. Prior every competitive auction the Treasury shall electronically send to the Exchange an Order, indicating the domestic GMTN Notes terms and conditions (*raksturlielumi*), as well as additionally date of every competitive auction, time of start and time till which bids are accepted, if necessary, other additional information. The information mentioned in this paragraph should be sent to the Exchange not later than two business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, not later than at 10:00 at the previous business day prior to each competitive auction. Simultaneously the Treasury ensure availability of the Order on the homepage of the Treasury, including relevant Disclaimer.
- 3.3. Upon the receipt of the Order indicated under section 3.2, the Exchange immediately electronically forward the information to Members of the Exchange and ensure availability of the information on the Exchange homepage, including relevant Disclaimer.
- 3.4. A 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.
- 3.5. To participate in a competitive auction, 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.
- 3.6. Member of the Exchange that has rights to participate in the competitive auction shall place one or several bids in the competitive auction, indicating the nominal amount to be purchased for each bid, taking into account the minimum amount of purchase, and the corresponding yield of the respective bid of domestic GMTN Notes. The yield increment in the bid shall be 0.001 of one percent.

- 3.7. Bids of a competitive auction shall be accepted starting from the lowest offered yield within the margins of the amount of domestic GMTN Notes issue fixed by the Treasury and the maximum accepted yield.
- 3.8. In case it is impossible to fully accept the bid of the competitive auction, it shall be accepted as far as remaining unallocated nominal amount allows, taking into account the minimum amount of purchase. To meet the requirements of minimum amount of purchase Treasury has rights to change the amount of purchase announced in the Order.
- 3.9. In case if there are several competitive auction bids with equal yield which cannot be fully accepted, they will be accepted proportionally to the nominal amount indicated in the bid, taking into account the size of the submitted order, the total amount of issue of the domestic GMTN Notes and the minimum amount of purchase. If nominal amount of the domestic GMTN Notes remain unallocated after this process, the bid that has indicated the largest nominal amount of the domestic GMTN Notes is allocated. In case there are several competitive auction bids with equal yield and equal size of the order, time priority of order submission will be taken into account.
- 3.10. Over the course of the competitive auction the Exchange prepare a summary of results of the auction electronically and publish on the homepage of the Exchange by the end of the day of competitive auction, including relevant Disclaimer.
- 3.11. In case Member of the Exchange that has rights to participate in competitive auction, fail to make settlement of the domestic GMTN Notes on settlement date, the Exchange together with the Treasury amend summary of auction results regarding amount sold, without changing other terms or information.

4. INITIAL PLACEMENT OF SECURITIES IN A FIXED PRICE (NON-COMPETITIVE) AUCTION

- 4.1. Placement of the domestic GMTN Notes in a fixed price (non-competitive) auction (hereinafter – non-competitive auction) shall be organised in accordance to the Order. One or more non-competitive auctions can take place in one day. Non-competitive auctions shall be closed, unless the Order state otherwise.
- 4.2. Prior every non-competitive auction the Treasury shall electronically send to the Exchange a respective Order about offered issue of the domestic GMTN Notes, indicating the conditions of the domestic GMTN Notes, as well as additionally date of every non-competitive auction, time of start and time till which bids are accepted, if necessary, providing additional information. The information mentioned in this paragraph shall be send to the Exchange not later than four business days, or in cases, when the Treasury is unable to meet previously set deadline taking into account extraordinary circumstances, not later than at 10:00 at the previous business day prior to each competitive auction. Simultaneously the Treasury ensure availability of the Order on the Treasury homepage, including relevant Disclaimer.
- 4.3. Upon receipt of the Order indicated under section 4.2, the Exchange immediately electronically forward the indicated information to Members of the Exchange and ensure availability of the information on the Exchange homepage, including relevant Disclaimer.

- 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, dirty price and fixed income rate for the offered issue of the domestic GMTN Notes to be auctioned at the non-competitive auction, including relevant Disclaimer.
- 4.5. Primary placement of domestic GMTN Notes in non-competitive auction shall be organised according to following terms:
- 4.5.1. applicable yield and corresponding price is set according to the average weighted yield and corresponding price determined in the last competitive auction of the same series of domestic GMTN Notes.
- 4.5.2. fixed income rate is set the same as for initial placement of respective series of GMTN Notes.
- 4.6. 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.
- 4.7. 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 place at least one bid to the trading system of the Exchange until the time set by the Treasury, taking into account the minimum amount of purchase. All bids submitted for non-competitive auction can be modified or cancelled before the time set by the Treasury.
- 4.8. 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 of domestic GMTN Notes fixed by the Treasury and the nominal amount not smaller than the minimum amount of purchase. The total nominal amount of domestic GMTN notes contained in a Member's of the Exchange bids shall not exceed the amount of the same tranche of notes offered by the Treasury at the last competitive auction, if such was determined, or the amount of the same tranche of notes sold by the Treasury at the last competitive auction, if in the Order there was no specified offered amount of notes.
- 4.9. In a non-competitive auction bids shall be executed proportionally to the nominal amount indicated in the bid, taking into account the size of the submitted order, the total amount of issue of the domestic GMTN Notes and the minimum amount of purchase. If nominal amount of the domestic GMTN Notes remain unallocated after this process, the bid that has indicated the largest nominal amount of the domestic GMTN Notes is allocated. In case there are several competitive auction bids with equal size of the order, time priority of order submission will be taken into account.
- 4.10. Over the course of a non-competitive auction the Exchange shall prepare a summary of results of the auction electronically and publish on the homepage of the Exchange by the end of the day of non-competitive auction, including relevant Disclaimer.
- 4.11. In case a Member of the Exchange that has rights to participate in competitive auction, fail to make settlement of the domestic GMTN Notes on settlement date, the Exchange together with the Treasury amend summary of auction results regarding amount sold, without changing other data.

5. INITIAL PLACEMENT OF NOTES VIA DIRECT SELL

- 5.1. Placement of domestic GMTN Notes via direct sell shall be shall be organised in accordance to the Order.
- 5.2. The Treasury shall send respective instructions about issue of domestic GMTN Notes no later than on the date of direct sell of the domestic GMTN Notes or in case of GMTN Notes series first placement using the Exchange trading system, not later than one business day before direct sale of the notes by 13.00, send respective instructions on issue of domestic GMTN Notes to the Exchange, indicating domestic GMTN Notes terms and conditions (*raksturlielumi*) 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, including relevant Disclaimer.
- 5.3. Upon receipt of the Treasury instructions indicated under section 5.2, the Exchange immediately, but not later than until the beginning of direct sell, shall forward information to the Members of the Exchange electronically and publish on the homepage of the Exchange, including relevant Disclaimer.
- 5.4. In order to participate in direct sell of the domestic GMTN Notes, Member of the Exchange that has rights to participate in the direct sell shall submit to the Exchange trading system a bid for purchase of domestic GMTN Notes. All bids submitted for direct sell are irrevocable and unchangeable.
- 5.5. Members of the Exchange that have rights to participate in the direct sell shall place one or several bids, indicating price specified by The Treasury and nominal amount.
- 5.6. The bids on direct sell of domestic GMTN Notes are submitted by Members of the Exchange and shall be executed in the rank of their submission, taking into account minimum amount of purchase.
- 5.7. After execution of bids for direct sell of the domestic GMTN Notes the Exchange shall prepare a summary of results of the direct sell electronically and publish on the homepage of the Exchange by the end of the day of tap issue, including relevant Disclaimer.

6. CALCULATION OF PRICE, ACCRUED INTEREST AND YIELD

- 6.1. The annual basis for the calculation of the price and accrued interest and yield of GMTN notes 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) according to GMTN documentation.
- 6.2. When calculating price, yield and accrued interest of the domestic GMTN Notes, below must be considered (if not stated otherwise in the GMTN Programme):
 - 6.2.1. accrued interest is calculated by using rounding up to 12 (twelve) digits in settlement currency;

- 6.2.2. price of the domestic GMTN Notes is calculated by using rounding up to 3 (three) digits. Settlement amount for each Transaction is rounded up to 2 (two) digits in settlement currency;
- 6.2.3. accrued interest of domestic GMTN Notes shall be added to price
- 6.2.4. fixed income rate of domestic GMTN Notes remains the same as for the first issue of relevant GMTN Notes.

6.3. Methods for domestic GMTN Notes price calculation:

- 6.3.1. the method for calculation of price for fixed rate coupon domestic GMTN Notes according to the standard of the International Capital Market Association (ICMA):

Total price of the domestic GMTN Notes $K = P + Ac$, where

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

P – domestic GMTN Notes 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 – domestic GMTN Notes yield to maturity in decimals;

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

Li – the number of fixed-income payment 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 decimals;

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 till calculation of accrued interest; 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.

- 6.4. The accrued interest shall be calculated from the last date of fixed income payment date or the date of settlement of the initial issue (including) until the date of settlement of reopening of the same domestic GMTN Notes (not including).

7. FINAL PROVISIONS

- 7.1. 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.