Text consolidated by Valsts valodas centrs (State Language Centre) with amending regulations of:

16 December 2014 [shall come into force on 1 January 2015];

31 March 2015 [shall come into force on 10 April 2015];

14 November 2017 [shall come into force on 23 November 2017];

4 June 2019 [shall come into force on 8 June 2019].

If a whole or part of a paragraph has been amended, the date of the amending regulation appears in square brackets at the end of the paragraph. If a whole paragraph or sub-paragraph has been deleted, the date of the deletion appears in square brackets beside the deleted paragraph or sub-paragraph.

Republic of Latvia

Cabinet

Regulation No. 237

Adopted 6 May 2014

**Regulations Regarding the Issue of State Securities**

*Issued pursuant to*

*Section 35, Paragraph three of the Law on Budget and Financial Management*

**1. General Provisions**

1. The Regulation prescribes the procedures for the issue and circulation of State securities in the Republic of Latvia.

2. The terms used in the Regulation:

2.1. State security – a promissory note, a bond, a savings bond, and an interest-free bond issued on behalf of the Republic of Latvia to which the International Securities Identification Number (ISIN) beginning with the country code of Latvia “LV” has been assigned;

2.2. issuer – the Republic of Latvia on behalf of which the Minister for Finance operates;

2.3. investor:

2.3.1. a legal or natural person who invests funds in promissory notes or bonds;

2.3.2. a natural person who has attained the age of at least 18 years as on the day of investment and who invests funds in savings bonds;

2.3.3. a natural person who invests funds in interest-free bonds in order to receive a residence permit in the cases and in accordance with the procedures laid down in the Immigration Law (hereinafter – the foreigner);

2.4. bond holder – an investor in the financial instruments account of which a bond is accounted for;

2.5. short-term State security – a promissory note and a savings bond with a maturity of up to one year (including);

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

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

2.8. promissory note – a State security which has been issued at a discount, a premium, or according to the nominal value and redeemed at maturity of nominal values and which may be traded publicly;

2.9. bond – a State security which has been issued at a discount, a premium, or according to the nominal value at a fixed or variable interest rate and with a fixed income to be disbursed within specific time periods if the fixed income rate exceeds zero level and which is redeemed at its nominal value, and which may be traded publicly;

2.10. savings bond – a State security which has been issued at a fixed interest rate and with a fixed income to be disbursed within specific time periods and which is redeemed at its nominal value, and which is not traded publicly and may not be alienated. For short-term savings bonds, the fixed income shall be disbursed at their maturity but for medium-term and long-term savings bonds – once a year;

2.10.1 interest-free bond – a State security intended for specific purpose which does not have a fixed income, which is redeemed at its nominal value, and which is not traded publicly, may not be pledged, or may not be alienated;

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

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

2.12. price – the acquisition value of a State security which is paid by the investor, except for the investor referred to in Sub-paragraph 2.3.3 of this Regulation, on the day of issue of the State security;

2.13. nominal value – the value for which a State security is redeemed at the maturity thereof;

2.14. issue – the issuing of one type of State securities with the same characteristics;

2.15. the day of issue – the day when State securities are issued or accumulation of a fixed income, if any intended, is commenced or continued;

2.16. fixed income – an income determined according to a fixed or variable interest rate which is disbursed on the date of disbursement of the fixed income of the relevant State security;

2.17. initial placement – the offer to the public made by the issuer to acquire State securities and the first acquisition thereof;

2.18. offer to the public – information provided through any means on a State security which allows the investor, except for the investor referred to in Sub-paragraph 2.3.3 of this Regulation, to decide on acquisition of a State security;

2.19. public circulation – entering into a transaction regarding promissory notes or bonds that are admitted to a regulated market;

2.20. fiscal agent – a regulated market operator, a central securities depository, or a financial instrument market participant licensed for the operation on the financial instrument market and supervised in the Republic of Latvia which has entered into a contract with the Treasury for the technical provision of the initial placement of State securities;

2.21. distribution agent – a legal person who has entered into a contract with the Treasury for the distribution of State securities;

2.22. series – a tranche of State securities together with any other tranche of State securities of the same series which has the same characteristics, except for the day of issue or dates of disbursements of a fixed income made previously, and which has been assigned an individual ISIN code. The series shall be issued in one or more tranches;

2.23. early redemption – redemption of a State security before the maturity thereof;

2.24. participant in the initial placement – a legal person which, in accordance with the regulations governing initial placement and approved by the fiscal agent, is entitled to participate in the initial placement of promissory notes or bonds organised and ensured technically by the relevant fiscal agent;

2.25. outright sale – a method of the initial placement of State securities in which State securities are offered outright to the investor or participant in the initial placement at a price set by the issuer. In the outright sale of savings bonds and the outright sale of a new series of bonds the issuer shall set an interest rate for the fixed income thereof;

2.26. competitive multi-price auction – a method of the initial placement of promissory notes or bonds in which the promissory notes or bonds are auctioned at competitive rates of return bid by participants in the initial placement;

2.27. fixed rate (non-competitive) auction – a method of the initial placement of promissory notes or bonds in which such securities are auctioned at a pre-determined rate of return. The rate of return shall be determined according to the rate of return of the promissory note or bond set at the last competitive auction;

2.28. rate of return – a return on investment per year expressed as a percentage, taking into account the price of the State security and the expected income from the State security during the maturity thereof;

2.29. accumulated fixed income – a part of the fixed income which has been accumulated as on a specific date from a bond or savings bond since the day of issue of such State security or the date of disbursement of the previous fixed income;

2.30. working day – any calendar day, except for Saturdays, Sundays, the public holidays and non-working days specified in the laws and regulations of the Republic of Latvia;

2.31. record date – a working day determined by the issuer at the end of which a collection of bond holders of the series affected by the process of amendments to one or several provisions of bonds is recorded;

2.32. provisions of bonds – a set of mutual rights and obligations of the issuer and the bond holder arising from the order of the Treasury regarding the issue of bonds which has been referred to in Paragraph 8 of this Regulation and of this Regulation in relation to the investment of the bond holder in a specific bond;

2.33. amendments to the provisions of bonds – changes in the conditions and other amendments to the provisions of bonds of the same series in accordance with the procedures laid down in Chapter 7 of this Regulation;

2.34. amendments to the provisions of bonds of several series – amendments to the provisions of bonds which cover interrelated amendments to the provisions of bonds of more than one series of bonds;

2.35. bond with voting rights – a bond which belongs by a bond holder who has the right to exercise the voting rights arising from the bonds and to participate in a meeting of bond holders or a written decision-taking procedure regarding making of amendments to the provisions of bonds;

2.36. related series of bonds – a series of bonds the provisions of which are amended in relation to amendments to the provisions of bonds of several series;

2.37. income from bonds – a fixed income, a nominal value, or another type of income which a bond holder is entitled to receive in accordance with the provisions of bonds.

[*16 December 2014; 31 March 2015; 14 November 2017; 4 June 2019*]

3. The issuer shall issue State securities, assume liabilities to pay a fixed income and to redeem State securities at the maturities thereof at nominal value.

4. The Minister for Finance shall authorise the Treasury to enter into contracts with the fiscal agent, the distribution agent, the central securities depository, the manager of the single State and local government services portal www.latvija.lv (hereinafter – the portal www.latvija.lv), and other persons in order to ensure issue and circulation (including public circulation) of State securities in the Republic of Latvia in accordance with laws and regulations, and also to carry out activities for the issue, initial placement, and redemption of State securities, and the activities referred to in Chapter 7 of this Regulation in relation to amendments to the provisions of bonds.

[*14 November 2017*]

5. The provisions approved by the fiscal agent and coordinated with the Treasury and governing the procedures for the acquisition of savings bonds, the disbursement of the fixed income, and the redemption, and also the procedures for the settlement of accounts related to the savings bonds shall be binding upon the investor and the distribution agent. The abovementioned provisions shall be publicly available on the website at www.krajobligacijas.lv, and the investor may also consult the distribution agent about them.

**2. Issue of State Securities**

6. State securities shall be issued in a dematerialised form.

7. State securities shall be registered with the central securities depository in accordance with the provisions issued by it. The central securities depository shall assign an individual ISIN code to each series of State securities.

[*14 November 2017; 4 June 2019*]

8. Promissory notes and bonds shall be issued on the basis of the order of the Treasury regarding the issue of promissory notes or bonds. The abovementioned order shall be an announcement of the offer to the public of promissory notes or bonds, and the following information shall be included therein:

8.1. the ISIN code assigned to the series by the central securities depository;

8.2. the type of State securities (short-term, medium-term, or long-term);

8.3. the supply value bid (if any);

8.4. the nominal value of the promissory note or bond;

8.5. the date of making the offer to the public or auction, the date of issue when settlement of accounts occurs regarding acquisition of promissory notes or bonds, and the date of maturity;

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

8.7. the dates of disbursement of the fixed income (if any);

8.8. the conditions for early redemption (if any);

8.9. other information on promissory notes or bonds.

[*14 November 2017*]

9. Savings bonds shall be issued on the basis of the offer to the public of the Treasury. The offer to the public of the savings bonds shall include the following information:

9.1. the ISIN code assigned by the central securities depository;

9.2. the nominal value of savings bonds;

9.3. the date of making the offer to the public, the date of issue, and the date of maturity;

9.4. the type of savings bonds (short-term, medium-term, or long-term);

9.5. the price of the savings bond;

9.6. the fixed interest rate of the series;

9.7. the dates of disbursement of the fixed income;

9.8. the minimum and the maximum acquisition amount of savings bonds in one application for one investor (if any);

9.9. other information on savings bonds.

[*14 November 2017; 4 June 2019*]

9.1 Interest-free bonds shall be issued on the basis of the order of the Treasury regarding the issue of interest-free bonds. The order shall include the following information:

9.11 the ISIN code assigned by the central securities depository;

9.12. the nominal value of the interest-free bond;

9.13. the supply value of the interest-free bond;

9.14. the date of issue and the date of maturity;

9.15. other information on interest-free bonds.

[*16 December 2014; 14 November 2017*]

9.2 A maturity of five years shall be determined for interest-free bonds counting from the date when the decision which has been specified in the laws and regulations governing the issuing of residence permits is taken to issue a residence permit.

[*16 December 2014*]

**3. Initial Placement of State Securities**

**3.1. General Provisions**

10. The initial placement of State securities may be performed by the fiscal agent. The rights, obligations, and responsibility of the fiscal agent shall be determined in the contract referred to in Sub-paragraph 2.20 of this Regulation between the Treasury and the fiscal agent. If the initial placement services of the fiscal agent are not used, the provisions for the initial placement of State securities shall be approved by the Minister for Finance.

11. In addition to the conditions referred to in Paragraphs 20 and 25 of this Regulation, the fiscal agent may, upon coordination with the Treasury, include in the provisions governing the initial placement of State securities the conditions for the participation in the initial placement of State securities, providing for the rights and obligations of the participant in the initial placement and of the investor.

12. The Treasury has the right to announce, by a separate order, increasing of the size of a traded series of State securities by an additional tranche.

13. The initial placement of State securities and settlement of accounts with the issuer regarding the State securities acquired shall occur on the dates specified by the Treasury.

[*4 June 2019*]

**3.2. Initial Placement of Promissory Notes and Bonds**

14. The following methods shall be applied to the initial placement of promissory notes or bonds:

14.1. outright sale;

14.2. competitive multi-price auction;

14.3. fixed rate (non-competitive) auction.

15. The Minister for Finance has the right to depart from the methods of initial placement or to change the conditions thereof in respect of the initial placement of promissory notes or bonds and the offer to the public if he or she can ensure more efficient achievement of the objectives of the management of the State debt.

16. The initial placement of promissory notes and bonds performed by the fiscal agent shall be governed by the provisions for the initial placement of promissory notes and bonds which have been approved by the fiscal agent and coordinated with the Treasury.

17. The initial placement of promissory notes and bonds via outright sale shall occur by offering State securities outright to the investor or to the participant in the initial placement at a price set by the issuer. In the case of outright sale of a new series of bonds, the issuer shall determine the interest rate for a fixed income applicable thereto.

18. The initial placement of promissory notes and bonds at a competitive multi-price auction shall occur under the following conditions:

18.1. the participant in the initial placement who submits an offer to purchase a specific quantity of promissory notes or bonds in his or her own name or on behalf of another person shall indicate the amount of the nominal value of State securities and the rate of return on purchase of State securities in this offer;

18.2. if the fixed income is not determined for the first tranche of the series in the order of the Treasury regarding the issue of bonds, the fixed income shall be determined as follows:

18.2.1. as the weighted average rate of return on the tasks of State securities approved at the competitive multi-price auction which has been rounded down to the nearest eighth of a one percent interest rate;

18.2.2. as zero if the weighted average rate of return on the tasks of State securities approved at the competitive multi-price auction is zero or below;

18.3. the Treasury shall determine the maximum permissible rate of return for each tranche;

18.4. the size of the offered rate of return at the auction shall be one thousandth of a percent.

[*31 March 2015*]

19. The initial placement of promissory notes or bonds at a fixed rate (non-competitive) auction shall occur under the following conditions:

19.1. the rate of return and the purchase price shall be determined according to the average rate of return determined at the last competitive multi-price auction of promissory notes or bonds of the same series and the purchase price of one promissory note or bond corresponding to this rate;

19.2. the fixed income rate of the bond shall be determined as equal to the fixed income rate applied to the bonds of the same series which have been emitted previously.

20. Only participants in the initial placement are entitled to participate in the initial placement of promissory notes or bonds via the fiscal agent.

21. The Treasury is entitled to agree with the Financial and Capital Market Commission on the investment of resources of the Deposit Guarantee Fund or resources of the Insured Protection Fund in promissory notes and bonds in the initial placement thereof via outright sale in accordance with the order of the Treasury regarding increasing of the size of the series of promissory notes or bonds offered at the last competitive multi-price auction by an additional tranche. The rate of the additional tranche shall be determined according to the weighted average rate of return determined for a specific series at the last competitive auction or, if the weighted average rate of return is not determined for this series, according to the maximum permissible rate of return on this tranche determined by the Treasury.

**3.3. Initial Placement of Savings Bonds**

22. Outright sale shall be used for the initial placement of savings bonds.

22.1 Fixed income rates for savings bonds to be offered in the initial placement shall be determined by the Treasury on the basis of financial market interest rates

[*31 March 2015*]

23. The initial placement of savings bonds shall be performed in accordance with the procedures laid down in this Regulation and the provisions referred to Paragraph 5 of this Regulation:

23.1. via the fiscal agent on the website at www.krajobligacijas.lv, using the authentication and online payment sharing service of the portal www.latvija.lv;

23.2. via the distribution agent.

24. A contract entered into by and between the fiscal agent, the Treasury, and the manager of the portal www.latvija.lv shall determine the procedures by which the fiscal agent and the Treasury shall use the authentication and online payment sharing service of the portal www.latvija.lv maintained by the manager of the portal www.latvija.lv.

25. The investor who corresponds to one of the following conditions may participate in the initial placement of savings bonds:

25.1. the investor has been authenticated in the website at www.krajobligacijas.lv, agreed to comply with the provisions referred to in Paragraph 5 of this Regulation, and submitted an application for the acquisition of savings bonds, indicating the ISIN code of the series of savings bonds and the acquisition amount of savings bonds;

25.2. the investor has agreed to comply with the provisions referred to in Paragraph 5 of this Regulation (including has opened an appropriate current account) and submitted an application for the acquisition of savings bonds to the distribution agent, indicating the ISIN code of the series of savings bonds and the acquisition amount of savings bonds.

26. The application for the acquisition of savings bonds submitted by the investor in accordance with the procedures laid down in Paragraph 25 of this Regulation shall be final and irrevocable. The application submitted by the investor in accordance with the procedures laid down in Sub-paragraph 25.1 of this Regulation shall constitute a sufficient attestation to the expression of intent of the investor and shall be equivalent to the document signed by the investor itself.

**3.1 Issue of Interest-free Bonds**

[*16 December 2014*]

26.1 A contract entered into by and between the Office of Citizenship and Migration Affairs, the central securities depository, and the Treasury shall determine the procedures by which the Office of Citizenship and Migration Affairs, the central securities depository, and the Treasury shall cooperate in ensuring issue of interest-free bonds.

[*14 November 2017*]

26.2 Interest-free bonds shall be issued and granted to a foreigner if he or she has received a decision to issue a temporary residence permit in accordance with the laws and regulations governing issue of residence permits and:

26.21. has paid for the interest-free bonds from his or her current account opened with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution, taking into account the details for the settlement of accounts indicated in the decision of the Office of Citizenship and Migration Affairs to issue a temporary residence permit and the amount specified in the Immigration Law;

26.22. has submitted a signed application for the acquisition of interest-free bonds to the Office of Citizenship and Migration Affairs.

**4. Settlement of Accounts for State Securities**

**4.1. General Provisions**

27. Investors are entitled to receive the fixed income or nominal value of promissory notes or bonds if such promissory notes or bonds were in their financial instruments accounts as at the end of the previous working day before the disbursement of the fixed income or the date of maturity of the promissory note or bond. Investors are entitled to receive the fixed income or nominal value of savings bonds if such savings bonds were in their savings bonds accounts as at the end of the relevant working day which is two working days before the disbursement of the fixed income or the date of maturity of the savings bond. A foreigner is entitled to receive the nominal value of an interest-free bond if interest-free bonds were in his or her account as at the end of the previous working day before the date of maturity of the interest-free bond.

[*16 December 2014*]

28. If the date of disbursement of the fixed income of State securities is not a working day, the fixed income shall be disbursed on the next working day but the accrued fixed income for the days until the date of performing the disbursement shall be included in the calculation of the next fixed income and disbursed at the next date of disbursement of the fixed income.

29. If the date of maturity of State securities or the date of the disbursement of the last fixed income is not a working day, the State securities shall mature or the last fixed income shall be disbursed on the next working day. An additional fixed income for the relevant period until the date of performing the disbursement shall neither be accrued nor disbursed.

**4.2. Settlement of Accounts for Promissory Notes and Bonds**

30. Settlement of accounts in respect of promissory notes and bonds shall be ensured by the central securities depository on a delivery-versus-payment basis, and also conforming to the provisions for the settlement of accounts approved by the fiscal agent and coordinated with the Treasury if the initial placement is performed via the fiscal agent.

[*14 November 2017*]

31. In performing initial placement of promissory notes or bonds, the fiscal agent may, upon coordination with the Treasury, determine a commission for the settlement of accounts for promissory notes or bonds which is paid by participants in the initial placement.

32. Participants in the secondary circulation shall cover the costs of transactions of the secondary circulation of promissory notes or bonds.

**4.3. Settlement of Accounts for Savings Bonds**

33. After submission of the application referred to in Paragraph 25 of this Regulation but before the day of issue of savings bonds, the investor shall, according to the acquisition amount of savings bonds indicated in the application, settle the accounts for the acquisition of savings bonds from his or her current account in accordance with the procedures for the acquisition of savings bonds indicated in the provisions referred to in Paragraph 5 of this Regulation.

34. A tranche of savings bonds shall be recorded and accounted in accordance with the following procedures:

34.1. the savings bonds are issued on the day of issue thereof provided that the investor has settled the accounts for the acquisition of savings bonds in accordance with the procedures laid down in Paragraph 33 of this Regulation;

34.2. the central securities depository opens a savings bonds account on behalf of the investor and records an appropriate amount of the savings bonds paid in this account on the day of issue. The central securities depository shall be the holder of the savings bonds account of the investor;

34.3. the owner of the savings bonds is the investor in the savings bonds account opened on behalf of which the savings bonds have been recorded.

[*14 November 2017*]

35. The fiscal agent shall make available a statement of the savings bonds account regarding the previous working day (also the day of issue) to the investor before 12.00 of the next working day on the website at www.krajobligacijas.lv or with the distribution agent through whom the investor has acquired the relevant savings bonds.

36. If the investor has failed to settle the accounts, in accordance with the procedures laid down in Paragraph 33 of this Regulation, for the acquisition of savings bonds indicated in the application referred to in Paragraph 25 of this Regulation, has failed to settle the accounts in full amount, or has failed to comply with the conditions of this Regulation and the settlement procedures and the time period indicated in the provisions referred to Paragraph 5 of this Regulation, the application for the acquisition of savings bonds submitted by the investor in accordance with the procedures referred to in Paragraph 25 of this Regulation shall become invalid and:

36.1. the fiscal agent shall repay the received funds by transferring them to the current account of the investor from which the relevant payment has been made;

36.2. the central securities depository shall not record the savings bonds in the savings bonds account of the investor.

[*14 November 2017*]

37. Funds from redeemed savings bonds shall be disbursed to the investor in the currency of the savings bonds on the date of the maturity thereof in accordance with the procedures referred to in the provisions of Paragraph 5 of this Regulation by money transfer to an account opened by the investor with a credit institution registered in the Republic of Latvia, a branch of a foreign credit institution, or in the postal settlement system.

38. The investor shall cover all expenses related to the savings bonds for the settlement of accounts for funds.

**4.4. Settlement of Accounts for Interest-free Bonds**

[*16 December 2014*]

38.1 A foreigner shall pay for interest-free bonds, taking into account the settlement details indicated in the decision of the Office of Citizenship and Migration Affairs to issue a temporary residence permit and the amount specified in the Immigration Law, and also in conformity with the time period for payment specified in the laws and regulations governing the issuing of residence permits and the procedures laid down in this Regulation.

38.2 If, in making a payment for the acquisition of interest-free bonds, the foreigner has failed to take into account the details indicated in the decision of the Office of Citizenship and Migration Affairs to issue a temporary residence permit and the amount specified in the Immigration Law, the central securities depository shall consider the payment made as not received and repay it on the next working day to the current account from which this payment has been made.

[*14 November 2017*]

38.3 A tranche of interest-free bonds shall be recorded and accounted in accordance with the following procedures:

38.31. the interest-free bonds shall be issued on the second working day after the foreigner has submitted a signed application to the Office of Citizenship and Migration Affairs for the acquisition of interest-free bonds;

38.32. on the basis of information provided by the Office of Citizenship and Migration Affairs on the foreigner, the central securities depository shall open an account for interest-free bonds in the name of the foreigner and record, in this account, the amount of the paid interest-free bonds on the day of issue. The central securities depository shall ensure holding of the account for interest-free bonds of the foreigner. The contract referred to in Paragraph 26.1 of this Regulation shall determine servicing of the account for interest-free bonds of the foreigner;

38.33. the owner of the interest-free bonds is the foreigner in the account for interest-free bonds opened in the name of which such State securities have been recorded.

[*14 November 2017*]

38.4 The central securities depository shall make available a statement of the account for interest-free bonds regarding the date of issue before 12.00 of the next working day, sending it to the electronic mail address indicated in the foreigner’s application for the acquisition of interest-free bonds.

[*14 November 2017*]

38.5 Funds from redeemed interest-free bonds shall be disbursed to the foreigner in the currency of State securities on the date of the maturity thereof by money transfer to the current account opened with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution from which the foreigner has paid for the acquisition of interest-free bonds, except for the case where the foreigner, not later than within two working days before the date of maturity of interest-free bonds, has submitted an application for the change of the current account in accordance with the laws and regulations governing the issuing of residence permits.

38.6 If the current account of the foreigner from which the payment has been made for the acquisition of interest-free bonds is closed at the moment of maturity of interest-free bonds and the payment has returned to the account with the Treasury as not executed, the foreigner shall open another current account with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution and submit to the Office of Citizenship and Migration Affairs an application for the change of the current account in accordance with the laws and regulations governing the issuing of residence permits, indicating the account to which the amount of the redemption of interest-free bonds is to be transferred.

38.7 Funds from the redeemed interest-free bonds not disbursed shall remain in the account with the Treasury until the disbursement thereof to the foreigner, and the central securities depository shall disburse them to the foreigner in single payment in the currency of interest-free bonds within five working days after submission of the application referred to in Paragraph 38.6 of this Regulation to the Office of Citizenship and Migration Affairs.

[*14 November 2017*]

38.8 The foreigner shall cover all expenses associated with the interest-free bonds and incurred in connection with the settlement of funds.

**5. Circulation of State Securities**

**5.1. Circulation of Promissory Notes and Bonds**

39. Circulation of promissory notes and bonds may occur on a regulated market and outside a regulated market on the basis of the legal acts and in accordance with the provisions issued by Latvijas Banka, the regulated market operator, and the central securities depository.

[*14 November 2017*]

40. Promissory notes or bonds shall be in circulation, starting from the day of the issue thereof on which settlement of accounts occurs for the acquisition of promissory notes or bonds. The regulated market operator shall determine in its issued provisions the last day of circulation of the promissory notes or bonds admitted on the regulated market.

41. The Treasury is entitled to repurchase unencumbered promissory notes or bonds of one series in whole or in part by organising an auction or offering directly to repurchase them from the investor at a price or rate determined previously in the order of the Treasury.

42. The Treasury is entitled to perform early redemption of promissory notes or bonds of one series in whole or in part only in respect of the promissory notes or bonds which the Treasury has repurchased in accordance with the conditions referred to in Paragraph 41 of this Regulation if such securities are not encumbered.

**5.2. Early Redemption of Savings Bonds**

**5.2.1. General Provisions**

43. The investor may apply for the early redemption of savings bonds not later than on the sixth working day before the date of maturity of savings bonds specified in the offer to the public of the Treasury by submitting a final and irrevocable application for the early redemption of savings bonds on the website at www.krajobligacijas.lv or to the distribution agent through whom the investor submits applications for the acquisition and early redemption of savings bonds. The application for the early redemption of savings bonds submitted on the website at www.krajobligacijas.lv shall constitute a sufficient attestation to the expression of intent of the investor and shall be equivalent to a document signed by the investor itself.

[*4 June 2019*]

44. Early redemption of savings bonds shall be performed in accordance with the applications for the acquisition of savings bonds referred to in Paragraph 25 of this Regulation, redeeming the whole amount of savings bonds indicated in the relevant application, and the funds due to the investor shall be disbursed in the currency of savings bonds.

45. Early redemption of savings bonds shall be performed on the fifth working day after receipt of the application referred to in Paragraph 43 of this Regulation. Early redemption of savings bonds shall be performed in accordance with the following procedures:

45.1. the accrued fixed income not disbursed until the day of receipt of the application referred to in Paragraph 43 of this Regulation. If the application referred to in Paragraph 43 of this Regulation is submitted one working day before the date of disbursement of the current relevant fixed income, the fixed income is disbursed and included in the amount of the fixed income to be withheld at the moment of early redemption;

45.2. savings bonds are redeemed at their nominal value by withholding, at the moment of redemption, the fixed income disbursed until the day of submitting the application referred to in Paragraph 43 of this Regulation in accordance with the following conditions:

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

45.2.2. the entire fixed income disbursed previously shall be withheld for savings bonds with a maturity over two years if the application referred to in Paragraph 43 of this Regulation has been received earlier than being half-way through the maturity of the relevant savings bonds;

45.2.3. the fixed income disbursed previously shall be withheld for savings bonds with a maturity over two years in conformity with the following principle:

45.2.3.1. the entire fixed income disbursed previously, except for the first fixed income disbursed, shall be withheld for savings bonds the maturity of which is even-numbered years (for example, four, six, eight years) if the application referred to in Paragraph 43 of this Regulation has been received not earlier than being half-way through and not later than after a year of being half-way through the maturity of the relevant savings bonds (for example, maturity of a savings bond is four years, and the application for the early redemption of savings bonds is submitted during the third year) or the entire fixed income disbursed previously, except for the first two fixed incomes disbursed, shall be withheld if the application referred to in Paragraph 43 of this Regulation has been received not earlier than a year but not later than two years after being half-way through the maturity of the relevant savings bonds. If the application referred to in Paragraph 43 of this Regulation has been received later than two years after being half-way through the maturity of the relevant savings bonds, in addition to the first two fixed incomes disbursed, two more fixed incomes disbursed previously are not withheld for each following year after the abovementioned maturity;

45.2.3.2. the entire fixed income disbursed previously, except for the first fixed income disbursed, shall be withheld for savings bonds the maturity of which is odd-numbered years (for example, three, five, seven years) if the application referred to in Paragraph 43 of this Regulation has been received not earlier than a half-year and not lather than a year and a half after being half-way through the maturity of the relevant savings bonds (for example, maturity of a savings bond is three years, and the application for the early redemption of savings bonds is submitted during the third year) or the entire fixed income disbursed previously, except for the first three fixed incomes disbursed, shall be withheld if the application referred to in Paragraph 43 of this Regulation has been received not earlier than a year and a half but not later than two and a half years after being half-way through the maturity of the relevant savings bonds. If the application referred to in Paragraph 43 of this Regulation has been received later than two and a half years after being half-way through the maturity of the relevant savings bonds, in addition to the first three fixed incomes disbursed, two more fixed incomes disbursed previously shall not be withheld for each following year after the abovementioned maturity.

46. Funds from the savings bonds redeemed in accordance with the procedures referred to in Paragraph 45 of this Regulation shall be disbursed to the investor in accordance with Paragraph 37 of this Regulation.

47. If savings bonds are alienated in the case of insolvency according to a court ruling or an application of the insolvency administrator, the central securities depository shall, upon receipt of the application of the insolvency administrator of the investor and presentation of the court ruling, redeem the savings bonds in accordance with the procedures for the redemption of savings bonds referred to in Paragraph 52 of this Regulation and transfer the funds from the redeemed savings bonds to the current account indicated in the application.

[*14 November 2017*]

48. If savings bonds are alienated according to a court ruling, the central securities depository shall, upon receipt of an application from a bailiff and presentation of a writ of execution, redeem the savings bonds in accordance with the procedures for the redemption of savings bonds referred to in Paragraph 52 of this Regulation and transfer the funds from the redeemed savings bonds to the current account indicated in the application.

[*14 November 2017*]

49. If savings bonds are recognised as property without heirs, the central securities depository shall, upon receipt of written information from a bailiff or the State Revenue Service and a copy (transcript) of an extract of a notarial deed regarding termination of an inheritance case, redeem the savings bonds in accordance with the procedures for the redemption of savings bonds referred to in Paragraph 52 of this Regulation and transfer the funds from the redeemed savings bonds to the account indicated by the bailiff or the State budget account indicated by the State Revenue Service, notifying the State Revenue Service thereof.

[*14 November 2017*]

**5.2.2. Inheritance Process of Savings Bonds**

50. Savings bonds contained in the entirety of the inheritance shall be redeemed if an heir submits an application to the fiscal agent for the disbursement of the value of the savings bonds contained in the entirety of the inheritance and due to the heir. The abovementioned application shall be final and irrevocable.

51. The fiscal agent shall, on the day of receipt of the application referred to in Paragraph 50 of this Regulation, suspend activities involving savings bonds of the bequeather, except for the disbursement of the current fixed income or the redemption of savings bonds, if the application referred to in Paragraph 50 of this Regulation has been received one working day before the disbursement of the current fixed income of the relevant bonds contained in the entirety of the inheritance or the date of maturity of the savings bonds.

52. The central securities depository shall redeem the savings bonds contained in the entirety of the inheritance in accordance with the following procedures:

52.1. if the savings bonds contained in the entirety of the inheritance have the date of maturity or the date of disbursement of the fixed income which is later than 30 days after receipt of the application, the relevant savings bonds are redeemed at nominal value within 30 calendar days from the day of receipt of the application without disbursing the accumulated fixed income until the day of receipt of the application;

52.2. if the savings bonds contained in the entirety of the inheritance have the date of maturity or the date of disbursement of the fixed income which is earlier than 30 days after receipt of the application, the relevant savings bonds are redeemed at nominal value on the date of maturity thereof or after disbursement 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 relevant heir are disbursed in a single payment in the currency of savings bonds within two working days after redemption of all savings bonds in accordance with the procedures referred to in Sub-paragraphs 52.1 and 52.2 of this Regulation.

[*14 November 2017*]

53. In submitting an application for the disbursement of the value of the savings bonds contained in the entirety of the inheritance and due to an heir, the heir shall present an inheritance certificate or a court ruling. In the case of joint heirs where heirs have agreed on the division of the inheritance, a contract or a deed regarding division of the inheritance approved by an Orphan’s and Custody Court or a court shall also be presented (in the cases specified in the Civil Law).

54. All savings bonds contained in the entirety of the inheritance shall be redeemed in accordance with the procedures referred to in Paragraph 52 of this Regulation after receipt of the application of the first heir.

55. Funds from the savings bonds redeemed in accordance with the procedures referred to in Paragraph 52 of this Regulation shall be disbursed to the heir by money transfer to a current account opened by the heir with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution, an account with the postal settlement system, or an account with the Treasury.

56. Funds not disbursed from the redeemed savings bonds shall remain in the account with the Treasury until the disbursement thereof to the heir or joint heirs.

57. In the case of joint heirs where savings bonds have already been redeemed in accordance with the procedures referred to in Paragraph 52 of this Regulation, funds from the redeemed savings bonds shall be disbursed to the rest of joint heirs within 10 working days after submission of the application referred to in Paragraph 50 of this Regulation to the fiscal agent by money transfer to a current account opened by the joint heir with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution, an account with the postal settlement system, or an account with the Treasury.

**5.3. Inheritance Process and Expropriation of Interest-free Bonds**

[*16 December 2014*]

57.1 Funds from the interest-free bonds contained in the entirety of the inheritance shall be disbursed to an heir after maturity thereof and after the heir has submitted an application to the central securities depositary for the disbursement of the value of the interest-free bonds contained in the entirety of the inheritance and due to the heir and presented documents confirming his or her right to receive inheritance. The abovementioned application shall be final and irrevocable. In the case of joint heirs where heirs have agreed on the division of the inheritance, a contract or a deed regarding division of the inheritance approved by an Orphan’s and Custody Court or a court shall also be presented (in the cases specified in the Civil Law insofar as it is not laid down otherwise in the international law binding upon the Republic of Latvia).

[*14 November 2017*]

57.2 All funds due to the relevant heir shall be disbursed in a single payment in the currency of interest-free bonds within two working days after meeting the conditions referred to in Paragraph 57.1 of this Regulation if the heir has submitted the documents referred to in Paragraph 57.1 of this Regulation to the central securities depository not later than five working days before maturity of the interest-free bonds contained in the entirety of the inheritance. The funds referred to in this Paragraph shall be disbursed by money transfer to the current account indicated in the application and opened by the heir with a credit institution registered in the Republic of Latvia or a branch of a foreign credit institution, or an account with the Treasury.

[*14 November 2017*]

57.3 If the heir submits an application for the disbursement of the value of the interest-free bonds contained in the entirety of the inheritance to the central securities depository later than specified in Paragraph 57.2 of this Regulation, the central securities depository shall only execute it if the funds not disbursed for redemption of such interest-free bonds are in the account with the Treasury in accordance with Paragraph 57.4 of this Regulation.

[*14 November 2017*]

57.4 Funds not disbursed from the redeemed interest-free bonds shall remain in the account with the Treasury until they are disbursed to heirs or recognised as property without heirs.

57.5 If funds from redeemed interest-free bonds are recognised as property without heirs, the central securities depository shall, within two working days after receipt of written information from a bailiff or the State Revenue Service and a copy (transcript) of an extract of a notarial deed regarding termination of an inheritance case, transfer the funds to the account indicated by the bailiff or the State budget account indicated by the State Revenue Service, notifying the State Revenue Service thereof.

[*14 November 2017*]

57.6 If interest-free bonds are alienated according to a court ruling, the central securities depository shall, upon receipt of an application from a bailiff and presentation of a writ of execution, redeem the interest-free bonds at the maturity of the interest-free bonds and transfer the funds from the interest-free bonds to the account indicated in the application of the bailiff.

[*14 November 2017*]

**6. Calculation of the Price, Accrued Fixed Income, and Rate of Return of State Securities**

58. The annual basis for the calculation of the price and fixed income of promissory notes shall be Act/360 (the actual number of days is used in the calculation by taking 360 days as the basis), but for the calculation of the price, accrued fixed income, fixed income, and return of bonds – Act/Act (the actual number of days is used in the calculation by taking the actual number of days per year as the basis), using the standard of the International Capital Market Association (ICMA).

59. The provisions issued by the regulated market operator shall specify the methods and principles for the calculation of the price, rate of return, and fixed income of promissory notes and bonds.

60. For savings bonds with a maturity of up to one year (including), Act/360 (the actual number of days is used in the calculation by taking 360 days as the basis) is used as the annual basis for the calculation of the fixed income but for savings bonds with a maturity over one year – Act/Act (the actual number of days is used in the calculation by taking the actual number of days per year as the basis).

**7. Amending of the Provisions of Bonds**

**7.1. General Provisions**

61. Bond holders are entitled to exercise the rights specified in this Chapter if the issuer fails to comply with its obligations referred to in Paragraph 3 of this Regulation for more than 30 calendar days after the day when the obligations fall due.

62. The provisions of bonds may be amended at a meeting of bond holders or in written procedure by taking a decision in accordance with the procedures laid down in this Regulation.

63. The issuer shall publish all notifications and information related to Paragraph 62 of this Regulation, using the following:

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

63.2. the website of the fiscal agent and the website of the regulated market operator to which the relevant series of bonds has been admitted.

64. In addition to the websites referred to in Paragraph 63 of this Regulation, the issuer may publish notifications in the mass media or other sources of information dissemination, ensuring that the information is available to as wide range of bond holders as possible.

**7.2. Meetings of Bond Holders**

**7.2.1. Convening of a Meeting**

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

65.1. upon its own initiative;

65.2. upon initiative of the bond holders who together own at least 10 % of the nominal value of the relevant series as on the day when the meeting is suggested.

66. The bond holders who together own at least 10 % of the nominal value of the relevant series as on the day of request are entitled to request the convening of a meeting of bond holders, sending a written request to the issuer in the case referred to in Paragraph 61 of this Regulation.

67. The issuer shall convene and hold a meeting of bond holders, deciding on each series of bonds individually or deciding on amendments to the provisions of bonds of several series.

**7.2.2. Notification Regarding the Convening of a Meeting**

68. The issuer shall publish a notification regarding the convening of a meeting of bond holders at least 21 calendar days before the intended meeting or, if a meeting of bond holders is re-convened, at least 14 calendar day before the re-convened meeting.

69. The following shall be indicated in the notification regarding the convening of a meeting of bond holders:

69.1. the date, time, and place of the course of the meeting;

69.2. the agenda of the meeting;

69.3. the amount of the bonds with voting rights represented at the meeting which is necessary to constitute a quorum for the meeting to decide on the items on its agenda and the draft decisions prepared;

69.4. the record date which is not earlier than five working days before the day of the intended meeting of bond holders;

69.5. the information on presentation of identification documents of bond holders or authorised representatives before participation in the meeting of bond holders;

69.6. other provisions which the issuer considers necessary in relation to the convening or course of the meeting;

69.7. if the meeting is convened for taking a decision on amendments to the provisions of bonds of several series – the conditions under which the abovementioned amendments enter into effect if several but not all bond holders of the series of bonds related to the amendments have agreed to the amendments to the provisions of bonds of several series;

69.8. the representative who has been appointed by the issuer as a teller of votes at the meeting of bond holders.

70. If it is impossible to include the draft decisions to be taken at the meeting in the notification regarding the convening of a meeting of bond holders due to amount of the full texts or due to another justified reason, the draft decisions shall be appended to the notification as an annex.

71. The issuer shall indicate the information on the appointment process of an authorised representative in the notification regarding the convening of a meeting of bond holders and shall append a document to be completed if a bond holder wishes to appoint an authorised representative.

**7.2.3. Right to Decide of the Meeting of Bond Holders**

72. The bond holders who own the relevant bonds with voting rights as on the record date have the right to participate in a meeting of bond holders and to vote on the decisions on the agenda.

73. The meeting of bond holders is only entitled to vote on the issues indicated in the notification regarding the convening of the meeting of bond holders. This condition shall not apply to the taking of the decision to appoint the chairperson of the meeting of bond holders.

74. If one or several of the substantial amendments referred to in Paragraph 80 of this Regulation are included on the agenda of the meeting of bond holders, the meeting of bond holders has a quorum if such bond holders are present or represented who own bonds with voting rights of this series the total nominal value of which on the record date is at least two thirds of the total nominal value of the bonds with voting rights of the relevant series.

75. If an item not referred to in Paragraph 80 of this Regulation is on the agenda of the meeting of bond holders, the meeting of bond holders has a quorum if such bond holders are present or represented who own bonds with voting rights of this series the total nominal value of which on the record date is at least half of the total nominal value of the bonds with voting rights of the relevant series.

76. If the necessary amount of bonds with voting rights is not represented at the meeting of bond holders, the sole issue on which the meeting of bond holders is entitled to decide shall be the appointing of the chairperson of the meeting of bond holders unless the issuer has already appointed the chairperson itself.

**7.2.4. Appointing of the Chairperson of the Meeting of Bond Holders**

77. The issuer shall be responsible for the appointing of the chairperson of the meeting of bond holders.

78. If the issuer has not appointed the chairperson of the meeting or the chairperson of the meeting appointed by the issuer cannot ensure chairing of the meeting, the chairperson of the meeting of bond holders shall be appointed by bond holders. The chairperson of the meeting shall be appointed if he or she obtains the votes of the bond holders who own bonds with voting rights of the relevant series the total nominal value of which on the record date exceeds half of the total nominal value of the bonds with voting rights of this series represented at the meeting.

**7.2.5. Decision-making of the Meeting of Bond Holders**

79. A decision of the meeting of bond holders on the substantial amendments referred to in Paragraph 80 of this Regulation shall be taken if it obtains votes of the bond holders the total nominal value of whose bonds with voting rights represented is at least three quarters of the total nominal value of the bonds with voting rights of the relevant series represented at the meeting.

80. The amount of the bonds with voting rights represented and referred to in Paragraph 79 of this Regulation shall be necessary for the meeting of bond holders to take a decision on the following substantial amendments to the provisions of bonds:

80.1. in respect of the income from bonds:

80.1.1. the change of the time period for the payment;

80.1.2. the reduction of the amount;

80.1.3. the change of or amendments to the calculation methods;

80.1.4. the change of currency or place of settlement;

80.2. introduction of new conditions in relation to the liabilities of the issuer in accordance with Paragraph 3 of this Regulation, and also any other amendments to the provisions of bonds related to Paragraph 3 of this Regulation;

80.3. changes in the circumstances or events upon occurrence of which the income from bonds may be declared payable early if it is provided for in the provisions of bonds;

80.4. changes in the priority in respect of the fulfilment of obligations of bonds against other investors in State securities;

80.5. changes in this Regulation which have received conceptual support from the Cabinet before the inclusion thereof on the agenda of the meeting;

80.6. change of court jurisdiction, changes in the issuer’s waiver of immunity in respect of proceedings regarding the issues arising from bonds or related thereto which are to be settled by court if the Cabinet has taken a relevant decision before inclusion of this item on the agenda of the meeting;

80.7. changes in the amount of the bonds with voting rights represented to constitute a quorum for the bond holders to take a decision on amendments to the provisions of bonds at the meeting of bond holders or in the written decision-making procedure of bond holders if the Cabinet has taken a relevant decision before inclusion of this item on the agenda of the meeting;

80.8. changes in the amount of the bonds with voting rights of each series represented to constitute a quorum for the bond holders to take a decision on amendments to the provisions of bonds of several series at the meeting of bond holders or in the taking of a written decision of bond holders if the Cabinet has taken a relevant decision before inclusion of this item on the agenda of the meeting;

80.9. amendments to the conditions under which it is determined whether a bond can be considered a bond with voting rights if the Cabinet has taken a relevant decision before inclusion of this item on the agenda of the meeting;

81. A decision on the other items on the agenda of the meeting of bond holders not referred to in Paragraph 80 of this Regulation shall be taken if it obtains votes of the bond holders the total nominal value of whose bonds with voting rights represented exceeds half of the total nominal value of the bonds with voting rights of the relevant series represented at the meeting.

**7.2.6. Re-convening and Decision-making of the Meeting of Bond Holders**

82. If a meeting does not have the necessary total amount of bonds with voting rights within 30 minutes after the determined start of the meting of bond holders, the chairperson of the meeting of bond holders shall declare the meeting of bond holders not to have taken place, setting the day of a re-convened meeting of bond holders which may not be later than 42 calendar days after the day of the meeting of bond holders which has not taken place.

83. A re-convened meeting of bond holders is entitled to decide on the substantial amendments referred to in Paragraph 80 of this Regulation if the amount of bonds of the relevant series is represented therein the total nominal value of which on the record date is at least two thirds of the total nominal value of all bonds with voting rights of this series on the record date.

84. A re-convened meeting of bond holders is entitled to decide on the items on the agenda thereof not referred to in Paragraph 80 of this Regulation if such bond holders are present or represented who own bonds with voting rights of the relevant series the total nominal value of which on the record date is at least one quarter of the total nominal value of the bonds with voting rights of the relevant series on the record date.

**7.3. Procedures for Taking a Written Decision of Bond Holders**

**7.3.1. Organisation of the Taking of a Written Decision**

85. The issuer may suggest taking a written decision of bond holders:

85.1. upon its own initiative;

85.2. upon initiative of the bond holders who, as on the day of request, together own at least 10 % of the total nominal value of bonds with voting rights of the relevant series or tranche.

86. The bond holders who, as on the day when the taking of a written decision is suggested, together own at least 10 % of the nominal value of the relevant series are entitled to request that the decision of bond holders is taken in the written procedure, sending a written request to the issuer in the case referred to in Paragraph 61 of this Regulation.

87. The issuer shall organise a written decision-taking procedure of bond holders for each series of bonds individually or for several series together if the provisions of bonds of several series are amended.

**7.3.2. Notification Regarding Taking of a Written Decision**

88. The issuer shall organise a written decision-making procedure of bond holders and publish a notification regarding it, and also other notifications related thereto in accordance with the procedures laid down in this Regulation.

89. The issuer shall indicate the following in the notification regarding a written decision-making procedure of bond holders:

89.1. the procedures and provisions for taking the written decision, including the requirements for the presentation of a written vote of a bond holder and the documents which the bond holders must append to a written vote or present so that their written vote is recognised as valid;

89.2. the date by which a bond holder may submit or send his or her written vote to the issuer and the procedures for submitting a vote;

89.3. the contact person to whom a written vote of a bond holder is to be submitted, or the postal address to which it is to be sent;

89.4. the issues and draft decisions to be examined in the written decision-making procedure;

89.5. the record date which is not earlier than five working days before the day of the intended taking of the written decision;

89.6. if the written decision-making procedure is suggested for taking a decision on amendments to the provisions of bonds of several series – the conditions under which amendments to the provisions of bonds of several series enter into effect if several but not all bond holders of the series of bonds related to the amendments have agreed to the amendments to the provisions of bonds of several series;

89.7. the representative who has been appointed by the issuer as a teller of votes in the written decision-making procedure of bond holders;

89.8. other conditions which the issuer considers necessary.

90. If it is impossible to include the draft decisions to be taken in the written decision-making procedure of bond holders in the notification regarding a written decision-making procedure of bond holders due to amount of the full texts or due to another justified reason, the draft decisions shall be appended to the notification as an annex.

**7.3.3. Taking of a Written Decision**

91. The bond holders who own the relevant bonds with voting rights as on the record date have the right to participate in the written decision-making procedure of bond holders.

92. The teller of votes appointed by the issuer shall collect the written votes of bond holders and calculate the results of the written decision-making procedure of bond holders.

93. Written votes which are invalid are not taken into account when calculating the results of the written decision-making procedure of bond holders.

94. Written votes of bond holders which do not correspond to the requirements for a written decision-making procedure of bond holders laid down in the notification of the issuer are not taken into account in the written decision-making procedure.

95. The issuer shall inform a bond holder if his or her written vote is invalid and shall provide a justification.

96. The decision of bond holders on the substantial amendments referred to in Paragraph 80 of this Regulation shall be taken in the written decision-making procedure of bond holders if it obtains votes of the bond holders the total nominal value of whose bonds with voting rights represented exceeds two thirds of the total nominal value of the bonds with voting rights of the relevant series.

97. The decision of bond holders on the amendments not referred to in Paragraph 80 of this Regulation shall be taken in the written decision-making procedure of bond holders if it obtains votes of the bond holders the total nominal value of whose bonds with voting rights represented exceeds half of the total nominal value of the bonds with voting rights of the relevant series.

98. The teller of votes appointed by the issuer shall take minutes of the decisions taken in the written decision-making procedure of bond holders.

99. The minutes referred to in Paragraph 98 of this Regulation shall be signed by the teller of votes confirming the majority referred to in Paragraph 96 or 97 of this Regulation.

100. The document confirming the authorisation of a bond holder shall be submitted to the teller of votes.

**7.4. Amending of the Provisions of Bonds of One Series**

101. The issuer has an obligation to convene a meeting of bond holders who own bonds of the relevant series and to inform of the items on the agenda of the meeting and draft decisions to be taken in accordance with the procedures laid down in this Regulation.

102. Bond holders shall take the decision on amendments to the provisions of bonds of one series at a meeting of bond holders or in the written decision-making procedure referred to in Sub-paragraph 7.3.3 of this Regulation.

103. The decision on amendments to the provisions of bonds of one series shall be taken if it obtains votes of the majority of bond holders referred to in Paragraphs 79 and 81 of this Regulation but in the written decision-making procedure – if it obtains votes of the majority of bond holders referred to in Paragraphs 96 and 97 of this Regulation.

104. The decisions to make amendments to the provisions of bonds of one series which have been taken at a meeting of bond holders or in the written decision-making procedure of bond holders shall be binding upon all bond holders who own bonds of the relevant series, irrespective of whether they have participated in the meeting of bond holders or in the taking of the written decision of bond holders and voted for or against this decision.

105. The issuer shall publish the decision on amendments to the provisions of bonds of one series taken at a meeting of bond holders or in the written procedure in accordance with the procedures laid down in this Regulation.

**7.5. Amending of the Provisions of Bonds of Several Series**

106. The bond holders who own bonds of the relevant series shall take the decision on each series of bonds related to the amendment process of the provisions of bonds of several series at a meeting of bond holders or in the written decision-making procedure referred to in Sub-chapter 7.3.3 of this Regulation.

107. In amending the provisions of bonds of several series, the decision on amendments to the provisions of bonds of the related series regarding the substantial amendments referred to in Paragraph 80 of this Regulation shall be taken if it obtains votes in respect of both the amendments to the provisions of bonds of each related series individually and all amendments to the provisions of related series together by the majority vote referred to in Paragraphs 108 and 109 of this Regulation respectively.

108. The decision on amendments to the provisions of bonds of several series shall be taken in each of the following cases:

108.1. if it obtains votes of the bond holders who have bonds of all related series, are represented to decide this issue at a meeting of bond holders and together represent at least three quarters of the total nominal value of the bonds with voting rights of all related series;

108.2. if it obtains votes of the bond holders who have bonds of all related series and have participated in the written decision-making procedure for deciding on this issue and who own at least two thirds of the total nominal value of the bonds with voting rights of all related series.

109. In accordance with that laid down in Paragraph 108 of this Regulation, the decision on amendments to bonds of each individual related series shall be taken in each of the following cases:

109.1. if it obtains votes of the bond holders who are represented for deciding on this issue at a meeting of bond holders and together represent at least two thirds of the total nominal value of the bonds with voting rights of a relevant series;

109.2. if it obtains votes of the bond holders of a relevant series who have participated in the written decision-making procedure to decide on this issue and who own at least half of the total nominal value of the bonds with voting rights of the relevant series.

110. Amendments to the provisions of bonds of several series may include one or more variants of a draft decision, and they must be offered in respect of bonds of all related series.

111. If, during the amendment process of bonds of several series, the decision on the substantial amendments to bonds referred to in Paragraph 80 of this Regulation is not taken by the majority vote specified in Paragraph 108 or 109 of this Regulation, however, such decision would have been taken if bonds of individual (but not all) related series were involved in the amendment process of bonds of several series, then the amendments to the provisions of bonds of several series shall be considered taken regarding bonds of those related series in respect of which such amendments would have been taken.

112. Paragraph 111 of this Regulation shall be applicable if the issuer has notified, until the record date in accordance with the procedures laid down in Paragraph 69 of this Regulation, the conditions under which any of the variants of the draft decision will be considered taken if it is taken in accordance with the procedures laid down in Paragraph 111 of this Regulation in respect of bonds of one or more (but not all) series involved in the amendment process of bonds of several series, and the majority vote of bond holders referred to in Paragraphs 108 and 109 of this Regulation has been achieved in the voting on amendments to the provisions of the relevant related bonds.

113. If the amendment process of the provisions of bonds of several series includes series of bonds which are denominated in more than one currency, then, in determining whether the suggested amendments to the provisions of bonds of several series have been taken by the majority vote of bond holders specified in this Regulation, the nominal value shall be calculated for each related bond which is not denominated in euro, applying the relevant currency exchange rate in relation to euro published by the European Central Bank as on the record date.

**7.6.** **Bonds with Voting Rights**

114. The number of votes of the bonds with voting rights represented at a meeting of bond holders or in the written decision-making procedure of bond holders shall correspond to the amount of nominal values of the bonds with voting rights owned by bond holders on the record date.

115. In determining whether a decision of a meeting of bond holders or a written decision has been taken by the majority of the represented bonds with voting rights as specified in this Regulation, and also in determining whether the amount of bonds with voting rights specified in this Regulation is represented at a meeting of bond holders, the following bonds shall not be considered bonds with voting rights:

115.1. bonds in respect of which a buy-back offer has been made or bonds have matured before the record date, or the issuer has partly fulfilled its obligations regarding the relevant series before the record date;

115.2. bonds owned by a public person of the Republic of Latvia;

115.3. bonds owned by a commercial company which is controlled by a public person of the Republic of Latvia, and a bond holder does not enjoy decision-making independence in respect of the bonds.

116. Within the meaning of Sub-paragraph 115.3 of this Regulation:

116.1. a public person of the Republic of Latvia controls a commercial company if it has decisive influence in the relevant commercial company on the basis of participation or a contract;

116.2. a bond holder enjoys decision-making independence if, in accordance with the existing laws and regulations and irrespective of any direct or indirect obligation of the bond holder against the issuer, the bond holder:

116.2.1. does not have the right to accept directly or indirectly instructions of the issuer on the voting rights arising from the bonds;

116.2.2. in taking the decision on the exercise of voting rights, has an obligation to act in accordance with objective prudential considerations in the interests of all stakeholders of the bond holder or in its own interests;

116.2.3. has a fiduciary or another similar obligation to exercise voting rights in the interests of one or more other persons, except for the interests of persons who own bonds (if they owned bonds at a specific moment) which would not be taken into account in accordance with Paragraph 115 of this Regulation.

117. After publishing a notification regarding the suggested amendments to the provisions of bonds, the issuer shall, immediately, but not later than 10 working days before a meeting or written vote, publish a list of all commercial companies which, in accordance with Paragraph 115 of this Regulation, can be considered commercial companies under control of a public person of the Republic of Latvia and which, in response to the request of the issuer, have notified the issuer that they own one or more bonds.

**7.7. Replacement and Exchange of Bonds**

118. The issuer is entitled to amend the provisions of bonds, providing for the exchange of bonds and exchanging the bonds to be exchanged in the decision-making procedure compulsorily for other bonds of the issuer or replacing the relevant bonds with new bonds issued by the issuer.

119. The issuer may exercise the rights referred to in Paragraph 118 of this Regulation if the issuer has informed bond holders of the expected replacement or exchange of bonds before the record date.

120. Any replacement or exchange of bonds which is performed in accordance with Paragraph 118 of this Regulation shall be binding upon all bond holders of bonds of the relevant series.

**7.8. Authorised Representative of a Bond Holder**

121. A bond holder has the right to appoint an authorised representative for participation in a meeting of bond holders or the written decision-making procedure.

122. The authorised representative of the bond holder is entitled to represent the bond holder within the scope of the authorisation granted and to vote at meetings of bond holders or in the written decision-making procedures of bond holders.

123. In order to appoint the authorised representative, the bond holder shall, not later than 48 hours before the beginning of the meeting of bond holders or expiry of the time period for the written decision-making of bond holders stipulated by the issuer, submit completed and signed documents which have been specified in the issuer’s notification regarding the meeting of bond holders or the written decision-making procedure.

124. The authorised representative of the bond holder who has been appointed in accordance with Paragraph 123 of this Regulation has all the voting rights of a bond holder provided for in this Regulation and the provisions of bonds during the authorisation period.

125. A vote of the authorised person shall be valid, unless a revocation of authorisation is submitted to the issuer or the issuer is informed thereof otherwise at least 48 hours before the meeting of bond holders at which the authorised representative intends to exercise the voting rights granted thereto or expiry of the time period for the written decision-making of bond holders.

**7.9. Teller of Votes**

126. The issuer shall appoint a teller of votes who calculates the number of votes of bond holders and determines whether a decision of the meeting of bond holders or a written decision is taken in accordance with the majority vote of bond holders with voting rights specified in this Regulation.

127. During amendment process of the provisions of bonds of several series, the teller of votes shall determine the total number of bonds with voting rights regarding bonds of all related series in total and the number of bonds with voting rights regarding each related series individually, and also determine whether the suggested amendments to the provisions of bonds of several series have been approved by the majority vote of bond holders specified in this Regulation.

128. During amendment process of the provisions of bonds of several series, the issuer shall appoint one common teller of votes for all related series in the amendment process of the provisions of bonds of several series.

129. The issuer shall submit to the teller of votes and publish a confirmation indicating the following before the day of the meeting of bond holders or, if the issue is handed over to bond holders to decide it in the written decision-making procedure, before the time period for the submission of written votes specified by the issuer:

129.1. the total nominal value of bonds as on the record date;

129.2. the total nominal value of bonds with voting rights as on the record date;

129.3. the total nominal value of such bonds which are not considered bonds with voting rights in accordance with Paragraph 115 of this Regulation;

129.4. the list of bond holders referred to in Paragraph 117 of this Regulation.

130. If the information referred to in Sub-paragraphs 129.1 and 129.3 of this Regulation must be submitted on related series of bonds which are not denominated in euro, the total nominal value of such bonds shall be calculated by applying a relevant currency exchange rate in relation to euro published by the European Central Bank as on the record date.

131. The teller of votes is entitled to rely on the information contained in the confirmation which the issuer provides in accordance with Paragraph 129 of this Regulation.

132. The information provided by the issuer in the confirmation referred to in Paragraph 129 of this Regulation shall be indisputable and binding upon the issuer and bond holders, except for the case where the bond holder whose interests are infringed submits to the issuer reasoned objections in writing to the information contained in the confirmation, which is referred to in Paragraph 129 of this Regulation, before the vote at the meeting of bond holders or before the time period for the submission of written votes specified by the issuer, and the objections submitted by the bond holder, if recognised as reasoned, would affect the vote of the meeting of bond holders or the written decision taken.

133. The teller of votes shall not take into account the objection of the bond holder referred to in Paragraph 132 of this Regulation if:

133.1. the objection made by the bond holder is withdrawn;

133.2. the bond holder who has made the objection has not brought a claim before a court in respect of the objection made within 15 calendar days after publication of the decision of the meeting of bond holders or the written decision of bond holders;

133.3. the court that has jurisdiction to decide on the objections of the bond holder finds that the objections made by the bond holder are not reasoned or in any case would not affect the vote of the meeting of bond holders or the written decision taken.

134. The issuer shall publish the results of the votes of the meeting of bond holders determined by the teller of votes immediately after the meeting of bond holders or, if the issue is handed over to bond holders to decide it in the written decision-making procedure, after expiry of the time period for the submission of written votes of bond holders specified by the issuer.

**8. Closing Provisions**

135. Cabinet Regulation No. 120 of 5 March 2013, Regulations Regarding the Issue of State Securities (*Latvijas Vēstnesis*, 2013, No. 50), is repealed.

136. A 30E/360 basis (for the purpose of calculation, each calendar month is considered 1/12 of 360 days per year or 30 days and a time period from a specific date of the month to the relevant date of the following month is considered 30 days) shall be applied to the series of long-term bonds that have been released for circulation before the day when Cabinet Regulation No. 387 of 31 May 2005, Regulations Regarding the Issue of State Securities, comes into force. The annual basis specified at the moment of issue shall be applied until redemption of the relevant series.

137. For the State securities issued before coming into force of this Regulation, the fixed income and the last fixed income shall be disbursed and the redemption shall be performed in accordance with the procedures laid down in this Regulation.

138. The conditions of Chapter 7 of this Regulation shall be applicable to all series of bonds with a maturity above one year which are issued after the Treaty establishing the European Stability Mechanism has entered into effect and become valid on 13 March 2014.

139. The conditions of Chapter 7 of this Regulation shall not be applicable to the series of bonds issued before 13 March 2014 and supplemented with additional tranches after 13 March 2014.

140. The total amount of the additional tranches of bonds referred to in Paragraph 139 of this Regulation may not exceed the following:

140.1. 45 % of the gross issues of bonds in 2014 in total starting from 13 March 2014;

140.2. 40 % of the gross issues of bonds in 2015 in total;

140.3. 35 % of the gross issues of bonds in 2016 in total;

140.4. 30 % of the gross issues of bonds in 2017 in total;

140.5. 30 % of the gross issues of bonds in 2018 in total;

140.6. 25 % of the gross issues of bonds in 2019 in total;

140.7. 25 % of the gross issues of bonds in 2020 in total;

140.8. 25 % of the gross issues of bonds in 2021 in total;

140.9. 25 % of the gross issues of bonds in 2022 in total;

140.10. 10 % of the gross issues of bonds in 2023 in total;

140.11. 5 % of the gross issues of bonds in 2024 and in the coming years.

141. The provisions for the initial placement of State securities approved by the fiscal agent and coordinated with the Treasury on the basis of Cabinet Regulation No. 120 of 5 March 2013, Regulations Regarding the Issue of State Securities, shall be valid not longer than three months after the day when this Regulation comes into force.

Prime Minister Laimdota Straujuma

Minister for Finance Andris Vilks