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**Nasdaq CSD SE**

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**RULES OF NASDAQ CSD**

**CHAPTER III**

**PROVISIONS SPECIFIC TO LATVIAN SETTLEMENT SYSTEM**

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## **1. LEGAL BASIS, GOVERNING LAW AND DISPUTE RESOLUTION**

- 1.1 The Depository is authorised to act as an operator of the Latvian Settlement System in accordance with the Latvian law „On Settlement Finality in Payment and Financial Instruments Settlement Systems“.<sup>1</sup>
- 1.2 The Depository's activities, when acting as the operator of the Latvian Settlement System, and its relations with a Participant to the extent it acts as System Participant, and matters listed under Section 2.17.3 of Chapter I are governed by the Latvian law (applicable law).
- 1.3 Any disputes, claims or controversies that arise in connection with the Latvian Settlement System shall be resolved pursuant Section 2.18 of Chapter I.

## **2. RULES OF THE LATVIAN SETTLEMENT SYSTEM**

- 2.1 Provisions of Chapter I of the Rulebook and Contractual Documents shall apply to the Latvian Settlement System to the extent and unless:
- 2.1.1 specifically provided otherwise in this Chapter;
- 2.1.2 provided otherwise by the wording, nature or purpose of the relevant provision of Chapter I of the Rulebook and Contractual Document.
- 2.2 Provisions of the Rulebook dealing with the settlement of claims and obligations arising from instructions entered into Latvian Settlement System to debit or credit or make other entries to securities account in the Latvian Settlement System shall be considered rules of the Latvian Settlement System within the meaning of the Law “On Settlement Finality in Payment and Financial Instruments Settlement Systems”.

## **3. USER COMMITTEE OF THE LATVIAN SETTLEMENT SYSTEM**

- 3.1 The Depository shall be advised by the user committee of the Latvian Settlement System (User Committee) [on matters related to the Latvian Settlement System]. The mandate, governance arrangements, operational procedures, admission criteria and election mechanism for User Committee members shall be provided in "*Rules of Procedure of the User Committee of the Latvian Settlement System*".

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<sup>1</sup> In Latvian – Likums „Par norēķinu galīgumu maksājumu un finanšu instrumentu norēķinu sistēmās“.

#### **4. SPECIAL PROVISIONS REGARDING INITIAL RECORDING OF CERTAIN FINANCIAL INSTRUMENTS IN THE LATVIAN SETTLEMENT SYSTEM**

- 4.1 The Depository provides through the Latvian Settlement System notary services in respect of shares (stocks), debt securities, investment fund units and other financial instruments issued under the laws of the Republic of Latvia subject to compliance by the Issuer with the admission requirements set out in Section 4 of Chapter I. The Depository may provide through Latvian Settlement System notary services in respect of securities constituted under the laws of other Member State, subject to compliance by the Issuer with the admission requirements set out in Section 4 of Chapter I and compliance by the Depository with the requirement to take measures to allow its users to comply with corporate or similar law of the Member State under which the securities are constituted.
- 4.2 The Depository provides initial recording of securities in the Latvian Settlement System by recording the securities in the CSD system in accordance with Section 4 of Chapter I and the law applicable to the respective securities.
- 4.3 If, upon initial recording of securities in the Latvian Settlement System initial placement of securities has been completed and the owners of those securities do not have a securities account opened with an Account Operator, the Depository opens temporary owner account for the owners of securities on the basis of an application of the issuer and at the expense of the issuer.
- 4.4 The provision of Section 5 of this Chapter are applicable to the securities recorded in temporary owner accounts. To acquire absolute disposal rights with securities recorded in the temporary owner accounts, the securities shall be deregistered in accordance with the provisions of Section 5 of this Chapter.
- 4.5 The Depository provides processing of Corporate Actions relating to securities referred to in Section 4.1 of this Chapter in accordance with Section 4 of Chapter I and provisions of applicable law.

#### **5. SPECIAL PROVISIONS REGARDING INITIAL REGISTER OPERATED BY THE DEPOSITORY**

- 5.1 Data on securities holdings of persons registered in the Initial Register before the Rules come into force shall be recorded in the Initial Register accounts opened in the Latvian Settlement System in the name of each person registered in the Initial Register. Each Initial Register account has a unique account number composed of the person's identification number and ISIN of securities credited in the account.
- 5.2 To acquire full disposal rights of securities recorded in the Initial Register account the securities entered into the Initial Register account shall be transferred (deregistered).
- 5.3 Until deregistration is completed, the person who is registered as the Initial Register account holder shall have only the right to vote at the meetings of securities owners. Public circulation of securities may occur only after deregistration of the securities in compliance with the procedure stipulated herein and Operating Manual. The person in whose name the securities are entered in the Initial Register may not alienate or perform other activities with such securities.

- 5.4 After the completion of deregistration, the securities shall be recorded in book entry form in any of the accounts referred to in Section 5.3 of Chapter I and the owner of securities may fully exercise the rights attached to those securities (e.g. sell, pledge, receive dividends, subscribe to securities of a new issue).
- 5.5 Corporate Action proceeds accrued by the persons in whose name the Initial Register account is opened are accounted in a cash account opened parallel to an Initial Register account. The Initial Register account holder may receive the accrued amounts of Corporate Action proceeds only after the completion of deregistration.
- 5.6 The following principles apply to deregistration of securities that are accounted in the Initial Register accounts:
- 5.6.1 A person who has securities holdings in the Initial Register accounts may deregister all fungible securities of the same Issuer and of the same type and category to the securities account only on all or none basis. Partial deregistration may be executed if the deregistration of securities is required by the heir of the person who has securities holdings in the Initial Register accounts;
- 5.6.2 Deregistration process shall be irreversible, except where (i) error has occurred during the deregistration process or (ii) the receiver of securities has no rights to receive all deregistered securities. In this case all or part of the deregistered securities are repeatedly entered in the Initial Register account from which the deregistration has been done;
- 5.6.3 Rights to moneys arising from the deregistered securities and accounted in parallel of particular Initial Register account shall be deregistered automatically together with the securities (a separate deregistration request is not needed), except (i) the deregistration of the rights to moneys arising from shares of the owners which have not accepted a final offer of share repurchase and (ii) such deregistration is performed in compliance with the procedure stipulated in Operating Manual;
- 5.6.4 The Depository shall transfer the moneys which are due for deregistered securities to the Participants of the Latvian Settlement System on a weekly basis, on the first business day of a week following the week when the deregistration request is approved by the Depository, or on the first business day of the following month for those deregistration requests which are received and approved by the Depository in the last week of the current month from the first business day of the week to the last business day of this month, inclusive.
- 5.7 Detailed description of deregistration process shall be provided in Operating Manual.

## **6. SPECIAL PROVISIONS RELATED TO CERTAIN ANCILLARY SERVICES IN CONNECTION WITH SECURITIES RECORDED IN THE LATVIAN SETTLEMENT SYSTEM**

### **6.1 Preparation of full list of securities owners and holders**

6.1.1 The Depository issues an instruction to the Account Operators to provide information on the owners and holders of securities within one Business Day from the date of the Issuer's instruction to prepare a full list of owners and holders of the securities ("Full List"). The Issuer's request has to comply with the requirements set out in the Operating Manual.

6.1.2 The Account Operator records the owners and holders of securities at the day provided in the Depository's instruction. The Participant provides the information on the securities, its owners and holders, which is set out in the Operating Manual, to the Depository by the deadline provided in the Depository's instruction.

6.1.3 The Depository prepares a Full List with information that is provided by the Account Operators and information that is available in CSD system about securities owners whose holdings are recorded in temporary owner accounts and Initial Register accounts and provides the Full List to the Issuer within 2 Business Days following the date of receipt of information from all the Account Operators.

### **6.2 Preparation of list of securities owners on the record date**

6.2.1 The Issuer submits to the Depository a written request to prepare a list of securities owners on the record date for the purposes of establishing participants of the shareholder meeting or other meeting of securities owners ("Shareholder Meeting") starting from the 30th Business Day before the date of the meeting but not later than 7 Business Days before the date of such meeting. The Issuer's request shall provide the information set out in the Operating Manual. The record date is the date which is 6 Business Days before the date of Shareholder Meeting at the end of which the shareholders or owners of securities and the number of shares belonging to shareholders or owners of securities, respectively, is recorded for the purposes of participation in the Shareholder Meeting.

6.2.2 The Depository issues an instruction to all the relevant Account Operators to provide information in respect of the Shareholder Meeting set out in the Operating Manual within one Business Day from the date of the Issuer's instruction in order to prepare a list for the Shareholder meeting.

6.2.3 In case the Account Operator maintains nominee account, the Account Operator requests the nominee account holder to provide information on the owners of the securities at the record date. The Account Operator provides to the Depository information set out in the Operating Manual within the deadline established in request to provide information in respect of the Shareholder Meeting.

- 6.2.4 The Depository prepares a list of owners of securities with information that is provided by the Account Operators and information that is available in CSD system about securities owners whose holdings are recorded in temporary owner accounts and Initial Register accounts on the record date and provides such list to the Issuer within 2 Business Days following the date of receipt of information from all the Account Operators, unless the Issuer has not indicated a longer term in his written request to prepare a list of securities owners on the record date.
- 6.2.5 The Issuer notifies the Depository on the closing of the Shareholder Meeting within one Business Day from the date of the Shareholder Meeting. The Issuer notifies the Depository on the cancelling or adjourning the Shareholder Meeting to another date not later than on the next Business Day following the date of taking a decision on cancelling or adjourning of the Shareholder Meeting. The Issuer not later than on the next Business Day following the date of the Shareholder Meeting informs in writing the Depository on the decisions adopted by the Shareholder Meeting.
- 6.2.6 The Depository sends to all the Account Operators a notification on the closing, cancelling or adjourning of the Shareholder Meeting within one Business Day from the date of receipt of such notification from the Issuer.

## **7. SPECIAL PROVISIONS RELATED TO CENTRAL MAINTENANCE IN THE LATVIAN SETTLEMENT SYSTEM**

- 7.1 No references to pledge (other than financial collateral pledge) provided in the Chapter I shall apply to the Latvian Settlement System. With respect to financial collateral pledges to be established within the Latvian Settlement System, in addition to any rules under Chapter I specifically regulating financial collateral pledges, the following rules of this Section 7 shall apply.
- 7.2 With reference to Article 4(2)(2) of Financial Collateral Law of Latvia<sup>2</sup> the Account Operator, when it acts as a pledgee under that Article, hereby appoints the Depository, being the entity that maintains the pledge account with the Latvian Settlement System, as its authorised representative (in Latvian – pilnvarnieks) for the sole purpose of giving effect to the financial collateral pledge established on a pledge account within the Latvian Settlement System under the contract between the pledgor and the Account Operator as pledgee and the Rules.
- 7.3 In case a client of the Account Operator intends to take a financial collateral pledge over securities recorded in an owner account or participant own account (such client referred to as the pledgee), the Account Operator of the pledgee or, in case provided in Section 5.11.4 of Chapter I of the Rules, the Account Operator chosen by the pledgee (hereinafter in each case referred to as the **Account Operator of the pledgee**) shall obtain from the pledgee an authorisation to act as its authorised representative, as required by Article 4(2)(2) of Financial Collateral Law of Latvia, for the sole purpose of giving effect to the financial collateral pledge established on a pledge account within the Latvian Settlement System under the contract between the pledgee and the pledgor. Such authorisation shall provide for the Account Operator's right to sub-delegate his authority to the Depository. The Depository shall have no obligation to verify the existence or scope of such authorisation.

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<sup>2</sup> In Latvian – Finanšu nodrošinājuma likums.

- 7.4 In any case when the Account Operator of the pledgee is submitting a Transfer Order to the Depository on behalf of the pledgee in order to register financial collateral pledge or make changes to the financial collateral pledge in accordance with Sections 5.10 and 5.11 of Chapter I of the Rules, such Account Operator is deemed to have sub-delegated to the Depository his authority to act as an authorised representative of the pledgee, as required by Article 4(2)(2) of Financial Collateral Law of Latvia, for the sole purpose of giving effect to the financial collateral pledge established on a pledge account within the Latvian Settlement System. Should the Depository request the Account Operator to issue a written confirmation that such authority has been sub-delegated, the Account Operator shall promptly provide such written confirmation. The Account Operator has to ensure that it has sufficient authority from the pledgee that it may sub-delegate to the Depository under this Clause 7.4. The Depository shall have no obligation or liability against any party due to any deficiency or lack of, or limitation on, such authority.
- 7.5 The Account Operator of the pledgee has to ensure that the pledgee is made aware that revocation of authorisation to his Account Operator will result in the revocation of the sub-delegated authority to the Depository, and may result in the invalidity of any financial collateral pledge effected by virtue of the authorisation to the Account Operator and sub-delegation of such authorisation to the Depository. The Account Operator of the pledgee shall promptly inform the Depository in case the authorisation provided by to Account Operator of the pledgee cease to be effective.
- 7.6 The Depository shall be under no obligation to enquire as to whether enforcement event has occurred at any time or as to whether the pledgee is entitled to exercise any right that the pledgee is exercising at any time pursuant to the contract between the pledgor and the pledgee or to investigate any facts asserted by the Account Operator acting as pledgee or on behalf of the pledgee, and shall be instead entitled to rely on the Transfer Order provided by the Account Operator acting as pledgee or on behalf of the pledgee to that effect. Notwithstanding any other provision of these Rules, the Depository shall not have any liability against the pledgor or the Account Operator of the pledgor for any action taken pursuant to the pledgee's instruction to the Depository.

## **8. SPECIAL PROVISIONS REGARDING OPERATIONS WITH LATVIAN GOVERNMENT SECURITIES**

### ***General provisions***

- 8.1 Terms and concepts used in this Section 8 not interpreted hereinafter shall correspond to the terms and concepts used in the Annex 1 of the Rules. Capitalised terms used in this Section 8 have the following meaning:
- 8.1.1 Latvian Government securities— T-bills or bonds registered and settled in the Latvian Securities Settlement System.
- 8.1.2 Trade – a trade performed with Latvian government securities on a competitive multi-price auction, on a fixed-rate amount (non-competitive) auction or through tap issues of government securities, as well as at buybacks of Latvian government securities, which are concluded according to the procedure set by Nasdaq Riga stock exchange



(hereinafter – The Stock Exchange) or registered in the trading system of the Stock Exchange.

- 8.1.3 S-day – day when settlements with Latvian government securities and related settlements of cash are made and is a working day in Latvia and DVP settlement day in T2S.
- 8.1.4 S-1 day – one CSD’s business day before the S day.
- 8.2 The Depository provides services in respect to the Latvian Government securities in accordance with the Rules and the legal acts and agreements signed between the Depository and the Latvian State Treasury (hereinafter – the Treasury) representing the Latvian Government.
- 8.3 Settlement of Transfer Orders with Latvian Government securities shall be based on simultaneous delivery versus payment of securities (DVP) and shall be performed separately for each transaction (in gross).
- 8.4 Account Operator shall ensure that Transfer Orders related with Trades with Latvian Government securities are entered in the CSD System according to the clause 6.3.4. of the Chapter I of the Rules no later than 16:00 EET on S-1 day.
- 8.5 Transfer Order(s) in Latvian Government securities can be cancelled on the initiative of the Treasury, sending a cancellation instruction to the Depository. In case such Transfer Orders are matched according to the Chapter I of the Rulebook the Depository may cancel both matched Transfer Orders without consent of the concerned Account Operator. Such transfer orders are cancelled at the moment when the cancellation is executed in T2S.
- 8.6 Where by 9.30 EET on S-day the Transfer Order(s) has not been executed due to lack of funds or Latvian Government securities, the Treasury has the rights to request compensate any damages that is caused due delay or default of execution of Transfer Order.

***Procedure of Settlement of Initial Placement trades with of Latvian Government Securities***

- 8.7 On the S-day by 9.30 EET the Account Operators shall ensure a sufficient amount of cash on the DCA linked to their securities account in T2S for execution of Transfer Orders.
- 8.8 Where by 9.45 EET on the S-day the Transfer Order(s) in Latvian Government securities have not been executed due to lack of cash, therefore Transfer Orders are not settled, the Depository shall, without delay, notify the Stock Exchange, the Treasury and the respective Account Operator thereof (by telephone and in writing, by sending an e-mail message to the contact person).
- 8.9 Should an Account Operators fail to ensure a sufficient amount of cash on a DCA linked to their securities account for the purchase of Latvian Government securities by 13.30 EET on the S-day, the Treasury shall decide to cancel the respective Transfer Order or postpone the execution of the Transfer Order but no later than by 15:00 EET on the S-day.

***Procedure of Settlement for Buyback trades with Latvian Government Securities***

- 8.10 On the S-day by 9.30 EET the Account Operators shall ensure a sufficient amount of Latvian Government securities on their securities accounts in T2S for execution of Transfer Orders.
- 8.11 On the S-day by 9.30 EET the Treasury shall ensure a sufficient amount of cash on its DCA in T2S for execution of Transfer Orders.
- 8.12 Where by 9.45 EET on the S day Transfer Order(s) in Latvian Government securities has not been executed due to lack of securities in Account Operator's securities account the Depository shall, without delay, notify the Stock Exchange, the Treasury and the respective Account Operator thereof (by telephone and in writing, by sending an e-mail message to the contact person).
- 8.13 The Depository executes Transfer Orders in Latvian Government securities, the execution of which is delayed due to insufficient amount of securities in the securities account of the Account Operator, as soon as Account Operator has ensured a sufficient amount of Latvian Government securities for execution of Transfer Orders, provided that the deadline established in clause 8.14. of this section has not set in yet.
- 8.14 Should by 13.30 on S-day Account Operator has failed to ensure a sufficient amount of Latvian Government securities on its securities account with the Depository for execution of Transfer Orders or should the Treasury have failed to transfer to their DCA in T2S a sufficient amount of money for buyback of Latvian Government securities, the Treasury shall decide to cancel the respective Transfer Order or postpone the settlement of such Transfer Order but no later than by 15:00 EET on S-day.

***Payment of Fixed Income, Nominal Value and Redemption of Latvian Government securities***

- 8.15 Fixed income payment for Latvian Government securities shall take place on fixed income payment dates pre-set by the Treasury.
- 8.16 Payment of nominal values and redemption of Latvian Government securities shall take place simultaneously on payment dates pre-set by the Treasury.
- 8.17 The Treasury shall transfer the total amount of cash payable according to clauses 8.15 and 8.16 to its DCA in T2S no later than by 11.00 EET on the payment date.
- 8.18 Should the Treasury fail to transfer to its DCA in T2S the amount payable according to clauses 8.15 and 8.16 or transfer only part thereof by the deadline specified in the clause 8.17 of this section the Depository shall immediately notify the Treasury and Account Operators (in writing), and, after the Treasury has transferred all the amount payable in fixed income, nominal value payments, shall transfer it to the Account Operators immediately. The Depository executes cash payments respecting the deadline of execution of cash payments in T2S on the respective settlement date. Should the Treasury transfer only part of the payable amount to its DCA in T2S by deadline of execution of cash payments in T2S, T2S automatically reimburses the cash amount from

the DCA to the linked RTGS cash account at the end of settlement day and the execution of the fixed income or nominal payment is postponed to the following settlement day.

***Pre-maturity Redemption of Latvian Government Securities***

- 8.19 Pre-maturity redemption is only allowed for Latvian Government securities held by the Treasury on the date of pre-maturity redemption.
- 8.20 Should the Treasury have planned pre-maturity redemption of Latvian Government securities that it owns, it shall submit to the Depository an instruction to redeem Latvian Government securities no later than 2 business days before the scheduled pre-maturity redemption date, indicating the ISIN code, date of redemption, the total nominal value of Latvian Government securities for redemption, as well as the Account Operator with whom the Treasury has an open securities account and from whose corresponding securities account the Latvian Government securities shall be redeemed. The Depository shall inform Account Operators about redemption without delay, indicating the ISIN code, the pre-maturity redemption date and the total nominal value of Latvian Government securities to be redeemed.
- 8.21 On pre-maturity redemption date the Depository shall redeem Latvian Government securities on the corresponding account indicated by the Treasury and inform about redemption of securities the respective Account Operator with whom the Treasury has an open securities account. On the basis of a confirmation from the Depository, the respective Account Operator shall redeem the securities in his accounting system.