

Riga \_\_\_\_\_

AGREEMENT

No. \_\_\_\_\_

ON PARTICIPATION IN THE MONETARY POLICY OPERATIONS OF THE  
BANK OF LATVIA

The Bank of Latvia, which operates in accordance with the Law "On the Bank of Latvia" (hereinafter, the Bank of Latvia), represented by \_\_\_\_\_, on one side, and

(position, name, last name)

\_\_\_\_\_ (hereinafter, the Counterparty),

(name of the counterparty)

which operates in accordance with the Statute, represented by \_\_\_\_\_, on the other side, (hereinafter, the Parties)

(position, name, last name)

expressing their free will, without error, deceit and duress hereby agree on the following.

1. SUBJECT OF AGREEMENT

1.1 The present Agreement outlines the procedure for monetary policy operations between the Counterparty and the Bank of Latvia, including the procedure for concluding financial collateral agreements, requirements for financial collateral and handling of financial collateral.

1.2 Within the scope of the present Agreement or when implementing the monetary policy operations, the Parties shall act in accordance with the present Agreement and the "Regulation for the Use of the Bank of Latvia's Monetary Policy Instruments" (hereinafter, the Regulation).

2. THE RIGHT TO AMEND THE AGREEMENT AND REGULATION

2.1 The Parties agree that the Bank of Latvia shall have the discretion to unilaterally introduce amendments to the Regulation.

2.2 The Bank of Latvia shall notify the Counterparty of the introduced amendments no later than 5 (five) business days prior to these amendments taking effect.

2.3 Where the Counterparty disagrees to the amendments to the Regulation introduced by the Bank of Latvia, the Counterparty shall have the right to unilaterally terminate this Agreement in compliance with the provisions of Article 7.6 herein.

### 3. GENERAL REQUIREMENT TO USE THE LATS

- 3.1 The Parties agree that all payments related to monetary policy operations, except foreign currency payments in foreign currency purchase and sales transactions and foreign exchange swaps, shall be made in lats.

### 4. GENERAL REQUIREMENT TO PROVIDE COLLATERAL

- 4.1 The Parties agree that a loan shall be granted to the Counterparty only when it has been fully covered by financial collateral.
- 4.2 The Parties undertake to comply with the provisions of the Regulation pertaining to the procedure for concluding financial collateral agreements, requirements for financial collateral and handling of financial collateral.

### 5. LIABILITY OF THE PARTIES

- 5.1 Should the Counterparty fail to provide sufficient collateral or transfer cash or securities within the timeframe stipulated in the Regulation, the Bank of Latvia shall have the right to claim and the Counterparty shall have the obligation to pay a contractual penalty to the Bank of Latvia calculated by multiplying the value of the delayed transfer in lats or in a foreign currency translated into lats at the exchange rate set for the particular currency by the Bank of Latvia on the value date of the payment, or the delayed collateral amount by the Bank of Latvia marginal lending rate as at the value date plus 2.5% (two and a half percent) and multiplying the result by 7/360.
- 5.2 Should the Counterparty fail to comply with the provisions of the Regulation pertaining to the use of the underlying securities, the Bank of Latvia shall have the right to claim and the Counterparty shall have the obligation to pay a contractual penalty to the Bank of Latvia calculated as the value of the ineligible securities that may not be used by the Counterparty as collateral multiplied by the Bank of Latvia marginal lending rate plus 2.5% (two and a half percent) and multiplying the result by 1/360.
- 5.3 Should the Counterparty fail to comply with the provisions of the Regulation pertaining to one and the same monetary policy operation 3 (three) or more times within a period of 12 (twelve) months, the Bank of Latvia shall have the right to suspend the Counterparty from the particular type of monetary policy operations for a period of up to 3 (three) months. The Bank of Latvia shall notify the Counterparty of the suspension in writing, stating the date up to which the Counterparty is suspended from participation in the particular type of monetary policy operations.
- 5.4 The Bank of Latvia shall notify the Counterparty of the amount of calculated penalties via the SWIFT system. The Counterparty shall have the obligation to pay the calculated penalty no later than by the end of the next settlement day following the receipt of notification from the Bank of Latvia referred to in this Item.

- 5.5 Should the Bank of Latvia fail to ensure transfer of cash or securities within the timeframe stipulated in the Regulation, the Counterparty shall have the right to claim and the Bank of Latvia shall have the obligation to pay a contractual penalty to the Counterparty calculated by multiplying the value of the delayed transfer in lats or in a foreign currency translated into lats at the exchange rate set for the particular currency by the Bank of Latvia on the value date of the payment by the Bank of Latvia marginal lending rate as at the value date and multiplying the result by the number of days delayed and by 1/360.
- 5.6 Payment of a contractual penalty shall not exempt the Parties from performance of the Agreement.

## 6. FORCE MAJEURE

- 6.1 Neither Party shall be liable for partial or complete failure to perform the agreement, if caused by a force majeure event. The following qualify as a force majeure event: natural disasters, fires, warfare, armed conflicts, restrictions by state power and administration as well as local government institutions, changes in laws and regulations, riots and strikes. The Party invoking the force majeure clause shall be exempt from liability only and solely in cases when the involved circumstances were beyond reasonable control of the above-mentioned Party.
- 6.2 The Party incapable of performing the Agreement as a result of the circumstances referred to in Article 6.1 herein shall have the duty to notify the other Party of this incapability and its potential duration in writing no later than within 5 (five) calendar days of the *force majeure* event setting in. Failure of a Party to give notice to the other Party or to do so in due time shall deprive this Party of the entitlement to invoke the *force majeure* clause to exempt itself from partial or full performance of the Agreement. The existence of *force majeure* circumstances shall be confirmed by a note issued by the relevant competent public authority.

## 7. EFFECTIVENESS OF THE AGREEMENT

- 7.1 Any amendments to the Agreement shall have legal force only if made in writing and signed by both Parties.
- 7.2 All disputes between the Parties shall be settled by way of negotiation. Should the Parties fail to reach an agreement, disputes shall be steered in a Republic of Latvia court in accordance with the procedure stipulated by the Republic of Latvia laws and regulations.
- 7.3 The present Agreement shall take effect concurrently with the Regulation. The Agreement is concluded for an indefinite period of time.
- 7.4 The Agreement may be terminated by a written consent of the Parties.
- 7.5 The Bank of Latvia shall have the right to unilaterally terminate this Agreement by giving a written notice to the Counterparty at least 7 (seven) days prior to the termination.

7.6 The Counterparty shall have the right to unilaterally terminate this Agreement at its discretion, provided that the Counterparty has settled all liabilities with regard to the Bank of Latvia incurred as a result of this Agreement, by notifying the Bank of Latvia of the intention to terminate the Agreement in writing at least 7 (seven) days prior to the termination.

7.7 The present Agreement is made on \_ (\_\_\_\_) pages, in 2 (two) copies, one for each Party.

8. REGISTERED ADDRESSES OF THE PARTIES

8.1 Bank of Latvia: K. Valdemāra ielā 2A, Riga, LV-1050  
Phone 702 2300, Fax 702 2420

8.2 Counterparty:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signatures of the Parties:

Bank of Latvia

Counterparty

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name, last name)

\_\_\_\_\_  
(name, last name)

\_\_\_\_\_  
(position)

\_\_\_\_\_  
(position)

Seal

Seal

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(date)

Governor of the Bank of Latvia  
Rimsevics

I.

