

Approved at the Meeting of the Board of AS IPS Hansa Fondi on 09.10.2007  
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The restated wording of the Rules was approved:  
- at the Meeting of the Board of AS IPS Hansa Fondi on 4th January 2008, and will come into force on 7th February 2008;  
- at the Meeting of the Board of AS IPS Hansa Fondi on 22nd August 2008, and will come into force on 12<sup>th</sup> September 2008

**INVESTMENT FUND**  
**HANSA EURO MONEY MARKET FUND**  
**RULES**

**1. General**

The Rules of the open-end investment fund Hansa Euro Money Market Fund (hereafter – the Fund) governs the management procedure of the Fund.

Open-ended investment fund Hansa Euro Money Market Fund is the English name of the Fund.

The terms used in the Rules shall have the same meaning as those used in the Prospectus.

**2. Company details**

The Fund is managed for investors by the investment management company AS IPS Hansa Fondi, hereinafter – the Company. The registered office of the Company is Balasta dambis 1a, Riga, LV1048, Latvia. Single registration number of AS IPS Hansa Fondi with the Commercial Register: 40003337582. The investment management services licence has been issued on 24 September 2004 (the Financial and Capital Market Commission's Licence Register No. 06.06.04.116/143).

**3. Fund management general principles and procedure**

The Company shall, subject to the Law, the Articles of Association, the Prospectus and these Rules, operate with the Fund assets, and with the rights attached thereto, in its own name at the expense of the Fund investors by investing the Fund assets in the investment targets allowed under the Prospectus in compliance with the risk mitigation principle. The Fund assets is a property jointly owned by investors, and it is to be kept, recorded and managed separately from the assets of the Company, of other funds under its management, and of the Custodian Bank. The Fund investors shall have no right to demand that the Fund be divided.

The Company is responsible for the calculation and publishing of the Fund value, for providing publicly available information, for the Fund accounting, for maintaining records of the Fund investment certificates, as well as for compliance with other requirements of the Law. The Company may, subject to the procedure prescribed in laws and regulations, delegate the right to provide certain services pertaining to the management of the Fund, to other persons, who hold the relevant qualification and are experienced in providing the services in question.

The Company has entered into an agreement with AS Hansabanka, under which AS Hansabanka distributes investment certificates of funds managed by the Company. The Company may also, through entering into relevant cooperation agreements for the

delegation of its duties, assign to AS Hansabanka, or any other third party, the right to render services related to the administrative management of the Fund, including the establishing of the Fund's value and the investment certificate price, record-keeping for transactions made by the Company with the Fund's assets, preparation of the Fund's financial statements and reports, and dealing with legal matters concerning the Fund.

The Board of the Company confirms the amount of remuneration payable to the Company, which may not exceed the maximum size of this remuneration fixed in clause 9.1 of the Rules.

The Company shall appoint a Manager of the Fund. The Fund Manager shall operate with the Fund assets in accordance with the Law, other legislation and regulations, the Prospectus and these Rules.

The duties of the Manager include:

- to comply with the Fund management procedure and the investment policy set out in the Prospectus and the Company's internal documents, as well as with statutory restrictions applicable to transactions with the Fund assets;
- to acquire reasonably comprehensive information about the potential and present investment targets;
- to monitor and analyse, on a continuous basis, the financial standing of the persons who are the issuers of securities, money market instruments or deposits, in which the Fund assets have or will be invested or placed;
- to ensure a degree of liquidity of the Fund investments as may be required to comply with claims for redemption of investment certificates.

The Manager shall be entitled to operate freely with the Fund assets – to select the types of securities and geographical regions for investments, to select the investment targets and time periods, to apply financial instruments for risk hedging, etc. – as long as the requirements of the Law, the Prospectus and the Rules are met.

Decisions on transactions with the Fund assets shall be adopted by the Fund Manager, but the execution of orders may be ensured by other employees of the Company. When the Fund Manager is absent, the Fund management functions are carried out by a person expressly authorized for that by the Fund Manager.

Cash and securities accounts shall be opened for the Fund with the Custodian Bank.

#### **4. Investment restrictions**

The Company undertakes transactions with the Fund assets in compliance with the Law, the Prospectus and the Rules.

##### 4.1. General investment restrictions

The cash of the Fund may be invested in transferable debt securities, money market instruments, deposited with credit institutions and invested in other financial instruments referred to in the Prospectus subject to investment restrictions and procedure set out in the Law, the Prospectus and the Rules.

4.1.1. The Company shall have no right to assume any liabilities on the account of the Fund assets unless directly related to the Fund. The Company may not conduct, with the Fund assets, any transactions without compensation. Claims against the Company and rights attached to the Fund assets may not be set off against each other.

4.1.2. The Fund assets may not be pledged or otherwise encumbered with rights *in rem* unless:

- 1) it serves as a collateral in receiving loans according to the procedure set out in clause 4.6 of the Rules;
- 2) sale and repurchase (repo) transactions are performed on the account of the fund's property;

3) it serves as a collateral in conducting transactions in derivative financial instruments referred to in clause 3.3 of the Prospectus.

4.1.3. The Company may not, by agreeing directly, dispose of the Fund assets in favour of the Company or its interested parties, other fund managed by the Company, as well as may not, by agreeing directly, purchase any assets on the account of the Fund from the foregoing persons. Such restrictions do not apply to transactions with the interested parties of the Company, which are credit institutions registered in Latvia or in another Member State.

4.1.4. The Fund assets may be used for purchasing the securities issued by any of the persons referred to in clause 4.1.3 through a stock exchange or through an organized and public securities market only.

4.1.5. The following operations are not permitted on the account of the Fund:

1) to perform the liabilities of the Company incurred on its own behalf and account;

2) to issue securities other than investment certificates;

3) to assume liabilities under guarantee agreements;

4) to extend loans. The said prohibition is not applicable to asset repurchase transactions, which are allowed to be undertaken on the condition that the investment restrictions of this section are applied to the financial instruments involved in the transaction.

4.1.6. The Company may not, on the account of the Fund, sell financial instruments or assume liabilities for the sale of financial instruments unless they are a part of the Fund assets at the time of entering into the transaction. A violation of this rule will have no effect on the validity of the transaction.

4.1.7. The Company may not, on the account of the Fund, purchase assets at a price higher than the market price or to dispose of the Fund assets at a price lower than the market price.

4.1.8. The Fund assets may not be invested in precious metals, or in derivative financial instruments where precious metals or goods are the underlying asset.

4.1.9. The Fund assets may not be invested in real estate or in units of other investment funds.

#### 4.2. Rules for investments in transferable securities and money market instruments

4.2.1. The Fund assets may be invested in transferable securities and money market instruments, which meet at least one of the following conditions:

1) they are listed on organised markets of Latvia or another Member State;

2) they are listed on the main list of a stock exchange registered in an OECD Member State that is a member of G10 or are traded on organised markets of such country;

3) they are not on the main list of stock exchanges or are not traded on organized markets, but the terms of issue of these securities or money market instruments stipulate that an application will be lodged for the admission of these securities or money market instruments to the official listing of the stock exchanges or organized markets referred to in clause 4.2.1 (1) and (2) and the admission of these securities or money market instruments will take place within one year of commencement of subscription to these securities or money market instruments.

4.2.2. The Fund assets may be invested in money market instruments, which are not traded on organized markets, if they are freely transferable (no restrictions on transactions in them) and at least one of the following conditions exists:

1) they are issued or guaranteed by a Member State or its local government, by other state (in federal countries – one of the federation members) or international financial institution if one or several member states are its members;

- 2) they are issued or guaranteed by the central bank of Latvia or a Member State, the European Central Bank, or by the European Investment Bank;
- 3) they are issued by a business company, whose securities are traded according to the procedure laid down in clause 4.2.1 (1) and (2);
- 4) they are issued or guaranteed by a credit institution that is registered in a Member State and if its operation is supervised by a financial services supervision institution in accordance with the requirements of the European Union, or an issuer that is subject to regulating requirements at least of the same extent as those in force in the European Union and that complies with at least one of the following requirements:
  - a) it is registered in a Member State of the OECD that is a member of G10;
  - b) an investment grade rating is assigned to it;
  - c) a comprehensive analysis of the legal regulation that applies to the issuer has showed that the requirements it is subject to are of the same level as in the European Union;
- 5) they are issued by a business company of the category approved by the Commission and that has capital and reserves equivalent to 10 million euros in lats in accordance with the exchange rate set by the Bank of Latvia and if it makes and publishes annual reports in accordance with requirements for making and publishing of reports that are equal to those in force in the European Union. Such business company is in a concern with one or more business companies stocks of which are traded on an organised market and its purpose is to attract money assets to the concern or it has a special unit that is specialised in the securitisation of debts and it has concluded an agreement on ensuring liquidity with a bank that complies with the requirements for credit institutions as set out under clause 4.2.2.(4). Investor protection that is equivalent to the protection stipulated in clauses 4.2.2 (1), (2), (3) and (4), should apply to investments in such money market instruments.

4.2.3. The Fund's investments, except in the cases referred to under articles 4.2.4 and 4.2.6, in transferable securities or money market instruments of one issuer may not exceed 5 per cent of the Fund assets. The foregoing threshold may be raised to 10 per cent of the Fund assets, but in such an event the aggregate value of investments in excess of five per cent may not exceed 40 per cent of the Fund assets.

4.2.4. The Fund investments in transferable securities or money market instruments of one issuer may be increased to 35 per cent of the Fund assets if the transferable securities or money market instruments are issued or guaranteed by:

- 1) a Member State or the local government of a Member State;
- 2) an OECD country;
- 3) international financial institution if one or several Member States are its members.

4.2.5. The restriction of clause 4.2.4 of the Rules may be exceeded in respect of securities issued by Member States and debt securities issued by the OECD Member States that are members of G10 and traded on the organised markets thereof if the following conditions are met at the same time: the Fund owns transferable securities or money market instruments from 6 or more issues, at the value of transferable securities or money market instruments of each issue separately do not exceed 30 per cent of the Fund assets, or the persons, who have issued or guaranteed the transferable securities or money market instruments in which the Fund manager has invested, or intends to invest, more than 35 per cent of the Fund assets, are mentioned in clause 3.1 of the Prospectus.

4.2.6. The Fund investments in transferable securities of one issuer may be raised to 25 per cent of the Fund assets if they are debt securities issued by a credit institution registered in Latvia, another Member State or an OECD country, the liabilities attached to which require

that the proceeds will be invested, according to statutory procedure, in items, which, during whole period of circulation of the debt securities, fully secure the liabilities attached thereto, and these liabilities are to be discharged on a priority basis in case of insolvency of issuer of these securities. If the value of such one issuer debt securities owned by the Fund exceeds five per cent of the Fund assets, the aggregate value of Fund investments in excess of those five per cent may not exceed 80 per cent of the Fund assets.

#### 4.3. Rules for deposits with credit institutions

The Fund's deposits with one credit institutions may not exceed 20 per cent of the Fund assets. Deposits may be made in credit institutions that have received a licence to operate as a credit institution in Latvia, in another Member State or in an OECD country that is a member of G10.

The foregoing 20 per cent cap is not applicable to on-demand claims against the Custodian Bank.

Deposits with credit institutions may be made if they can be withdrawn on demand, or before maturity date and their maturity does not exceed 12 months.

#### 4.4. Rules for Investments in derivative financial instruments

4.4.1. The Fund assets may be invested in derivative financial instruments, which are traded on markets mentioned in clause 4.2.1 of the Rules or not traded on organised markets and at the same time meet the following requirements:

- their underlying asset is the financial instruments referred to in clause 4.2.1 of the Prospectus and the deposits with credit institutions referred to in clause 4.3, financial indices, interest rates, currency exchange rates or currencies which are investment targets of the Fund assets under the Prospectus or the Fund Rules;
- the counterparty in a transaction in derivative financial instruments that are not traded on an organised market is a credit institution that meets the requirements of clause 4.3 of the Rules or an investment brokerage company whose capital and reserves are 10 million euros equivalent in lats according to the exchange rate set by the Bank of Latvia or higher and that is registered in a Member State or an OECD Member State that is a member of G10 and the operation of which is supervised by a financial services supervision institution;
- a reliable and verifiable valuation of the derivative financial instrument not traded on an organised market is conducted on a daily basis and the derivative financial instrument may be sold or liquidated at its fair value or transactions that result in closing the position (claims or liabilities related to the financial instrument) may be performed with it at any time upon initiative of the company.

4.4.2. The aggregate of risks arising from transactions in derivative financial instruments, including transferable securities or derivative financial instruments included in money market instruments, may not exceed the net value of the Fund's investment portfolio. In calculating the total risk the value of the underlying assets of the derivative financial instrument, the counterparty risk, future changes in the market and the time required to close the relevant position shall be taken into account.

4.4.3. Risk position in transactions in over-the-counter derivative financial instruments may not exceed:

- 1) 10 per cent of the Fund assets if the counterparty is a credit institution which meets the requirements of clause 4.3 of the Rules;
- 2) 5 per cent of the Fund assets in other cases.

4.4.4 The restrictions specified under clauses 4.2.3, 4.2.4, 4.2.5, 4.2.6, and 4.3 shall be applied to the transactions in derivative financial instruments with the purpose to gain profit.

#### 4.5. Miscellaneous Fund assets investment restrictions and deviation therefrom

4.5.1. Without prejudice to the investment restrictions laid down separately in clauses 4.2.3, 4.3, 4.4.2 and 4.4.3 of the Rules, the total Fund investments in transferable securities and money market instruments, the Fund investments and transactions in derivative financial instruments where the issuer or the guarantor, or the attractor of deposit or the counterparty is one and the same person, may not exceed 20 per cent of the Fund assets. In applying the investment restrictions prescribed by this clause, business companies belonging to one group shall be considered as one person.

4.5.2. The investment restrictions laid down separately in clauses 4.2.3, 4.2.4, 4.2.6, 4.3, 4.4.2 and 4.4.3 of the Rules may not be combined, consequently, the total Fund investments in transferable securities and money market instruments, the Fund investments and transactions in derivative financial instruments where the issuer or the guarantor, or the attractor of deposit or the counterparty is one and the same person, may not exceed 35 per cent of the Fund assets.

4.5.3. Up to 10 per cent of the Fund assets may be invested in transferable securities and money market instruments which do not meet the requirements laid down in clause 4.2.1 and 4.2.2 of these Rules.

4.5.4. The Fund investments in separate investment targets may not exceed:

- 10 per cent of the total amount of debt securities issued by one issuer;
- 10 per cent of the aggregate value of money market instruments issued by one issuer.

The total investments of all the funds managed by the company or the investments of every fund individually may not exceed, directly or indirectly, 10 per cent of the equity of one issuer or the total voting right of one issuer.

4.5.5. At the time of investing, it is admissible to exceed the investment restrictions specified in clause 4.5.4 (1) and (2) if at that moment it is impossible to determine or calculate the quantity or value of all issued securities with attaching indebtedness.

4.5.6. The investment restrictions may be deviated from if such deviation occurs due to the exercising of subscription rights arising from the transferable securities or money market instruments that are part of the Fund assets, or due to other circumstances that the Company could not have predicted. To eliminate the deviation from the investment restrictions, the Company shall promptly perform sales transactions in line with the risk mitigation principle and the interests of the Fund investors.

4.5.7. A deviation from the investment restrictions will not invalidate the transaction in question, yet the Company shall be liable before the Fund investors and third parties for any loss incurred through such action, except for events stipulated in clause 4.5.5 and 4.5.6 of the Rules and the Law.

#### 4.6. Borrowings on the account of the Fund

The Company may borrow on the account of the Fund with a view to ensuring protection of interests of the Fund investors. The maturity of borrowings may be up to three months and in the aggregate they may not exceed 10 per cent of the Fund value.

The Company may enter into repurchase agreements (repos) on the account of the Fund assets.

The Company may not borrow on the account of the Fund from the Fund management company, its interested persons and other funds managed by the same company, except for interest-free borrowings from the Company and borrowings from the Custodian Bank at a rate of interest that does not exceed the financial market average loan interest rate at the time of borrowing.

### **5. Customer service**

#### 5.1. Availability of the Fund Prospectus

The Fund Prospectus and Simplified Prospectus shall be available free of charge at the seat of the Company (at Balasta dambis 1a, Riga, LV-1048, Latvia) as well as at the branches of the Distributor, on business days from 0900 - 1700 hours, on the Company's website [www.hansafondi.lv](http://www.hansafondi.lv) (hereafter – the Company's website), as well as on the Distributor's (AS Hansabanka) Internet banking sites [hanza.net](http://hanza.net) and [telehansa.net](http://telehansa.net) (hereinafter – the Distributor's Internet banking service).

### 5.2. Information on changes in the distribution of proceeds from transactions with the Fund assets

Information on changes in the distribution of proceeds from transactions with the Fund assets, which concern the operation of the Fund, as well as information on similar events shall be available for inspection from the Distributor and the Company's website.

### 5.3. Investment certificate sale and redemption

Investment certificates are issued in dematerialized form. The number and period of issue of the Fund investment certificates are not limited. The Fund has two classes of certificates – class A and class I. Investment certificates shall only be issued against full payment of these certificates in cash. The minimum investment in the Fund is fixed in the Fund Prospectus.

Applications for transactions with the Fund investment certificates may be submitted through the Distributor - AS Hansabanka, registered office: Balasta dambis 1a, Riga, LV-1048. Applications may be submitted through any AS Hansabanka branch or through getting in touch with AS Hansabanka according to the procedure prescribed in the agreement governing the financial instruments account and brokerage services.

To apply for purchase of the Fund investment certificates through the Distributor, the Investor must have cash and securities accounts opened with the Distributor.

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| Submitting applications | The investor will submit an application for the purchase of investment certificates, specifying the amount to be invested in euro currency, and in case of an application for sale, specifying the number of investment certificates to be sold.<br>The investor will submit an application for exchange of the Fund investment certificates of one class for certificates of other class according to the Distributor's application form.   |
| Settlements             | <p><b>Purchase of investment certificates:</b><br/>If the investor submits the application for purchase of investment certificates before 1200 hours, settlements will be done the same* business day when the investor's application was submitted.<br/>If the investor submits the application for purchase of investment certificates after 1200 hours, settlements will be done the following* business day after the investor's application was submitted.</p> <p><b>Investment certificate sale:</b><br/>If the investor submits one or more applications for sale of investment certificates of one or both classes before 1200 hours for the total amount of up to 2 mln euros, settlements will be done the same* business day when the investor's application was submitted.<br/>If the investor submits one or more applications for sale of investment certificates of one or both classes before 1200</p> |

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|                  | <p>hours for the total amount of 2 mln euros or more, settlements will be done the following* business day after the investor's application was submitted.</p> <p>If the investor submits one or more applications for sale of investment certificates of one or both classes after 1200 hours for the total amount of up to 2 mln euros, settlements will be done no later than the following* business day after the investor's application was submitted.</p> <p>If the investor submits one or more applications for sale of investment certificates of one or both classes after 1200 hours for the total amount of 2 mln euros or more, settlements will be done no later than within two* business days after the investor's application was submitted.</p> |
| Settlement price | <p>If the investor submits the application before 1200 hours, settlements will be done at a price calculated on the day the application for investment certificates was submitted.</p> <p>If the investor submits the application after 1200 hours, settlements will be done at a price calculated on the following business day after the application for investment certificates was submitted.</p>  |

\* If investors submit redemption claims on one business day until 1200 hours for a total amount that exceeds 10% of the Fund value, the redemption settlement term may be extended to five business days.

Investment certificates will be redeemed in the order in which the redemption applications were submitted.

The Company is only obligated to execute those orders, where all the information necessary for transactions with the Fund investment certificates is specified accurately.

Settlements shall take place on the basis of orders submitted by the Fund investors and on the terms and subject to conditions of the agreement existing between the Fund investor and the Distributor.

Orders submitted by investors shall be deemed null and void if the order is impossible to be executed in accordance with the terms of the agreement entered into between the Fund investor and the Distributor.

Settlements for transactions in investment certificates shall be done using the DVP (delivery versus payment) securities settlement system.

Settlements for transactions in investment certificates shall be in the euro currency.

#### 5.4. Reacceptance of investment certificates

If Company is at fault for any error in or omission of details, which are material in the assessment of investment certificates, in the Fund Prospectus or in documents enclosed therewith, the investor shall have the right to demand that their investment certificates be reaccepted and losses incurred due to such error or omission be reimbursed for by the Company.

If at the moment when the Fund investor has learned that the information contains an error or is incomplete he or she is no longer the owner of the investment certificate, he has the right to demand the Company to pay the difference by which the sum invested by him or her exceeds the redemption price of the investment certificate at the time of redemption.

The demand for re-acceptance of investment certificates and loss reimbursement must be raised within six months of the day when the Fund investor found out about the error in or omission of the detail, but in any event not later than within three years of the day of purchase of the investment certificate. Demands for reacceptance and loss reimbursement must be submitted to the Company in writing, specifying therein the time when the investor learned about the error in or omission of detail. Proof of events referred to, as well as a

reasonable calculation of expenses incurred by the investor must be enclosed with the demand.

The Company shall review the demand and reply the investor within a period of one month from the moment the demand was submitted. If the demand is recognized as valid by the Company, the reacceptance and loss reimbursement shall take place within four banking days after the demand was recognized as valid. If the Company recognizes the investor's demand as not valid, the investor shall have the right to take to court their application for reacceptance of investment certificates and reimbursement for loss.

#### 5.5. Discontinuation of redemption and reacceptance of investment certificates

The reacceptance of investment certificates may be discontinued when the Commission exercises its right to impose restrictions on the Company's right to operate with the Fund's bank accounts.

The redemption of the Fund investment certificates may not be carried out in case of liquidation of the Fund.

The Company may temporarily suspend the redemption of the Fund investment certificates in extraordinary cases when the redemption of investment certificates is impossible as a result of force majeure circumstances that stand beyond reasonable control of the Fund (such as natural calamities and catastrophes, war, failures in means of communication and information systems) and if such suspension is reasonable considering the interests of investors.

#### 5.6. Information about distribution of the Fund income

Any income earned through the Fund assets shall be reinvested in the Fund.

The result of a Fund investor's investment shall be determined according to growth or reduction in the value of investment certificates. The Fund investors may only access the income from their investment in the Fund by requesting that the investment certificates owned by them be redeemed, in part or in whole, by the Company, or by selling them.

### **6. Principles of calculation of the Fund value, investment certificate sales and redemption price, as well as the Fund income**

#### 6.1. Fund value

The Fund value shall be calculated according to the procedure prescribed in the Law, these Rules and other regulations or legislation.

The purchase or sale of assets shall be recorded on the day of the transaction.

All financial assets or financial liabilities of the Fund shall initially be stated at cost being equivalent to the fair value of the price paid in case of financial assets or the price received in case of financial liabilities. The transaction costs, which are directly relevant to the acquisition of financial asset or financial liability, shall be included in the cost of the financial asset or the financial liability.

The cost of the Fund's financial assets and financial liabilities shall later be adjusted according to the increase or decrease in these assets or liabilities, and the Company shall be responsible to ensure that this value would reflect the potential sales price, or the fair value, of the securities as accurately as possible. The fair value is the amount, for which an asset can be replaced, or the liabilities can be performed, in an arm's length transaction.

Changes in the number of investment certificates in circulation shall be reflected on the settlement day i.e. when the full price of these certificates has been paid (upon sale) or the transfer of investment certificates has been effected (upon redemption and reacceptance). A relevant entry in the Fund account shall serve as the confirmation for the fact of payment and transfer.

#### **Determination of the value of debt securities and money market instruments**

Investments in debt securities (those of both fixed and floating income) and in money market instruments may be classified as investments stated at fair value or as investments held until maturity.

The fair value securities and money market instruments, which are classified as available for sale, shall be determined as the last known market price of these instruments. The relevant stock exchange price (if the securities and money market instruments are listed on stock exchange) or the market participants' price (if the securities and money market instruments are not listed on stock exchange) shall be applied as the market price.

Stock exchanges, Reuters, Bloombergs, key market players, as well as other sources can serve the source of information.

Where the fair value of securities, which are classified as stated at fair value, cannot be credibly stated as described above, they shall be stated at amortized cost, applying the actual interest method.

The fair value securities and money market instruments, which are classified as held until maturity, shall be determined as their amortized cost, applying the actual interest method.

#### **Determination of the value of deposits with credit institutions**

Deposits with credit institutions, if they have a fixed maturity period, shall be valued by accruing deposit interest in proportion to the deposit maturity period. If the deposit contract provides for the payout of accrued interest in parts, then on the day the accrued interest is received the interest amount received shall be deducted from the interest amount accrued.

#### **Determination of the value of derivative financial instruments**

Derivative financial instruments may be classified as investments stated at fair value or as investments held until maturity. The fair value of derivative financial instruments shall be determined as the last known market price of these instruments. The relevant stock exchange price (if the derivative financial instruments are listed on stock exchange) or the market participants' price (if the derivative financial instruments are not listed on stock exchange) shall be applied as the market price.

Stock exchanges, Reuters, Bloombergs, key market players, as well as other sources can serve the source of information.

Where the fair value of derivative financial instruments cannot be credibly stated as described above, as well as if the particular derivative financial instruments are classified as investments held until maturity, then they shall be stated at amortized cost, applying the actual interest method.

### 6.2. Fund unit value

The purchase, repurchase and reacceptance of investment certificates shall be recorded on the day of transaction.

The Fund unit values are determined separately for each class of investment certificates. The value of the unit of investment certificates, the sales and redemption price are determined with precision of four digits after the decimal point, and number of investment certificates issued is determined with precision of three digits after the decimal point.

The Fund unit value is determined each business day of the Custodian Bank until 12:00 hours as the previous business day's value of the Fund assets of the relevant class less all liabilities pertaining to certificates of that class, divided by the number of investment certificates of the relevant class that are on record as at the end of the previous business day. The number of investment certificates on record in the particular class of investment certificates is the number of issued investment certificates of that class plus the applications for purchase of certificates of that class, less the number of investment certificates of the relevant class, for which claims for redemption and reacceptance have been received. Only irrevocable applications and claims may be taken into account in calculating the number of investment certificates on record.

### 6.3. Sales and redemption prices of investment certificates

The sales and redemption prices of the Fund investment certificates is equivalent to the value of the unit of the Fund investment certificate of the relevant class. There is neither investment certificate issue, nor redemption fee applicable. The sales and redemption prices are determined together with the Fund unit value.

### 6.4. Information about the Fund value and the Fund unit value, sales and redemption prices of investment certificates

Information about the sales and redemption prices of the Fund investment certificates, the Fund value and the Fund unit values is available from the Distributor, the Company's website, as well as on the Distributor's Internet banking sites hanza.net and telehansa.net.

### 6.5. Classes of the Fund investment certificates

The nominal value of class A investment certificates is 10.00 euros. The nominal value of class I investment certificates is 10.00 euros.

The minimum original investment in class I Fund certificates is 1 million euros. The minimum original investment in class A Fund certificates is not limited. The minimum amount of transaction with class A and class I investment certificates is not limited.

Where a Fund investor owns class A Fund certificates of a total value of at least 1 million euros, such an investor will be entitled to exchange these certificates against class I Fund certificates in accordance with provisions of clause 12.2 and 15.2 of the Fund Prospectus.

Rights attached to class A and class I Fund investment certificates are equal. The income distribution shall be done on *pro rata* basis, considering the number of certificates of the relevant class that are on record on the particular day and the value of certificates in the previous business day. The amount of payments applicable to the Fund's class A and I investment certificates is set out in Section 10 of these Rules (Types and calculation of payments to the Fund).

## **7. Fund liquidation procedure**

The Fund is liquidated by a liquidator in the events set forth in the Investment Management Company Law. The Company, the Custodian Bank or a person appointed by the Commission may be the liquidator.

The liquidator shall immediately notify the Commission of the commencement of liquidation of the Fund and publish a relevant notification in the official gazette "Latvijas Vestnesis".

Investment certificates may not be issued or redeemed during liquidation. The liquidator shall have the right to perform liquidation related activities only. The liquidator shall act in the interest of creditors and the Fund investors.

After the commencement of liquidation the liquidator shall arrange for and carry out the sale of the Fund assets, except the monetary assets of the Fund.

The proceeds of sale of the Fund assets and the monetary assets of the Fund (hereafter - the liquidation proceeds) shall be distributed by the liquidator in the following order:

- 1) claims of secured creditors;
- 2) claims of creditors filed before the deadline fixed in the notification;
- 3) claims of creditors filed after the deadline fixed in the notification but before distribution of the liquidation proceeds.

Should the liquidation proceeds be not sufficient to satisfy the above claims, the outstanding claims shall be satisfied from the assets of the Company, except for claims that originated after the expiry of the Company's management right. Should the liquidation proceeds be not sufficient to satisfy the above claims that have originated during the period of time when the management rights were exercised by the Custodian Bank, they shall be satisfied by the Custodian Bank.

Any remaining liquidation proceeds shall be distributed among the Fund investors on *pro rata* basis to the number of their investment certificates.

The Fund liquidator or the Custodian Bank shall arrange for the publication in the official gazette "Latvijas Vestnesis" notifications on distribution of liquidation proceeds among the Fund investors, specifying the amount payable per one investment certificate, as well as the time and location of payment.

All payments to creditors and the Fund investors shall be made in cash.

The liquidator shall, within 10 days of completion of liquidation, give the Commission a notice on the completion of liquidation and the final liquidation report.

## **8. The procedure of transferring the Fund management rights and assets to the Custodian Bank or other persons**

### **8.1. Transfer of the Fund management rights and assets to other investment management company**

The Company may transfer the Fund management rights to another investment management company on the basis of an agreement and exclusively with the permission of the Commission. To receive the Commission's permission for transfer of the management of the Fund, the Company shall submit a motivated application to the Commission.

The Commission shall give its permission for the transfer of the Fund management rights within a month of receiving the application, provided such transfer does not harm the interests of the Fund investors, the documents filed for the transfer of management have been prepared in accordance with the requirements of the Law and provided the company, to which the Fund management is transferred, meets the requirements defined in the Law concerning the capital of the company.

After receiving the permission from the Commission, the Company shall submit for publication in the official journal "Latvijas Vestnesis" and in one daily newspaper a notification on the transfer of the Fund management rights to another company, specifying the business name and registration number and the location of the Board of this other company.

The agreement on the transfer of the Fund management rights to another company shall come into force no sooner than a month after the day of publication in the official journal "Latvijas Vestnesis" of the notification on the transfer of the Fund management rights to another company. All the rights and liabilities attached to the Fund shall pass over to the new company upon the agreement coming into force.

### **8.2. Transition of the Fund management rights to the Custodian Bank**

If the Company's right to manage the Fund expires, the right to manage the Fund shall pass over to the Fund's Custodian Bank, except where the Company's right to manage the Fund passes over to other investment management company.

The Custodian Bank shall immediately submit for publication in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transition of the management rights. The following shall be specified in the notification: the name of the Company, the name of the Fund, the name of the Custodian Bank and the location of the Board.

The Company, whose right to manage the Fund has terminated due to reasons other than the transfer of the Fund management right to other company, shall, without undue delay, deliver all documents related to the Fund management to the Custodian Bank.

The Custodian Bank, to which the Fund management rights have passed over, shall enjoy all the rights of the Company, save the right to issue and redeem the investment certificates of the Fund under its management.

The Custodian Bank shall, within three months of transition of the Fund management rights, transfer the Fund management rights to other investment management company. The Commission may extend this time limit to a maximum of six months. The Fund management

rights may be transferred to other company exclusively with the permission of the Commission.

Should the Custodian Bank fail to transfer the Fund management rights to other investment management company within the above time limits, the Custodian Bank shall carry out the liquidation of the Fund.

### **9. Cooperation between the Company and the Custodian Bank in the management of Fund**

The Company shall conduct settlements in transactions with the Fund assets through the Custodian Bank. The Custodian Bank shall perform the custody of the Fund assets in accordance with the law and the Custodian Bank agreement.

The Custodian Bank shall, in performing its duties provided for in the law, act independently from the Company and exclusively in the interests of investors.

The Custodian Bank and the Company shall enter into a Custodian Bank agreement. The Custodian Bank shall comply with instructions of the Company if not at variance with the Law, the Prospectus, the Custodian Bank agreement and the Rules. The Custodian Bank shall control whether the Company manages the Fund in compliance with the Law, the Prospectus, the Custodian Bank agreement and the Rules.

The Company and the Custodian Bank shall exchange any documents and information necessary for the performance of the agreement as and when stipulated in the Custodian Bank agreement. Based on the Custodian Bank agreement entered into, the Company shall have cash and securities accounts opened for it with the Custodian Bank.

The Company may enter into a separate agreement on brokerage services with the Custodian Bank.

The Company shall, during every business day, give an instruction to the Custodian Bank to carry out settlements within a set period of time for that business day's applications to issue, redeem or reaccept investment certificates. The Custodian Bank shall carry out settlements between the Fund and the investors based on these instructions.

The Custodian Bank shall have a duty to report immediately to the Commission and the Council of the Company on any activities of the Company, which the Custodian Bank has become aware of and which are at variance with the Law, the Prospectus, the Rules or the Custodian Bank agreement.

The Custodian Bank shall receive a remuneration for the provision of services provided for in the Custodian Bank agreement.

### **10. Types and calculation of payments to the Fund**

#### **10.1. Payments for the management of the Fund**

Payments for the management of the Fund are calculated as a percentage of the average Fund value.

| <b>Remuneration type</b>             | <b>Amount of remuneration (%)</b> |
|--------------------------------------|-----------------------------------|
| Remuneration to the Company, class A | 0.60*                             |
| Remuneration to the Company, class I | 0.40*                             |
| Remuneration to the Custodian Bank   | 0.18*                             |

\* maximum amount of remuneration

#### **10.2. Remuneration payable to the Company**

For the management and servicing of the Fund, the Company shall receive a remuneration of no more than 0.60% (zero point six zero per cent) per annum of the value of the Fund's class A assets less all liabilities pertaining to certificates of this class, and of no more than 0.40% (zero point four zero per cent) per annum of the value of the Fund's class I assets

less all liabilities pertaining to certificates of this class. The amount of the remuneration payable to the Company may be subject to change, yet may not be in excess of the maximum size of remuneration.

The remuneration is calculated on a daily basis as the value of the relevant class of the Fund assets in the previous business day less the liabilities pertaining to certificates of this class multiplied by the amount of remuneration and dividing the result by the number of calendar days in the reporting year. The amount of total remuneration for a certain period shall be determined by summing up the amount of remuneration calculated for each day from the beginning of the period until and including the day of calculation.

The remuneration to the Company shall be calculated and accrue for each day. This remuneration shall be received by the Company once a month no later than the tenth business day of the next month for the preceding month.

### 10.3. Remuneration to the Custodian Bank

For the provision of services provided for in the Custodian Bank agreement, the Custodian Bank shall receive, under that agreement, a remuneration of no more than 0.18% (zero point one eight per cent) per annum of the Fund value. The amount of the remuneration payable to the Custodian Bank may be subject to change, yet may not be in excess of the maximum size of remuneration. The remuneration to the Custodian Bank shall be payable out of the Fund assets on the basis of the Company's instruction.

The Custodian Bank's remuneration for custody of the Fund's assets shall be calculated and accrue for each day. This remuneration shall be received by the Custodian Bank once a month no later than the tenth business day of the next month for the preceding month.

The remuneration is calculated on a daily basis as the value of the Fund multiplied by the amount of remuneration and dividing the result by the number of calendar days in the reporting year. The amount of total remuneration for a certain period shall be determined by summing up the amount of remuneration calculated for each day from the beginning of the period until and including the day of calculation.

### 10.4. Other payments out of the Fund assets

Other costs related to the operation of the Fund (fees for transactions with the Fund's cash, securities and issue accounts, etc.) shall be covered according to actual costs and the Custodian Bank agreement.

### 10.5. Payments by investors

All expenses incurred by the Fund investors in conducting transactions with investment certificates (such as bank fees for opening cash and securities accounts, for operations with securities and cash accounts, etc) shall be covered by the Fund investors on their own account.

## **11. Procedure for giving public notices, and publicly available information**

### 11.1. Procedure for giving public notices

The Fund issue shall be promoted by advertisements or by publicly announcing the terms of issue.

Public notices concerning the operations of the Company or the Fund shall be given in the following events and subject to the following procedure:

- by the Company publishing in the official gazette "Latvijas Vestnesis" and in one daily newspaper a notification on the transfer of the Fund management rights to another investment management company, specifying the business name, registration number, registered office and the seat of the Board of this other company;
- by the Custodian Bank publishing in the official journal "Latvijas Vestnesis" and in one daily newspaper a notification on the transition of the Fund management rights to the Custodian Bank, specifying the business name of the Company, the name of the Fund,

the business name, registered office and the location of the Board of the Custodian Bank;

- by the Fund liquidator publishing in the official journal "Latvijas Vestnesis" notifications on the commencement of liquidation of the Fund, liquidator details, deadline and location for creditor claims;
- by the Fund liquidator or the Custodian Bank publishing in the official journal "Latvijas Vestnesis" notifications on distribution of liquidation proceeds among investors, specifying the amount payable per one investment certificate, as well as the time and location of payment.

#### 11.2. Publicly available information

The Fund Rules are freely available to all the Fund investors upon their request.

The Fund Prospectus and any annexes thereto are available free of charge to any persons interested prior to the purchase of investment certificates and the Company shall have a duty to cause these documents to be issued.

Should the Prospectus be amended, the Company shall, after entry into force thereof, cause the full text of the Prospectus, indicating the amendments and their effective date, to be available. The amendments shall be enclosed with the Prospectus as an annex. Decision on whether or not the amendments shall be merged into the wording of the Prospectus (the printing of restated version of the Prospectus) shall be made by the Company depending on the amount of amendments.

The annual reports of the Fund shall be publicly available to any person interested in the operation of the Fund within a maximum of one month after the approval of the report and within a maximum of four months after the end of the reporting year.

The semi-annual reports of the Fund shall be publicly available to any person interested in the operation of the Fund within a maximum of two months after the end of the reporting period. The annual and semi-annual reports of the Fund shall be available for inspection from the Distributor and on the Company's website.

The annual reports of the Company shall be available within a maximum of one month after the approval of the report and within a maximum of four months after the end of the reporting year.

Considering that the Company is a public limited company incorporated under the provisions of the Latvian Commercial Law, everyone is entitled to inspect, in accordance with the statutory procedure, the records of the Commercial Register and the documents filed with the Commercial Register Office.

#### **12. Amendment of the Rules**

The decision on the approval of amendments to the Rules shall be made by the Board of the Company. Amendments to the Rules shall come into force no sooner than 10 days after being registered with the Commission or within other time period decided by the Commission, but in any event within a maximum of three months of amendments being registered with the Commission and considering the contents of amendments and the interests of the Fund investors.

Chairman of the Board of *AS IPS Hansa Fondi* \_\_\_\_\_ H. Švarcs