**General Regulations Concerning Management of Investment Risks**

1. **Limitation of Investments and Provision of Cash Flow**
	1. Income from management of rights (hereinafter Compensation) may be invested only in compliance with AKKA/LAA General Regulations on investments from management of rights.
	2. Investment of compensation into credit institutions

Compensation may be deposited in such a credit institution that holds a license to operate a credit institution and that has permission to render financial services at the Republic of Latvia, another member nation of EU or an EEA country.

1.3. Investment of Compensation into securities of the state, the municipalities or international financial institutions

Compensation may be invested into securities emitted or guaranteed by the state or international financial institutions, or instruments of the fiscal market in case such securities or fiscal market instruments have been emitted or guaranteed by:

1.2.1. The Republic of Latvia, another member nation of EU or an EEA country;

1.2.2. an international financial institution whose members are one or several EU member countries or EEA countries.

1.4. Investment of Compensation into deposit funds

Compensation may be invested into deposit funds as defined by the Act on Deposit Management Companies, in case the deposit fund in question is registered at Republic of Latvia, another member nation of EU or an EEA country.

1.5. Provision of cash flow

AKKA/LAA chooses the form of investment and the manager of investment in such a way that guarantees that the cash flow supports AKKA/LAA plan of distribution of compensation, and offers instant access to the invested funds at the moment when the distribution of compensation is completed and it is necessary to pay compensation to the subjects of copyright or neighbouring rights, or foreign organizations of collective management.

1. **Risks**

2.1. Credit risk of the business partner is the risk that arises when the business partner who has a deal with the manager of funds is unable to fulfil its commitment towards the investor. Prior to investment, the manager of funds evaluates the credit risk of its business partners.

2.2. Risk of fluctuating interest rates means that as interest rates in the market change, the value of the assets of Compensation may also change. Debt securities may change value depending on changes of interest rates: if interest rates grow, the value of such securities will drop, and vice versa. The risk of fluctuating interest rates is limited investing into debt securities with diverse terms of payoff, and, mainly, by keeping the investments until payoff, as well as using relevant derived financial instruments.

2.3. Currency risk: compensation may be invested into securities denominated in foreign currencies or foreign credit institutions. As the exchange rates of foreign currency versus Euro change the value of the assets of Compensation can increase or diminish. The currency risk is limited by the provision that limits investments into securities or credit institutions using currencies unbound to the compensation currency, maximum investment into such items is set at 30% of total invested funds.

2.4. Liquidity risk is a possibility to incur damages if it is impossible to sell one of the invested assets within a certain deadline with minimum expenditure. Liquidity risk is controlled keeping some part of the assets in the form of cash and short-term debt securities.

2.5. Other risks- force majeure (natural catastrophes and disasters, wars, strikes, disruptions in means of communication or information systems) cash flow risk, legal risk, information risk, national regulation risks and other risks not named above.

**3. Risk Management**

3.1. When selecting the form of investment and the manager of investment as well as making investments, AKKA/LAA acts according to the interests of subjects of copyright and neighbouring rights, and does everything possible to avoid or minimize the risks listed at Section 2 of the present Regulations.

3.2. In order to avoid or minimize the risks:

3.2.1. AKKA/LAA evades the risks listed at Section 2 of the present Regulations selecting such forms of investment that exclude development of risks; if it is impossible, it picks such forms of investment where the risks are lower, selecting among diverse forms of investment on the one hand and among various fund managers on the other hand;

3.2.2. AKKA/LAA diversifies the risks listed at Section 2 of the present Regulations by entrusting the investments to various fund managers, or by selecting various kinds of investment of compensation;

3.3.3. In cases when investment risks are unavoidable or uncontrollable, AKKA/LAA weighs the necessity to surrender the risks to third parties, to insure the risks, to keep the risks, launching adequate risk control processes, to adopt other risk control processes.

1. **Final Provisions**

AKKA/LAA Council has the right to amend or supplement the present Regulations. The Council shall inform the general assembly of the adopted amendments or supplements at its next session. The general assembly has the right to cancel the amendments or supplements adopted by the Council or to amend or supplements the present Regulations following its own incentive.