LAW ON THE CAPITAL MARKET

I GENERAL PROVISIONS

Objectives and Scope

Article 1

This Law governs:

1) authorization and operating conditions for investment firms, market operators, data reporting service providers and other capital market participants;

2) conditions for public offering of securities and admission of securities to trading on the regulated market;

3) regulated market, multilateral trading facility, organized trading facility and OTC markets in the Republic of Serbia;

4) the financial and non-financial disclosure and reporting obligations of issuers and public companies in accordance with this Law;

5) the prohibition of fraudulent, manipulative and deceptive acts and practices in connection with the purchase or sale of financial instruments, and the voting of securities issued by public companies;

6) the clearing, settlement and registration of transactions in financial instruments and the organization and competences of the Central Securities, Depository and Clearing House (hereinafter referred to as the "CSD");

7) the organization and powers of the Securities Commission (hereinafter referred to as the "Commission"), and the cooperation with other relevant authorities.

The objectives of this Law are:

1) the protection of investors;

2) ensuring that the capital market is fair, efficient and transparent;

3) the reduction of systemic risk on the capital market.

This Law shall apply to:

1) investment firms;

2) market operators;

3) data reporting services providers;

4) foreign firms providing investment services or performing investment activities through the establishment of a branch in the Republic of Serbia (hereinafter referred to as the "Republic");

5) credit institutions authorized in line with the law governing banks or with the law governing credit institutions

Investment services and activities referred to in Article 2, para.1, points 2) and 3) of this Law may be performed in the Republic by:

1) investment firms authorized by the Commission in line with this Law;

2) credit institutions established in line with the law governing banks or with the law governing credit institutions, authorized by the Commission pursuant to this Law;

3) branches of third-country firms authorized by the Commission to provide investment services and conduct investment activities referred to in para.1 of this Article, through branches.

The following legal provisions shall also apply to credit institutions of the member states of the European Union (hereinafter referred to as the "EU") authorized under the law governing access to the activity of credit institutions and the prudential supervision of credit institutions, when providing one or more investment services and/or performing investment activities:

1) Article 3, para.2, Article 157, Article 251, para.1 and 3 and Articles 166–175, hereof;

2) Articles 177, 179, 180, 181, 185, 186, 187, Article 190, para.1 and 6–10 and Article 194, hereof;

3) Article 198, para.1–5 and para.9-12, Article 199, para.5-12, Articles 200, 201 and 202, hereof;

4) Articles 354, 355, 360, 374, 376, 377, 383, 384, 386, 387, 391, 396 and 397, hereof.

The following provisions of this Law shall also apply to credit institutions and/or banks authorized under the law governing access to the activity of credit institutions and/or banks in the Republic and the prudential supervision of credit institutions, in relation to structured deposits:

1) Article 157, Article 166, para.2, Article 167 and Article 169, para.1, hereof;

2) Articles 176, 177, 179, 180, 181, 182, 183, 185, 187, 190 and 194, hereof;

3) Articles 354, 355, 360, 374, 376, 377, 383, 384, 386 and 387, hereof.

Article 172 of the present Law shall also apply to members or participants of regulated markets and multilateral trading facilities (hereinafter referred to as the "MTFs") who are not required to be authorized under Article 3, para 1, hereof.

Articles 241, 242 and 243 of the present Law shall also apply to persons exempted under Article 3, hereof.

All multilateral systems in financial instruments shall operate either in accordance with the provisions of Chapter VIII of this Law concerning MTFs or organized trading facility (hereinafter referred to as the "OTF") or the provisions of Chapter VI of this Law concerning regulated markets.

Any investment firm which, on an organized, frequent, systematic and substantial basis, deals on its own account when executing client orders outside a regulated market, an MTF or an OTF shall operate in accordance with Articles 233, 234, 235, 236 and 237, hereof.

All transactions in financial instruments as referred to in the paragraphs 8 and 9 of this Article which are not concluded on multi-lateral systems or systematic internalisers shall comply with requirements set in provisions of Articles 233, 234, 235, 236 and 237, hereof.

If an investment fund management company provides the portfolio management services as defined in Article 2, paragraph 1, point 2), subpoint (4) of this Law to clients other than

investment funds governed by the law regulating investment funds, the management company shall be permitted to provide the investment advisory services as defined in Article 2, paragraph 1, point 2), subpoint (5) of this Law and the ancillary services of keeping and managing financial instruments on behalf of clients, referred to in Article 2, paragraph 1, point 3), subpoint (1) of this Law.

The provisions of Article 2, para.1, points 7) and 12), Article 3, para.1, points 2), 3), 5) 6) and 10), Article 166, Articles 177, 180, 181, 182, 187, 189 and Article 224, para.5 of this Law shall accordingly apply to the management company referred to in paragraph 12 of this Article.

Definition of Terms

Article 2

For the purpose of the present Law, the following terms shall have the following meanings:

1) **Investment Firm** means any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis;

2) **Investment Services and Activities** means any of the financial instruments referred to in point 19) of this paragraph:

(1) reception and transmission of orders in relation to one or more financial instruments;

(2) execution of orders on behalf of clients;

(3) dealing on own account;

(4) portfolio management;

(5) investment advisory service;

(6) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;

(7) placing of financial instruments without a firm commitment basis;

(8) operation of an MTF;

(9) operation of an OTF.

3) **Ancillary Services** means:

(1) safekeeping and administration of financial instruments for the account of clients (custody services) and related services such as cash/collateral management, excluding providing and maintaining securities accounts as referred to in Chapter XIV of this Law.

(2) granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;

(3) advice to undertakings on capital structure, industrial strategy and related matters, and advice and services relating to mergers and the purchase of undertakings;

(4) foreign exchange conversion services in relation to the provision of investment services;

(5) investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;

(6) services related to underwriting;

(7) investment services and activities as well as, ancillary services, pertinent to the underlying of the derivatives referred to in point 19) subpoints (5), (6), (7) and (10) of this paragraph, where these are related to the provision of investment or ancillary services;

4) **Securities Account and/or Financial Instruments Account** means an account to which securities and/or financial instruments may be credited or debited;

5) **Underwriter** means an investment firm providing underwriting services regarding the purchase and sale of financial instruments on a firm commitment basis;

6) **Agent** means an investment firm providing services regarding the purchase and sale of financial instruments without a firm commitment basis;

7) **Investment Advice** means the provision of personal recommendations to a client, either upon its request or at the initiative of an investment firm, in respect of one or more transactions relating to financial instruments;

8) **Execution of Orders on Behalf of Clients** means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance;

9) **Dealing on Own Account** means trading against proprietary capital, in own name and own behalf, resulting in the conclusion of transactions in one or more financial instruments;

10) **Brokerage Services** means the execution of client orders pursuant to point 8) of this paragraph;

11) **Market Maker** means a person that holds himself out on the financial markets on a continuous basis, as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person, within the framework set by the market operator in its acts;

12) **Portfolio Management** means managing individual portfolios in accordance with mandates given by a client, on a discretionary client-by-client basis, where such portfolios include one or more financial instruments;

13) **Client** means any natural or legal person to whom an investment firm provides investment or ancillary services;

14) **Professional Client** means a client provided with sufficient experience, knowledge and expertise to make its own investment decisions and properly assess the risk incurred and meeting the criteria referred to in Articles 192 and 193 of this Law;

15) **Retail Client** means a client that is not a professional client;

16) **Growth Market of Small and Medium-Sized Enterprises** (hereinafter referred to as the "SME Growth Market") means an MTF registered as the growth market of small and medium-sized enterprises pursuant to Article 197 of this Law;

17) **Small and Medium-Sized Enterprises** (hereinafter referred to as the "SMEs") means:

(1) for the purposes of Chapter IV of this Law:

- SMEs as defined under subpoint (2) of this point,

- companies, which, according to their latest annual or consolidated accounts, meet at least two of the following three criteria:

a) the average number of employees in a fiscal year is below 250;

b) total balance sheet does not exceed 43,000,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, and

c) the annual net turnover does not exceed 50,000,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

(2) for the purposes of other Chapters of the present Law, companies that had an average market capitalization of less than 200.000.000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, on the basis of end-year quotes for the previous three calendar years;

18) **Limit Order** means an order to buy or sell a financial instrument at a specific price limit or better;

19) **Financial Instruments** means:

(1) transferable securities;

(2) money-market instruments;

(3) units in collective investment undertakings;

(4) options, futures (futures contracts), swaps, forward rate agreements (non-standardized interest contracts) and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or any other derivative instruments, financial indices or financial measures which may be settled physically or in cash;

(5) options, futures, swaps, forwards and any other derivative contracts relating to commodities that:

- must be settled in cash; or

- may be settled in cash at the option of one of the parties otherwise than by reason of a default or other termination event;

(6) options, futures, swaps, and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market, an MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;

(7) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in the subpoint (6) of this point and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

(8) derivative instruments for the transfer of credit risk;

(9) financial contracts for differences;

(10) options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties, otherwise than by reason of a default or other termination event, as well as any other derivative contracts relating

to assets, rights, obligations, indices and measures not otherwise mentioned in this point, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, an MTF or an OTF;

(11) emission allowances consisting of any units recognized for compliance with the requirements of the law governing greenhouse gas emissions trading scheme;

20) **C6 Energy Derivative Contracts** means options, futures, swaps, and any other derivative contracts referred to in point 19) subpoint (6) of this paragraph relating to coal or oil that are traded on an OTF and must be physically settled;

21) **Money-Market Instruments** means those types of financial instruments regularly traded on the money market, such as treasury bills, treasury notes, commercial papers and certificates of deposit, excluding instruments of payment;

22) **Market Operator, i.e., a stock exchange** means a person(s) who manages and/or operates business of a regulated market and may be the regulated market itself;

23) **Multilateral System** means any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system;

24) **Systematic Internaliser** means an investment firm which, on an organized, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system;

25) **Regulated Market** means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with this Law (Chapter VI);

26) **Multilateral Trading Facility** or **MTF** means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract in accordance with this Law (Chapter VIII);

27) **Organized Trading Facility,** or **OTF** means a multilateral trading system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way which results in a contract pursuant to this Law (Chapter VIII);

28) **Trading Venues** means a regulated market, an MTF, or an OTF;

29) **Over-The-Counter** (hereinafter referred to as the "**OTC**") means a decentralized system of the secondary trading outside the regulated markets, MTF, or OTF, with no market operator, implying direct negotiations between a buyer and a seller of financial instruments aimed at finalizing transaction through an authorized investment firm pursuant to this Law;

30) **OTC Contract or OTC Derivative** means a derivative contract on a financial instrument that is not executed on a regulated market;

31) **Liquid Market** means:

(1) for the purposes of Article 233 of the present Law: a market for a financial instrument that is traded daily where the market is assessed according to the following criteria:

- the free float;

- the average daily number of transactions in those financial instruments;

- the average daily turnover for those financial instruments;

(2) for the purpose of other provisions of the present Law: a market for a financial instrument or a class of financial instruments, where there are ready and willing buyers and sellers on a continuous basis, assessed in accordance with the following criteria, taking into consideration the specific market structures of the particular financial instrument or of the particular class of financial instruments:

- the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the class of financial instrument;

- the number and type of market participants, including the ratio of market participants to traded instruments in a particular product;

- the average size of spreads, where available.

32) **Free Float** means a part of shares of public companies that are traded on a regulated market and/or MTF.

33) **Competent Authority** means:

(1) the Commission and the National Bank of Serbia in respect to the Chapter XIV of this Law regulating CSD and Chapter XI of this Law regulating protection of retail clients;

(2) the Commission in respect of other chapters of the present Law;

(3) the authority designated by each state in charge of the capital market;

34) **Credit Institution** means a person authorized in accordance with provisions of the law governing prudential requirements for credit institutions; and in the Republic, a credit institution means a person authorized in accordance with provisions of the law governing banks and/or credit institutions;

35) **Management Company** means a company managing open-ended funds subject to public offering (UCITS Management Company) or alternative investment fund management company (AIFMC), in accordance with provisions of the law governing investment funds.

36) **UCITS Management Company** means a management company as defined in the law governing undertakings for the collective investment in transferable securities;

37) **Tied Agent** means a natural or legal person who, under the full and unconditional responsibility of only one investment firm or credit institution on whose behalf it acts:

(1) promotes and/or provides investment and/or ancillary services to clients or prospective clients,

(2) receives and transmits instructions or orders from the client in respect of investment services or financial instruments,

(3) places financial instruments, or

(4) provides advice to clients or prospective clients in respect of those financial instruments or services;

38) **Branch** means a place of business other than the head office which is a part of an investment firm, which has no legal personality, and which provides investment services and/or activities and may also perform ancillary services for which the investment firm has been authorized; all the places of business set up in the same Member State by an investment firm with the head office in another Member State shall be regarded as a single branch in the context of this Law;

39) **Qualifying Holding** means direct or indirect holding in an investment firm, market operator or CSD, which represents 10% or more of the capital or of the voting rights, as set out in Articles 81 and 85 of this Law, taking into account the conditions regarding aggregation thereof laid down in provisions of this Law or which enables exercising of a significant influence over the management of the legal person in which that holding subsists;

40) **Parent Undertaking** means a parent undertaking (legal person) within the meaning of the law on accounting;

41) **Subsidiary** means a subsidiary legal person, within the meaning of the law on accounting;

42) **Group** means a group within the meaning of the law on accounting;

43) **Close Links** means a situation in which two or more natural or legal persons are linked by:

(1) participation in the form of ownership, direct or by way of control of 20% or more of the voting rights or capital of an undertaking;

(2) control which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in the law governing accounting or a similar relationship between any natural or legal person and an undertaking, any subsidiary undertaking of a subsidiary undertaking also being considered to be a subsidiary of the parent undertaking which is at the head of those undertakings;

(3) a permanent link by a control relationship;

(4) family members.

44) **Family Members** means:

(1) spouses and/or civil partners;

(2) any direct lineal descendent;

(3) collateral relatives to the third degree of kinship, including in-laws;

(4) adoptive parents and adoptees and descendant of the adoptees;

(5) foster parents and foster children and foster children's descendants;

45) **Control** means the relationship between a parent undertaking and subsidiary within the meaning of the law on accounting.

46) **Management Body** means a body or bodies of a company appointed in line with this law or the law governing companies, empowered to set strategies, objectives and overall direction of business operations thereof, which oversees, and monitors decisions passed by the management, including persons who effectively direct the business of the entity. In companies with a one-tier governance system, the management body shall encompass one or several directors, and/or the

board of directors, whereas the executive directors shall assume the managerial function and the non-executive directors shall assume the supervisory function. In a two-tier governance system, the management body shall encompass the executive directors and/or executive board and supervisory board, whereas the executive directors shall assume the managerial function and the supervisory board shall assume the supervisory function;

47) **Senior Management** means natural persons who exercise executive functions within an investment firm, a market operator, a central security depository or a data reporting services provider and who are responsible, and accountable to the management body, for the day-to-day management of the entity, including for the implementation of the policies concerning the distribution of services and products to clients by the firm and its personnel;

48) **Matched Principal Trading** means a transaction where the facilitator interposes between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction;

49) **Algorithmic Trading** means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention. The algorithmic trading does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions;

50) **High-Frequency Algorithmic Trading Technique** means an algorithmic trading technique characterized by:

(1) infrastructure intended to minimize network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location, proximity hosting or high-speed direct electronic access;

(2) system-determination of order initiation, generation, routing or execution without human intervention for individual trades or orders; and

(3) high message intraday rates which constitute orders, quotes or cancellations;

51) **Direct Electronic Access** means an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access);

52) **Cross-Selling Practice** means the offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package;

53) **Structured Deposit** means a deposit as defined in the law governing deposit insurance schemes, where principal is repaid in full at maturity while interest or a premium will be paid or is at risk, according to a formula involving factors such as:

(1) an index or combination of indices excluding variable rate deposits whose return is directly linked to an interest rate index such as Euribor,

(2) a financial instrument or combination of financial instruments,

(3) a commodity or combination of commodities or other physical or non-physical nonfungible assets; or

(4) a foreign exchange rate or combination of foreign exchange rates;

54) **Securities** means:

(1) for the purpose of Chapter XII of this Law:

- shares and other securities equivalent to shares;
- bonds or other forms of securitized debt; or
- securitized debt convertible or exchangeable into shares or into other securities equivalent to shares;

(2) for the purpose of Chapter IV of this Law: transferable securities as defined in point 55) of this paragraph with the exception of money market instruments as defined in point 21) of this paragraph, having a maturity of less than 12 months;

(3) for the purpose of Chapter XIII and securities settlement systems: financial instruments as defined in point 19) of this paragraph.

55) **Transferable Securities** means those classes of securities which are negotiable on the capital market, with the exception of instruments of payment. Transferable securities shall especially include:

(1) shares in companies and other securities equivalent to shares in companies, or other entities, and depositary receipts in respect of shares;

(2) bonds or other forms of securitized debt, including depositary receipts in respect of such securities;

(3) any other securities giving the right to acquire or sell any such transferable security or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;

56) **Equity Securities** means shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any such securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of such issuer;

57) **Non-Equity Securities** means all securities that are not equity securities;

58) **Debt Securities** means bonds or other forms of transferable securitized debts, with the exception of securities which are equivalent to shares in companies or which, if converted or if the rights conferred by them are exercised, give rise to a right to acquire shares or securities equivalent to shares;

59) **Depositary Receipts** means those securities which are negotiable on the capital market, and which represent ownership of the securities of a non-domiciled issuer while being able to be admitted to trading on a regulated market and traded independently of the securities of the non-domiciled issuer;

60) **Associated Instruments** means the following financial instruments, including those which are not admitted to trading, traded on a trading venue, or for which a request for admission to trading on a trading venue has not been made:

(1) contracts or rights to subscribe for, acquire or dispose of securities;

(2) financial derivatives of securities;

(3) where the securities are convertible or exchangeable debt instruments, the securities into which convertible or exchangeable debt instruments may be converted or exchanged;

(4) instruments which are issued or guaranteed by the issuer or guarantor of the securities and whose market price is likely to materially influence the price of the securities, or vice versa;

(5) where the securities are securities equivalent to shares, the shares represented by those securities and any other securities equivalent to those shares.

61) **Exchange-traded Fund** (hereinafter referred to as the "ETF") means a fund of which at least one unit or share class is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its units or shares on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value;

62) **Certificates** means those securities which are negotiable on the capital market and which in case of a repayment of investment by the issuer are ranked above shares but below unsecured bond instruments and other similar instruments;

63) **Structured Finance Products** means those securities created to securitize and transfer credit risk associated with a pool of financial assets entitling the security holder to receive regular payments that depend on the cash flow from the underlying assets;

64) **Derivatives**, means derivates of financial instruments referred to in point 55) subpoint (3) of this paragraph, and, in particular, referred to in point 19) subpoints (4)-(10) of this paragraph;

65) **Exchange-traded Derivatives** means financial instruments traded on a regulated market or third country trading venue that pursuant to the present Law is considered as equivalent to a regulated market;

66) **Commodity Derivatives**, means those financial instruments defined in point 55) subpoint (3) of this paragraph pertinent to a commodity or an underlying referred to in point 19) subpoints (5), (6), (7) and (10) of this paragraph;

67) **Central Counterparty** (hereinafter referred as to the "CCP") means a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer;

68) **Approved Publication Arrangement**, or APA means a person authorized under this Law to provide the service of publishing trade reports on behalf of investment firms;

69) **Consolidated Tape Provider** or **CTP** means a person authorized under this Law to provide the service of collecting trade reports for financial instruments from regulated markets, MTFs, OTFs and APAs and consolidating them into a continuous electronic live data stream providing price and volume data per financial instrument;

70) **Approved Reporting Mechanism** or **ARM** means a person authorized under this Law to provide the service of reporting details of transactions to the Commission on behalf of investment firms;

71) **Data Service Provider** means APA, CTP or ARM;

72) **Member State** means an EU Member State;

73) **Third Country** means a country that is not a member state within the meaning of point 72) of this paragraph;

74) **Home Member State** means:

(1) in the case of investment firms:

- if the investment firm is a natural person, the Member State in which its head office is situated;

- if the investment firm is a legal person, the Member State in which its registered office is situated;

- if the investment firm is not obliged, under its national law, to have registered office, the Member State in which it performs business operations and defined as such in its articles of association, statute or decision of the general meeting or partner or general partner;

(2) in the case of a regulated market, the Member State in which the regulated market is registered or, if under the law of that Member State it is not obliged to have registered office, the Member State in which the head office of the regulated market is situated;

(3) in the case of APA, CTP or ARM:

- if the APA, CTP or ARM is a natural person, the Member State in which its head office is situated;

- if the APA, CTP or ARM is a legal person, the Member State in which its registered office is situated;

- if the APA, CTP or ARM is not obliged, under its national law, to have registered office, the Member State in which it performs business operations and defined as such in its articles of association, statute or decision of the general meeting or partner or general partner;

(4) in the case of an issuer:

- for all issuers of securities established in the EU that are not listed in the second indent of this subpoint, the Member State where the issuer has its registered office;

- for any issues of non-equity securities whose denomination per unit amounts to at least EUR 1,000 and for any issues of non-equity securities giving the right to acquire any transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the non-equity securities is not the issuer of the underlying securities or an entity belonging to the group of the latter issuer, the Member State where the issuer has its registered office, or where the securities were or are to be

admitted to trading on a regulated market or where the securities are offered to the public, at the choice of the issuer, the offeror or the person asking for admission to trading on a regulated market. The same shall apply to non-equity securities in a currency other than euro, provided that the value of such minimum denomination is nearly equivalent to EUR 1,000;

- for all issuers of securities established in a third country which are not mentioned in second indent of this subpoint, the Member State where the securities are intended to be offered to the public for the first time or where the first application for admission to trading on a regulated market is made, at the choice of the issuer, the offeror or the person asking for admission to trading on a regulated market, subject to a subsequent election by issuers incorporated in a third country in either of the following circumstances:

a) where the home Member State was not determined by the choice of those issuers;

b) for an issuer whose securities are no longer admitted to trading on a regulated market in its home Member State as defined in the first and second indents of this subpoint, but are admitted to trading in one or more Member States, the issuer may choose a new home Member State between the Member States in which its securities are traded on a regulated market and, where applicable, the Member State in which the issuer is domiciled;

(5) for central securities depositories, the Member State in which the central depository is established;

75) **Host Member State** means:

(1) in the case of investment firms or regulated markets: the Member State, other than the home Member State, in which an investment firm has a branch or provides investment services and/or activities, or the Member State in which a regulated market provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same Member State;

(2) in the case of an offer of securities to the public or admission to trading on a regulated market: the Member State where an offer of securities to the public is made or admission to trading on a regulated market is sought, when different from the home Member State;

(3) in the case of a central securities depository, the Member State, other than the home Member State, in which a CSD has a branch or provides CSD services;

76) **Third-Country Firm** means a firm that would be a credit institution providing investment services or performing investment activities or an investment firm if its head office or registered office were located within the EU pursuant to its articles of association, statute or decision of the general meeting or partner or general partner;

77) **Wholesale Energy Product** means wholesale energy products as defined in the law governing wholesale of energy products;

78) **Agricultural Commodity Derivatives** means derivative contracts relating to products listed in the law governing agricultural products;

79) **Sovereign Issuer** means any of the following issuing debt instruments:

(1) Republic and other entities that in line with the law governing public dept may issue securities;

(2) EU or a Member State, including government departments, agencies or special purpose vehicle of the Member State;

(3) in the case of a federal Member State, a member of the federation;

(4) a special purpose vehicle for several Member States or the Republic;

(5) countries that are not members of the EU, state authorities, central banks;

(6) international and supranational institutions, such as the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation, as well as other institutions of the World Bank Group, European Central Bank, European Investment Bank, European Bank for Reconstruction and Development and other similar international organizations; or

(7) an international financial institution established by two or more Member States which has the purpose of mobilizing funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financial problems.

80) **Sovereign Debt** means a debt instrument issued by a sovereign issuer;

81) **Durable Medium** means any instrument which:

(1) enables a client to store information addressed personally to that client in a way accessible for future reference and for a period of time adequate for the purposes of the information; and;

(2) allows the unchanged reproduction of the information stored.

82) **Central Securities Depository** means a legal person that operates a securities settlement system to which EU regulations governing central securities depositories apply;

83) **Actionable Indication of Interest** means a message from one member or participant to another within a trading system in relation to available trading interest, that contains all necessary information to agree on a trade;

84) **Benchmark** means any rate, index or figure made available to the public or published that is periodically or regularly determined by the application of a formula to, or on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates or other values, or surveys and by reference to which the amount payable under a financial instrument or the value of a financial instrument is determined;

85) **Interoperability Arrangement** means an interoperability arrangement between two or more CCPs that involves a cross-system execution of transactions;

86) **Third Country Financial Institution** means an entity, the head office of which is established in a third country, that is authorized or licensed under the law of that third country to carry out any of the services or activities referred to in this Law, the laws governing the business of credit institutions, insurance and reinsurance undertakings, undertakings for the collective investment in transferrable securities, alternative investment fund managers and voluntary pension fund management companies (by virtue of the law governing voluntary pension funds and pension plans).

87) **Financial Institution**, for the purpose of Chapter XII of this Law, means a financial institution provided under the law governing credit institutions and prudential supervision of credit institutions and/or the law governing banks;

88) **Liquidity Fragmentation** means a situation in which:

(1) participants in a trading venue are unable to conclude a transaction with one or more other participants in that venue because of the absence of clearing arrangements to which all participants have access; or

(2) a clearing member or its clients would be forced to hold their positions in a financial instrument in more than one CCP which would limit the potential for the netting of financial exposures;

89) **Portfolio Compression** means a risk reduction service in which two or more counterparties wholly or partially terminate some or all of the derivatives submitted by those counterparties for inclusion in the portfolio compression and replace the terminated derivatives with another derivative whose combined notional value is less than the combined notional value of the terminated derivatives;

90) **Exchange for Physical** means a transaction in a derivative contract or other financial instrument contingent on the simultaneous execution of an equivalent quantity of an underlying physical asset;

91) **Package Order** means an order priced as a single unit:

(1) for the purpose of executing an exchange for physical; or

(2) in two or more financial instruments for the purpose of executing a package transaction;

92) **Package Transaction** means:

(1) an exchange for physical; or

(2) a transaction involving the execution of two or more component transactions in financial instruments, and which fulfils all of the following criteria:

- the transaction is executed between two or more counterparties;
- each component of the transaction bears meaningful economic or financial risk related to all the other components;
- the execution of each component is simultaneous and contingent upon the execution of all the other components;

93) **Accepted Market Practice** means a specific market practice that is accepted by the Commission in accordance with Article 277 of this Law;

94) **Person** means a natural or legal person;

95) **Commodity** means any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy such as electricity;

96) **Spot Commodity Contract** means a contract for the supply of a commodity traded on a spot market which is promptly delivered when the transaction is settled, and a contract for the supply of a commodity which is not a financial instrument, including a physically settled forward contract;

97) **Spot Market** means a commodity market in which commodities are sold for cash and promptly delivered when the transaction is settled, and other non-financial markets, such as forward markets for commodities;

98) **Buy-Back Program** means trading in own shares by a public joint stock company that meets the requirements for the acquisition of own shares provided for by the law governing companies, and in cases when the acquisition is performed on the regulated market or MTF, but not by a takeover bid made to all shareholders;

99) **Issuer** means any local or foreign legal entity governed by private or public law, which issues or proposes to issue financial instruments, the issuer being, in case of depositary receipts representing financial instruments, the issuer of the financial instrument represented;

100) **Issuer** means a public company provided it meets at least one of the following requirements:

(1) has successfully executed a public offering of securities in accordance with the prospectus whose publication has been approved by the Commission,

(2) whose securities are admitted to trading on a regulated market, MTF or OTF in the Republic;

101) **Third Country Issuer** means an issuer established in a third country;

102) **National Regulatory Authority** for emission allowances means national regulatory authority as defined in the law governing wholesale of energy products;

103) **Data Traffic Records** means records of traffic data as defined in the law governing the processing of personal data and the protection of privacy in the field of electronic communications;

104) **Person Professionally Arranging or Executing Transactions** means a person who is professionally engaged in the reception and transmission of orders for, or in the execution of transactions in financial instruments;

105) **Acquisition of Ownership Below the Control Threshold / Stake Building** means the acquisition of securities of a company, which does not trigger a legal obligation to make an announcement of a takeover bid in relation to that company.

106) **Disclosing Market Participant** means a person who falls into any of the categories set out in Article 275, para.1 and 2 of this Law, and discloses information in the course of a market sounding;

107) **Information Recommending or Suggesting an Investment Strategy** means information produced by:

(1) an independent analyst, an investment firm, a credit institution, any other person whose main business is to produce investment recommendations or a natural person working for them under the employment or other type of contract, which, directly or indirectly, expresses a particular investment proposal in respect of a financial instrument or issuer; or;

(2) persons other than those referred to in subpoint (1) of this paragraph that directly propose a particular investment decision in respect of a financial instrument;

108) **Investment Recommendations** means investment research and financial analysis or other forms of general recommendation for the public within the context of Chapter XII of this Law, that explicitly or tacitly recommend or suggest an investment strategy regarding one or more financial instruments or issuers, including any opinion on the current or future value and price of those instruments intended for distribution or to the public;

109) **Significant Distribution** means an initial or secondary offer of securities that is distinct from ordinary trading, both in terms of the amount in value of the securities to be offered and the selling method to be employed;

110) **Stabilization** means a purchase or offer to purchase securities, or a transaction in associated instruments equivalent thereto which is undertaken by a credit institution or an investment firm in the context of a significant distribution of such securities exclusively for supporting the market price of those securities for a predetermined period of time, due to a selling pressure in such securities;

111) **Offer of Securities to the Public** means a communication in any form and by any means, presenting sufficient information on the terms of the offer and on the securities to be offered, so as to enable an investor to decide to purchase or subscribe to these securities; this definition shall also be applicable to the placing of securities through financial intermediaries;

112) **Qualified Investors,** for the purpose of Chapter IV of this Law, means persons or entities that are listed in Article 192, paragraph 1, point 1)-4) of this Law, and persons or entities who are, on request, treated as professional client pursuant to Article 193 of this Law, or recognized as eligible professional clients pursuant to Article 194 of this Law, unless they have entered into an agreement to be treated as non-professional clients in accordance with 192, paragraph 5 of this Law. For the purposes of applying the first sentence of this point, investment firms and credit institutions shall, upon request from the issuer, communicate the classification of their clients to the issuer subject to compliance with the relevant laws on data protection;

113) **Person Making an Offer** or **Offeror means a natural or legal person offering securities or other financial instruments to the public**;

114) **Advertisement**, for the purpose of Chapter IV of this Law, means a communication with the following characteristics:

(1) relating to a specific public offer of securities or an admission to trading on a regulated market, and

(2) aiming to specifically promote the potential subscription or acquisition of securities;

115) **Regulated Information**, for the purpose of Chapter IV of this Law, means all information which the issuer, or any other person who has applied for the admission of securities to trading on a regulated market without the issuer's consent, is required to disclose under this Law and regulations adopted under this Law;

116) **Collective Investment Undertaking Other Than the Closed-end Type**, for the purpose of Chapter III of this Law, means an investment fund with the following characteristics:

(1) it raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and

(2) its units are, at the holder's request, repurchased or redeemed, directly or indirectly, out of their assets;

117) **Units of a Collective Investment Undertaking,** for the purpose of Chapter IV of this Law, means freely transferable, dematerialized financial instruments issued by a collective investment undertaking, conferring on the acquirer of the investment unit the right to proportionate share in the total net assets in that collective investment undertaking;

118) **Base Prospectus** means a prospectus that complies with Article 42 of the present Law, and, at the choice of the issuer, the final terms of the offer;

119) **Working Days** means working days of the Commission excluding Saturdays, Sundays and public holidays, pursuant to the laws governing employment and/or public and other holidays;

120) **Offer Period** means the period during which potential investors may purchase or subscribe for the securities concerned;

121) **Short Selling** in relation to a share or debt instrument means any sale of the share or debt instrument which the seller does not own at the time of entering into the agreement to sell including such a sale where at the time of entering into the agreement to sell the seller has borrowed or agreed to borrow the share or debt instrument for delivery at settlement, not including:

(1) a sale by either party under a repurchase agreement (repo agreement) where one party has agreed to sell the other a security at a specified price with a commitment from the other party to sell the security back at a later date at another specified price;

(2) a transfer of securities under a securities lending agreement; or

(3) entry into a futures contract or other derivative contract where it is agreed to sell securities at a specified price at a future date;

122) **Credit Default Swap** (hereinafter referred to as the "**CDS**") is a type of a credit derivative where a provider of the credit protection assumes obligation to provide credit protection to the user of protection, against a loss incurred by the debtor's default or another credit event provided for in the contract, for which the user of the credit protection pays a fee;

123) **Supervised Entity** means natural or legal persons authorized by the Commission to provide services or perform activities and any other person who provides services or performs activities regulated by this Law and other laws the implementation of which is under the jurisdiction of the Commission;

124) **Market Intermediary** means a legal entity that in compliance with Chapter X, receives and transmits orders and provides investment advice in relation to transferable securities and units in collective investment undertakings;

125) **Financial Intermediary** means a person that, pursuant to this Law, distributes securities issued by him or by other person;

126) **Clearing** means the process of processing transfer orders in a settlement system, including determination of mutual obligations of buyers and sellers of financial instruments, in accordance with the rules of that system, which may include netting on those orders, for the purpose of exchange of financial instruments and money;

127) **Settlement** is the completion of a transaction through the final transfer of financial instruments and/or money between the buyer and the seller or settlement of the obligation to transfer financial instruments/settlement of the monetary obligation, or settlement of receivables between participants in the settlement system based on the transfer order;

128) **Rating Agency** means an authorized legal person that provides assessments of the future creditworthiness of an issuer or borrower and their ability to meet their financial liabilities as scheduled, and according to a rating system set and clearly defined;

129) **Rightful/Lawful Holder of a Financial Instrument** means the person referred to in Article 5 of this Law;

130) **Shareholder** means any natural or legal person that directly or indirectly holds:

(1) shares of an issuer in its own name and on its own account;

(2) shares of the issuer in its own name, but on behalf of another natural or legal person;

(3) depositary receipts in which case the persons holding the receipts shall be considered as shareholders of the underlying shares represented by the depositary receipts;

131) **Beneficial Owner** means a person who has the benefits of ownership of a financial instrument either entirely or partially, including the power to direct the voting, and yet does not nominally own the financial instrument itself;

132) **Securities Issued in a Repeated Manner** means the issuance of securities in tranches or in at least two separate issues of securities of a similar type and/or class within a 12-month period;

133) **Offering Program** means a plan which permits the issuance of debt securities, including warrants in any form, of the similar type or class, in a repeated manner, during a specified period of time;

134) **Electronic Means** are means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio, optical technologies, or any other electromagnetic means;

135) **Statutory Disqualification** means any of the events or circumstances pertaining to a natural or legal person in breach of provisions of this or any other law or regulations adopted under these laws, where such events or circumstances pertain to a person that seeks, requires or holds a license or consent of the Commission, pursuant to provisions of this Law, if that person:

(1) has been convicted by a final and enforceable judgment for criminal acts against labor, economy, property, judiciary, money laundering, terrorism financing, public order, legal transactions, official duty, or for a criminal act specified by this Law;

(2) within the last ten years, has committed a serious or systemic violation of any provision of the law governing securities, takeovers, investment funds, voluntary pension funds, the law governing prevention of money laundering and terrorism financing, the laws regulating operations of banks and depositaries, insurance companies, acts of the Commission, regulated market, MTF or the Central Depository, relating to or resulting in:

- false or misleading disclosure,
- violation of the market abuse provisions referred to in Chapter XII of this Law,

- violation of professional secrecy obligations,

- jeopardizing the interests of the participants in the financial market;

(3) within the last ten years, the person committed a serious or systemic violation of regulations referred to in subpoint (2) of this point, relating to or resulting in:

- cessation of performance of duties of a management board member, director, employee or a licensed person in the Central Securities Depository, market operator, regulated market or MTF, investment firm, authorized bank, credit institution, insurance company, reinsurance company, investment fund management company, voluntary pension fund management company, custody bank or depositary,

- revocation of approval for acquisition of a qualifying holding in the capital of such persons;

(4) within the last ten years, the person has been subject to a sanction and/or a measure pursuant to the laws or bylaws of a foreign state, which represents a similar and/or comparable sanction or measure referred to in this point;

136) **Joint Investment Business** means any investment service and activity referred to in point 2) subpoints (1), (2) and (4) of this paragraph, or the ancillary service referred to in point 3) subpoint (1) of this paragraph, carried out for the account of two or more persons or over which two or more persons have rights that may be exercised by means of the signature of one or more of those persons.

137) **Securities Settlement System** (hereinafter referred to as the "Settlement System") means a system consisting of at least three participants, without counting the operator of that system, a settlement agent, a central counterparty, clearing house and indirect participant, with common rules and standardized netting procedures, with or without the central counterparty or rules on the execution of transfer orders between the participants; the conclusion of an interoperability agreement between settlement systems does not establish a new settlement system;

138) **Settlement Agent** means a legal entity that opens, maintains and closes settlement accounts to institutions and/or CCP participating in the system, through which transfer orders within such systems are settled and, as the case may be, can extend credit for settlement purposes, if provided for under the law;

139) **Clearing House** means a legal entity responsible for the calculation of the net positions (one net liability or one net receivable) of institutions, CCPs and/or settlement agents, resulting from the netting process;

140) **Participant**, for the purpose of Chapter XIII of this Law, means an institution, CCP, settlement agent, clearing house, settlement system operator or an authorized clearing member of CCP;

141) **Institution,** for the purpose of Chapter XIII of this Law, means:

- National Bank of Serbia,

- banks or credit institutions,

- investment firm,

- Republic, autonomous province, local self-government units, public authorities, as well as companies and other legal entities founded and guaranteed by the Republic, EU Member States, third countries, public authorities of those countries, including public and other bodies founded and guaranteed by the state;

- credit institutions and investment firms within the meaning of EU regulations, supervised by a competent authority, as well as institutions with a similar position in a third country, participating in the settlement system and responsible for the execution of financial obligations arising from the transfer orders in that system in accordance with the rules of that system;

142) **Indirect Participant**, for the purpose of Chapter XIII of this Law, means a, institution, CCP, settlement agent, clearing house or settlement system operator with a contractual relationship with a participant in a system executing transfer orders which enables the indirect participant to pass transfer orders through the settlement system, provided that the indirect participant is known to the system operator;

143) **Transfer Order** means:

(1) any instruction by a participant to place at the disposal of a recipient an amount of money by means of a book entry on the accounts of the CSD or any instruction which results in the assumption or discharge of a payment obligation as defined by the rules of the settlement system,

(2) an instruction by a participant to transfer financial instruments and rights arising from them by means of a book entry on a relevant register;

144) **Insolvency Proceedings** means any collective measure provided for under the law governing insolvency, either to wind up the participants or collective settlement of creditors, shareholders or other members from the participant's assets or to reorganize it, where such measure involves a ban, suspension or restriction on the disposal of financial instruments and/or the disposal of funds from the account (payments);

145) **Reorganization Measures** means measures involving an intervention by the judicial or other authorities with a view to preserving or restoring debtor financial situation and which affect pre-existing rights of third parties, including measures involving a moratorium, suspension or limitation of payments, suspension of enforcement measures or reduction of claims;

146) **Netting** means the conversion into one net claim or one net obligation of claims and obligations resulting from transfer orders which a participant or participants either issue to, or receive from, one or more other participants with the result that only a net claim can be demanded or a net obligation be owed;

147) **Settlement Account** means an account with a central bank, settlement agent or CCP that is used to hold funds or securities and to settle transactions between participants in the settlement system;

148) **Collateral,** for the purpose of Chapter XIII of this Law, means financial assets, financial instruments and credit receivables referred to in the law governing financial collaterals, established for the purpose of exercising rights and obligations under transfer orders in the settlement system;

149) **Business Day,** for the purpose of Chapter XIII of this Law, means a day which, in accordance with the rules of the settlement system, covers both day and night-time settlements and shall encompass all events happening during the business cycle of the system and does not necessarily refer to a calendar day;

150) **Interoperable Systems**, for the purpose of Chapter XIII of this Law, means two or more settlement systems whose system operators have entered into an arrangement with one another that involves cross-system execution of transfer orders;

151) **Settlement System Operator**, for the purpose of Chapter XIII of this Law, means a legal entity managing operations of the settlement system in accordance with the rules of operation of that system, and responsible for the operation of that system. A system operator may also act as a settlement agent, CCP or clearing house.

152) **Dematerialized Form** means the fact that financial instruments exist only as book entry records;

153) **Inability of a Participant to Settle Obligations (default),** for the purpose of Chapter XIII of this Law, means the inability of a participant to settle its obligations where bankruptcy proceedings are opened against a participant, or if the participant is a credit institution, when the decision to revoke the license, or an act of a relevant authority to open bankruptcy proceedings is passed, or other measures are undertaken in accordance with the law, intended to wind up or reorganize the participant, imposing suspension of disposition rights over the funds in the account;

154) **Delivery Versus Payment**, or **DVP** means a securities settlement mechanism which links a transfer of securities with a transfer of cash in a way that the delivery of securities occurs simultaneously with the transfer of cash;

155) **ESMA** – The European Securities and Markets Authority;

156) **Independent Board Member** means a board member who is not in a business, family or other relationship that causes a conflict of interest with that specific CCP, or its controlling shareholders, its management or clearing members and who was not in such a relationship for five years prior to its membership on the board;

157) **Undertaking** is an entity engaged in economic activity and/or activity consisting of offering goods or services on the market, regardless of its legal status and the manner in which it is financed;

158) **Whistleblower** is a natural person who reports actual or potential violations of the law for the application of which the Commission is competent, which he/she learned about in connection with his/her work engagement.

The Commission may further regulate:

1) the derivative contracts referred to in para.1, point 19) subpoint (7) of this Article, that have the characteristics of other derivative financial instruments;

2) the derivative contracts referred to in para.1, point 19) subpoint (10) of this Article, that have the characteristics of other derivative financial instruments, having regard to whether, *inter alia*, they are traded on a regulated market, an MTF or an OTF.

The Commission may further regulate some technical elements of the definitions laid down in this Article, in order to take into account new market practices, technology developments and experience with practices that are not permitted in accordance with Chapter XII of this Law.

Exemptions

Article 3

Provisions of Chapter VI and Chapter VIII of this Law shall not apply to:

1) insurance undertakings and reinsurance undertakings carrying out the activities referred to in the law governing insurance;

2) persons providing investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;

3) persons providing an investment service where that service is provided in an incidental manner in the course of a core professional activity, and that activity is regulated by legal or regulatory provisions or a code of ethics governing the profession which do not exclude the provision of that service;

4) persons dealing on own account in financial instruments other than commodity derivatives and not providing any other investment services or performing any other investment activities in financial instruments other than commodity derivatives unless such persons:

(1) are market makers;

(2) are members or participants in a regulated market or an MTF, on the one hand, or have direct electronic access to a trading venue, on the other hand, except for non-financial entities who execute transactions on a trading venue which are objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of those non-financial entities or their groups;

(3) apply a high-frequency algorithmic trading technique; or

(4) deal on own account when executing client orders;

5) Persons providing investment services consisting exclusively in the administration of employee-participation schemes;

6) Persons providing investment services which only involve both the administration of employee-participation schemes and the provision of investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;

7) Members of the European System of Central Banks and other national bodies of EU Member States performing similar functions, and other public bodies of the EU Member States in charge of or intervening in the management of the public debt and international financial institutions established by two or more EU Member States which have the purpose of mobilizing funding and providing financial assistance to the benefit of the EU Member States that are experiencing or threatened by severe financing problems;

8) Collective investment undertakings and voluntary pension funds and the depositaries and managers of such undertakings;

9) Persons:

(1) dealing on own account, including market makers, in commodity derivatives, excluding persons who deal on own account when executing client orders; or

(2) providing investment services, other than dealing on own account, in commodity derivatives to the customers or suppliers of their main business;

provided that:

- for each of those cases individually and on an aggregate basis this is an ancillary activity to their main business, when considered on a group basis, and that main business is not the provision of investment services within the meaning of this Law or banking activities under the law governing access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, or acting as a market-maker in relation to commodity derivatives,

- those persons do not apply a high-frequency algorithmic trading technique; and

- those persons notify annually the Commission that they make use of this exemption and upon request report to the Commission the basis on which they consider that their activity under subpoints (1) and (2) of this point is ancillary to their main business;

10) Persons providing investment advice in the course of providing another professional activity not covered by this Law, provided that the provision of such advice is not specifically remunerated.

Persons exempted pursuant to para.1, points 1), 8) and 9) of this Article, do not have to meet the conditions set out in para.1, point 4) of this Article in order to be exempted.

Provisions of this Law shall not extend to the provision of services as counterparty in transactions carried out by public bodies dealing with public debt or by members of the European System of Central Banks performing their tasks as provided for by the Treaty on the Functioning of the European Union (TFEU) and by the Statute of the European System of Central Banks and of the European Central Bank or performing equivalent functions under national provisions.

The Commission shall adopt a regulation to specify:

1) for the purposes of point 3) of paragraph 1 of this Article, the conditions that must be satisfied when an activity is provided in an incidental manner.

2) the criteria for establishing when an activity is to be considered to be ancillary to the main business at a group level pursuant to para.1, point 9) of this Article.

Those criteria referred to in point 2) of paragraph 4 of this Article shall take into account at least the following elements:

1) the need for ancillary activities to constitute a minority of activities at a group level;

2) the size of their trading activity compared to the overall market trading activity in that asset class.

Article 4

The provisions of this Law shall not apply to the Republic or the National Bank of Serbia, to trading in financial instruments issued by the Republic or the National Bank of Serbia, or non-standardized derivative financial instruments, unless otherwise provided by law.

The provisions of Chapter IV of this Law governing public offering shall not apply to shares issued, sold or distributed in accordance with the law governing privatization and the law governing the rights of citizens to free shares and monetary compensation in the privatization process.

The shares referred to in paragraph 2 of this Article may be admitted to trading on a regulated market and/or MTF, without the approval of the Commission, provided they meet other requirements set in this Law and the rules for admission to trading on the regulated market and/or MTF.

The issuers of shares referred to in paragraph 2 of this Article shall be deemed public companies if they meet the public company requirements provided for under Article 2, point 100) of this Law.

The issuers referred to in Article 2, paragraph 1, point 79), subpoints (5), (6) and (7) of this Law that issue debt securities shall not be deemed public companies within the meaning of this Law.

II GENERAL CHARACTERISTICS OF FINANCIAL INSTRUMENTS

Lawful Holder

Article 5

The lawful holder of a financial instrument is a person in whose name the securities account is opened with the CSD and/or in the case of performing activities referred to in Article 2, paragraph 1, point 3), subpoint (1) of this Law, a person on whose behalf a financial instrument is kept in the securities account with the CSD or a person whose financial instrument is kept in the nominee account with the CSD.

The lawful holder referred to in para.1 of this Article is entitled to receivables and/or rights arising from the financial instrument kept in the securities account with the CSD.

Origin and Acquisition of Rights from Financial Instruments

Article 6

The rights of the lawful holder and/or the beneficial owner arise on the basis of a valid legal transaction by entering the financial instrument in the account referred to in Article 5 of this Law, unless the moment of acquisition is otherwise determined by a special regulation.

If the financial instruments are registered in the account referred to in Article 5 of this Law without a valid legal basis or if that basis has ceased to be valid, the person in whose name the

account with CSR is opened is not the lawful holder of the registered financial instruments, unless he acted in good faith at the time of acquisition.

Notwithstanding paragraph 1 of this Article:

1) when an investment firm or credit institution maintains an account with the CSD for clients to whom it provides ancillary services referred to in Article 2, paragraph 1, point 3) of this Law, lawful holders and/or beneficial owners of financial instruments in that account shall be the persons for whose account these ancillary services are provided;

2) when a foreign legal entity, engaged in accordance with the law governing public debt and the CSD act, maintains a nominee account with the CSD for its clients, lawful holders and/or beneficial owners are deemed to be persons on whose behalf that foreign legal entity provides the account management service.

At request of the Commission, a foreign legal entity referred to in para.3, point 2) of this Article shall submit data on lawful holders and/or beneficial owners of financial instruments on its account.

Financial instruments and rights arising from them may be acquired and disposed of by domestic and foreign natural and legal persons, unless otherwise provided by this or another law.

Dematerialized Financial Instruments

Article 7

Financial instruments issued pursuant to provisions of this Law are issued as dematerialized financial instruments and registered as electronic records on securities accounts kept with the CSD.

Financial instruments issued by the Republic are registered in the register of financial instruments kept by the CSD and, at the request of the Republic, are transferred to the nominee account of a foreign legal entity engaged in accordance with the law governing public debt and the act of the CSD, performing clearing and settlement of the subject financial instruments.

Essential Elements of Dematerialized Financial Instruments

Article 8

A financial instrument shall have the following elements entered into the CSD records:

1) the indication of the type of the financial instrument;

2) identification information about the issuer;

3) the total number of financial instruments issued;

4) the total nominal value of financial instruments issued, if measured in nominal terms;

5) the entry date of the financial instrument into the CSD records.

In addition to the elements specified in paragraph 1 of this Article, shares shall also have the following elements entered into the CSD:

1) the indication of the class;
2) the nominal value or an indication of shares without nominal value;
3) information about voting rights;
4) special rights, if attached to the shares.

In addition to the elements specified in paragraph 1 of this Article, a bond or other debt security, based on which the lawful holder is entitled to claim the payment of the principal and possible interest from the issuer shall have the following elements entered into the CSD register, where applicable:

1) its nominal value and the amount of the principal;
2) interest rate and the schedule of interest payments, if the lawful holder is entitled to interest payments;
3) information about the maturity of issuer's liabilities;
4) the right of early redemption:
(1) details about the redemption price at which the right may be exercised or the method for determining the redemption prices;
(2) any other conditions for the exercise of the right;
5) the date of payment of principal or interest.

In addition to the elements specified in paragraph 1 of this Article, financial instruments based on which the lawful holder is entitled to conversion or exchange for other financial instruments shall contain the following elements entered into the CSD:

1) the right acquired upon the conversion;
2) the relationship enabling the conversion;
3) the manner of exercising the conversion rights;
4) The time period within which the conversion right is exercisable, if the time period is associated with the right;
5) any other conditions for the exercise of the conversion right.

Financial instruments, other than those referred to in this Article, shall have the exact content of the rights they confer, entered in the CSD.

The CSD shall issue unique identification numbers for financial instruments in accordance with international numbering and communication protocols.

Transfer of Rights Arising from Financial Instruments

Article 9

Financial instruments, including the rights arising from them, may be transferred in legal transactions with no limitation, unless otherwise provided by this Law or a separate law.

The transfer of rights arising from financial instruments shall be performed on the basis of provisions of the law and the final court decision and/or decision issued by the relevant authorities.

The transfer of rights arising from financial instruments shall be performed upon the request and/or transfer order and on the basis of the relevant legal transaction, in line with the CSD rules.

The transfer of rights arising from financial instruments effected on the basis of the gift contract and/or contract on assignment of securities without consideration shall be performed based on the written gift contract and/or contract on assignment of financial instruments without consideration certified in line with the law governing certified signatures, whereas the certification shall not be required when the Republic is one of the contracting parties.

Clearing and Settlement Obligations

Article 10

Clearing and settlement obligations arising from the transactions in financial instruments concluded in the Republic shall be met only through the CSD in accordance with the provisions of this Law and in conformity with the CSD rules.

Notwithstanding provisions of paragraph 1 of this Article, in addition to the CSD, the clearing and settlement of financial instruments whose issuer is the Republic, can be carried out by one or more foreign legal persons, engaged pursuant to the law governing public debt and pursuant to the CSD enactment.

In case the issuer of financial instruments is the Republic, the CSD may transfer and/or keep the account of financial instruments outside the Republic with a foreign legal entity, engaged in accordance with the law governing public debt and the CSD enactment and with which the CSD establishes a relation allowing for this type of transfer.

Paragraph 1 of this Article shall not apply to transactions in financial instruments of an issuer from the Republic, if traded outside of the Republic, and an investment firm directs that a transaction in such financial instruments is to be cleared and settled through clearing and settlement facilities located outside of the Republic.

Members of the CSD and of a foreign legal person referred to in para.2 of this Article shall meet their monetary liabilities arising from concluded transactions through the CSD money accounts and/or accounts of the foreign legal person referred to in para.2 of this Article, opened with the National Bank of Serbia for the purpose of clearing and settlement.

Regulated markets may enter into appropriate arrangements with a CCP or clearing house and settlement system of another Member State with a view to providing for the clearing and/or settlement of some or all transactions concluded by market participants under their systems.

The Commission shall not prohibit the use of a CCP or clearing house and/or settlement system in another Member State except where demonstrably necessary in order to maintain the orderly functioning of that regulated market and taking into account the conditions for settlement systems.

In order to avoid undue duplication of control, the competent authorities shall take into account the oversight of the clearing and settlement system already exercised by the relevant central banks as overseers of clearing and settlement systems, as well as supervision conducted by other supervisory authorities with competence in relation to such systems.

Currency

Article 11

Unless otherwise provided in this Article, financial instruments issued and traded in the Republic shall be expressed in Serbian dinars.

Depository receipts representing securities of a foreign issuer that are issued or publicly traded in the Republic shall be expressed and payments made in Serbian dinars.

Debt securities and money market instruments issued by domestic and foreign issuers may be expressed in dinars and in a foreign currency, in accordance with provisions of this Article.

Prior to the issuance of financial instruments expressed in a foreign currency, the issuer shall obtain the approval from the National Bank of Serbia.

The National Bank of Serbia shall regulate in greater detail the conditions for granting the approval referred to in paragraph 4 of this Article.

The decision concerning the approval referred to in paragraph 4 of this Article shall be final and administrative proceedings may be instituted against it.

The provisions of the law regulating public debt shall apply to issuance of financial instruments expressed in a foreign currency when the issuer is the Republic, autonomous province, local government units, legal persons that are budget beneficiaries and mandatory social insurance organizations in the Republic.

The provisions of the law regulating organization and competencies of the National Bank of Serbia shall apply to issuance of securities expressed in foreign currency by the National Bank of Serbia.

An issuer shall pay liabilities arising from its securities in the currency in which they are expressed.

III PLEDGE RIGHT OVER FINANCIAL INSTRUMENTS

Object of Pledge

Article 12

A pledge over financial instruments shall be created in accordance with the appropriate legal basis, at the time of entry of the pledge in the Pledge Registry maintained by the CSD.

This law shall govern pledging of financial instruments, with the exception of any pledging and other financial security instruments subject to the law governing financial collateral arrangements.

The legal basis for the registration of a pledge over financial instruments shall include a decision adopted by the court, public enforcement officer or another competent authority, a pledge agreement, as well as other legal bases in accordance with the law.

Multiple pledges may be created over one financial instrument.

CSD shall specify in detail the procedure of registration, change and deletion of the contractual pledge, as well as a pledge over and prohibition of disposal of financial instruments that are registered in accordance with the decision, i.e., conclusion on enforcement adopted by the court, i.e., public enforcement officer.

Pledge Agreement

Article 13

The pledge agreement for financial instruments (hereinafter referred to as the "Pledge Agreement") obliges the pledgor to provide security to the pledgee (creditor) for the pledgee's claim against the debtor by establishing a right of pledge over financial instruments in accordance with this Law.

The Pledge Agreement shall indicate in particular:

1) the date of conclusion of such Agreement;

2) information on the pledgee, pledgor and the debtor, in case the debtor and the pledgor are not the same person, specifically:

(1) name and surname, i.e., business name or title of those persons,

(2) address of residence or business headquarters of those persons,

(3) identification number and tax identification number, if any, of those persons;

3) type and quantity of financial instruments that are the object of pledge;

4) the value of and other information relating to the claim that is secured.

The Pledge Agreement may contain provisions on the value of the pledged financial instrument that is not traded on a regulated market/MTF, i.e., on how such value is to be determined.

If the Pledge Agreement limits certain rights ensuing from financial instruments, the Agreement shall indicate all the details of the right whose disposal is limited.

The Pledge Agreement may be a separate agreement or an integral part of a framework or other agreement between the pledgee and the pledgor and shall be verified in accordance with the law governing signature verification.

The Pledge Agreement shall be concluded in hard copy or in electronic form, i.e., on a permanent data carrier that enables storage and reproduction of the original data in unaltered form.

The Commission may prescribe additional elements that must be contained in the Pledge Agreement.

Acquisition of the Right of Pledge

Article 14

The condition for the registration of a pledge over a financial instrument in the Pledge Registry is that the financial instrument, which is the object of pledge, is held in the pledgee's account for financial instruments with CSD.

CSD shall maintain a Pledge Registry for Financial Instruments and shall register, change, delete and activate registered pledges.

Upon the registration of a pledge over a financial instrument, CSD shall prohibit any further disposal of the pledged financial instrument, unless provided otherwise by the Pledge Agreement.

The registration of a pledge in the Pledge Registry may be requested by the pledgee, pledgor or the debtor.

Legal Effect of the Right of Pledge

Article 15

The pledgee whose right of pledge is registered in the Pledge Registry shall have priority in relation to other creditors in satisfying his secured claims against the object of pledge if his claims have not been settled upon maturity.

The pledge over financial instruments shall also be effective in relation to third parties as of the date of registration in the Pledge Registry.

Secured Claim

Article 16

A pledge may be used to secure financial claims expressed either in domestic or foreign currency amounts in accordance with law, as well as to secure non-monetary claims.

A pledge may be used to secure a certain amount of the principal claim, accrued interest and the costs of claim settlement.

A pledge may be used also to secure future claims and conditional claims.

Legal Effect in Case of Bankruptcy

Article 17

In the event of bankruptcy proceedings instituted against the pledgor, the settlement to be effected against the value of the pledged assets shall be subject to the rules of the law governing bankruptcy.

For the purposes of the law governing bankruptcy, the pledgee shall mean a creditor with separate satisfaction right who has acquired a pledge in accordance with this law.

The Pledgee

Article 18

For the purpose of this Law, the pledgee shall mean a creditor who has acquired the right of pledge based on registration in the Pledge Registry.

Designating the Authorized Person

Article 19

In the Pledge Agreement or a special power of attorney, the pledgee or several pledgees may authorize a third party to take legal actions to protect and settle the secured claim (hereinafter: the Authorized Person).

The Authorized Person shall have the rights of a pledgee in relation to the pledgor.

In order to waive the right of pledge, the Authorized Person must have a special authorization.

When registering a pledge, the information relating to the Authorized Person and the pledgee shall be recorded in the Pledge Registry.

In the even that there are several pledgees, they may, as specified in paragraph 1 of this Article, appoint one of them to perform the duties of the Authorized Person.

Pledgor

Article 20

For the purpose of the law, a pledgor shall mean a person who has a right of ownership over the financial instrument.

The pledgor may be the debtor of the pledgee or a third party.

Right to Use the Pledged Financial Instrument

Article 21

A pledgor shall have the right to use the pledged financial instrument in accordance with its usual purpose, as well as, if the financial instrument that is the object of pledge bears fruits (dividends, coupons and annuities), to draw those fruits.

The Pledge Agreement may stipulate that the pledgee has the right to draw the fruits produced by the financial instrument.

Re-pledge

Article 22

A pledgor may re-pledge the financial instrument over which the pledge has been already established unless otherwise stipulated by the Pledge Agreement.

Ranking of Pledges

Article 23

If the same object of pledge is pledged, in accordance with this Law, to several pledgees, the order in which their claims will be satisfied against the value of the object of pledge shall be determined based on the time (day, hour and minute) of receipt of the applications for registration of the pledge in the Pledge Registry.

CSD shall maintain the records of the time (day, hour and minute) of receipt of the applications for registration of the pledge in the Pledge Registry.

The order of priority for satisfying claims based on public revenues or other claims of the Republic, Autonomous Province and local self-government units shall be determined as specified in paragraph 1 of this Article.

Debt Settlement

Article 24

If his claim is not settled upon maturity, the pledgee shall acquire the right to initiate the debt settlement procedure in order to satisfy his principal claim, accrued interest and the costs associated with debt collection against the value of the object of pledge.

Upon maturity of the respective claim, the pledgee shall notify the debtor, i.e., the pledgor (when these are different persons) of his intention to settle his matured claim against the value of the object of pledge. The debt settlement procedure shall be initiated at the earliest upon the expiration of eight days from the date of notification on the intention to settle the claim sent to the debtor, i.e., the pledgor, by registered mail to the address indicated in the Pledge Agreement.

The CSD member shall immediately transfer the proceeds from the sale of the financial instruments to the pledgee’s cash account, taking care that all pledgees’ claims should be settled in the order of acquiring pledges that is recorded in the Pledge Registry.

If the proceeds of the sale of the pledged financial instruments exceed the value of the debt, the pledgee shall pay the difference to the pledgor on the following working day, otherwise, the pledgee shall pay the pledgor the default interest accrued over the period from the date of settlement to the date of payment of the excess value.

Special Contractual Provisions on Debt Settlement

Article 25

The Pledge Agreement may stipulate that the pledgee shall have the right, if his claim is not settled upon maturity, to appropriate the financial instrument provided as the collateral, i.e., to acquire the right of ownership over the respective financial instrument.

The subject of the pledge agreement referred to in paragraph 1 of this Article may not be the debtor's own shares.

The Agreement referred to in paragraph 1 of this Article must provide for the procedure of determining the value of collateral at the time of the appropriation.

Duty to Cooperate

Article 26

A pledgor shall cooperate with the pledgee in the procedure of settling the pledgee's claim against the object of pledge.

A pledgor shall provide the relevant notifications to the pledgee in order to perform the settlement.

The pledgor's obligations referred to in paragraphs 1 and 2 of this Article shall apply accordingly to the debtor when these are different persons.

Should the pledgor, i.e., the debtor, when these are different persons, violate any of the obligations stipulated in this Article, he shall indemnify the pledgee against any damages.

Obligations of the Pledgor

Article 27

A pledgor shall suffer the settlement of the pledgee's claim against the value of the object of pledge.

Until the settlement is finalized, the pledgor shall refrain from any actions that may cause the reduction of the value of the object of pledge.

The pledgor shall take all other necessary actions to enable the pledgee to satisfy his claim.

Should the pledgor violate any of the obligations stipulated in this Article, he shall indemnify the pledgee against any damages.

Sale of the Object of Contractual Pledge

Article 28

The pledgee may proceed to sell the object of the contractual pledge at the earliest upon the expiration of the deadline referred to in Article 24, paragraph 2 of this Law.

In the event that the object of pledge is a financial instrument that is traded on a regulated market/MTF, the pledgee shall issue a sales order to the CSD member in order to initiate the sale procedure on that market.

In the event that the object of pledge is a financial instrument that is traded outside the regulated market/MTF, the pledgee shall determine the value of the financial instrument in accordance with the law governing companies, unless the value of the financial instrument is specified in the Pledge Agreement.

The pledgee shall organize the sale of the financial instrument through the CSD member, unless otherwise provided by the Agreement.

After the sale referred to in paragraph 4 of this Article, the pledgee shall conclude an agreement on the sale of the financial instrument in the settlement procedure with a third party, which shall be verified in accordance with the law governing signature verification.

The debtor may validly settle the debt at any time before the sale of the pledged financial instrument, and at the latest:

1) before the time of recording of the sales order in the regulated market/MTF information system, if the financial instrument is traded on the regulated market/MTF;

2) before the time of recording of the sales order in the CSD information system if the financial instrument is traded outside the regulated market.

Acquisition of the Right of Ownership of Financial Instruments that are Objects of Contractual Pledge

Article 29

Any person who purchases financial instruments that are objects of the contractual pledge shall acquire the right of ownership of such financial instruments without any encumbrance.

Settlement after the Claim has Become Bad Debt

Article 30

The pledgee may be satisfied from the value of the object of pledge even after his claim has become bad debt (obsolete).

Cessation of Right of Pledge

Article 31

If the pledgee's claim ceases by payment of debt or otherwise, the pledge shall cease and be deleted from the Pledge Registry at the request of the pledgee, debtor or the pledgor, when these are different persons.

The pledge shall cease and be deleted from the Pledge Registry when the financial instrument has perished (ceased to exist).

The pledge shall cease upon the sale of the pledged financial instruments, which has been concluded for the purpose of settling the pledgee's claim.

Deletion of the pledge from the Pledge Registry may also be requested when the same person has acquired the capacity of pledgee and that of debtor, as well as when the pledgee has acquired the right of ownership to the financial instrument.

If the pledgee, pledgor or the debtor, when these are different persons, requests deletion of the pledge, he shall submit to the Pledge Registry a written statement of the pledgee that he consents to the deletion (verified in accordance with the law governing signature verification), a final and enforceable court decision or another document to the effect that the pledge has ceased.

Pledge Registry for Financial Instruments

Article 32

The Pledge Registry for Financial Instruments shall mean the registry maintained by CSD in which, in accordance with this Law, pledges over financial instruments shall be recorded.

CSD shall publish the following information from the Pledge Registry on their website:

1) name and surname of the debtor, i.e. pledgor;

2) type and number of financial instruments that are the object of pledge;

3) the value of the secured claims;

4) a note of any disputes relating to the right to pledge or in connection with the object of pledge.

The Pledge Registry shall be maintained up to date.

Article 33

The Pledge Registry shall contain:

1) information on the pledgor and the debtor, when these are different persons, as well as information on the pledgee or the Authorized Person;

2) information identifying more specifically the financial instrument that is the object of pledge;

3) information on the value of the secured claim, i.e., information on the maximum value of any future or conditional claims;

4) information on the existence of any dispute in connection with the pledge or in connection with the object of pledge.

If the party to pledge is a domestic natural person, the information referred to in paragraph 1, point 1) of this Article shall include the first name, last name, Personal Identification Number and the place of temporary/habitual residence of this person, and if the party to pledge is a foreign natural person, the information referred to in paragraph 1, point 1) of this Article shall include the first name, last name, passport number and the issuing country.

If the party to pledge is a domestic legal entity, the information referred to in paragraph 1, point 1) of this Article shall include the company name and the registration number, and if the party to pledge is a foreign legal entity, the information referred to in paragraph 1, point 1) of this Article shall include the company name, designation in the foreign business register, and the name of the country where this register has its office.

Any amendment to the information referred to in paragraph 1 of this Article shall be registered in the Pledge Registry.

Any amendment relating to a change of legal basis for pledge, or the object of pledge shall have the character of a new entry.

Note of Dispute

Article 34

A note of a dispute under a lawsuit for deletion of a pledge or other dispute related to a pledge shall be recorded in the Pledge Registry, at the request of the person who is able to prove his legal interest.

In order to delete the note of a dispute, a final and enforceable court decision or the settlement by which the dispute in question has been terminated must be provided.

The Commission may prescribe also other events in which a note of a dispute shall be deleted.

IV PUBLIC OFFERING OF SECURITIES AND ADMISSION TO TRADING

Subject Matter

Article 35

This Chapter lays down requirements to compile, approve and publish a prospectus for the public offering of securities and/or admission of securities to trading on a regulated market in the Republic.

Exemptions

Article 36

Provisions of this Chapter shall not apply to:

1) units issued by collective investment undertakings other than the closed-end type;

2) non-equity securities issued by the Republic, autonomous provinces or local self-government units, international organizations of which the Republic is a member, or by the National Bank of Serbia;

3) shares in the capital of EU Member States' central banks;

4) securities unconditionally and irrevocably guaranteed by the Republic, its authorities, authorities of the autonomous provinces or local self-government units;

5) securities issued in conformity with the law by associations that have the status of a legal entity or a non-profit organization, for the purposes of pooling funds necessary to achieve non-profit objectives;

6) non-fungible shares in capital, whose main purpose is to provide the holder with the occupancy right to an apartment, or other form of immovable property or a part thereof where the shares cannot be sold without waiving that right, in conformity with provisions of a specific law.

The provisions of this Chapter shall not apply to an offer of securities to the public, the total value of which does not exceed EUR 1,000,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, which shall

be calculated over a period of 12 months from the date of publication, except in the case of publishing a voluntary prospectus in accordance with Article 38 of this Law.

The obligation to publish a prospectus set out in paragraph 1 of Article 37 shall not apply to any of the following types of offering of securities to the public:

1) an offer of securities addressed solely to qualified investors;

2) an offer of securities addressed to fewer than 150 natural or legal persons in the Republic, other than qualified investors;

3) an offer of securities whose denomination per unit amounts to at least EUR 100,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

4) an offer of securities addressed to investors who acquire securities for a total consideration of at least EUR 100,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

5) shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the share capital;

6) securities offered in connection with a takeover by means of an exchange offer, provided that a document is available to the public in accordance with the arrangements set out in paragraph 3 of Article 55 of this Law, containing information describing the transaction and its impact on the issuer;

7) securities offered, allotted or to be allotted in connection with a status change, provided that a document is made available to the public in accordance with the arrangements set out in paragraph 3 of Article 55 of this Law, containing information describing the transaction and its impact on the issuer;

8) dividends paid out to existing shareholders in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;

9) securities offered, allotted or to be allotted to existing or former directors or employees by their employer or by an affiliated undertaking provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment;

10) non-equity securities issued in a continuous or repeated manner by a credit institution, where the total aggregated consideration in the Republic for the securities offered is less than EUR 75,000,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia per credit institution calculated over a period of 12 months, provided that those securities:

(1) are not subordinated, convertible or exchangeable; and

(2) do not give a right to subscribe for or acquire other types of securities and are not linked to a derivative instrument.

The obligation to publish a prospectus set out in paragraph 2 of Article 37 of this Law shall not apply to the admission to trading on a regulated market of any of the following:

1) securities fungible with securities already admitted to trading on the same regulated market, provided that they represent, over a period of 12 months, less than 20 % of the number of securities already admitted to trading on the same regulated market;

2) shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, where the resulting shares are of the same class as the shares already admitted to trading on the same regulated market, provided that the resulting shares represent, over a period of 12 months, less than 20 % of the number of shares of the same class already admitted to trading on the same regulated market;

3) securities resulting from the conversion or exchange of other securities, own funds or eligible liabilities by the National Bank of Serbia or other relevant authority in charge of restructuring referred to in the law governing the restructuring of banks or the law governing the restructuring of investment firms;

4) shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, where the issuing of such shares does not involve any increase in the issued capital;

5) securities offered in connection with a takeover by means of an exchange offer, provided that a document is made available to the public in accordance with paragraph 3 of Article 55 of this Law, containing information describing the transaction and its impact on the issuer;

6) securities offered, allotted or to be allotted in connection with a status change, provided that a document is made available to the public in accordance with paragraph 3 of Article 55 of this Law, containing information describing the transaction and its impact on the issuer;

7) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer or allotment;

8) securities offered, allotted or to be allotted to existing or former directors or employees by their employer or an affiliated undertaking, provided that the said securities are of the same class as the securities already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the securities and the reasons for and detail of the offer or allotment;

9) non-equity securities issued in a continuous or repeated manner by a credit institution, where the total aggregated consideration in the Republic for the securities offered is less than EUR 75,000,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia per credit institution calculated over a period of 12 months, provided that those securities:

(1) are not subordinated, convertible or exchangeable; and

(2) do not give a right to subscribe for or acquire other types of securities and are not linked to a derivative instrument;

10) securities already admitted to trading on another regulated market, on the following cumulative conditions:

(1) that those securities, or securities of the same class, have been admitted to trading on that other regulated market for more than 18 months;

(2) that the ongoing obligations for trading on that other regulated market have been fulfilled;

(3) that the person seeking the admission of a security to trading on a regulated market under the exemption set out in this point discloses and makes available to the public in the Republic, in accordance with paragraph 3 of Article 55 of this Law, a document the content of which complies with Article 41 of this Law and the Commission regulation adopted pursuant to Articles 41 and 47 of this Law, except that the maximum length set out in paragraph 5 of Article 41 of this Law shall be extended by two additional sides of A4-sized paper, and

(4) that the document referred to in subpoint (3) of this point states where the most recent prospectus can be obtained and where the financial information published by the issuer pursuant to ongoing disclosure obligations prescribed by provisions of this Law, is available.

The requirement that the resulting shares represent, over a period of 12 months, less than 20% of the number of shares of the same class already admitted to trading on the same regulated market as referred to in point 2) of paragraph 4 of this Article shall not apply in any of the following cases:

1) where a prospectus for public offering or admission to trading on a regulated market of the securities giving access to the shares, is compiled pursuant to the law;

2) where the shares, in accordance with the regulation governing prudential requirements for credit institutions and the regulation governing prudential requirements for investment firms, meet requirements for common equity tier 1 items and result from the conversion of the additional tier 1 instruments issued by that credit institution or investment firm in the event that the common equity tier 1 falls to a level below 5,125% or to a level above 5,125% that the credit institution or investment firm sets and describes in provisions regulating the instrument;

3) where the shares, in conformity with the regulation governing prudential requirements for insurance and reinsurance undertakings, can be used to meet the requirements regarding capital adequacy, i.e. solvency of insurance and reinsurance companies or groups of insurance and reinsurance companies and arose from the conversion of other securities in order to meet those requirements.

The exemptions from the obligation to publish a prospectus that are set out in paragraphs 3 and 4 of this Article may be combined together.

However, the exemptions in points 1) and 2) of paragraph 4 of this Article shall not be combined together if such combination could lead to the immediate or deferred admission to trading on a regulated market over a period of 12 months of more than 20% of the number of

shares of the same class already admitted to trading on the same regulated market, without a prospectus being published.

The Commission may specify in more detail the method of application of exclusions and the minimum information to be included in the documents referred to in points 6) and 7) of paragraph 3 and points 5) and 6) of paragraph 4 of this Article.

Obligation to Publish a Prospectus

Article 37

Any public offer of securities in the Republic shall be null and void if made without prior publication of a valid prospectus, except in cases prescribed by the provisions of this Law.

It is not allowed to admit securities on a regulated market, unless a valid prospectus has been published before their admission, except in cases prescribed by the provisions of this Law.

Voluntary prospectus

Article 38

Where an offer of securities to the public or an admission of securities to trading on a regulated market is outside the scope of this Law in accordance with paragraph 2 of Article 36 of this Law or exempted from the obligation to publish a prospectus in accordance with paragraphs 3 to 5 of Article 36 of this Law, an issuer, an offeror or a person asking for admission to trading on a regulated market shall be entitled to voluntarily draw up a prospectus in accordance with this Law.

Such voluntarily drawn up prospectus approved by the Commission, shall entail all the rights and obligations provided for a prospectus required under this Law and shall be subject to all provisions of this Law, under the supervision of the Commission.

Subsequent Resale of Securities

Article 39

Any subsequent resale of securities which were previously the subject of one or more of the types of offers of securities to the public listed in points 1) - 4) of paragraph 3 of Article 36 of this Law shall be considered as a separate offer and the definition of a public offer set out in point 111), paragraph 1 of Article 2 of this Law shall apply for the purpose of determining whether that resale is an offer of securities to the public.

The placement of securities through financial intermediaries shall be subject to publication of a prospectus unless one of the exemptions listed in points 1) - 4) of paragraph 3 of Article 36 of this Law applies in relation to the final placement.

No additional prospectus shall be required in any such subsequent resale of securities or final placement of securities through financial intermediaries as long as a valid prospectus is available in accordance with Article 46 of this Law and the issuer or the person responsible for drawing up such prospectus consents to its use, in writing.

Where a prospectus relates to the admission to trading on a regulated market of non-equity securities that are to be traded only on a regulated market, or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in such securities, the securities shall not be resold to non-qualified investors, unless a prospectus is drawn up in accordance with this Law that is appropriate for non-qualified investors.

Prospectus

Article 40

A prospectus shall contain the necessary information which is material to an investor for making an informed assessment of:

1) the assets and liabilities, profits and losses, financial position, and prospects of the issuer and of any guarantor;
2) the rights attaching to the securities; and
3) the reason for the issuance and its impact on the issuer.

That information may vary depending on any of the following:

1) the nature of the issuer;
2) the type of securities;
3) the circumstances of the issuer;
4) where relevant, whether or not the non-equity securities have a denomination per unit of at least EUR 100,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia or are to be traded only on a regulated market, or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in the securities.

The information in a prospectus shall be written and presented in an easily analyzable, concise and comprehensible form, taking into account the factors set out in the paragraph 1 of this Article.

The issuer, offeror or person asking for the admission to trading on a regulated market may draw up the prospectus as a single document or as separate documents.

A prospectus composed of separate documents shall divide the required information into the following mandatory elements:

1) the registration document containing the information relating to the issuer;
2) the securities note which shall contain the information concerning the securities offered to the public or to be admitted to trading on a regulated market or MTF;
3) the summary.

The Summary

Article 41

The prospectus shall include a summary that provides the key information that investors need in order to understand the nature and the risks of the issuer, the guarantor and the securities that are being offered or admitted to trading on a regulated market, and that is to be read together with the other parts of the prospectus to aid investors when considering whether to invest in such securities.

By way of derogation from paragraph 1 of this Article, no summary shall be required where the prospectus relates to the admission to trading on a regulated market of non-equity securities provided that:

1) such securities are to be traded only on a regulated market, or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in such securities; or

2) such securities have a denomination per unit of at least EUR 100,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The content of the summary shall be accurate, fair and clear and shall not be misleading.

The summary is to be read as an introduction to the prospectus and it shall be consistent with the other parts of the prospectus.

The summary shall be drawn up as a short document written in a concise manner and of a maximum length of seven sides of A4-sized paper when printed.

The summary shall:

1) be presented and laid out in a way that is easy to read, using characters of readable size;

2) be written in a language and a style that facilitate the understanding of the information, in particular, in language that is clear, non-technical, concise and comprehensible for investors.

The summary shall not contain cross-references to other parts of the prospectus or incorporate information by reference.

The Commission shall regulate in detail the contents of a summary.

The Base Prospectus

Article 42

For non-equity securities, including warrants in any form, the prospectus may consist of a base prospectus containing the necessary information concerning the issuer and the securities offered to the public or to be admitted to trading on a regulated market.

A base prospectus shall include the following information:

1) a template, entitled ‘form of the final terms’, to be filled out for each individual issue and indicating the available options with regard to the information to be determined in the final terms of the offer;

2) the address of the website where the final terms will be published.

Where a base prospectus contains options with regard to the information required by the relevant securities note, the final terms shall determine which of the options is applicable to the individual issue by referring to the relevant sections of the base prospectus or by replicating such information.

The final terms shall be presented in the form of a separate document or shall be included in the base prospectus or in any supplement thereto.

The final terms shall be prepared in an easily analyzable and comprehensible form.

The final terms shall only contain information that relates to the securities note and shall not be used to supplement the base prospectus, point 2), paragraph 1 of Article 51 of this Law shall apply in such cases.

Where the final terms are neither included in the base prospectus, nor in a supplement, the issuer shall make them available to the public in accordance with Article 55 of this Law and file them with the Commission, as soon as practicable upon offering securities to the public and, where possible, before the beginning of the offer of securities to the public or admission to trading on a regulated market.

A clear and prominent statement shall be inserted in the final terms indicating:

1) that the final terms have been prepared in accordance with the provisions of this Law and must be read in conjunction with the base prospectus and any supplement thereto in order to obtain all the relevant information;

2) where the base prospectus and any supplement thereto are published in accordance with Article 55 of this Law;

3) that a summary of the individual issue is annexed to the final terms.

A base prospectus may be drawn up as a single document or as separate documents.

Where the issuer, the offeror or the person asking for admission to trading on a regulated market has filed a registration document for non-equity securities, or a universal registration document and chooses to draw up a base prospectus, the base prospectus shall consist of the following:

1) the information contained in the registration document, or in the universal registration document;

2) the information which would otherwise be contained in the relevant securities note, with the exception of the final terms where the final terms are not included in the base prospectus.

The specific information on each of the different securities included in a base prospectus shall be clearly segregated.

A summary shall only be drawn up once the final terms are included in the base prospectus, or in a supplement, or are filed, and that summary shall be specific to the individual issue.

The summary of the individual issue shall be subject to the same requirements as the final terms and shall be annexed to them.

The summary of the individual issue shall comply with Article 41 of this Law and the Commission regulation adopted pursuant to Articles 41 and 47 of this Law and shall provide the following:

1) the key information in the base prospectus, including the key information on the issuer;

2) the key information in the appropriate final terms, including the key information which was not included in the base prospectus.

Where the final terms relate to several securities which differ only in some very limited details, such as the issue price or maturity date, a single summary of the individual issue may be attached for all those securities, provided the information referring to the different securities is clearly segregated.

The information contained in the base prospectus shall, where necessary, be supplemented in accordance with Article 57 of this Law.

An offer of securities to the public may continue after the expiration of the base prospectus under which it was commenced provided that a succeeding base prospectus is approved and published no later than the last day of validity of the previous base prospectus. The final terms of such an offer shall contain a prominent warning on their first page indicating the last day of validity of the previous base prospectus and where the succeeding base prospectus will be published. The succeeding base prospectus shall include or incorporate by reference the form of the final terms from the initial base prospectus and refer to the final terms that are relevant for the continuing offer.

A right of withdrawal pursuant to paragraph 4 of Article 57 of this Law shall also apply to investors who have agreed to purchase or subscribe for the securities during the validity period of the previous base prospectus, unless the securities have already been delivered to them.

The Universal Registration Document

Article43

Any issuer whose securities are admitted to trading on a regulated market or an MTF may draw up every financial year a registration document in the form of a universal registration document describing the company’s organization, business, financial position, earnings and prospects, governance and shareholding structure.

Any issuer that chooses to draw up a universal registration document every financial year shall submit it for approval to the Commission.

After the issuer has had a universal registration document approved by the Commission competent authority for two consecutive financial years, subsequent universal registration documents may be filed with the Commission competent authority without prior approval.

Where the issuer thereafter fails to file a universal registration document for one financial year as referred to in para.3 of this Article, the benefit of filing without prior approval shall be lost and all subsequent universal registration documents shall be submitted to the Commission

competent authority for approval until the condition set out in the para.3 of this Article is met again.

The issuer shall indicate in its application to the Commission competent authority whether the universal registration document is submitted for approval or filed without prior approval.

Once approved or filed without prior approval, the universal registration document, as well as the amendments thereto referred to in paragraphs 8 and 10 to 17 of this Article, shall be made available to the public without undue delay, in accordance with Article 55 of this Law.

Information may be incorporated by reference into a universal registration document under the conditions set out in Article 53 of this Law.

Following the filing or approval of a universal registration document, the issuer may at any time update the information it contains by filing an amendment thereto with the Commission.

Subject to paragraph 8 of this Article, the filing of the amendment with the Commission shall not require approval.

The Commission may at any time review the content of any universal registration document which has been filed without prior approval, as well as the content of any amendments thereto.

When reviewing the content of the universal registration document referred to in para.10 of this Article, the Commission shall consist in scrutinizing the completeness, the consistency and the comprehensibility of the information given in the universal registration document and any amendments thereto.

Where the Commission, in the course of the review, finds that the universal registration document does not meet the standards of completeness, comprehensibility and consistency, or that amendments or supplementary information are needed, it shall notify it to the issuer.

A request for amendment or supplementary information addressed by the Commission to the issuer needs only be taken into account by the issuer in the next universal registration document filed for the following financial year, except where the issuer wishes to use the universal registration document as a constituent part of a prospectus submitted for approval.

In that case referred to in para.13 of this Article, the issuer shall file an amendment to the universal registration document at the latest upon submission of the application referred to in paragraph 14 of Article 54 of this Law.

By way of derogation from paragraph 14 of this Article, where the Commission notifies the issuer that its request for amendment or supplementary information concerns a material omission or a material mistake or material inaccuracy, which is likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer, the issuer shall file an amendment to the universal registration document without undue delay.

The Commission may request that the issuer produces a consolidated version of the amended universal registration document, where such a consolidated version is necessary to ensure comprehensibility of the information provided in that document.

An issuer may voluntarily include a consolidated version of its amended universal registration document in an annex to the amendment.

Paragraphs 8 and 10 - 17 of this Article shall only apply where the universal registration document is not in use as a constituent part of a prospectus.

Whenever a universal registration document is in use as a constituent part of a prospectus, only Article 57 of this Law on supplementing the prospectus shall apply between the time when the prospectus is approved and the final closing of the offer of securities to the public or, as the case may be, the time when trading on a regulated market begins, whichever occurs later.

An issuer fulfilling the conditions set out in paragraph 2 or 3 of this Article shall have the status of frequent issuer and shall benefit from the faster approval process in accordance with paragraphs 11 and 12 of Article 54 of this Law, provided that:

1) upon the filing or submission for approval of each universal registration document, the issuer provides written confirmation to the Commission that, to the best of its knowledge, all regulated information which it was required to disclose under this Law, and has been filed and published over the last 18 months or over the period since the obligation to disclose regulated information commenced, whichever is the shorter; and

2) where the Commission has undertaken a review as referred to in paragraphs 10 and 11 of this Article, the issuer has amended its universal registration document in accordance with paragraphs 12 - 16 of this Article.

Where any of the above conditions is not fulfilled by the issuer, the status of frequent issuer shall be lost.

Where the universal registration document filed with or approved by the Commission is made public at the latest four months after the end of the financial year, and contains the information required to be disclosed in the annual financial report referred to in Article 71 of this Law, the issuer shall be deemed to have fulfilled its obligation to publish the annual financial report required under this Law.

Where the universal registration document, or an amendment thereto, is filed or approved by the Commission and made public at the latest three months after the end of the first six months of the financial year, and contains the information required to be disclosed in the half-yearly financial report referred to in Article 74 of this Law, the issuer shall be deemed to have fulfilled its obligation to publish the half-yearly financial report required under provisions of the present Law.

In the cases referred to in paragraphs 22 and 23 of this Article, the issuer:

1) shall include in the universal registration document a cross reference list identifying where each item required in the annual and half-yearly financial reports can be found in the universal registration document;

2) shall file the universal registration document to the Commission that shall disclose it on its website;

3) shall include in the universal registration document a responsibility statement pursuant to point 3), para.3, Article 71 and point 3), para.3, Article 74 of this Law.

Prospectuses Consisting of Separate Documents

Article 44

An issuer that already had a registration document approved by the Commission shall be required to draw up only the securities note and the summary, where applicable, when securities are offered to the public or admitted to trading on a regulated market.

In the case referred to in para.1 of this Article, the securities note, and the summary shall be subject to separate approval.

Where, since the approval of the registration document, there has been a significant new factor, material mistake or material inaccuracy relating to the information included in the registration document which is capable of affecting the assessment of the securities, a supplement to the registration document shall be submitted for approval, at the latest at the same time as the securities note and the summary.

In the case referred to in para.3 of this Article, the investor is not entitled to withdraw acceptances referred to in para.4, Article 57 of this Law.

The registration document and its supplement, where applicable, accompanied by the securities note and the summary shall constitute a prospectus, once approved by the Commission.

Once approved, the registration document shall be made available to the public without undue delay and in accordance with Article 55 of this Law.

An issuer that has already had a universal registration document approved by the Commission, or that has filed a universal registration document without prior approval pursuant to the paragraph 3 of Article 43 of this Law, shall be required to draw up only the securities note and the summary when securities are offered to the public or admitted to trading on a regulated market.

Where the universal registration document has already been approved, the securities note, the summary and all amendments to the universal registration document filed since the approval of the universal registration document shall be subject to a separate approval.

Where an issuer has only filed a universal registration document without prior approval, the entire documentation, including amendments to the universal registration document, shall be subject to approval, notwithstanding the fact that those documents remain separate.

The universal registration document, amended in accordance with paragraphs 8 and 12 - 17 of Article 43 of this Law, accompanied by the securities note and the summary shall constitute a prospectus, once approved by the Commission.

Responsibility Attaching to Prospectus

Article 45

The following persons shall be considered legally responsible in the event that a prospectus or summary contains materially false, inaccurate or misleading information, or omits material facts:

1) the issuer,

2) the director and members of the board of directors of companies with a one-tier governance system, members of the supervisory board, executive directors or members of the executive board of companies with a two-tier governance system and/or members of the management and executive board of banks, unless some of the abovementioned persons has specifically voted against the public offering and/or admission to trading on a regulated market;

3) any person making an offer (offeror) who is not an issuer;

4) any guarantor of the securities;

5) any investment firm providing underwriting services or serving as an agent in connection with the public offering;

6) the issuer's independent auditors, but only with respect to the financial statements included in or accompanying the prospectus that are covered by their audit report;

7) any other persons upon whose authority or expertise a statement is included in the prospectus, but only with respect to the adequacy and accuracy of such statement.

A prospectus must contain all the information about the persons responsible for the authenticity and completeness of information contained in the prospectus. The information for natural persons shall be the name and the function indicated, and the registered office and name for legal persons.

A prospectus must contain statements of persons responsible for the authenticity and completeness of information contained in the prospectus, to the effect that, to the best of their knowledge the information contained in the prospectus have been prepared in accordance with the facts and that material facts have not been omitted that could affect the authenticity and completeness of the prospectus.

No civil liability shall attach to any person solely on the basis of the prospectus summary or the specific summary of an EU growth prospectus, including any transaction thereof, unless:

1) it is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus; or

2) it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the securities.

The responsibility for the information given in a registration document or in a universal registration document shall attach to the persons referred to in paragraph 1 of this Article only in cases where the registration document or the universal registration document is in use as a constituent part of an approved prospectus.

Paragraph 5 of this Article shall apply to information referred to in Articles 71 and 74 of this Law where the information under those Articles is included in a universal registration document, if it is in use as a constituent part of the prospectus.

The Commission shall not be held responsible for the authenticity and completeness of the information stated in any part of the approved prospectus for public offering or admission to trading on a regulated market, or the summary prospectus.

Validity of a Prospectus, Registration Document and Universal Registration Document

Article 46

A prospectus, whether a single document or consisting of separate documents, shall be valid for 12 months after its approval, provided that the prospectus is completed by any supplements required pursuant to Article 57 of this Law.

Where a prospectus consists of separate documents, the period of validity shall begin upon approval of the securities note.

A registration document which has been previously approved shall be valid for use as a constituent part of a prospectus for 12 months after its approval.

The end of the validity of such a registration document shall not affect the validity of a prospectus of which it is a constituent part.

A universal registration document shall be valid for use as a constituent part of a prospectus for 12 months after its approval, if submitted pursuant to paragraph 2 of Article 43 of this Law or after its filing, if submitted in accordance with paragraph 3 of Article 43 of this Law.

The end of the validity of such a universal registration document shall not affect the validity of a prospectus of which it is a constituent part.

The Content and Format of the Prospectus

Article 47

The Commission shall regulate:

1) the content and format of the prospectus, prospectus summary, the base prospectus and the final terms, and the schedules defining the specific information to be included in a prospectus, avoiding duplication of information when a prospectus is composed of separate document;

2) information to be included in a universal registration document, the criteria for the scrutiny and review of the universal registration document and any amendments thereto, procedure of approval and submission of documents for approval of the universal registration document, conditions under which the status of a frequent issuer is lost.

Simplified Disclosure Regime for Secondary Issuances

Article 48

The following persons may choose to draw up a simplified prospectus under the simplified disclosure regime for secondary issuances, in the case of an offer of securities to the public and/or of an admission to trading of securities on a regulated market:

1) issuers whose securities have been admitted to trading on a regulated market or an SME growth market continuously for at least the last 18 months and who issue securities fungible with existing securities which have been previously issued;

2) issuers whose equity securities have been admitted to trading on a regulated market or an SME growth market continuously for at least the last 18 months and who issue non-equity securities or securities giving access to the equity securities that are exchangeable for equity securities which have already been admitted to trading;

3) offerors of securities admitted to trading on a regulated market or an SME growth market continuously for at least the last 18 months.

4) issuers whose securities are publicly offered and admitted to trading on the SME growth market continuously for at least two years and who during the entire period of admission to trading fully meet the obligations related to reporting and disclosure and who seek admission to trading on a regulated market in securities fungible with existing securities which have been previously issued.

The simplified prospectus shall consist of a summary in accordance with Article 41 of this Law and the Commission regulation adopted pursuant to Articles 41 and 47 of this Law, a specific registration document which may be used by persons referred to in points 1), 2) and 3) of the first paragraph of this Article and a specific securities note which may be used by persons referred to in points 1) and 3) of the first paragraph of this Article.

The simplified prospectus shall contain the relevant reduced information which is necessary to enable investors to understand:

1) the prospects of the issuer and the significant changes in the business and the financial position of the issuer and the guarantor that have occurred since the end of the last financial year, if any;

2) the rights attaching to the securities;

3) the reasons for the issuance and its impact on the issuer, including on its overall capital structure, and the use of the proceeds.

The information contained in the simplified prospectus shall be written and presented in an easily analyzable, concise and comprehensible form and shall enable investors to make an informed investment decision, and it shall also take into account the regulated information that has already been disclosed to the public pursuant to Chapters V and XII of this Law.

Issuers referred to in point 4), para.1 of this Article who are required to compile consolidated financial statements in accordance with the law governing accounting, after the admission of securities to trading on a regulated market, shall compile the most recent financial information pursuant to point 1), paragraph 9 of this Article, which contain comparable information for the previous year included in the simplified prospectus, in accordance with international financial reporting standards.

Issuers referred to in paragraph 1, point 4) of this Article who have no obligation to compile consolidated financial statements in accordance with the law governing accounting, after the admission of securities to trading on a regulated market, compile the most recent financial

information pursuant to point 1), paragraph 9 of this Article, which contain comparable information for the previous year included in the simplified prospectus, in accordance with the law governing accounting.

Issuers from foreign countries whose securities are traded on the SME growth market shall compile the most recent financial information based on point 1), paragraph 9 of this Article, which contains comparative information for the previous year included in the simplified prospectus, in accordance with international financial reporting standards or the equivalent national standards.

The Commission shall adopt a regulation setting out the schedules specifying the reduced information to be included under the simplified disclosure regime referred to in paragraph 1 of this Article.

The schedules referred to in para.8 of this Article shall include in particular:

1) the annual and half-yearly financial information published over the 12 months prior to the approval of the prospectus;

2) where applicable, profit forecasts and estimates;

3) a concise summary of the relevant information disclosed under Chapter XII of this Law over the 12 months prior to the approval of the prospectus;

4) risk factors;

5) for equity securities, including those securities giving access to equity securities, the working capital statement, the statement of capitalization and indebtedness, a disclosure of relevant conflicts of interest and related-party transactions, major shareholders and, where applicable, pro forma financial information.

EU Growth Prospectus

Article 49

The following persons may choose to draw up an EU growth prospectus under the proportionate disclosure regime set out in this Article in the case of an offer of securities to the public provided that they have no securities admitted to trading on a regulated market:

1) SMEs;

2) issuers, other than SMEs, whose securities are traded or are to be traded on an SME growth market, provided that those issuers had an average market capitalization of less than 500,000,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia on the basis of end-year quotes for the previous three calendar years;

3) issuers, where the offer of securities to the public is of a total consideration in the Republic that does not exceed 20,000,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia calculated over a period of 12 months, and provided that such issuers have no securities traded on an MTF and have an average number of employees during the previous financial year of up to 499;

4) issuers, other than SMEs, offering shares to the public at the same time as seeking admission of those shares to trading on an SME growth market, provided that such issuers have no shares already admitted to trading on an SME growth market and the combined value of the following two items is less than 200,000,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

(1) the final offered price or the maximum price in the case referred to in Article 51, paragraph 1, point 2) subpoint (1) of this Law;

(2) the total number of shares outstanding immediately after the share offer to the public, calculated either on the basis of the amount of shares offered to the public or, in the case referred to in Article 51, paragraph 1, point 2) subpoint (1) of this Law, on the basis of the maximum amount of shares offered to the public;

5) offerors of securities issued by issuers referred to in points 1) and 2) of this paragraph.

An EU growth prospectus under the proportionate disclosure regime shall be a document of a standardized format, written in a simple language and which is easy for issuers to complete.

An EU growth prospectus shall consist of a specific summary based on Article 41 of this Law, a specific registration document and a specific securities note.

The information in the EU growth prospectus shall be presented in a standardized sequence in accordance with the act referred to in paragraph 5 of this Article.

The Commission shall adopt a regulation to specify the reduced content and the standardized format and sequence for the EU Growth prospectus, as well as the reduced content and the standardized format of the specific summary.

Risk Factors

Article 50

The risk factors featured in a prospectus shall be limited to risks which are specific to the issuer and/or to the securities and which are material for taking an informed investment decision, as corroborated by the content of the registration document and the securities note.

When drawing up the prospectus, the issuer, the offeror or the person asking for admission to trading on a regulated market shall assess the materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact.

Each risk factor shall be adequately described, explaining how it affects the issuer or the securities being offered or to be admitted to trading.

The assessment of the materiality of the risk factors provided for in para.2 of this Article may also be disclosed by using a qualitative scale of low, medium or high.

The risk factors shall be presented in a limited number of categories depending on their nature. In each category the most material risk factors shall be mentioned first according to the assessment provided for in para.2 of this Article.

Risk factors shall also include those resulting from the level of subordination of a security and the impact on the expected size or timing of payments to holders of the securities in the event

of bankruptcy, or any other similar procedure, including, revocation of the license of the bank or credit institution or restructuring in accordance with the law governing the restructuring of banks or credit institutions.

Where there is a guarantee attached to the securities, the prospectus shall contain the specific and material risk factors pertaining to the guarantor to the extent that they are relevant to the guarantor's ability to fulfil its commitment under the guarantee.

The Commission shall adopt a regulation to specify criteria for the assessment of the specificity and materiality of risk factors and for the presentation of risk factors across categories depending on their nature.

Final Offer Price and Amount of Securities

Article 51

Where the final offer price and/or amount of securities to be offered to the public, whether expressed in number of securities or as an aggregate nominal amount, cannot be included in the prospectus:

1) the acceptances of the purchase or subscription of securities may be withdrawn for not less than two working days after the final offer price and/or amount of securities to be offered to the public has been filed; or

2) the following shall be disclosed in the prospectus:

(1) the maximum price and/or the maximum amount of securities, as far as they are available; or

(2) the valuation methods and criteria, and/or conditions, in accordance with which the final price is to be determined and an explanation of any valuation methods used.

The final price and amount of securities shall be filed with the Commission and made available to the public in accordance with paragraph 3 of Article 55 of this Law.

Omission of Information

Article 52

At the request of the issuer or offeror, the Commission may authorize the omission from the prospectus, or constituent parts thereof, of certain information to be included based on this Law or the regulations of the Commissions where it considers that any of the following conditions is met:

1) disclosure of such information would be contrary to the public interest;

2) disclosure of such information would be seriously detrimental to the issuer or to the guarantor, if any, provided that the omission of such information would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer or guarantor, if any, and of the rights attached to the securities to which the prospectus relates;

3) such information is of minor importance in relation to a specific offer or admission to trading on a regulated market and would not influence the assessment of the financial position and prospects of the issuer or guarantor, if any.

Subject to adequate information being provided to investors, where, exceptionally, certain information required to be included in a prospectus, or constituent parts thereof, is inappropriate to the sphere of activity, or to the legal form of the issuer or of the guarantor, if any, or to the securities to which the prospectus relates, the prospectus, or constituent parts thereof, shall contain information equivalent to the required information, unless no such information exists.

Where securities are guaranteed by the Republic, an issuer, an offeror or a person asking for admission to trading on a regulated market, when drawing up a prospectus, shall be entitled to omit information pertaining to the Republic.

The Commission shall issue a decision on the application referred to in paragraph 1 hereof within 7 working days from the day of receiving a submitted application.

The Commission may issue regulations regarding the criteria, the method of submitting documentation and determining whether the conditions have been met concerning the omission of prospectus information.

Incorporation by Reference

Article 53

Information may be incorporated by reference in a prospectus where it has been previously or simultaneously published electronically, and where it is contained in one of the following documents:

1) documents which have been approved by the Commission, or filed with it, in accordance with this Law;

2) documents referred to in points 6) - 9), paragraph 3, and points 5)–8), paragraph 4 and point 10) subpoint (3) of Article 36 of this Law;

3) regulated information;

4) annual and interim financial information;

5) audit reports and financial statements;

6) management reports compiled in accordance with the law governing accounting;

7) corporate governance statements compiled in accordance with the law governing accounting;

8) reports on the determination of the value of an asset or a company;

9) remuneration reports;

10) annual reports or any disclosure of information required under the law governing alternative investment fund management companies;

11) memorandum and articles of association;

12) documents referred to in the Commission regulation referred to in paragraph 7 of this Article.

Information referred to in para.1 of this Article shall be the most recent available to the issuer.

Where only certain parts of a document are incorporated by reference, a statement shall be included in the prospectus that the non-incorporated parts are either not relevant for the investor or covered elsewhere in the prospectus.

When incorporating information by reference, issuers, offerors or persons asking for admission to trading on a regulated market shall ensure accessibility of the information.

In particular, a cross-reference list shall be provided in the prospectus in order to enable investors to identify easily specific items of information, and the hyperlinks to all documents containing information which is incorporated by reference.

Where possible alongside the first draft of the prospectus submitted to the Commission, and in any case during the prospectus review process, the issuer, the offeror or the person asking for admission to trading on a regulated market shall submit in searchable electronic format any information which is incorporated by reference into the prospectus, unless such information has already been approved by or filed with the Commission.

The Commission may adopt a regulation to update the list of documents set out in paragraph 1 of this Article by including additional types of documents to be filed with or approved by the Commission.

Approval of the Prospectus

Article 54

A prospectus shall not be published unless the Commission has approved it, or all of its constituent parts.

An issuer or offeror or a person asking for admission to trading on a regulated market may submit to the Commission the application for approval of the prospectus.

The application referred to in paragraph 2 of this Article shall contain the following documents:

1) Decision of the issuer on issuing securities and/or admission to trading, including any additional information required to be filed with the regulated market on which the securities are proposed to be admitted to trading;

2) Copies of the prospectus which may consist of one of more documents and the summary;

3) The Articles of Association and the Memorandum of Association of the issuer;

4) Approval from the competent body, should the Law or other law prescribe that the issuance of securities shall be allowed only with the previous approval of that body.

5) Document containing evidence that the conditions for admission to trading have been met, following the approval of the prospectus for admission of securities to trading on a regulated market;

6) Other documentation required by the Commission.

The Commission shall pass decision, notify the issuer, the offeror or the person asking for admission to trading on a regulated market of its decision regarding the approval of the prospectus within ten working days of the submission of the draft prospectus.

Where the Commission fails to take a decision on the prospectus within the time limits laid down in provisions of this Article, such failure shall not be deemed to constitute approval of the application.

The time limit set out in paragraph 4 of this Article shall be extended to 20 working days where the offer to the public involves securities issued by an issuer that does not have any securities admitted to trading on a regulated market and that has not previously offered securities to the public.

The time limit of 20 working days referred to in para.6 of this Article shall only be applicable for the initial submission of the draft prospectus.

Where subsequent submissions are necessary in accordance with paragraph 9 of this Article, the time limit set out in the paragraph 4 of this Article shall apply.

Where the Commission finds that the draft prospectus does not meet the standards of completeness, comprehensibility and consistency necessary for its approval and/or that changes, or supplementary information are needed:

1) it shall inform the issuer, the offeror or the person asking for admission to trading on a regulated market of that fact promptly and at the latest within the time limits set out in paragraph 4 of this Article or, as applicable, paragraph 6, as calculated from the submission of the application for approval of the prospectus; and

2) it shall clearly specify the changes or supplementary information that are needed.

In such cases referred to in para.9 of this Article, the time limit shall begin to run from the day when the proper documentation is submitted to the Commission.

Where the issuer, the offeror or the person asking for admission to trading on a regulated market fails to act upon the order of the Commission for supplementing the documentation pursuant to para.9 of this Article, the Commission shall act in accordance with point 1) of Article 59 of this Law.

The time limits set out in paragraphs 4 and 6 of this Article shall be reduced to five working days for a prospectus consisting of separate documents drawn up by frequent issuers referred to in paragraph 20, Article 43 of this Law.

The frequent issuer shall inform the Commission at least five working days before the date envisaged for the submission of an application for approval.

A frequent issuer shall submit an application to the Commission containing the necessary amendments to the universal registration document, the securities note, and the summary submitted for approval.

The Commission shall provide on its website, guidance on the prospectus approval process in order to facilitate efficient and timely approval of prospectuses.

The guidance referred to in para.15 of this Article shall include contact details for the purposes of prospectus approval.

The issuer, the offeror, the person asking for admission to trading on a regulated market or the person responsible for drawing up the prospectus shall have the possibility to directly communicate and interact with the staff of the Commission throughout the process of approval of the prospectus.

The Commission shall adopt a regulation to specify:

1) the content and format of the application referred to in paragraph 2 of this Article;

2) the criteria for the scrutiny of prospectuses, in particular the completeness, comprehensibility and consistency of the information contained therein, and the procedures for the approval of the prospectus.

Publication of the Prospectus

Article 55

Once approved, the prospectus shall be made available to the public by the issuer, the offeror or the person asking for admission to trading on a regulated market at a reasonable time in advance of, and at the latest at the beginning of the offer to the public or the admission to trading of the securities involved.

In the case of an initial offer to the public of a class of shares that is admitted to trading on a regulated market for the first time, the prospectus shall be made available to the public at least six working days before the end of the offer.

The prospectus, whether a single document or consisting of separate documents, shall be deemed available to the public when published in electronic form on any of the following websites:

1) the website of the issuer, the offeror or the person asking for admission to trading on a regulated market;

2) the website of the financial intermediaries placing or selling the securities, including paying agents;

3) the website of the regulated market where the admission to trading is sought, or where no admission to trading on a regulated market is sought, the website of the operator of the MTF.

The prospectus shall be published on a dedicated section of the website which is easily accessible when entering the website.

The prospectus shall be compiled in such a way to ensure it is downloadable, printable and in searchable electronic format that cannot be modified.

The documents containing information incorporated by reference in the prospectus, the supplements and/or final terms related to the prospectus and a separate copy of the summary shall be accessible under the same section alongside the prospectus, including by way of hyperlinks where necessary.

The separate copy of the summary shall clearly indicate the prospectus to which it relates.

Access to the prospectus shall not be subject to the completion of a registration process, the acceptance of a disclaimer limiting legal liability or the payment of a fee.

Warnings specifying the jurisdiction(s) in which an offer or an admission to trading is being made shall not be considered to be disclaimers limiting legal liability referred to in para.8 of this Article.

The Commission shall publish on its website all the prospectuses approved or the list of prospectuses approved, including a hyperlink to the dedicated website sections referred to in paragraph 4 of this Article.

The published list referred to in para.10 of this Article, including the hyperlinks, shall be kept up-to-date and each item shall remain on the website at least for the period referred to in paragraph 12 of this Article.

All prospectuses approved shall remain publicly available in electronic form for at least ten years after their publication on the websites referred to in paragraph 3 of this Article.

Where hyperlinks are used for information incorporated by reference in the prospectus, and the supplements and/or final terms related to the prospectus, such hyperlinks shall be functional for the period referred to in paragraph 12 of this Article.

An approved prospectus shall contain a prominent warning stating when the validity of the prospectus will expire.

The warning referred to in para.14 of this Article shall also state that the obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

In the case of a prospectus comprising several documents and/or incorporating information by reference, the documents and information that constitute the prospectus may be published and distributed separately provided that those documents are made available to the public in accordance with paragraph 3 of this Article.

Where a prospectus consists of separate documents in accordance with Article 44 of this Law, each of those constituent documents, except for documents incorporated by reference, shall indicate that it is only one part of the prospectus and where the other constituent documents may be obtained.

The text and the format of the prospectus, and any supplement to the prospectus made available to the public, shall at all times be identical to the original version approved by the Commission.

A copy of the prospectus on a durable medium shall be delivered to any potential investor, upon request and free of charge, by the issuer, the offeror, the person asking for admission to trading on a regulated market or the financial intermediaries placing or selling the securities.

In the event that a potential investor makes a specific demand for a paper copy, the issuer, the offeror, the person asking for admission to trading on a regulated market or a financial intermediary placing or selling the securities shall deliver a printed version of the prospectus.

Delivery shall be limited to jurisdictions in which the offer of securities to the public is made or where the admission to trading on a regulated market is taking place under this Law.

The Commission is competent to regulate further the requirements relating to the publication of the prospectus.

Advertisements

Article 56

Any advertisements relating either to an offer to the public or to an admission to trading on a regulated market shall comply with provisions laid down in this Article.

The provisions of paragraphs 3 - 6 and point 2) of paragraph 7 of this Article shall apply only to cases where the issuer, the offeror or the person asking for admission to trading on a regulated market is subject to the obligation to draw up a prospectus.

Advertisements shall state that a prospectus has been or will be published and indicate where investors can obtain it.

Advertisements shall be clearly recognizable as such.

The information contained in an advertisement shall not be inaccurate, or misleading and shall be consistent with the information contained in the prospectus, where already published, or with the information required to be in the prospectus if the prospectus is yet to be published.

All information disclosed in an oral or written form concerning the offer of securities to the public or the admission to trading on a regulated market, even where not for advertising purposes, shall be consistent with the information contained in the prospectus.

In the event that material information is disclosed by an issuer or an offeror and addressed to one or more selected investors in oral or written form, such information shall, as applicable, either:

1) be disclosed to all other investors to whom the offer is addressed, in the event that a prospectus is not required to be published in accordance with paragraphs 3 or 4 of Article 36 of this Law; or

2) be included in the prospectus or in a supplement to the prospectus in accordance with Article 57 of this Law, in the event that a prospectus is required to be published.

The Commission shall have the power to exercise control over the compliance of advertising relating either to an offer to the public of securities or to an admission to trading on a regulated market.

Scrutiny of the advertisements by the Commission shall not constitute a precondition for the offer of securities to the public or the admission to trading to a regulated market.

The Commission shall further regulate advertisements in relation to an offer to the public of securities and/or an admission to trading on a regulated market.

Supplements to the Prospectus

Article 57

Every significant new factor, material mistake or inaccuracy has arisen relating to the information included in a prospectus which may affect the assessment of securities, and which

arises or is noted between the time when the prospectus is approved and the closing of the offer period the time when trading on a securities market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay.

Such a supplement shall be approved in the same way as a prospectus in a maximum of five working days and published in accordance with at least the same arrangements as were applied when the original prospectus was published in accordance with Article 55 of this Law.

The summary shall also be supplemented, where necessary, to take into account the new information included in the supplement.

Where the prospectus relates to an offer of securities to the public, investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances, provided that new factor, material mistake or material inaccuracy referred to in paragraph 1 of this Article arose or was noted before the closing of the offer period or the delivery of the securities, whichever occurs first.

The period referred to in para.4 of this Article may be extended by the issuer or the offeror.

The final date within which investors have the right to cancel the purchase or subscription of securities (the right of withdrawal) shall be stated in the supplement.

The supplement shall contain a prominent statement concerning the right of withdrawal, which clearly states:

1) that a right of withdrawal is only granted to those investors who had already agreed to purchase or subscribe for the securities before the supplement was published and where the securities had not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted;

2) the period in which investors can exercise their right of withdrawal; and

3) whom investors may contact should they wish to exercise the right of withdrawal.

Where the securities are purchased or subscribed through a financial intermediary, that financial intermediary shall inform investors of the possibility of a supplement being published, where and when it would be published, and that the financial intermediary would assist them in exercising their right to withdraw acceptances in such case.

The financial intermediary shall contact investors on the day when the supplement is published.

Where the securities are purchased or subscribed directly from the issuer, that issuer shall inform investors of the possibility of a supplement being published and where and when it would be published and that in such case, they could have a right to withdraw the acceptance.

Where the issuer prepares a supplement concerning information in the base prospectus that relates to only one or several individual issues, the right of investors to withdraw their acceptances shall only apply to the relevant issue(s) and not to any other issue of securities under the base prospectus.

In the event that the significant new factor, material mistake or material inaccuracy referred to in paragraph 1 of this Article concerns only the information contained in a registration document

or a universal registration document and that registration document or universal registration document is simultaneously used as a constituent part of several prospectuses, only one supplement shall be drawn up and approved.

In the case referred to in para.12 of this Article, the supplement shall mention all the prospectuses to which it relates.

When scrutinizing a supplement, the Commission may request that the supplement contains a consolidated version of the supplemented prospectus, registration document or universal registration document in an annex, where such consolidated version is necessary to ensure comprehensibility of the information given in the prospectus.

Such a request referred to in para 14 of this Article shall be deemed to be a request for supplementary information under paragraph 9 of Article 54 of this Law.

An issuer may in any event voluntarily include a consolidated version of the supplemented prospectus, registration document or universal registration document in an annex to the supplement

The Commission adopt a regulation to specify situations where a significant new factor, material mistake or material inaccuracy relating to the information included in the prospectus requires a supplement to the prospectus to be published.

Refusing Application for Approval of Prospectus

Article 58

The Commission shall adopt a conclusion refusing publication of a prospectus based upon one or more of the following grounds:

1) The application was filed by an unauthorized person;

2) The application is incomplete for other reasons and was not supplemented within the required time limits by the applicant;

3) The required consent of a competent authority referred to in Article 54, paragraph 3, point 4) of this Law has not been obtained;

4) The confirmation that the market operator is ready to admit the securities to trading on a regulated market is not obtained, if the application has been submitted for this purpose

5) The fees required by the Commission rules on fees have not been paid;

6) Other criteria for the management of the procedure have not been satisfied.

Denying Application for Approval of Prospectus

Article 59

The Commission shall adopt a decision denying publication of a prospectus based upon one of the following grounds:

1) the prospectus or any of the information filed with the application does not conform to the requirements of the present Law or Commission regulations, and the applicant has failed to supplement it within the required time limits;

2) the prospectus contains materially false, inaccurate or misleading information or omits material facts that are necessary to make the information included not misleading and the applicant has failed to supplement it within the required time limits;

3) the applicant is an issuer to which the Commission has issued a supervisory measure for a breach of the provisions of Chapter V hereof, and the issuer has not acted in compliance with the measure;

4) the information in the prospectus is not in compliance with the issuer's decision regarding the issuance of the securities or their admission to trading, or it does not reconcile with other information required to be submitted as part of the application;

5) when the prospectus relates to the public offering of securities, and the decision of the issuer's competent body for the issuance of securities is null and void or repealed;

6) the issuer is undergoing bankruptcy proceedings or compulsory liquidation.

Subscription and Payment Procedures

Article 60

A public offering of securities shall not commence prior to the publication of a prospectus.

The public invitation, as an integral part of the prospectus, shall contain:

1) The date of commencement of the subscription and payment and the deadline for the subscription and payment for the securities;

2) The information on the location where the subscription and payment can be performed, or where the prospectus for issuing securities can be inspected or where a copy of such prospectus can be obtained.

The deadline for the start of the subscription and payment for securities shall commence no later than within 15 working days of the day of the receipt of the decision on the approval of prospectus for publication.

The deadline for subscription and payment of securities shall not exceed three months following the day indicated in the prospectus.

If it is disclosed in the prospectus, the Commission shall, upon the issuer's or offeror's request, extend the deadline for subscription and payment of securities for additional 45 days.

Provisions of this Article shall not apply to offerings on debt securities made on the grounds of a base prospectus.

Location of Subscription to and Payment of Securities

Article 61

Subscription of securities shall be performed in an investment firm or credit institution, licensed to perform activities (authorized) in accordance with this Law, on the basis of the written contract concluded between the issuer, or the offeror and such investment firm or credit institution.

The payment of securities shall be performed in cash in a credit institution, on the basis of the written contract concluded between such credit institution and the issuer or the offeror.

The subscription and the receipt of payment shall not be performed by an investment firm or credit institution that is the issuer of the securities or the offeror of securities subject to the subscription or payment.

The subscription of securities may be performed through a regulated market or MTF in accordance with the Commission's regulation.

The Commission shall further regulate the procedure for the subscription and payment of securities of the issuer.

Report on the Results of the Public Offer

Article 62

The issuer or the offeror shall publish and file with the Commission, not later than three working days following the completion of a public offering a report on the outcome of the public offering.

The report shall include information on the amount of securities purchased and offering proceeds received and whether the public offer has been successful or not.

The report shall be published in the same manner as the prospectus was published pursuant to Article 55 of this Law.

The Commission shall prescribe the form and content of information required in the report referred to in paragraph 1 of this Article.

Entry and Transfer of Securities by the Central Securities Depository (CSD)

Article 63

Pursuant to the CSD rules, the issuer or the offeror shall submit to the CSD, the required documents and a request for the entry into the CSD of information regarding the persons who:

1) have purchased the securities – within five working days of the completion of a public offering;

2) have purchased or have been allotted the securities in accordance with provisions of Article 36 of this Law – within five working days following the completion of the time period for subscription and payment or the allotment.

The CSD shall have two working days from the satisfactory receipt of the request to perform the entries and transfers of securities to the accounts of financial instruments of lawful holders in the CSD.

Upon completion of the procedures specified in paragraph 2 of this Article, the CSD shall promptly inform the Commission thereof, whereas the regulated market or MTF shall be also informed if such securities are to be admitted to trading.

This Article shall not apply to securities offered to the public in the Republic by foreign issuers under Article 67 or point 10), paragraph 3 of Article 36 of this Law where they are not admitted to trading on a regulated market in the Republic.

Admission of Securities to Trading on a Regulated Market

Article 64

Within three days following the receipt of the information from the CSD regarding the completion of the procedures specified in Article 63, paragraph 1 of this Law, if the securities are required to be admitted to trading on a regulated market, the issuer shall submit a request for admittance to trading to the securities market operator.

Immediately following the admission to trading of a class of securities or additional securities in a class of securities, the market operator shall publish a notice to this effect on its website and send a copy of such notice by electronic means to the Commission, the CSD and the issuer.

Procedures Regarding Offering and Admission Exempted from the Prospectus Publication Requirement

Article 65

Where public offering and/or admission of securities to trading on a regulated market do not require publication of a prospectus under Article 36, para.3 and 4 of this Law, an issuer, an offeror or a person asking for admission to trading on a regulated market shall submit a notification to the Commission on the use of the exemption from the obligation to publish a prospectus.

In the cases provided for in Article 36, paragraph 3 of this Law, the notification referred to in paragraph 1 of this Article shall be delivered immediately after passing decision of the competent authority of the issuer or the offeror pertinent to the issuing, allotment or offering of securities and no later than three working days before the offer, allotment or subscription of securities is initiated.

In the cases provided for in Article 36, paragraph 4 of this Law, the notification referred to in para.1 of this Article shall be delivered immediately after passing decision of the competent authority of the issuer or the offeror pertinent to the issuance, allotment or offering of securities and no later than three working days before asking for admission to trading on a regulated market.

In advance of the offering or allotment of securities, an issuer or an offeror offering securities in reliance upon exemptions provided for under provisions of Article 36, para 3 of this

Law, shall make the information available to investors in relation to the offering and securities offered, whereas:

1) such information need not be provided in the format required for a prospectus;

2) such information shall not be required to be filed with or approved by the Commission.

The Commission shall prescribe the content of the notification on the use of the exception to the prospectus publication requirement, as well as the documentation that is submitted with the notification.

Offer of Securities to the Public or Admission to Trading on a Regulated Market Made under a Prospectus Drawn Up in Accordance with this Law

Article 66

Where a foreign country issuer intends to offer securities to the public in the Republic or to seek admission to trading of securities on a regulated market in the Republic, under a prospectus drawn up in accordance with this Law, it shall obtain approval of its prospectus from the Commission, in accordance with Article 54 of this Law.

Once a prospectus is approved in accordance with para.1 of this Article, it shall entail all the rights and obligations provided for in the prospectus under this Law and the prospectus and the foreign third country issuer shall be subject to all of the provisions of this Law as well as the supervision conducted by the Commission.

Offer of Securities to the Public or Admission to Trading on a Regulated Market Made under a Prospectus Drawn Up in Accordance with the Laws of a Third Foreign Country

Article 67

The Commission may approve a prospectus of a foreign third country issuer for an offer of securities to the public or for admission to trading on a regulated market in the Republic, drawn up in accordance with, and which is subject to, the national laws of the foreign country issuer, provided that:

1) the information requirements imposed by those foreign third country laws are equivalent to the requirements under this Law; and

2) the Commission has concluded cooperation arrangements with the relevant supervisory authorities of the foreign country issuer in accordance with Article 68 of this Law.

The Commission may adopt a regulation to specify the procedure and criteria for establishing equivalence referred to in point 1) of paragraph 1 of this Article.

Cooperation with Foreign Countries

Article 68

For the purpose of Article 67 of this Law and, where deemed necessary, for the purpose of Article 66 of this Law, the Commission shall conclude cooperation arrangements with supervisory authorities of foreign countries concerning the exchange of information and the enforcement of obligations arising under this Law, unless that foreign country is on the list of jurisdictions which have strategic deficiencies in their national anti-money laundering and countering the financing of terrorism regimes published in accordance with the law regulating anti-money laundering and countering the financing of terrorism regimes.

The cooperation arrangements referred to in para.1 of this Article shall ensure, *inter alia*, efficient exchange of information that allows the competent authorities to carry out their duties under this Law.

The Commission shall conclude cooperation arrangements on exchange of information with the supervisory authorities of foreign countries only where the information disclosed is subject to guarantees of professional secrecy which are at least equivalent to those set out in Article 346 of this Law.

The exchange of information referred to in para 3 of this Article shall be intended for the performance of the tasks of the Commission.

Supervisory Powers of the Commission

Article 69

The Commission shall exercise supervision over the compliance with all the obligations under this Chapter relating to the public offering of securities and/or to admission to trading on a regulated market.

In exercising supervision the Commission shall have the right to:

1) Require issuers, offerors or persons asking for admission to trading on a regulated market to include supplementary information in the prospectus, if necessary for investor protection;

2) Require issuers, offerors or persons asking for admission to trading on a regulated market, and the persons that control them or are controlled by them, to provide information and documents of importance for the enforcement of the provisions under this Chapter;

3) Require auditors and management of the issuer, offerors or persons asking for admission to trading on a regulated market and their agents who will implement the public offering procedure or submit an application for admission of securities to a regulated market to provide information and notifications of importance for the enforcement of the provisions under this Chapter;

4) Suspend an offer of securities to the public or admission to trading on a regulated market for a maximum of ten working days where there are reasonable grounds for suspecting that provisions of this Chapter have been infringed;

5) Prohibit or suspend advertisements or require issuers, offerors or persons asking for admission to trading on a regulated market to prohibit or suspend advertisements for a maximum of ten working days, if it has reasonable grounds for believing that the provisions of this Chapter have been infringed;

6) Prohibit an offer of securities to the public or admission to trading on a regulated market where it finds that the provisions of this Chapter or have been infringed or where there are reasonable grounds for suspecting that they would be infringed;

7) Suspend trading on a regulated market, an MTF or an OTC for a maximum of ten working days, if it has reasonable grounds for believing that the provisions of this Chapter have been infringed;

8) Suspend trading on a regulated market, an MTF or an OTC if it determines that provisions of this Chapter have been infringed;

9) Disclose that an issuer, an offeror or a person asking for admission to trading on a regulated market is failing to comply with its obligations;

10) Suspend the scrutiny of a prospectus submitted for approval or suspend or restrict an offer of securities to the public or admission to trading on a regulated market where the Commission has undertaken measures pursuant to provisions of this Law in order to prohibit or limit, until such prohibition or limitation is in force;

11) Refuse approval of any prospectus drawn up by a certain issuer, offeror or person asking for admission to trading on a regulated market for a maximum of five years, where that issuer, offeror or person asking for admission to trading on a regulated market has repeatedly and severely infringed the provisions of this Chapter;

12) Publish or require the issuer to publish all relevant information that may affect the assessment of publicly offered securities or securities admitted to trading on a regulated market in order to ensure investor protection or the smooth functioning of the market;

13) Suspend or require the relevant regulated markets, MTFs or OTFs to suspend trading in securities where it considers that the issuer situation is such that the trading would be detrimental to investors' interests;

14) Carry out on-site inspections or investigations at sites other than at the private residence of natural persons, enter the premises and have access to documents and other data in any form, where a reasonable suspicion exists that documents or data relating to the subject matter of the inspection or supervision may be relevant to prove a case of violation of provisions of this Chapter.

The Commission shall exercise the supervision referred to in para 1 of this Article:

1) directly;

2) in cooperation with other authorities;

3) by filing an application to relevant judicial authorities.

V REPORTING OBLIGATIONS

Subject Matter

Article 70

The provisions of this Chapter regulate the obligations of publishing regular and occasional information regarding issuers whose securities are admitted to trading on the regulated market in the Republic.

The provisions of this Chapter shall not apply to shares issued by collective investment undertakings that are not closed-ended collective investment undertakings, nor to shares acquired or disposed of by those entities.

Any reference to legal entities, within the meaning of the provisions of this Chapter, includes registered business associations that do not have the status of a legal entity and funds.

1. REGULAR REPORTING

Annual Report

Article 71

The issuer shall compile annual report, publish it and submit it to the Commission and the regulated market or MTF, on which securities are admitted, no later than April 30 of the current year for the previous year.

The issuer shall ensure that the annual report referred to in paragraph 1 of this Article is available to the public for at least ten years from the date of publication.

The annual report shall contain:

1) annual financial statements including auditor's report;

2) management report on the company's operations;

3) statement by the persons responsible for compiling the annual report, stating their names, positions and duties in the issuer, that, to the best of their knowledge, the annual report has been prepared in accordance with applicable accounting standards and provides a true and fair view of assets, liabilities, financial position, profits and losses, income and expenses of the issuer, including all companies included in the group with which it forms an economic entity and that the management report of the issuer provides a fair insight into the development and course of its business, and its position and the position of its companies in the group with which it forms an economic entity, together with a description of the main risks and uncertainties to which they are exposed.

If the issuer, in accordance with the law governing accounting, is obliged to prepare a consolidated financial statement, the audited financial statement referred to in paragraph 3, point 1) of this Article shall include the consolidated financial statement and an annual financial report prepared in accordance with the law governing accounting.

If the issuer is not obliged to compile a consolidated financial statement, the audited financial statement referred to in paragraph 3, point 1) of this Article shall be prepared in accordance with the law governing accounting.

Audits of financial statements shall be performed in accordance with the law governing the audit, and the audit report signed by the person responsible for the audit of financial statements shall be published in full together with the annual report.

The management report on the company's operations within the meaning of this Chapter shall be considered to be the annual report on the operations of the company, which is compiled in accordance with the law governing accounting.

In addition to the requirements set in the regulation governing accounting, the management report on the company's operations shall contain all significant transactions with related parties.

In addition to the data referred to in paragraph 8 of this Article, the report on the company's operations shall also contain the following data on:

1) capital structure, including securities that are not admitted to trading on a regulated market or an MTF, with data on types and classes of securities and rights and obligations arising from each type and class separately as well as the percentage they represent in the total share capital;

2) all restrictions on the transfer of securities;

3) direct or indirect holding in the core capital of the subsidiary;

4) holders of securities with special control rights and the description of such rights;

5) systems for controlling the allocation of shares to employees in cases where the employees cannot directly exercise the right to vote;

6) shareholder agreements which may result in the restriction of the transfer of shares and/or voting rights, which are known to the company;

7) all restrictions on the right to vote;

8) rules related to the appointment and dismissal of the company’s management;

9) the manner of changing the statute (articles of association) of the company;

10) authorizations of the management, and especially authorizations to issue shares or own shares;

11) all significant agreements of the company where changes in the control arising from a takeover bid affects the inception, changes or cessation, well as on the consequences of such agreements;

12) all agreements between the company and the management or employees, which provide compensation in case of dismissal or dismissal without justifiable reasons or termination of the employment contract due to the takeover bid.

The data referred to in paragraph 9, point 11) of this paragraph shall not be published if the nature of those contracts is such that their disclosure would cause significant damage to the company, except when the company is required to publish such information on the basis of other laws.

If the company has acquired its own shares in the period since the previous annual report, the annual report shall state the reasons for acquisition, number and nominal value of own shares, i.e. book value of shares without nominal value, names of persons from whom shares were acquired, amount that the company paid on the basis of that acquisition, i.e. a note that the shares

were acquired without compensation, as well as the total number of own shares that the company holds.

The Commission shall regulate in further detail the contents and the methods used for making the annual reports available to the public.

The Law Applicable to Consolidated Financial Statements

Article 72

Where the issuer is required to prepare a consolidated financial statement in accordance with the EU regulations governing the preparation of consolidated financial statements, the audited financial statement shall contain a consolidated financial statement prepared in accordance with the EU regulations and an annual report of the parent company compiled which is drawn up in accordance with the national law of the Member State in which the parent company is established.

Where the issuer is not required to prepare a consolidated financial statement, the audited financial statement shall include a financial statement prepared in accordance with the national law of the Member State in which the company is incorporated.

Issuers based in the Republic or issuers whose securities are admitted to trading on a regulated market in the Republic, shall compile and publish an annual report on a single electronic form regulated by the EU regulations for all its member states.

Adoption of the Annual Report

Article 73

If annual reports are not adopted by the relevant body of the issuer within the time period specified in Article 71, paragraph 1 of this Law, the issuer shall make the annual report available to public, the Commission and the regulated market where the securities are admitted to trading, within the time period referred to in that Article, with mandatory indication that the annual report was not adopted by the competent body of the company.

In cases referred to in paragraph 1 of this Article, and within seven days following the adoption of the annual report, the issuer shall communicate to the public that the report has been adopted by the relevant company body, and make it available to the public, if different from the previously disclosed annual report.

The issuer shall submit to the Commission and the regulated market to which the securities are admitted, and make available to the public the complete decision of the competent body on the adoption of the annual report, the decision on profit distribution or loss coverage, if these decisions are not an integral part of the annual report.

Half-yearly Reports

Article 74

The issuer of equity or debt securities shall compile a half-yearly report for the first six months of the financial year, as soon as possible, and within three months following the end of the six-month period, according to the rules applicable to the annual reporting, make it public, submit it to the Commission and to the regulated market to which the company's securities are admitted to trading.

The issuer shall ensure that the report referred to in paragraph 1 of this Article is available to the public for at least ten years from the date of publication.

The half-yearly report referred to in paragraph 1 of this Article shall contain:

1) summary set of half-yearly financial reports;

2) half-yearly management report on the company's operations, which shall contain a description of significant events that occurred in the first six months of the financial year , the impact of these events on the half-yearly report, with a description of the most significant risks and uncertainties for the remaining six months of the financial year, data on significant transactions between related parties concluded in the first six months of the current financial year that have materially affected the financial position and operations of the issuer in that period, and any changes in the related party transactions listed in the last annual report that could have a material effect on the financial position or performance of the company in the first six months of the current financial year ;

3) a statement by the persons responsible for compiling the half-yearly report, stating their personal names, jobs and positions in the company, and affirming that, to the best of their knowledge, the half-yearly report has been prepared in accordance with applicable accounting standards and provides a true and fair view of assets and liabilities, profit and losses, income and expenses, financial position of the issuer, including all companies included in the group with which it forms a consolidation, as well as that the half-yearly management report containing an objective overview of information required in accordance with point 2) of this paragraph.

The summary (condensed) financial statements referred to in para.3, point 1) of this Article shall at most contain all the headings and subtotals that were included in the most recent annual report, and additional items may be included only if their omission in the half-yearly report would result in misrepresentation of assets, liabilities, financial position, profit or loss, income or expenses and operations of the issuer.

In compiling the summary half-yearly balance sheet and income statement, the issuer shall apply the same principles of recognition and valuation that apply in compiling annual statements.

When an issuer is required to prepare consolidated annual financial statements, the financial statements prepared in the half-yearly report shall be also prepared on a consolidated basis in accordance with the International Accounting Standards.

If the half-yearly financial report has been audited, the issuer must also make available to the public the audit report in its entirety, in the manner and within the period specified in para.1 and 2 of this Article.

If the half-yearly financial report referred to in para.3 of this Article has not been audited, the half-yearly report shall contain a note that the half-yearly report has not been audited.

The Commission shall regulate in further detail the contents and the methods used for making the half-yearly reports available to the public.

Quarterly Report

Article 75

The issuer whose securities are listed on the regulated market are required to compile their quarterly reports, make them available to the public and submit them to the Commission and the regulated market to which the securities are admitted, within one month following the end of each quarter of the current financial year, and it shall ensure that the report remains available to the public for at least ten years from the date of publication.

The issuer's quarterly report for the second quarter referred to in paragraph 1 of this Article, shall also contain the information for the first six months of the financial year.

The provisions of Article 74, paragraph 3-9 of this Law on summary half-yearly reporting shall apply accordingly to the quarterly reports.

Legal entities that are considered small and medium-sized legal entities in accordance with the law governing accounting, shall not have the obligation of quarterly reporting, nor can this obligation be prescribed for these legal entities.

The provisions of this Article shall not exclude the right of the operator of the regulated market to impose the obligation of quarterly reporting on the issuers, whose securities are listed, by its general acts, as well as to regulate it in more detail.

The Commission shall regulate in further detail the contents and the methods used for making the quarterly reports available to the public.

Reporting on Payments to Governments

Article 76

The issuer engaged in mining, such as exploration, discovery and extraction of minerals, oil, natural gas and other raw materials, or primary forestry, such as cultivation, felling and restoration of forests and forest areas, shall compile and publish a summary report on all payments to the state, autonomous provinces, cities, municipalities and organizations with public authority, once a year and no later than within six months after the end of the financial year.

The issuer referred to in paragraph 1 of this Article shall ensure that the report on payments to governments is available to the public for at least ten years.

The content and manner of compiling the report referred to in paragraph 1 of this Article are prescribed by the law governing accounting.

The Commission shall prescribe the manner of publishing the report referred to in paragraph 1 of this Article.

Audit of Financial Statements of Issuers

Article 77

A legal entity performing audits may perform not more than 5 consecutive audits of annual financial statements of the same issuer.

After the expiration of the maximum allowed period referred to in paragraph 1 of this Article, the legal entity performing the audit may not perform the audit with the same issuer for the next five years.

The auditor referred to in paragraph 1 of this Article may not perform the audit of the company's financial statements and provide consulting services in the same year, nor may he perform the audit for the financial year in which he provided those service.

The person performing the audit must have the highest professional title in the field of audit, in compliance with the law governing the audit, and at least three years of experience in performing audit and must be independent of the issuer it audits.

The person referred to in paragraph 4 of this Article shall not be considered independent of the issuer, if the person, the audit company in which that person is engaged or the manager of that company in the current year and in the previous two financial years, as well as during the audit:

1) has been closely associated with the company;

2) is the business partner of that company;

3) has direct or indirect holding in the company;

4) is the liquidation or bankruptcy administrator of the company;

5) is a contractual party in a contractual relationship with a person that could have an adverse impact on their impartiality and independence.

The auditor referred to in paragraph 1 of this Article shall prepare a report and provide an opinion as to whether the annual financial statements of the issuer have been composed in compliance with the international financial reporting standards, or the international accounting standards, the laws governing accounting and auditing and whether they provide a true and objective overview of the financial position, business performance and cash flows for the year against all issues of material importance.

The auditor referred to in paragraph 1 of this Article shall submit to the Commission and management bodies an opinion on the efficiency of internal audit, the systems of risk management and internal control and to include his conclusions and findings in the mandatory content of the letter to management.

The Commission may also request additional information from the auditor regarding the performed audit.

The auditor referred to in paragraph 1 of this Article shall notify the Commission and management bodies, promptly after becoming aware of any fact which represents:

1) violation of the laws and regulations specified in this Article;

2) materially significant change in the financial result reported in the non-audited annual financial statements;

3) any circumstances that could result in a material loss or that could jeopardize the continuity of business operations of the issuer.

The Commission may regulate in greater detail the conditions and methods for providing notifications referred to in paragraph 9 of this Article.

When irregularities in the operations of the issuer are established in the auditor's report, the issuer shall eliminate those irregularities and inform the Commission thereof.

If the issuer fails to remove the irregularities indicated under paragraph 11 of this Article, the Commission may undertake measures specified in this Law against the issuer.

If the Commission establishes that the audit has not been performed in compliance with provisions of this Law, it shall not accept such audit report and it shall require that another auditor perform the audit again, at the expense of the issuer.

The Commission shall determine and publish the list of legal persons authorized to perform audits referred to in paragraph 1 of this Article, and the eligibility criteria for an auditor to be included on the list or removed from it, as well as what consultancy services such person is not allowed to provide in the year when the audit is conducted.

Exceptions to the Obligation to Publish Annual, Half-Yearly and Quarterly Reports

Article 78

The provisions of Art. 71-75 of this Law, shall not apply to the following issuers:

1) States, their territorial units or local self-government units, international organizations of which at least one Member State is a member, the European Central Bank (ECB), the European Financial Stability Facility (EFFS) established by the EFFS Framework Agreement, another mechanism established to preserve the financial stability of the European Monetary Union through the granting of temporary financial assistance to Member States whose currency is the euro, national central banks, whether or not they issue shares or other securities;

2) issuers that issue exclusively debt securities traded on a regulated market and whose individual nominal value is at least EUR 100,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia or, in the case of debt securities denominated in a currency that is not the euro, whose counter-value of the individual nominal value on the day of issue is at least 100,000 euros (in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia);

3) issuers that issue exclusively debt securities whose individual nominal value is at least EUR 50,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, or in the case of debt securities denominated in a currency other than the euro, whose equivalent individual nominal value on the day of issue is at least 50,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro set by the National Bank of Serbia, which are admitted to trading on the organized market in the EU before December 31, 2010, as long as debt securities are in circulation/until their maturity/during their duration.

Notwithstanding Article 74 of this Law, the issuer shall not be required to publish a half-yearly report in the following cases:

1) credit institutions whose shares are not admitted to trading on the organized market and which continuously or periodically issue debt securities provided that the total nominal amount of those debt securities is less than EUR 100,000,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro set by the National Bank of Serbia and that they have not published a prospectus in accordance with the provisions of this Law;

2) issuers that are already admitted to the regulated market on the day this Law enters into force and that issue exclusively debt securities for which the Republic, or one of its territorial or local bodies, guarantees unconditionally and irrevocably.

Responsibility for Authenticity and Completeness of Information

Article 79

Members of the management boards shall be held responsible for authenticity and completeness of information and disclosure thereof referred to in Articles 71, 74, 75. and 76 of this Law.

2. ONGOIGN INFORMATION

a) Notification of Major Holdings

Data on Major Holdings

Article 80

Where a natural or legal person reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights of the same joint stock company the shares of which are traded on the regulated market or MTF, the person shall notify thereof the issuer, the Commission and the regulated market, on which the shares are admitted to trading.

The obligation specified in paragraph 1 of this Article shall apply also to reaching, exceeding or falling below the stipulated thresholds in the joint stock company, as a result of events independent of the will of the holder, changing the breakdown of voting rights or a change in the

number of votes from such shares, such as an increase or decrease in share capital or the acquisition of own shares, based on a notice of the total number of shares and votes that the issuer is required to publish in accordance with Article 92 of this Law.

The obligation referred to in paragraph 1 of this Article shall apply in the cases referred to in paragraph 2 of this Article and when the issuer is incorporated abroad, if the shares it issued are admitted to trading on a regulated market in the Republic.

The Commission may compile a list of events which, independently from the will of the holder, affect the voting rights of the issuer.

Persons Required to Report on Major Holdings

Article 81

The requirement referred to in Article 80 of this Law shall apply to persons who directly or indirectly hold voting shares of a public company or depositary receipts, in their own name and on their own behalf or in their own name and on behalf of another natural or legal person.

The notification requirements referred to in Article 80 of this Law shall apply to a natural or legal person who holds, directly or indirectly:

1) financial instruments which, on the basis of a formal agreement, upon maturity, give the holder either an unconditional right of acquisition or a discretionary right to acquire already issued voting shares admitted to trading on a regulated market, and/or

2) financial instruments that are not covered by point 1) of this paragraph, and which relate to shares referred to in the same point, provided that they create similar economic consequences, regardless of whether they give the holder the right to monetary or non-monetary settlement from the issuer.

Exemptions from the obligation to disclose major holdings referred to in Article 87, para.1-4 of this Law and Article 88, para.1-3 of this Law shall accordingly apply to the reporting requirement under this Article.

Designation of Financial Instruments Related to the Notification on Major Holdings

Article 82

Financial instruments referred to in Article 81, para.2 of this Law are:

1) transferable securities;

2) options;

3) futures;

4) swaps;

5) forwards;

6) contracts for difference; and

7) any other contract with similar economic consequences that may be settled physically or in cash.

The notification requirement referred to in Article 80, paragraph 1 of this Law shall apply to financial instruments referred to in paragraph 1 of this Article provided that they meet the conditions referred to in Article 81, paragraph 2 of this Law.

Calculating the Number of Votes in Connection with the Notification on Major Holdings

Article 83

Percentage of voting rights belonging to a person referred to in Article 80, para.1 of this Law is calculated on the basis of the total number of issued voting shares, including the issuer's own shares, as well as shares in which the exercise of voting rights is prohibited or limited by the law or legal transactions.

If the company has issued several types and classes of shares, the percentage of voting rights referred to in paragraph 1 of this Article shall be calculated in relation to the total number of all shares with voting rights of the same type and class.

The Commission shall, by its acts, regulate in more detail the methods of calculating the number of votes held by one person on the basis of its shares and related financial instruments referred to in Article 81, paragraph 2 of this Law.

Aggregation

Article 84

The obligation to notify of major holdings referred to in Articles 80, 81 and 85 of this Law also refers to a natural and legal person when the number of voting rights that that person possesses, directly or indirectly, in accordance with Art. 81 and 85 of this Law, together with the number of voting rights related to financial instruments it holds in accordance with Article 81, paragraph 2 of this Law, reaches, exceeds or falls below the thresholds prescribed in Article 80, paragraph 1 of this Law.

The notification in accordance with paragraph 1 of this Article shall separately show the number of votes of the reporting entity in the issuer on the basis of shares held under Article 80, Article 81, paragraphs 1 and Article 85 of this Law from the number of votes held on the basis of related financial instruments in accordance with Article 81, paragraph 2 and Article 82 of this Law.

The person who gave the notification in accordance with Article 81, paragraph 2 of this Law, must give the notification again when he acquires the shares to which the financial instrument refers to, if his number of votes in the same issuer reaches or exceeds one of the prescribed thresholds for the reporting requirement.

Extended Requirement to Notify on Major Holdings

Article 85

The obligation referred to in Article 80 of this Law shall also apply to a natural and legal person who acquires, disposes of or exercises the right to vote in one of the following cases or in their combination:

1) when it has concluded a contract with another person which obliges the contracting parties (formal agreement) to adopt a long-term common management policy pertinent to the issuer, by jointly exercising the voting rights they possess;

2) when he temporarily transfers his right to vote to another person or temporarily transfers right to vote against compensation on the basis of contracts concluded;

3) when another person has entrusted him with shares with the right to vote as a means of collateral, provided the person controls the voting rights on the basis of entrusted shares and declares its intention of exercising them;

4) when he has the right to usufruct (life interest) on other people's voting shares owned by another natural or legal person;

5) when his controlled company has or can exercise the voting right in the cases referred to in points 1)-4) of this paragraph;

6) when he can independently exercise the right to vote on the basis of voting shares that another person has entrusted to him for safekeeping, but has not given him special instructions on the manner of voting;

7) when he holds shares in his own name, and for someone else's account;

8) when he exercises the voting right as a proxy of the shareholder in the issuer at its discretion in the absence of specific instructions on the voting.

In the cases referred to in paragraph 1 of this Article the holding of the reporting entity shall be aggregated with the holdings of other parties in the total voting rights in the issuer, in order to calculate their common holding and the requirement to notify on major holdings, although the individual holding of each party does not exceed the prescribed thresholds referred to in Article 80, para.1 of this Law.

Exemption Applied to Members of the European System of Central Banks

Article 86

Obligation to notify on the major holdings as referred to in Articles 80 and 85 of this Law, shall not apply to the members of the European System of Central Banks when they perform their monetary functions, including those factions based on shares they put or received in pledge or based on repurchase or other agreements concluded to achieve liquidity in monetary policy or smooth operations of the payment system.

The exception referred to in paragraph 1 of this Article shall apply only to short-term transactions, provided that the right to vote on the basis of shares is not exercised.

Exceptions from the Requirement to Disclose Mayor Holdings

Article 87

Provisions of Articles 80 and 85 of this Law shall not apply to:

1) voting shares acquired solely for clearing and settlement purposes within the usual settlement cycle;

2) voting rights which custody banks can only exercise under instructions given by their clients in writing or by electronic means;

3) the acquisition or disposal of a major holding reaching or crossing the 5% threshold by a market maker, provided that it neither intervenes in the management of the issuer concerned nor exerts any influence on the issuer to buy such shares or back the share price;

4) the investment firm and the bank, or the credit institution, if the right to vote on the basis of shares entered in the trading book does not exceed 5% of the share in the total number of votes of the issuer, provided that the shares in question are not used for the purpose of exercising voting rights or in any other way for the purpose of influencing the management of the issuer;

5) a person who acquires shares for the purpose of stabilizing the market of financial instruments in accordance with the regulations, provided that the person does not exercise the right to vote on the basis of those shares, or otherwise uses them to influence the management of the company that issued them.

The usual settlement cycle referred to in paragraph 1, point 1) of this Article is three trading days from the day of the transaction.

Trading days, for the purpose of this chapter, shall be the days when trading takes place on a regulated market to which shares are admitted.

The subsidiary is not required to notify of major holdings if such notification is made by its parent company and/or the parent company of its parent company.

A market maker who intends to use the exception referred to in paragraph 1, point 3) of this Article shall notify the Commission within four trading days at the latest that he acts or intends to act as a market maker in relation to a certain issuer.

When a market maker ceases to act as a market maker in relation to a particular issuer, he is obliged to inform the Commission within four trading days from the day of cessation of the activity in question.

A market maker who intends to use the exception referred to in paragraph 1, point 3) of this Article shall, at the request of the Commission, submit proof of shares or financial instruments referred to in Article 81, paragraph 2 of this Law that he owns or intends to own for the purpose of acting as a market maker.

In the event that a market maker is unable to identify the shares and/or financial instruments in its possession, the Commission may require that those shares and/or financial instruments be held in a separate account for the purpose of necessary identification.

At the request of the Commission, a market maker shall submit the contract concluded with the stock exchange (market operator) if such a contract has been concluded.

Exception from the Aggregation Requirement

Article 88

Exceptionally from Articles 80 and 85 of this Law, the parent company of the management company shall not be required to aggregate its holdings with the holdings managed by the investment fund management company, provided that the management company exercises voting rights independently from the parent company.

Exceptionally from Articles 80 and 85 of this Law, the parent company of an investment firm shall not be required to aggregate its holdings with the holdings managed by its investment firm on the basis of a contract on the provision of portfolio management services concluded with clients, provided that:

1) the investment firm is licensed by the Commission to provide portfolio management services in accordance with the provision of Article 2, paragraph 1, point 2) subpoint (4) of this Law;

2) it may only exercise the voting rights attaching to such shares under instructions given by clients in writing or by electronic means, and/or if it ensures that client/individual portfolio management services are provided independently of any other services, and in accordance with prescribed procedures;

3) the investment firm exercises voting rights independently from the parent company.

Exceptionally from para.1 and 2 of this Article, the provisions of Articles 80 and 85 of this Law shall apply where the parent company or other subsidiary (controlled company) of the parent company has invested in holdings managed by the management company, and the management company may exercise the right to vote from those shares only according to direct or indirect instructions from the parent company or other subsidiary (controlled company) of the parent company.

Exceptionally from para.1 and 2 of this Article, the provisions of Articles 80 and 85 of this Law shall apply when the parent company or other subsidiary (controlled company) of the parent company has invested in holdings managed by the investment firm, which may exercise the voting rights attached to such holdings only according to direct or indirect instructions from the parent company or another subsidiary (controlled company).

The parent company of the management company, and/or the parent company of the investment firm, may use the exception referred to in paragraph 1 of this Article, and/or paragraph 2 of this Article if it meets the following conditions:

1) the parent company may not interfere in the exercise of voting rights held by the management company or the investment firm, by giving direct or indirect instructions or in any other way;

2) the management company, and/or the investment firm, shall exercise the voting right arising from the property it manages independently and autonomously from the parent company.

Indirect instructions in terms of paragraph 5, point 1) of this Article mean any instruction given by the parent company or other subsidiary (controlled company) of the parent company, stating how the management company or investment firm will exercise the voting right in certain cases.

Indirect instructions in terms of paragraph 5, point 1) of this Article mean any general or special instruction, regardless of the form, given by the parent company or other subsidiary (controlled company) of the parent company, which restricts the discretion of the management company or investment firm regarding the exercise of voting rights in order to serve the special business interests of the parent company or another subsidiary (controlled company) of the parent company.

A parent company intending to benefit from the exemption referred to in paragraph 1 and/or paragraph 2 of this Article shall promptly submit to the Commission a notification containing:

1) a list of management companies and investment firms, with an indication of the competent authorities supervising them or a statement that they are not supervised by any competent authority, but without specifying the issuers for which the exemption applies to; and

2) a statement that the parent company meets the requirements referred to in paragraph 5 of this Article for each management and investment firm.

The parent company regularly updates the list referred to in paragraph 8, point 1) of this Article.

When the parent company intends to use the exemption only in connection with the financial instruments referred to in Article 82 of this Law, it is obliged to inform the Commission only about the list referred to in paragraph 8, point 1) of this Article.

The parent company of the management company or the parent company of the investment firm which subject to the exception referred to in paragraph 1 and/or paragraph 2 of this Article, shall, at the request of the Commission, prove the following:

1) that the organizational structure of the parent company and the management company or the parent company and the investment firm is such that voting rights are exercised independently from the parent company. The parent company and the management company or investment firm shall establish policies and procedures in writing that are designed to prevent the exchange of information between the parent company and the management company or investment firm regarding the exercise of voting rights;

2) that the persons who decide in which way the right to vote is exercised act independently;

3) that there is a clear written authorization enabling an impartial relationship between the parent company and the management company or investment firm in case the parent company is a client of the management company or investment firm or has a share in assets managed by the management company or investment firm.

The Commission shall prescribe the manner of notification and documentation regarding the application of the exceptions under this Article.

Contents and Manner of Reporting on Major Holdings

Article 89

The notification required under Article 80 of this Law shall include the following information:

1) business name, registered office, and address of the issuer;

2) information about the natural or legal person that reached, exceeded or fell below the threshold specified in Article 80 of this Law;

3) information about the controlled companies through which the person referred to in point 2) of this paragraph effectively holds the voting rights, if applicable;

4) information about the shareholder, if that shareholder is different from the person referred to in points 2) and 3) of this paragraph, and about the person entitled to exercise voting rights on behalf of that shareholder, pursuant to Article 80 or Article 85 of this Law;

5) information about the documents and legal transactions based on which it is determined that a specified threshold is reached, exceeded or fallen below;

6) information about the number of votes in absolute and relative amounts reaching, exceeding or falling below the stipulated threshold, based on the information of the issuer on the total number of voting shares issued;

7) information about the total number of votes in the absolute or relative terms held by the person referred to in Article 81, para.1 and Article 85 of this Law and the number of votes held by the person referred to in Article 81, para.2 of this Law;

8) information on the total number of votes reached, exceeded or fallen below, in absolute and relative terms;

9) the date when the threshold was reached, exceeded or fallen below.

The notification referred to in paragraph 1 of this Article shall indicate the name, surname, unique personal identification number, and place of residence for natural persons; the registered company name, legal form, seat, address, identification number and details about the responsible persons in the legal person, for legal persons.

If the document referred to in paragraph 1, point 5) of this Article is a financial instrument referred to in Article 81, paragraph 2 of this Law, the notification referred to in paragraph 1 of this Article shall contain a list of types of financial instruments referred to in Article 81, paragraph 2, point 1) of this Law and the type of financial instruments referred to in Article 81, paragraph 2, point 2) of this Law, whereby the financial instruments giving entitlement to the holder to non-monetary settlement are listed separately from those giving entitlement to monetary settlement.

The notification referred to in paragraph 3 of this Article shall contain information on the due date or expiration date of the financial instrument as well as information on the time period in which the natural or legal person may acquire the shares to which that instrument relates.

If the notification is submitted in the case referred to in Article 85, paragraph 1, point 8) of this Law and the power of attorney (proxy) refers to only one general meeting of shareholders, the notification referred to in paragraph 1 of this Article shall contain information on the total number of votes, in absolute and relative terms belonging to the shareholder and/or proxy after the holding of the general meeting of shareholders, when the proxy will not be able to exercise the right to vote independently.

The reporting entity referred to in Article 81, paragraph 2 of this Law shall submit a notification to the issuer of shares to which the financial instrument refers. If a financial instrument relates to more than one share, each issuer of shares shall be notified separately.

The Commission shall prescribe the detailed contents and format of the notification form referred to in paragraph 1 of this Article, as well as the manner of its submission.

When there is the notification requirement under this Article and Articles 80 and 85 of this Law, which refers to other persons who are closely related to the person acquiring voting shares, or where the duty to make a notification lies with more than one natural or legal person, one joint notification may be submitted, but the requirement shall be deemed fulfilled as soon as one of the persons fulfills the obligation.

Deadline for Notification of Major Holdings

Article 90

The notification referred to in Article 89, para.1 of this Article shall be delivered as soon as possible, and not later than within four trading days from the day when the person referred to in Articles 80, 81 and 85 of this law:

1) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect;

2) has been notified of the latest changes in the share capital in accordance with Article 92, paragraph 1 of this Law.

It shall be considered that a natural or legal person has learned or should have learned of the acquisition, disposal or possibility of exercising voting rights, not later than two trading days following the transaction day.

Notwithstanding the provision of paragraph 1 of this Article, and in the case referred to in Article 85, paragraph 1, point 8) of this Law, a shareholder or proxy shall be required to submit the notification referred to in Article 89, paragraph 1 of this Law on the day of giving or receiving the proxy authorization.

The Commission shall publish on its website the calendar of trading days of each regulated market in the Republic of Serbia.

Commission's Authority to Suspend Voting Rights

Article 91

If any person required to provide notification fails to comply with provisions of Articles 80-90 of this Law, the Commission shall issue a decision suspending the voting rights attached to voting shares held by such person, until such time as there is full compliance with the provisions.

In the case referred to in para.1 of this Article, the Commission shall inform the person affected by the decision, issuer, CSD, and the regulated market to which shares are admitted to trading.

The adoption of the decision referred to in paragraph 1 shall be without prejudice to any other measure the Commission is authorized to take in accordance with the provisions of this Law.

b) Obligations of the Issuer

Notification of Changes in the Number of Voting Shares

Article 92

Issuers whose shares are traded on a regulated market, affected by changes in the number of voting shares, shall make public information on the changes, the new total number of shares with the voting right and the value of the share capital at the end of each calendar month for the purpose of calculating the threshold referred to in Article 80, paragraph 1 of this Law.

After receiving the notification referred to in Article 80, paragraph 1 of this Law, the issuer shall disclose the information contained in the notification immediately upon receipt, and no later than within three trading days from the day of receipt.

Additional Information

Article 93

An issuer of equity securities admitted to trading on a regulated market shall promptly submit to the Commission and the regulated market in which equity securities are admitted to trading and disclose any change in the rights attaching to equity securities, separately for each class of equity securities, including changes in the rights attaching to derivative financial instruments issued by the issuer, and giving right to acquire equity securities of that issuer.

An issuer of non-equity securities, admitted to trading on the regulated market shall promptly submit to the Commission and the regulated market and disclose any changes in the rights arising from those securities, including changes in the terms and conditions of these securities that could indirectly affect those rights, and, in particular, changes in loan terms and in interest rates.

Provisions of para.2 of this Article, shall not apply to changes not caused by the issuer that are objectively determinable, such as the changes in EURIBOR, etc.

The Commission may regulate the obligation of submission of other reports and deadlines for their submission.

Notification on Acquisition of Own Shares

Article 94

If the issuer of shares admitted to trading on a regulated market acquires or disposes of its own voting shares, either on its own or through a person acting in its own name and on behalf of the issuer, the issuer shall publish the number of its own shares, in absolute and relative terms, as soon as possible, but not later than four business days after the acquisition or disposal of voting shares, whenever its holding exceeds or falls below the threshold of 5% or 10% of voting shares.

The percentage of voting shares referred to in paragraph 1 of this Article shall be calculated on the basis of the total number of voting shares issued by that issuer.

Obligations of the Issuer of Equity Securities Admitted to a Regulated Market

Article 95

The issuer of equity securities traded on a regulated market shall ensure equal treatment for all shareholders of the same class of equity securities.

Shareholders must be able to exercise their rights by proxy.

The issuer of equity securities traded on a regulated market is obliged to ensure that all ways and information necessary for shareholders to exercise their rights are available, with adequate protection of the inviolability of such data.

The issuer referred to in paragraph 1 of this Article shall report to its shareholders on all current events important for the exercise of their rights, and in particular to:

1) provide information on the place, time and agenda of shareholder meetings, the total number of shares and voting rights, and the rights to participate in shareholder meetings in accordance with the law governing companies;

2) make available a proxy form, in hard copy (on paper) or by electronic means, together with the notice concerning the shareholder meeting, to each person entitled to vote at a shareholder meeting, or at his request and after the announcement of the invitation to hold the meeting;

3) designate a credit institution through which it exercises its financial obligations toward shareholders;

4) publish notices or distribute circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

The issuer referred to in para 1 of this Article shall be permitted to use electronic means to convey information to shareholders, provided such a decision is taken in a general meeting and meets at least the following condition:

1) the use of electronic means in conveying information shall in no way depend upon the location or residence of the shareholder or the seat of the legal entity referred to in Article 85, para.1 of this Law;

2) identification arrangements shall be put in place so that the shareholders or natural or legal persons exercising or authorized to exercise voting rights are truly, validly and timely informed;

3) shareholders or natural and legal persons referred to in Article 85, para.1. point 1)-5) of this Law, who have the right to acquire, dispose of or exercise the right to vote, shall be required to provide a written consent for the use of electronic means for conveying information , and if they do not object within eight working days, their consent shall be deemed to be given, however they shall be able to request, at any time in the future, that information be conveyed in writing;

4) the issuer shall determine the costs of conveyance of such information by electronic means, in accordance with the principle of equal treatment referred to in paragraph 1 of this Article.

Obligations of the Issuer of Debt Securities Admitted to a Regulated Market

Article 96

The issuer of debt securities traded on a regulated market shall provide equal treatment to all holders of debt securities of the same class in respect of the rights attaching to those debt securities.

The issuer of debt securities shall promptly disclose information on any new issue of debt securities, particularly information on insurance or guarantee pertaining to such issue.

The issuer of debt securities shall provide their holders with all the means and information necessary for the exercise of their rights, to publish them and to ensure their inviolability.

Holders of debt securities must be able to exercise their rights by proxies.

The issuer of debt securities shall, in particular:

1) publish or send circular notice: on the place, time and agenda of the General Meeting of holders of debt securities, interest payments, realization of conversion rights, exchange, registration or annulment, as well as the right to participate in the specified events and activities;

2) make available the proxy statement form in writing, or, if possible, in electronic form, to each person entitled to vote at the assembly of debt securities holders, together with the meeting notice or, upon request, after the announcement of the invitation;

3) designate the credit institution through which the holders of debt securities exercise their financial rights.

When the issuer convenes a general meeting of holders of debt securities whose individual nominal value (denomination per unit) is at least 100,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, the issuer may choose as venue any EU Member State, provided that all facilities and information necessary to enable such holders to exercise their rights are made available.

Paragraph 6 of this Article shall also apply to holders of debt securities whose nominal value is expressed in a currency other than the euro, if the equivalent of the individual nominal value on the day of issue is at least 100,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro the euro determined by the National Bank of Serbia.

Paragraph 6 of this Article shall also apply to debt securities whose individual nominal value is at least EUR 50,000 in dinar equivalent at the official middle exchange rate of the dinar

against the euro determined by the National Bank of Serbia, or in the case of debt securities denominated in non-euro currencies, whose equivalent nominal value on the day of issue is at least EUR 50,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, if they are traded on a regulated market in an EU Member State before December 31, 2010, provided that all means and information necessary for the exercise of his rights are available to the holder in the Member State chosen by the issuer.

The issuer of debt securities may notify the holders of debt securities electronically, provided that the General Meeting of holders of debt securities has made a decision on such manner of notification, if at least the following conditions are met:

1) the use of electronic means in conveying information shall in no way depend upon the residence/seat of the holder of debt securities or his proxy;

2) identification arrangements shall be put in place so that the holders of securities are truly, validly and timely informed;

3) the issuer shall be required to obtain a written consent for the submission of information electronically from each holder of securities, and it is considered that these persons have given consent if they do not file an objection within eight working days, whereas these persons are given the opportunity to request the submission of information in writing at any time thereafter; and

4) the issuer distributes the costs related to the electronic submission of information to holders of securities in accordance with the principle of equal treatment.

3. ACCESS TO REGULATED INFORMATION

Manner of Disclosing Information

Article 97

The issuer shall disclose regulated information set out in this Chapter in a manner ensuring fast and easy access to such information on a non-discriminatory basis.

The issuer shall use media which can ensure the effective dissemination of information to the public throughout the Republic, in a manner which, to the greatest possible extent, prevents unauthorized access to such information.

Regulated information shall be communicated to the media in a way that shall provide security, minimize the risk of altering information or unauthorized access, and shall ensure consistency with the sources of regulated information.

The security of receipt of information shall be ensured by correcting, within the shortest possible time, any omission or interruption in the communication of regulated information.

Regulated information shall be communicated to the media as a complete, unedited text.

Notwithstanding paragraph 5 of this Article, in the case of reports and statements referred to in Articles 71, 74, 75 and 76 of this Law, the entire unedited text shall be considered as having been issued if the announcement concerning regulated information has been communicated to the

media, indicating the websites where relevant documents are available, in addition to publication in the Official Information Register.

Regulated information shall be communicated to the media in a way that makes it clear that the information being communicated is regulated information, and clearly stating the issuer, the subject of regulated information and time and date when the issuer disclosed the information.

The issuer may not receive compensation from investors for services of delivering regulated information.

The issuer shall publish regulated information on its website.

The issuer shall submit to the Commission the regulated information simultaneously with the publishing thereof, for publication in the Official Register of Information.

An issuer whose securities are admitted to trading on the regulated market shall submit the regulated information to the market as well.

If a public company from an EU Member State, which is its home state, includes securities issued only for trading on the regulated market in the Republic, as the home state, it shall publish regulated information pursuant to this Article.

The issuer shall provide, at the request of the Commission, the following information in connection with any publication of regulated information:

1) the name of the person who communicated the information to the media;
2) details of security measures;
3) the time and date when the information was announced to the media;
4) the media where the information was communicated;
5) details of the injunction of the issuer in relation to the regulated information, if any.

If the securities are admitted to trading on the regulated market without the consent of the issuer, the obligations referred to in this paragraph relating to the issuer shall consequently apply to the person who has admitted the securities to be traded on the regulated market without the consent of the issuer.

The Commission shall prescribe in detail the content, manner of delivering and publishing the information referred to in paragraph 1 of this Article.

Official Information Register

Article 98

The Official Information Register is a system for collecting, storing, processing and publishing regulated information.

The Commission shall maintain the Official Information Register that shall comply with the minimum standards of quality, security, reliability as to the information source, time recording and ease of access for end users.

The Commission shall prescribe the technical, security, organizational and other requirements for maintaining the Official Information Register and the detailed contents, manner of delivery and publishing of information in the Official Information Register.

The Commission shall publish the information on major holdings referred to in Article 80, paragraph 1 of this Law in the Official Information Register immediately upon receipt of the communication and no later than three trading days after the day of receipt of the communication.

The Commission's Official Information Register shall provide access to registered information by connecting to the ESMA.

Reporting Language

Article 99

Information submitted to the Commission or published in the Republic pursuant to the provisions of this Chapter shall be submitted and published in the Serbian language but may be published in another language at the same time.

An issuer whose securities are admitted to trading on a regulated market in the Republic, even though it is not the home Member State, shall have the right to choose whether to publish regulated information in the Serbian language or in a language customary for international finance.

If the Republic is the home Member State, for an issuer whose securities are admitted only to trading on a regulated market in its territory, regulated information shall be published in the Serbian language.

If the Republic is the home Member State, for an issuer whose securities are traded on a regulated market in its territory and in one or more host Member States, regulated information shall be disclosed:

1) in the Serbian language and

2) according to the issuer’s choice, either in a language specified by the host Member State or in a language commonly used in international finance.

When the Republic is the home Member State, and the issuer's securities are admitted to trading on a regulated market in one or more host Member States but not in the Republic, regulated information shall be published according to the issuer's choice or in the language specified by the host Member State or in a language commonly used in international finance.

If the issuer referred to in paragraph 5 of this Article has chosen the language specified by its host Member State as the language of publication, regulated information shall be published either in the Serbian language or in a language commonly used in international finance.

Notwithstanding paragraphs 3 - 6 of this Article, an issuer of securities admitted to trading on a regulated market in one or more host Member States, with the individual notional value of at least 100,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, shall publish regulated information either in the language specified by its home Member State and the host Member State, or in a language customary in international finance.

The issuer of debt securities with the individual notional value of at least 50,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia shall also have the right to choose the language referred to in paragraph 7 of this Article, provided said securities have already been admitted to trading on a regulated

market in one of the Member States before 31 December 2010, for as long as they are in circulation/until their maturity.

The issuer of debt securities with the notional value expressed in a currency other than the euro with the equivalent of the individual notional value being at least 50,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia shall also have the right to choose the language referred to in paragraph 7 of this Article, provided said securities have already been admitted to trading on a regulated market in one of the Member States before 31 December 2010, for as long as they are in circulation/until their maturity.

Notional amounts of securities in paragraphs 7 - 9 of this Article shall, if necessary, be converted into dinars at the middle official exchange rate of the National Bank of Serbia on the day of their issuance.

If the securities are admitted to the regulated market without the consent of the issuer, the obligations referred to in this paragraph relating to the issuer shall apply to the person who has admitted the securities on the regulated market without the consent of the issuer.

If litigation is initiated in connection with the regulated information before a court of an EU Member State, the costs of translating the lawsuit and other submissions shall be regulated in accordance with the regulations of the Member State of the acting court.

Obligations of Third Country Issuers

Article 100

If the Republic is the home EU Member State for an issuer whose domicile is in a third country, the Commission may release him and the reporting entity from the obligation to report on the regulated information pursuant to Articles 71 - 76 of this Law, and release the issuer from a third country from:

1) the obligation to provide additional information pursuant to Article 93 of this Law;

2) the obligation to report, at the end of the month, the total number of votes for the purpose of calculating the threshold of significant holdings pursuant to Article 92, paragraph 1 of this Law;

3) the obligation for the issuer to publish data on significant holdings within three trading days pursuant to Article 92, paragraph 2 of this Law;

4) the obligation to deliver and publish reports about own shares of the public company pursuant to Article 94 of this Law;

5) the obligation to report on current events pursuant to Article 95 of this Law and to treat equally holders of its own issued equity securities;

6) the obligation to report and equally treat holders of its own issued debt securities pursuant to Article 96 of this Law.

The Commission may grant the exemption referred to in paragraph 1 of this Article if it determines that the issuer from a third country has the same obligations under the law of its home

country as the issuer under the law of the Republic, and that it consistently fulfils them in the home country.

The Commission shall be authorized to prescribe in detail the conditions under which the obligations prescribed by the law of the issuing third country shall be considered equal to the obligations from the articles referred to in paragraph 1 of this Article.

The Commission shall report to ESMA on any exemption it has granted.

The communication provided for by the law of the third country which is the domicile of the issuer shall be submitted by the issuer to the Commission, and it shall be published pursuant to Articles 97 and 99 of this Law.

Notwithstanding provisions from paragraphs 1 - 4 of this Article, an issuer domiciled in a third country shall not be required to prepare financial statements pursuant to this Law for the financial years from 1 January 2007 onwards, provided they are prepared in accordance with internationally accepted standards provided for in EU regulations.

The Commission shall ensure that information published by a publisher domiciled in a third country shall also be published in the EU, if it may be relevant to its investors, even if it is not considered to be regulated information pursuant to the provisions of this Law.

Management companies and investment firms authorized to manage their clients' portfolios, domiciled in a third country outside the EU, within the procedure of obtaining a work permit in the Republic, as a Member State, shall be exempt from aggregating their holdings with the holdings of their parent companies pursuant to this Law if they comply with the conditions regarding their independence in relation to the parent companies pursuant to this Law.

Competence of the Commission over Issuers from the EU

Article 101

When the Commission determines that the issuer, shareholder or holder of other financial instruments or a person referred to in Articles 81 and 85 of this Law in the Republic, as the host Member State, has acted contrary to regulations, it shall notify the competent authority of its home Member State, as well as the ESMA.

If the person referred to in paragraph 1 of this Article continues to act contrary to regulations despite the measures taken by the competent authority of the home Member State, or if such measures prove insufficient, the Commission in the Republic, as the host Member State, shall take all appropriate measures to protect investors, having previously notified the competent authority of the home Member State, with the obligation to inform the European Commission and the ESMA of the measures taken as soon as possible.

4. SUPERVISION OF THE COMMISSION

Supervision of the Commission of Issuers

Article 102

The Commission shall supervise the implementation and execution of all the obligations stipulated in this chapter.

In carrying out supervisory activities referred to in paragraph 1 of this Article, the Commission shall have the authority to:

1) request information, documents, evidence and statements of auditors, issuers, shareholders or bearers of other financial instruments, natural or legal persons referred to in Art. 81 and 85 of this Law;

2) request information, documents, evidence and statements of companies that control or are controlled by natural and legal persons referred to in point 1) hereof, and other natural and legal persons that the Commission believes they might have the information relevant for the supervision;

3) request the issuers to make the information, evidence and statements under points 1) and 2) hereof publicly available in the way and within the time period defined by the Commission;

4) make publicly available the information, evidence and statements referred to in points 1) and 2) hereof, if the issuer, the person controlling the issuer or the person controlled by the issuer fail to do so, after the Commission has received the relevant evidence from the issuer;

5) require the management of issuers, holders of shares or other financial instruments, natural and legal persons referred to in Art. 81 and 85 of this Law, to notify the information required under this chapter or bylaws passed on the basis of this chapter, and to provide additional information and documents if needed;

6) suspend trading in securities or require from the regulated market where the securities are admitted to trading, to suspend the trading, to the maximum ten consecutive workdays if it reasonably suspects that the issuer is acting in violation of the rules of this chapter or the bylaws passed on the basis of this chapter;

7) prohibit the trading in securities on the regulated market if established or there is reasonable doubt that the rules of this chapter of the Law have been violated;

8) to monitor timely publication of notifications by the issuer with a view to equal and valid access to information by the public in the entire territory of the Republic;

9) take appropriate measures against the issuer, if in making the information public they do not conform to the principle of equal access to the publicly available information in the entire territory of the Republic;

10) make public that an issuer, a holder of shares or other financial instruments, or a person or entity referred to in Articles 81 and 85 of this Law, is failing to comply with its obligations;

11) verify whether the regulated information is made publicly available, with content and in the format stipulated by this Law and the Commission's regulations;

12) take appropriate measures, if the regulated information is not made publicly available, including the content and format specified by this Law and the Commission's regulations;

13) conduct direct (on-site) supervision of implementation of provisions of this chapter and bylaws passed on the basis thereof in the territory of the Republic.

The submission of information, documents, evidence and statements to the Commission by auditors pursuant to para.2 (1) hereof, shall not constitute a violation of prohibition of disclosure of data in accordance with their contracts, the Law or bylaws, and in such cases auditors shall not be considered liable with respect to providing and supplying relevant information.

When securities of an issuer are admitted to a regulated market, and the Commission discovers irregularities or non-compliance with the provisions of this Chapter, the Commission shall issue a decision instructing the issuer to take corrective actions, or it shall order measures in line with its powers laid down in paragraph 2 of this Article, and shall set a time period for acting in compliance with the decision and filing evidence of acting as instructed by the Commission.

The Commission shall submit the decision on the measures stipulated in para.2 hereof taken to the issuer, the shareholders and holders of debt securities through the issuer, the regulated market on which the issuer's securities are admitted to trading, and to the relevant body of the regulated market on which the securities are admitted to trading.

If the person fails to act in in compliance with the decision of the Commission referred to in paragraph 4 of this Article, the Commission may impose a new measure or several measures.

The Commission may also undertake other measures and sanctions in line with the provisions of Chapter XVI of this Law.

The processing of personal data collected during or for the purpose of supervision under this chapter shall be conducted in line with the provisions of the law governing personal data protection.

Publications of Measures Undertaken

Article 103

The Commission shall, without undue delay, publish notifications on all decisions on the sanctions pronounced and measures taken due to the violations of provisions set out herein, including the description and nature of the violation and the identity of responsible natural and legal persons.

Exceptionally from para.1 hereof, the Commission may defer publication of the decision or publish the decision not identifying the perpetrator and the persons responsible in case:

1) when the publication of personal data is too strict for a natural entity subject to sanctions or measures and on the basis of the previous assessment of its suitability with the violation committed;

2) when the publication would gravely threaten the stability of the financial market or ongoing supervision procedures; and

3) when the publication, depending on the circumstances of the case, could result in disproportionate or grave damage to the natural or legal entity involved in the violation.

In case of initiation of legal proceedings against the document of the Commission or submission of other legal remedy for the sanction or measure pronounced, the published notification on the decision mentioned in para.1 hereof, the public shall be alerted of it. If the

proceedings have been initiated or a legal remedy submitted after the publication, the Commission shall change the published notification by entering data thereon.

Special Powers of the Commission

Article 104

The Commission may pronounce, in a decision, a fine to the legal entity amounting to 10% of the income generated in the previous financial year, if established that:

1) it failed to publish or failed to publish within the timeframe defined the reports stipulated in Art. 71 – 76 of this Law, and Art. 93 and 94 of this Law;

2) it acted in contravention of the obligation related to the major holdings stipulated in Art 80 to 85 and Art. 89 of this Law.

If the violation mentioned in para.1 hereof is committed by a parent company or a subsidiary of the parent company which has the obligation to develop consolidated annual statements, the fine referred to in para.1 hereof shall be established on the basis of the consolidated annual statement adopted last.

The Commission may, in a decision, pronounce a fine to the natural entity up to the sum of the twelve average earnings generated over the last three months preceding the month when the fine was pronounced when established that:

1) it is responsible for failing to publish or for untimely publication of the report of the public company in line with Art. 70 – 76 of this Law and Art. 93 and 94 of this Law;

2) if it acted in contravention of the obligations in respect of major holdings stipulated in Art. 80 - 85 and Art. 89 of this Law.

In addition to the fine for violation of provisions set out in para.1 hereof, the Commission may pronounce to the perpetrator one or more measures efficiently removing its consequences, and in particular:

1) publication of notice on the fine identifying the perpetrator and describing the violation of regulations committed;

2) order to the natural or legal entity responsible for the violation to discontinue committing it or refrain from committing in the future;

3) suspend the voting rights of the public company violating the obligation to report on major holdings stipulated in Art. 80 – 85 of this Law and Art. 89 of this Law.

When deciding on the type and amount of fine and measure for violations stipulated in paras. 1 and 3 hereof, the Commission shall take into account all the relevant circumstances, and in particular:

1) gravity and duration of the violation of provisions;

2) degree of liability of the perpetrator;

3) the financial standing of the perpetrator expressed, for example, in the annual revenue of the legal entity or earnings of the natural entity;

4) amount of profit generated or loss avoided if they may be established;

5) losses incurred by third parties as a result of the violation of provisions, if they may be established;

6) readiness of the perpetrator to cooperate with the relevant authorities;

7) past violations of provisions by the perpetrator.

Informing Authorities and EU Member States

Article 105

The Commission shall, without delay, inform the European Commission and all the EU Member States of all tightening of the regulations in the Republic relative to the regulations of the EU on harmonization of requirements for transparency related to the information on the issuers whose securities have been admitted to trading on the regulated market.

VI REGULATED MARKETS

Market Operators

Article 106

Only a market operator headquartered in the Republic may operate a regulated market in the Republic (hereinafter: stock exchange), provided that it is authorized by the Commission, in compliance with this Law and the Commission regulations.

The market operator is a legal person incorporated as a joint stock company in compliance with the law governing companies, unless otherwise provided by this Law.

The market operator is responsible for ensuring that the regulated market it manages meets the requirements set out in this law, whereby the market operator is not entrusted with public authorizations in accordance with the law.

The market operator shall be entitled to exercise the rights that correspond to the regulated market that it manages by virtue of this Law.

In addition to the activities and obligations laid down in this Law, activities of a market operator may include the following additional activities:

1) promotion and development of the capital market in the Republic;

2) sale and licensing of market data, including the creation, sale, licensing and trading in financial instruments based on market data or other financial measures;

3) investor education;

4) performing other necessary activities in relation to activities and obligations laid down in this Law.

The Commission shall draw up, regularly update and publish on its website, a list of the regulated markets under its jurisdiction.

The Commission shall forward that list to the other Member States and ESMA. A similar communication shall be effected in respect of each change to that list.

Minimum Capital

Article 107

The minimum capital of a market operator may not be less than 1,000,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The capital indicated in paragraph 1 shall be paid in full amount in cash, and the shares cannot be issued before the full amount is paid.

Application for a Market Operator Authorization

Article 108

The Commission shall prescribe the contents of an application and accompanying documents required for granting a market operator authorization to operate the business of a regulated market.

The following shall be enclosed with the application referred to in paragraph 1 of this Article:

1) articles of association, statute, rulebook on fees, as well as business rules and procedures;

2) information on each person acquiring a qualifying holding in the market operator, including the information regarding any person with whom a person with a qualifying holding is affiliated or has close links, or any person otherwise in a position to exercise, directly or indirectly, control or significant influence over the management of the market operator;

3) names and information regarding the qualifications, experience and business reputation of the proposed members of the management body of the market operator as required by Article 114 of this Law;

4) information regarding staff qualifications, organizational capacity and technical equipment of the market operator as required by Article 126 of this Law;

5) information regarding the applicant’s proposed program of regulated market operations, including the types of activities envisaged and its organizational structure, in sufficient detail to enable the Commission to determine that the applicant meets its obligations under this Chapter;

6) evidence attesting to the payment of the initial capital as defined in Article 107 of this Law;

7) application fees required by the Commission's rules on fees.

Decision on Application for Market Operator Authorization

Article 109

The Commission shall decide on granting authorization to a market operator within three months of the receipt of an application.

The Commission shall adopt a decision granting authorization when it establishes that:

1) the application and required accompanying documents specified in Article 114 of this Law are complete and in proper form;

2) all applicable requirements of this Chapter and Commission regulations are met;

3) the persons with qualifying holdings in the ownership of the market operator, including persons with close links to such persons or any other person in a position to control or exercise significant influence over the market operator meet the requirements of Article 122 of this Law;

4) the members of the management body are deemed to be of sufficiently good repute, possess sufficient knowledge, skills and experience and commit sufficient time to perform their functions.

The Commission shall refuse the application for market operator authorization after finding that:

1) one or more of the authorization requirements referred to in paragraph 2 of this Article have not been met;

2) information included in the application is materially false or rather misleading or the application omits information indispensable for correct interpretation thereof;

3) members of the management body are not of sufficiently good repute, do not possess sufficient knowledge, skills and experience, or may pose a threat to effective, sound and prudent management;

4) the ownership structure of the applicant, including persons with close links to persons with qualifying holdings, is such that it would prevent effective supervision of the applicant's activities.

Authorization in Cases of Status Changes

Article 110

Before applying for entry of a status change with the Company Register, a market operator shall obtain an approval from the Commission for the acquisition, merger or division.

Application for Approval for any Change in General Enactments and Management

Article 111

A market operator shall file an application to the Commission for approval for changes in the statute, business rules and procedures, rulebook on tariffs and members of the management.

The proposed change referred to in paragraph 1 of this Article shall come into force upon obtaining the Commission approval.

The Commission shall pass a decision referred to in paragraph 1 of this Article, within 30 days from the date of receipt of a complete application.

Public Availability of Authorizations

Article 112

The Commission shall make publicly available the decisions on authorizations and approvals referred to in Article 111 of this Law, on its website.

Entry into the Company Register

Article 113

The market operator shall acquire a legal entity status once it is entered in the Company Register.

Within 15 days of the date of receipt of the Commission decisions granting authorization and a prior consent for the selection or appointment of a member of the management body, the market operator shall file an application for entry into the Company Register in compliance with the law governing registration of companies.

The market operator shall file with the Commission a notification that the registration has been completed, within seven days from the day of receipt of the decision on its registration.

If the application for entry of the market operator in the Company Register is not submitted within the period referred to in paragraph 2 of this Article, the Commission shall issue a decision on revocation of the license to perform activities and delete the company from the register.

The market operator shall not initiate performing the activity for which it has obtained an authorization, prior to entry of this activity into the Company Register.

The Governance Structure of a Market Operator

Article 114

The market operator shall have a general meeting of shareholders, one or more executive directors and a supervisory board.

The term of office of an executive director shall be four years and the same persons can be reelected.

The Supervisory Board consists of a chairperson and at least four members.

The Executive Director may not be a member of the Supervisory Board.

The Commission prescribes the content of the request for giving prior consent to the election and/or appointment of the director and members of the supervisory board of the market operator.

The director and member of the supervisory board of the market operator cannot be:

1) a person subject to statutory disqualifications;

2) a person who is in a managerial position or employed in state bodies, except in the case when the Republic has an ownership share in the market operator;

3) a person who is a director, a member of the supervisory board, an employee, or a person with a qualified participation in another market operator who has a license to operate under this Law;

4) a person who is a director, a member of the supervisory board or an employee of the CSD;

5) a person who is a director, member of the supervisory board or employed in an investment firm or authorized bank or credit institution, public company or investment firm whose securities are admitted to trading on the securities market, except in the case when that person has an ownership interest in the market operator;

6) a person who is closely related to the persons referred to in point 1)-5) of this paragraph.

The business reputation and experience of the director and member of the supervisory board of the market operator should ensure good and reliable management of the market operator, and/or regulated market and MTF and these persons must have appropriate business reputation and at least three years of work experience in securities.

The director of the market operator shall be employed full-time in the market operator, and he and at least one member of the supervisory board must speak Serbian.

Requirements for Selection and Appointment of a Member of the Management Body of a Market Operator

Article 115

Members of the management body of any market operator shall at all times be of sufficiently good repute, possess sufficient knowledge, skills and experience and commit sufficient time to perform their duties. The overall composition of the management body shall reflect an adequately broad range of experience.

All members of the management body shall commit sufficient time to perform their functions in the market operator.

The number of directorships that a member of the management body can hold, in any legal entity, at the same time shall take into account individual circumstances and the nature, scale and complexity of the market operator’s activities.

Unless representing the Republic, members of the management body of market operators that are significant in terms of their size, internal organization and the nature, the scope and the complexity of their activities shall not at the same time hold positions exceeding more than one of the following combinations:

1) one executive directorship with two non-executive directorships;

2) four non-executive directorships.

Executive or non-executive directorships held within the same group or undertakings where the market operator owns a qualifying holding shall be considered to be one single directorship.

The Commission may authorize members of the management body to hold one additional non-executive directorship.

Directorships in organizations which do not pursue predominantly commercial objectives shall be exempt from the limitation on the number of directorships a member of a management body can hold.

The management body shall possess adequate collective knowledge, skills and experience to be able to understand the market operator’s activities, including the main risks.

Each member of the management body shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and effectively oversee and monitor decision-making.

Market operators shall devote adequate human and financial resources to the induction and training of members of the management body.

The Commission shall further regulate the criteria under which the market operator are to be considered large in terms of their size, internal organization and nature, scope and complexity of their business.

The Commission shall regularly inform ESMA of the given consents referred to in paragraph 6 of this Article.

The Nomination Committee

Article 116

Market operators which are significant in terms of their size, internal organization and the nature, scope and complexity of their activities shall establish a nomination committee composed of members of the management body who do not perform any executive function in the market operator concerned.

Market operators and their nomination committees shall take into account a broad set of qualities and competences when appointing members of the management bodies and establishing a policy to promote diversity in management bodies.

The nomination committee shall carry out the following:

1) identify and recommend, for the approval of the supervisory board or for approval of the general meeting, candidates to fill management body vacancies. In doing so, the nomination committee shall:

(1) evaluate the balance of knowledge, skills, diversity and experience of the management body.

(2) prepare a description of the roles and capabilities for a particular appointment and assess the time commitment expected.

(3) shall decide on a target for the representation of the underrepresented gender in the management body and prepare a policy on how to increase the number of the underrepresented gender in the management body in order to meet that target;

2) periodically, and at least annually, assess the structure, size, composition and performance of the management body, and make recommendations to the management body with regard to any changes;

3) periodically, and at least annually, assess the knowledge, skills and experience of individual members of the management body and of the management body collectively, and report to the management body accordingly;

4) periodically review the policy of the management body for selection and appointment of senior management and make recommendations to the management body.

In performing its duties, the nomination committee shall, to the extent possible and on an ongoing basis, take account of the need to ensure that the management body's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the market operator as a whole.

In performing its duties, the nomination committee shall be able to use any forms of resources it deems appropriate, including external advice.

Article 117

The management body of a market operator shall define and oversee the implementation of the governance arrangements that ensure effective and prudent management of an organization, including the segregation of duties in the organization and the prevention of conflicts of interest in a manner that promotes the integrity of the market.

The management body shall monitor and regularly assess the effectiveness of the market operator's governance arrangements and take appropriate steps to address any deficiencies.

Members of the management body shall have adequate access to information and documents which are needed to oversee and monitor management decision-making.

Article 118

The Commission shall pass regulation governing requirements that members of the supervisory board shall meet pursuant to Article 115 of this Law and take into account the notion of diversity when selecting members of the management bodies pursuant to Article 116 of this Law.

Commission Procedures for Granting, Denying and Revoking Approval

Article 119

When the Commission determines that the requirements set in Articles 114 - 118 of this Law and the corresponding regulations have been met, it shall grant an approval, in accordance with the provisions of paragraph 3 of Article 111 of this Law.

The Commission shall reject the application for approval specified in paragraph 1 of this Article, when it determines that the requirements set in this Article have not been met, in particular when it assesses that:

1) members of the management body of the market operator are not of sufficiently good repute;

2) do not possess sufficient knowledge, skills and experience;

3) do not commit sufficient time to perform their functions;

4) there are objective and demonstrable grounds for believing that the management body of the market operator may pose a threat to its sound and prudent management and to the preservation of the integrity of the market.

In the process of authorization of a regulated market, the person or persons who effectively direct the business and the operations of an already authorized regulated market in accordance with this Law shall be deemed to comply with the requirements laid down in paragraph 1, Article 115 of this Law.

The market operator shall notify the Commission of all information needed to assess whether the market operator complies with Articles 115 and 116 of this Law.

The Commission shall revoke its prior approval for the selection or appointment of a member of the management body of a market operator, when it determines the following:

1) that the decision granting consent has been made on the grounds of false or incomplete information;

2) that the person for whom the approval was granted no longer meets the requirements set forth in Article 115 of this Law.

The Commission shall adopt a regulation to specify the contents of a request for granting prior approval for selection or appointment of members of the management body of a market operator pursuant to requirements provided for in this Law.

Qualifying Holdings and Control

Article 120

When a natural or legal person or persons with close links excluding the Republic (hereinafter referred to as the “proposed acquirer”) decides either to acquire, directly or indirectly or to increase a qualifying holding in a market operator, so that proportion of the voting rights or of the capital that the person holds reaches or exceeds 10%, 20%, 33% or 50% of the share of capital of the market operator (hereinafter referred to as the “proposed acquisition”), the person shall request prior approval from the Commission for the acquisition of the qualifying holding, indicating the size of the intended holding and the other regulated information.

Any natural or legal person who has taken a decision to decrease, directly or indirectly, the percentage of the qualifying holding in the market operator below 10%, 20%, 33% or 50% in the total capital of the market operator shall first notify the Commission, indicating the size of the intended decrease of the holding.

Article 121

Within 60 working days from the day of receipt of a valid request, the Commission shall determine the fulfillment of the conditions for acquiring or increasing the qualified holding.

Where two or more proposals to acquire or increase qualifying holdings in the same market operator have been notified to the Commission, the Commission shall treat the proposed acquirers in a non-discriminatory manner.

The Commission shall pass regulation governing documents that need to be attached to the request referred to in Article 120, paragraph 1 of this Law.

Article 122

In assessing the request provided for in paragraph 1 of Article 120 of this Law, the Commission shall, in order to ensure the sound and prudent management of the market operator in which an acquisition is proposed, and having regard to the likely influence of the proposed acquirer on the market operator and/or the management of the regulated market, appraise the suitability of the proposed acquirer and the financial soundness of the proposed acquisition against the following criteria:

1) the reputation of the proposed acquirer;

2) the financial soundness of the proposed acquirer;

3) whether the market operator will be able to comply with the capital and other requirements of this Law, in particular, whether the group of which it will become a part has a structure that makes it possible to exercise effective supervision;

4) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing in the context of the law governing the prevention of money-laundering and the terrorism financing is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof;

5) whether the holder or proposed acquirer of a qualifying holding is subject to a statutory disqualification.

The Commission shall define the detailed conditions for determining the criteria for suitability and reliability of persons acquiring qualifying holdings.

Article 123

Within 60 working days from the receipt of the of a valid request or within the additional deadline set by the law governing the general administrative procedure, the Commission shall adopt a decision granting approval for the acquisition of a qualifying holding, if it is concluded on the basis of the submitted documentation that the proposed acquirers are fit and proper persons and that their financial standing is not likely to be prejudicial to the business of the market operator.

The Commission may fix a maximum period for concluding the proposed acquisition and extend it where appropriate, in the decision referred to in paragraph 1 of this Article.

The Commission shall adopt a decision refusing approval for acquiring a qualifying holding, if it can be concluded on the basis of received documentation that:

1) the information provided by the proposed acquirer is incomplete;

2) the proposed acquirers do not meet the criteria set out in Article 122, paragraph 1 of this Law;

3) close links of market operator and other natural and legal persons who are in a position to control or exercise significant influence over the market operator and/or the management of the regulated market prevent the effective exercise of the supervisory functions of the Commission;

4) the laws or regulations of another country governing the natural or legal persons with which the market operator is closely linked prevent the effective exercise of the supervisory functions of the Commission or impose difficulties in their enforcement.

The provisions of this Article shall also apply to requests for approval for acquisition of qualifying holdings in the procedure for granting an operating license to a market operator, and to subsequent acquisitions of the market operator's shares in percentages exceeding the regulated thresholds of the total number of the market operator issued shares.

Article 124

If a market operator becomes aware of any acquisitions or disposals of holdings in its capital that cause such holdings to exceed or fall below any of the thresholds referred to in Article 120, paragraph 2 of this Law, the market operator shall inform the Commission thereof without delay.

At least once a year, a market operator shall inform the Commission of the names of shareholders possessing qualifying holdings and the sizes of such holdings, in the manner envisioned in the Commission regulation.

The CSD shall immediately notify the Commission of any exceeding or falling below the thresholds of 10%, 20%, 33% or 50% of shareholder participation in the total capital of the market operator, in the manner envisioned in the relevant Commission regulation.

The market operator of the regulated market shall make public:

1) at least once a year information regarding the ownership of market operator, and in particular, the identity and scale of interests of any parties in a position to exercise significant influence over the management of the market operator and/or the regulated market;

2) without delay any transfer of ownership which gives rise to a change in the identity of the persons exercising significant influence over the operation of the market operator and/or the regulated market.

Article 125

Where a person acquires a qualifying holding in a market operator in violation of the provisions of Article 120, paragraph 1 of this Law, the Commission shall:

1) suspend the voting rights attaching to the acquired qualifying holding or otherwise prevent the control over the market operator;

2) order that the qualifying holding be sold/disposed of.

The Commission shall withdraw its approval for a qualifying holding if the person with the qualifying holding has obtained the Commission's approval by providing false or incomplete information or by other irregular means.

The Commission may withdraw its approval for a qualifying holding, if the person with the qualifying holding no longer meets the conditions set forth in Article 122 of this Law, and in such circumstances, the limitations and remedies in paragraph 1 of this Article shall apply.

The Commission shall regulate the conditions and methods for submitting a request for approval for a qualifying holding and manner of informing the Commission of qualifying holdings.

Organizational Requirements

Article 126

The market operator shall at the time of licensing and during business operations:

1) have arrangements in place to identify clearly and mitigate potential adverse consequences, for the operation of the regulated market or for its members or participants, of any conflict of interest between the interest of the regulated market, its market operator or the owners of the market operator on the one hand and the sound functioning of the regulated market on the other hand, and in particular where such conflicts of interest might prove prejudicial to the accomplishment of any functions delegated to the market operator and/or regulated market under this Law and the Commission regulations;

2) be adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems, to identify all significant risks to its operation, and to put in place effective measures to mitigate those risks;

3) have arrangements for the sound management of the technical operations of the systems, including the establishment of effective contingency arrangements to cope with risks of systems disruptions;

4) have transparent and binding rules and procedures that provide for fair and orderly trading and establish objective criteria for the efficient execution of orders;

5) have effective arrangements to facilitate the efficient and timely finalization of the transactions executed under its systems;

6) have available, at the time of authorization and on an ongoing basis, sufficient financial resources to facilitate its orderly functioning and the functioning of the regulated market, having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which it is exposed.

Market operators are not allowed to execute client orders against proprietary capital, or to trade in financial instruments, except in government securities and highly liquid financial instruments with a low credit and market risk.

Systems Resilience, Circuit Breakers and Electronic Trading

Article 127

The market operator shall have in place effective systems, procedures and arrangements to ensure its trading systems are resilient, have sufficient capacity to deal with peak order and message volumes, are able to ensure orderly trading under conditions of severe market stress, are fully tested to ensure such conditions are met and are subject to effective business continuity arrangements to ensure continuity of its services if there is any failure of its trading systems.

The market operator shall have in place written agreements with market makers requiring them to post firm quotes at competitive prices with the result of providing liquidity to the market on a regular and predictable basis, where such a requirement is appropriate to the nature and scale of the trading on that regulated market.

The written agreement referred to in paragraph 2 of this Article shall at least specify:

1) the obligations of the market maker in relation to the provision of liquidity and where applicable any other obligation;

2) any incentives in terms of rebates or otherwise offered by the market operator to a market maker so as to provide liquidity to the market on a regular and predictable basis and, where applicable, any other right of the market maker contributing to the implementation of the agreement.

The market operator shall monitor and enforce compliance by investment firms/market makers with the requirements of such binding written agreements, shall inform the Commission about the content of those agreements and shall, upon request, provide all further information to the Commission necessary to enable the Commission to satisfy itself of compliance by the market operator with requirements provided for in this paragraph.

The market operator shall have in place effective systems, procedures and arrangements to reject orders that exceed pre-determined volume and price thresholds or are clearly erroneous.

The market operator shall be able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on the regulated market or a related market during a short period. A market operator shall ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity of different asset classes and sub-classes, the nature of the market model and types of users and is sufficient to avoid significant disruptions to the orderliness of trading.

The market operator, in exceptional cases, shall be able to cancel, vary or correct any transaction.

The market operator shall regulate by its general acts the parameters for suspension of trading and the Commission shall approve any material changes to those parameters.

The Commission shall report those parameters to ESMA.

The market operator shall have the necessary systems and procedures in place to ensure that it will notify the Commission when it halts trading in a financial instrument on a regulated market which is material in terms of liquidity in that financial instrument in order for the Commission to coordinate a market-wide response and determine whether it is appropriate to halt

trading on other venues on which the financial instrument is traded until trading resumes on the original market.

The market operator shall have in place effective systems, procedures and arrangements and shall also:

1) require members or participants to carry out appropriate testing of algorithms and provide environments to facilitate such testing

2) ensure that algorithmic trading systems cannot create or contribute to disorderly trading conditions

3) manage any disorderly trading conditions which arise from such algorithmic trading systems, including systems to limit the ratio of unexecuted orders to transactions that may be entered into the system by a member or participant, to be able to slow down the flow of orders if there is a risk of its system capacity being reached; and

4) limit and enforce the minimum tick size that may be executed on the regulated market.

The market operator that permits direct electronic access to a regulated market shall have in place effective systems, procedures and arrangements to ensure that such services are provided only by members or participants or investment firms that:

1) meet criteria regarding the suitability of members or participants;

2) retains responsibility for orders and trades executed using that service in relation to the provisions of this Law.

The market operator shall also set appropriate standards regarding risk controls and thresholds on trading through such access and shall be able to distinguish and, if necessary, to stop orders or trading by a person using direct electronic access separately from other orders or trading by the member or participant.

The market operator shall have arrangements in place to suspend or terminate the provision of direct electronic access by a member or participant to a client in the case of non-compliance with this paragraph.

The market operator shall ensure that its rules on co-location services are transparent, fair and non-discriminatory.

The market operator shall ensure that its fee structures including execution fees, ancillary fees and any rebates are transparent, fair and non-discriminatory and that they do not create incentives to place, modify or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse. The market operator shall impose market making obligations in individual shares or a suitable basket of shares in exchange for any rebates that are granted.

The market operator is allowed to adjust its fees for cancelled orders according to the length of time for which the order was maintained and to calibrate the fees to each financial instrument to which they apply.

The market operator may impose a higher fee for placing an order that is subsequently cancelled than an order which is executed and impose a higher fee on participants placing a high

ratio of cancelled orders to executed orders and on those operating a high-frequency algorithmic trading technique in order to reflect the additional burden on system capacity.

The market operator shall be able to identify, by means of flagging from members or participants, orders generated by algorithmic trading, the different algorithms used for the creation of orders and the relevant persons initiating those orders. That information shall be available to the Commission upon request.

The market operator shall make available to the Commission, upon request, data relating to the order book or give the Commission access to the order book so that it is able to monitor trading.

Tick Size

Article 128

The market operator shall adopt tick size regimes in shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and in any other financial instrument for which rules have been developed by the Commission in the regulation referred to in Article 130 of this Law.

The tick size regimes referred to in paragraph 1 of this Article shall:

1) be calibrated to reflect the liquidity profile of the financial instrument in different markets and the average bid-ask spread, taking into account the desirability of enabling reasonably stable prices without unduly constraining further narrowing of spreads;

2) adapt the tick size for each financial instrument appropriately.

Synchronization of Business Clocks

Article 129

All trading venues and their members or participants shall synchronize the business clocks they use to record the date and time of any reportable event.

Powers of the Commission to Adopt Regulations

Article 130

The Commission shall adopt a regulation governing detailed requirements in relation to staff, organizational capacity, financial resources and technical equipment particularly taking into consideration the circumstances of the market to be operated in terms of significant risks, potential conflicts of interest and professional and technical capacity required in order to ensure fair, orderly and efficient operation of the market.

The regulation referred to in paragraph 1 of this Article shall specify:

1) the level and method of calculation of minimum financial resources necessary to fulfil the obligations from point 6) of paragraph 1 of Article 126 of this Law and the type of financial

instruments considered to be of sufficiently liquid and of sufficiently low risk to fulfil the conditions from paragraph 2 of Article 126 of this Law;

2) the requirements to ensure trading systems of regulated markets are resilient and have adequate capacity;

3) the ratio referred to in paragraph 11 of Article 127 of this Law, taking into account factors such as the value of unexecuted orders in relation to the value of executed transactions;

4) the controls concerning direct electronic access in such a way as to ensure that the controls applied to sponsored access are at least equivalent to those applied to direct market access;

5) the requirements to ensure that co-location services and fee structures are fair and non-discriminatory and that fee structures do not create incentives for disorderly trading conditions or market abuse;

6) the determination of where a regulated market is material in terms of liquidity in that financial instrument;

7) the requirements to ensure that market making schemes are fair and non-discriminatory and to establish minimum market making obligations that market operators must provide for when designing a market making scheme and the conditions under which the requirement to have in place a market making scheme is not appropriate, taking into account the nature and scale of the trading on that regulated market, including whether the regulated market allows for or enables algorithmic trading to take place through its systems;

8) the requirements to ensure appropriate testing of algorithms so as to ensure that algorithmic trading systems including high-frequency algorithmic trading systems cannot create or contribute to disorderly trading conditions on the market.

9) rules on the appropriate calibration of trading halts under paragraph 6 of Article 127 of this Law, taking into account the factors referred to in that paragraph;

10) minimum tick sizes or tick size regimes for specific shares, depositary receipts, exchange-traded funds, certificates, and other similar financial instruments where necessary to ensure the orderly functioning of markets, in accordance with the factors in paragraph 2 of Article 128 of this Law and the price, spreads and depth of liquidity of the financial instruments.

The regulation referred to in paragraph 1 of this Article may also include rules, developed by the Commission to specify minimum tick sizes or tick size regimes for specific financial instruments other than those listed in point 10), paragraph 2 of this Article where necessary to ensure the orderly functioning of markets, in accordance with paragraph 2, Article 128 of this Law and the price, spreads and depth of liquidity of the financial instruments.

Admission of Financial Instruments to Trading

Article 131

A market operator shall have clear and transparent rules regarding the admission of financial instruments to trading on a regulated market.

By its rules, the market operator shall:

1) ensure that any financial instruments admitted to trading on a regulated market are capable of being traded in a fair, orderly and efficient manner and that transferable securities are freely negotiable between parties in trading;

2) ensure that the design of the derivative contract allows for its orderly pricing, and for the existence of effective settlement conditions;

3) establish and maintain effective arrangements to verify that issuers of transferable securities that are admitted to trading on the regulated market, comply with their obligations under this Law and regulations of the Commission and the market operator in respect of initial, ongoing and ad hoc disclosure of information that shall be submitted to the market operator;

4) establish arrangements which facilitate its members in obtaining access to information which has been made public under this Law or Commission regulations;

5) established the necessary arrangements to regularly review the compliance with the admission requirements of the financial instruments admitted to trading.

Transferable securities that have been admitted to trading on a regulated market can subsequently be admitted to trading on other regulated markets, even without the consent of the issuer and in compliance with the relevant provisions of Chapter IV of this Law. The issuer shall be informed by the market operator of the fact that its securities are traded on that regulated market. The issuer shall not be subject to any obligation to provide information required under paragraph 2 of this Article directly to any regulated market where the issuer's securities have been admitted to trading without its consent.

The Commission shall adopt a regulation to specify:

1) the characteristics of different classes of financial instruments to be taken into account by the market operator when assessing whether a financial instrument is issued in a manner consistent with the conditions laid down in paragraph 2 of this Article for admission to trading on the different market segments which it operates;

2) the arrangements that the market operator is required to implement so as to be considered to have fulfilled its obligation to verify that the issuer of a transferable security complies with its obligations under this Law and the Commission's regulations in respect of initial, ongoing and ad hoc disclosure obligations;

3) the arrangements that the market operator has to establish in order to facilitate its members or participants in obtaining access to information which has been made public under the conditions established by this Law or Commission regulations.

Suspension and Removal of Financial Instruments from Trading on a Regulated Market

Article 132

The market operator may suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

The market operator that suspends or removes from trading a financial instrument shall also suspend or remove the derivatives as referred to in subpoints (4) - (10) of point 19) of paragraph 1 of Article 2 of this Law that relate or are referenced to that financial instrument where necessary to support the objectives of the suspension or removal of the underlying financial instrument. The market operator shall make public its decision on the suspension or removal of the financial instrument and of any related derivative and communicate the relevant decisions to the Commission.

The Commission shall require that other regulated markets, MTFs, OTFs and systematic internalisers, which fall under its jurisdiction and trade the same financial instrument or derivatives as referred to in Article 2 of this Law that relate or are referenced to that financial instrument, also suspend or remove that financial instrument or derivatives from trading, where the suspension or removal is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 272 and 283 of this Law, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market.

The Commission shall immediately make public such a decision.

The Commission shall immediately communicate its decision to ESMA and the competent authorities of the other Member States, including an explanation if the decision was not to suspend or remove from trading the financial instrument or derivatives as referred to in subpoints (4) - (10) of point 19) of paragraph 1 of Article 2 of this Law that relate or are referenced to that financial instrument.

When the Commission is notified of such a decision by the competent authorities of other Member States, it shall require that regulated markets, MTFs, OTFs and systematic internalisers, which fall under its jurisdiction and trade the same financial instrument or derivatives referred to in paragraph 2 of this Article 2 of this Law that relate or are referenced to that financial instrument, also suspend or remove that financial instrument or derivatives from trading, where the suspension or removal is due to suspected market abuse, a take-over bid or the non- disclosure of inside information about the issuer or financial instrument infringing Articles 272 and 283 of this Law, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market. This paragraph applies also when the suspension from trading of a financial instrument or derivatives as referred to in paragraph 2 of this Article that relate or are referenced to that financial instrument is lifted. The notification procedure referred to in this paragraph shall also apply in the case where the decision to suspend or remove from trading a financial instrument or derivatives as referred to paragraph 2 of this Article that relate or are referenced to that financial instrument is taken by the competent authority pursuant to points 13) and 14) of paragraph 1 of Article 374 of this Law.

The Commission shall issue a decision on removal from trading on the regulated market of the issuer's shares in the following cases:

1) if the issuer fails to submit the annual report to the Commission within the deadlines and in the manner prescribed by the provisions of this Law;

2) if the Commission has failed twice to deliver the administrative act to the address of the company's headquarters, or to the registered address for receiving mail;

3) if the company has been issued a final measure prohibiting its operations;

4) if the measure of revocation of the permit, license or authorization for performing the registered activity has been imposed on the company by a final act;

5) if the company remains without a legal or temporary representative and fails to register a new one within 30 days from the day of deleting the legal or temporary representative from the register of companies.

The Commission shall deliver the decision referred to in paragraph 7 of this Article to the issuer and the market operator.

The market operator shall publish the decision referred to in paragraph 7 of this Article immediately upon receipt on its website and ensure that it remains published continuously for at least six months from the date of adoption.

The market operator shall exclude shares from trading from the regulated market promptly upon receipt of the decision referred to in paragraph 7 of this Article.

The issuer shall deliver the decision referred to in paragraph 7 of this Article to the issuer’s shareholders within three days from the day of receipt.

In the case referred to in paragraph 7 of this Article, each shareholder may, within six months from the date of the decision of the Commission, request the redemption of shares from the company.

The company shall pay the shareholder within 30 days from the day of receipt of the request at the price at which the shares are purchased from dissenting shareholders in accordance with the provisions of the law governing companies.

If the company fails to act in accordance with paragraph 11 of this Article, the shareholder may file a lawsuit with the competent court to request payment of:

1) the value of shares if the company fails to pay the shares within the period referred to in paragraph 13 of this Article;

2) differences up to the full value of the shares, if it considers that the value has not been determined in accordance with paragraph 13 of this Article.

The Commission may adopt a regulation to specify:

1) the cases in which the connection between a derivative relating or referenced to a financial instrument suspended or removed from trading and the original financial instrument implies that the derivatives are also to be suspended or removed from trading, in order to achieve the objective of the suspension or removal of the underlying financial instrument.

2) the format and timing of the communications and publications referred to in paragraphs 2-5 of this Article.

3) the list of circumstances constituting significant damage to the investors’ interests and the orderly functioning of the market referred to in paragraphs 1-5 of this Article.

Decision on Removal of Shares from a Regulated Market

Article 133

The general meeting of an issuer or public company may adopt a decision on removal of shares from the regulated market by votes representing at least three quarters of the total number of shares with voting rights, whereas the company statute may set forth a higher majority for adopting this decision.

The public company may adopt the decision referred to in paragraph 1 of this Article, if the following conditions have been met cumulatively:

1) the public company has less than 10,000 shareholders;

2) in the period of three months preceding the day of the decision on convening the general meeting to decide on removal of shares from the regulated market or MTF, the trading volume of shares being removed from the regulated market is less than 0.5% of the total number of issued shares;

3) at least in one month of the period referred to in point 2) of this paragraph, the monthly trading volume of the shares on the regulated market is less than 0.05% of the total number of issued shares.

The decision referred to in paragraph 1 of this Article is valid only when it includes an irrevocable statement of the company by which the company commits to buy out the shares from the dissenting shareholders, on their request, with adequate compensation, whereas this right is granted also to shareholders absent from the general meeting.

Following registration of the decision referred to in paragraph 1 of this Article in the Company Register, the company shall inform the market operator of the regulated market to which its shares are admitted to trading.

An adequate compensation referred to in paragraph 3 of this Article shall be the highest value of the share calculated in compliance with the law regulating companies.

Access to a Regulated Market

Article 134

A market operator shall establish, implement and maintain transparent and non-discriminatory rules, based on objective criteria, governing access to or membership of the regulated market.

The rules referred to in paragraph 1 of this Article shall specify any obligations for the members or participants arising from:

1) the constitution and administration of the regulated market;

2) rules relating to transactions on the market;

3) professional standards imposed on the staff of the investment firms or credit institutions that are operating on the market;

4) the conditions established, for members or participants other than investment firms and credit institutions, under paragraph 3;

5) the rules and procedures for the clearing and settlement of transactions concluded on the regulated market.

Market operators may admit as members or participants of a regulated market investment firms, credit institutions authorized under the law governing banks or the law governing credit institutions and other persons who:

1) are of sufficient good repute;

2) have a sufficient level of trading ability, competence and experience;

3) have, where applicable, adequate organizational arrangements;

4) have sufficient resources for the role they are to perform, taking into account the different financial arrangements that the regulated market may have established in order to guarantee the adequate settlement of transactions.

For the transactions concluded on a regulated market, members and participants are not obliged to apply to each other the obligations laid down in Articles 178, 179, 180, 181, 182, 153, 184, 185 and 178 of this Law. but shall apply the obligations provided for in with respect to their clients when they, acting on behalf of their clients, execute their orders on a regulated market.

The rules on access to or membership of or participation in the regulated market shall provide for the direct or remote participation of investment firms and credit institutions.

Market operators and/or regulated markets from other Member States shall be allowed, without further legal or administrative requirements, to provide appropriate arrangements in the Republic of Serbia so as to facilitate access to and trading on those markets by remote members or participants established in the Republic Serbia.

Market operators from the Republic shall be allowed, without further legal or administrative requirements, to provide appropriate arrangements in other Member States so as to facilitate access to and trading on regulated markets that they operate by remote members or participants established in other Member States.

The market operator shall communicate to the Commission in which other Member States it intends to provide such arrangements. The Commission shall communicate that information to the Member State in which the market operator intends to provide such arrangements within 1 month.

The Commission shall, on the request of the competent authority of the host Member State and, without undue delay, communicate the identity of the members or participants of the regulated market established in the Republic.

The market operator shall communicate to the Commission, on a regular basis, the list of the members or participants of the regulated market.

Monitoring Compliance with the Regulated Market Rules and Other Legal Obligations

Article 135

Market operators shall establish and maintain effective arrangements, systems and procedures including the necessary resource for the regular monitoring of the compliance by their

members or participants with their rules. Market operators shall monitor orders sent including cancellations and the transactions undertaken by their members or participants under their systems in order to identify infringements of those rules, disorderly trading conditions or conduct that may indicate insider dealing, market manipulation and attempted insider dealing and market manipulation or system disruptions in relation to a financial instrument.

Market operators shall immediately inform the Commission of significant infringements of their rules or disorderly trading conditions or conduct that may indicate insider dealing, market manipulation and attempted insider dealing and market manipulation or system disruptions in relation to a financial instrument.

The Commission shall communicate to ESMA and to the competent authorities of the other Member States the information referred to in paragraph 2 of this Article. In relation to conduct that may indicate behavior that is prohibited under European legislation governing market abuse, a competent authority shall be convinced that such behavior is being or has been carried out before it notifies the competent authorities of the other Member States and ESMA.

The market operator shall supply the relevant information without undue delay to the Commission and provide full assistance to the Commission and the state prosecutor in investigating and prosecuting market abuse occurring on or through the systems of the regulated market.

The Commission shall adopt a regulation to determine circumstances that trigger an information disclosure requirement as referred to in paragraph 2 of this Article.

General Enactments of a Market Operator

Article 136

The general enactments of a market operator shall be an instrument of incorporation, statute, rules and procedures of operations and the rulebook on fees.

The Commission shall grant prior approval for the rules and procedures and the rulebook on fees, and their changes and it shall prescribe the contents of such enactments in more detail. The market operator shall notify without delay the Commission of any changes in statute.

The rules and procedures shall regulate in more detail the activities of the market operator prescribed by this Law. In particular, they shall regulate:

1) the terms and conditions of investment firm membership in the regulated market;

2) the conditions related to the admission of financial instruments to trading on the regulated market, removal from trading and suspension of trading in financial instruments;

3) the conditions for trading in financial instruments admitted to trading on the regulated market;

4) market surveillance of trading in financial instruments admitted to trading on the regulated market with a view to preventing and detecting non-compliance with the regulated market rules, provisions of this Law and the Commission regulations especially non-compliance with the provisions of Chapter XII of this Law governing market abuse;

5) the procedures disciplining investment firms and authorized natural persons in an investment firm who act in contravention of the general enactments, provisions of this Law or Commission regulations;

6) processes for resolving disputes between investment firms who are members of the regulated market, with respect to transactions in financial instruments admitted to trading on the regulated market;

A market operator shall charge fees for the services and activities that it provides up to the maximum amounts set forth in the schedule of fees of the market operator filed with the Commission.

The general enactments of a market operator may include arbitration rules.

Obligation of Confidentiality

Article 137

The general enactments shall include the code of conduct for its executive directors, members of the supervisory boards and employees, containing provisions on data confidentiality and procedures aimed at preventing abuses of confidential or inside information.

The market operator and the persons referred to in paragraph 1 of this Article are obliged to keep as confidential data on transactions in financial instruments that have not been publicly disclosed, as well as other data that they learned about in the performance of their duties or otherwise.

Confidential data referred to in paragraph 2 of this Article shall not include consolidated, cumulative data on which basis data on individual transactions are not disclosed.

The data referred to in paragraph 2 of this Article shall be communicated and made available to the Commission, court or other competent authorities in the Republic, on the basis of their order, and for the purpose of performing tasks within their competences.

The provisions of this Law relating to the Commission and the obligation to keep confidential data and information shall apply accordingly to the confidentiality of data in terms of the provisions of this Article.

Record Keeping and Reporting Obligations of a Market Operator

Article 138

A market operator shall maintain such records concerning transactions in financial instruments admitted to trading and other operations of the regulated market as prescribed by the Commission regulation.

The market operator shall make available on its website information about the financial instruments that have been traded that day, about the volume, prices and changes in price.

The market operator shall submit to the Commission the following reports:

1) information about admission to membership to the regulated market, termination of membership in the regulated market, achieving or ending the status of the MTF user, within three days following the day the decision has been reached;

2) information on the admission to trading, rejection of admission to trading and removal from trading of financial instruments, within three working days from the date of adoption of the decision;

3) an annual financial report with the auditor's report and report on business operations of the company;

4) other information upon request of the Commission.

The report referred to in paragraph 3, point 3) of this Article shall be submitted to the Commission by 30 April for the previous year and disclosed on the website of the regulated market or MTF.

The Commission shall prescribe the format and contents of the report referred to in paragraph 3 of this Article.

Withdrawal of the Authorization Issued to a Regulated Market and Actions Against Certain Persons

Article 139

The Commission shall be authorized to suspend for a period of not more than two years or permanently revoke the authorization of a market operator, and/or to withdraw authorization previously granted to any person with a qualifying holding in a market operator excluding the Republic, or any person serving as a member of the supervisory board, if it finds that:

1) the market operator does not make use of its authorization within 12 months, expressly renounces the authorization, or has conducted no market operator activities within the preceding six months;

2) the market operator or an executive director of the market operator has obtained the authorization on the grounds of materially false or misleading information, by omitting facts due to which the disclosed information would not be misleading or in any other unauthorized manner;

3) the market operator or an executive director of the market operator fails to continue to satisfy the conditions prescribed for obtaining the authorization;

4) the market operator or any person referred to in this paragraph has seriously and systematically infringed the provisions, of this Law or the Commission regulations;

5) the market operator or other person referred to in this paragraph fails to comply within the prescribed time period and in the prescribed manner with a Commission decision issued pursuant to this Law;

6) as an executive director of the market operator, the person fails to exercise appropriate supervision over employees of the market operator and such activity causes a material violation of this Law or Commission regulations, by the market operator or employee, and such violations could have been prevented if appropriate supervision had been exercised.

The Commission's authority to suspend or permanently revoke an authorization or to withdraw a prior approval pursuant to this Article shall not exclude the possibility to apply measures that the Commission is authorized to undertake with respect to:

1) approved persons, pursuant to Chapter XIII of this Law;

2) members of the management body and persons with a qualifying holding in the market operator, in compliance with this Law.

The Commission shall notify ESMA without undue delay of any withdrawal of authorization issued to a market operator.

VII DATA REPORTING SERVICES

Requirement for Authorization

Article 140

The provision of data reporting services as a regular occupation or business shall be subject to prior authorization granted by the Commission.

The provision of data reporting services referred to in paragraph 1 of this Article shall mean:

1) Operating an APA;

2) Operating a CTP;

3) Operating an ARM.

By way of derogation from paragraph 1 of this Article, an investment firm or a market operator operating a trading venue shall be allowed to operate the data reporting services of an APA, subject to the prior verification of their compliance with this Chapter. Such a service shall be included in their authorization.

By way of derogation from paragraph 1 of this Article, an investment firm or a market operator operating a trading venue shall be allowed to operate the data reporting services of an CTP and an ARM, subject to the prior verification of their compliance with this Chapter. Such a service shall be included in their authorization.

The Commission shall keep and update the register of all data reporting services providers (hereinafter referred to as the "Register"). The register shall be publicly accessible on the Commission's website and shall contain information on the services for which the data reporting services provider is authorized.

Every authorization shall be notified to ESMA.

Where the Commission has withdrawn an authorization in accordance with Article 143 of this Law, that withdrawal shall be published in the Register for a period of five years.

The Commission shall regularly supervise the compliance of data reporting services providers with this Chapter and with the requirements under the authorization.

Scope of Authorization

Article 141

The authorization referred to in paragraph 1 Article 140 of this Law shall specify the data reporting service which the data reporting services provider is authorized to provide.

A data reporting services provider seeking to extend its business to additional data reporting services shall submit a request for extension of its authorization.

The authorization shall be valid for the entire EU and shall allow a data reporting services provider to provide the services, for which it has been authorized, throughout the EU.

Procedures for Granting and Refusing Requests for Authorization

Article 142

Along with the authorization application, the data reporting services provider shall provide all information, including a business plan setting out, *inter alia*, the types of services envisaged and the organizational structure, necessary to enable the Commission to assess that the data reporting services provider, at the time of initial authorizations, has undertaken all the necessary arrangements to meet its obligations under the provisions of this Chapter.

The Commission shall issue the authorization within three months from the day of submission of a duly submitted application after determining that the applicant meets all the criteria prescribed by this Law and the acts of the Commission and shall inform the applicant thereof.

The Commission shall adopt a regulation to determine:

1) the information to be provided by an APA to the Commission under paragraph 1 of this Article, including the program of operations;

2) the information to be included in the notifications by an APA under Article 144 of this Law;

3) the standard forms, templates and procedures for the notification or provision of information provided for by an APA in paragraph 1 of this Article and in Article 144 of this Law.

Withdrawal of Authorizations

Article 143

The Commission may withdraw the authorization issued to a data reporting services provider where the provider:

1 does not make use of the authorization within 12 months, expressly renounces the authorization or has provided no data reporting services for the preceding six months,

2) has obtained the authorization by making false statements or by any other irregular means;

3) no longer meets the conditions under which authorization was granted;

Requirements for the Management Body of a Data Reporting Services Provider

Article 144

All members of the management body of a data reporting services provider shall, at all times, be of sufficiently good repute, possess sufficient knowledge, skills and experience and commit sufficient time to perform their duties.

The management body shall possess adequate collective knowledge, skills and experience to be able to understand the activities of the data reporting services provider. Each member of the management body shall act with honesty, integrity and independence of mind to effectively challenge the decisions of the senior management where necessary and to effectively oversee and monitor management decision-making where necessary.

Where a market operator seeks authorization to operate an APA, a CTP or an ARM and the members of the management body of the APA, the CTP or the ARM are the same as the members of the management body of the regulated market, those persons are deemed to comply with the requirement laid down in paragraph 1 of this Article.

The data reporting services provider shall notify the Commission of all members of its management body and of any changes to its membership, along with all information needed to assess whether the entity complies with paragraph 1 of this Article.

The management body of a data reporting services provider defines and oversees the implementation of the governance arrangements that ensure effective and prudent management of an organization including the segregation of duties in the organization and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interest of its clients.

The Commission shall refuse authorization if it is not satisfied that the person or the persons who shall effectively direct the business of the data reporting services provider are of sufficiently good repute, or if there are objective and demonstrable grounds for believing that proposed changes to the management of the provider pose a threat to its sound and prudent management and to the adequate consideration of the interest of its clients and the integrity of the market.

The Commission shall adopt a regulation defining the procedure and criteria for the assessment of suitability of the members of the management body of an APA described in paragraphs 1 and 2 of this Article, taking into account different roles and functions carried out by them and the need to avoid conflicts of interest between members of the management body and users of the APA.

Conditions for APAs

Organizational Requirements

Article 145

An APA shall have adequate policies and arrangements in place to make public the information required under as close to real time as is technically possible, on a reasonable commercial basis. The information shall be made available free of charge 15 minutes after the APA has published it. The APA shall be able to disseminate such information efficiently and consistently in a way that ensures fast access to the information, on a non-discriminatory basis and in a format that facilitates the consolidation of the information with similar data from other sources.

Pursuant to paragraph 1 of this Article, an APA shall publish the following data:

1) the identifier of the financial instrument;

2) the price at which the transaction was concluded;

3) the volume of the transaction;

4) the time of the transaction;

5) the time the transaction was reported;

6) the price notation of the transaction;

7) the code for the trading venue the transaction was executed on, or where the transaction was executed via a systematic internaliser the code ‘SI’ or otherwise the code ‘OTC’;

8) if applicable, an indicator that the transaction was subject to specific conditions.

The APA shall operate and maintain:

1) effective administrative arrangements designed to prevent conflicts of interest with its clients. An APA who is also a market operator or investment firm acts in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions;

2) sound security mechanisms in place designed to guarantee the security of the means of transfer of information, minimize the risk of data corruption and unauthorized access and to prevent information leakage before publication;

3) adequate resources and have back-up facilities in place in order to offer and maintain its services at all times;

4) systems in place that can effectively check trade reports for completeness, identify omissions and obvious errors and request re-transmission of any such erroneous reports.

The Commission shall adopt a regulation specifying:

1) the means by which an APA may comply with the information obligation referred to in paragraph 1 of this Article;

2) what constitutes a reasonable commercial basis to make information public as referred to in paragraph 1 of this Article.

3) the common formats, data standards and technical arrangements facilitating the consolidation of information as referred to in paragraph 1 of this Article;

4) the content of the information published under paragraph 1 of this Article, including at least the information referred to in paragraph 2 of this Article in such a way as to enable the publication of information required under this Article;

5) the concrete organizational requirements laid down in paragraph 3 of this Article.

Conditions for CTPs

Organizational Requirements

Article 146

A CTP shall have adequate policies and arrangements in place to collect the information made public, consolidate it into a continuous electronic data stream and make the information available to the public as close to real time as is technically possible, on a reasonable commercial basis.

A CTP shall disclose the following information:

1) the identifier of the financial instrument;

2) the price at which the transaction was concluded;

3) the volume of the transaction;

4) the time of the transaction;

5) the time the transaction was reported;

6) the price notation of the transaction;

7) the code for the trading venue the transaction was executed on, or where the transaction was executed via a systematic internaliser the code 'SI' or otherwise the code 'OTC';

8) where applicable, the fact that a computer algorithm within the investment firm was responsible for the investment decision and the execution of the transaction;

9) if applicable, an indicator that the transaction was subject to specific conditions;

10) if the obligation to make public the information was waived, a flag to indicate which of those waivers the transaction was subject to.

The information shall be made available free of charge 15 minutes after the CTP has published it. The CTP shall be able to disseminate such information efficiently and consistently in a way that ensures fast access to the information, on a non-discriminatory basis and in formats that are easily accessible and utilizable for market participants.

The CTP shall ensure that the data provided is consolidated from all the regulated markets, MTFs, OTFs and APAs and for the financial instruments specified by regulatory technical standards

The CTP shall operate and maintain:

1) effective administrative arrangements designed to prevent conflicts of interest. In particular, a market operator or an APA, who also operate a consolidated tape, shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions.

2) sound security mechanisms in place designed to guarantee the security of the means of transfer of information and to minimize the risk of data corruption and unauthorized access.

3) adequate resources and have back-up facilities in place in order to offer and maintain its services at all times.

The Commission shall adopt a regulation specifying the concrete organizational requirements laid down in paragraph 5 of this Article.

Conditions for ARMs

Organizational Requirements

Article 147

An ARM shall have adequate policies and arrangements in place to report the information required under EU Regulations governing requirements of investment firms to report to relevant authorities on transactions in financial instruments as quickly as possible, and no later than the close of the working day following the day upon which the transaction took place.

The ARM shall operate and maintain:

1) effective administrative arrangements designed to prevent conflicts of interest with its clients. The ARM that is also a market operator or investment firm shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions;

2) sound security mechanisms in place designed to guarantee the security and authentication of the means of transfer of information, minimize the risk of data corruption and unauthorized access and to prevent information leakage, maintaining the confidentiality of the data at all times;

3) adequate resources and have back-up facilities in place in order to offer and maintain its services at all times.

4) systems in place that can effectively check transaction reports for completeness, identify omissions and obvious errors caused by the investment firm and where such error or omission occurs, to communicate details of the error or omission to the investment firm and request re-transmission of any such erroneous reports;

5) systems in place to enable the ARM to detect errors or omissions caused by the ARM itself and to enable the ARM to correct and transmit, or retransmit as the case may be, correct and complete transaction reports to the competent authority.

VIII INVESTMENT FIRMS

Requirements for Authorization; Establishment

Article 148

The provision of investment services and/or the performance of investment activities as a regular occupation or business on a professional basis shall be performed exclusively by investment firms with prior authorization for performance of investment activities granted by the Commission.

By way of derogation from paragraph 1, the Commission shall authorize any market operator to operate an MTF or an OTF, subject to the prior verification of their compliance with this Chapter.

Any investment firm must be organized as a joint stock company and the provisions of the law regulating companies shall apply, unless otherwise specified in this Law.

Any investment firm with its registered office in the Republic shall have its head office in the Republic.

Services and Activities of an Investment Firm

Article 149

The authorization granted by the Commission for performance of activities of an investment firm shall specify the investment services or activities which the investment firm is authorized to provide and/or perform.

The authorization issued by the Commission may cover one or more of the ancillary services set out in:

1) Article 2, para.1, point 3), subpoints (1), (2), (3), (5), (6) and (7) of this Law;

2) Article 2, para.1, point 3), subpoint (4) of this Law

The authorization shall in no case be granted solely for the provision of ancillary services.

An investment firm seeking authorization to extend its business to additional investment services or activities, or ancillary services not included in the current authorization shall submit a request for extension of its authorization.

In connection with the provision of ancillary foreign exchange services referred to in the provision of Article 2, paragraph 1, point 3) subpoint (4) of this Law, the investment firm shall act in accordance with the law governing foreign exchange operations.

The authorization for carrying out activities of an investment firm, issued by the Commission shall be valid for the entire EU and shall allow an investment firm to provide the services or perform the activities, for which it has been authorized, throughout the EU, either through the right of establishment, including through a branch, or through the freedom to provide services.

Authorization Application to Carry Out Activities of an Investment Firm

Article 150

The application for authorization of performance of activities of an investment firm shall state the investment services and activities, and ancillary services proposed to be performed by the investment firm.

The application referred to in paragraph 1 of this Article shall include:

1) governing instruments of the applicant investment firm;

2) information on each person with a qualifying holding in the ownership of an applicant, including the type, amount and percentage of such holding, and the information regarding any person with whom a person with a qualifying holding has close links, including details regarding such close links, any other person who is in a position to control or exercise significant influence over the applicant investment firm;

3) names and information regarding the qualifications, experience and business reputation of the current and proposed members of the management body of investment firms, and/or proposed managers of the organizational part of the credit institution performing investment services and activities;

4) information regarding staff qualifications, organizational capacity and technical equipment of the applicant as required by Articles 166-177 of this Law;

5) rules on fees indicating the fees and other charges of the applicant for the investment services and activities for which an authorization is requested;

6) information regarding the applicant's proposed program of operations, including the types of business envisaged and its organizational structure in sufficient detail to enable the Commission to determine that the applicant has established all necessary arrangements to meet its obligations under this Chapter;

7) a document attesting that the applicant has sufficient initial capital in accordance with the requirements of this Law having regard to the nature of the investment service or activity in question;

8) a document attesting to the payment of the application fees required by the Commission's rulebook on fees;

9) when the persons with a qualifying holding in the ownership of an applicant are foreign persons, a document attesting that the competent authorities of their home country have granted approval for their ownership of a qualified holding in the applicant investment firm or that such approval is not required according to the law and regulations of such country.

The Commission shall adopt a regulation to specify:

1) the information to be provided to the Commission under paragraph 2 of this Article including the program of operations;

2) the requirements applicable to the management body of investment firms and to managers of the organizational part of the credit institution performing investment services and activities;

3) the requirements applicable to shareholders and members with qualifying holdings, as well as obstacles which may prevent effective exercise of the supervisory functions of the Commission under Article 160 of this Law.

Decision Granting Authorization to Carry Out Activities of an Investment Firm

Article 151

The Commission shall decide on the application for authorization to carry out activities of an investment firm, within 6 months of the submission of a complete application.

The Commission shall adopt a decision granting authorization, if all the requirements under this law and the Commission regulations have been met.

The Commission's decision on approval of the application shall indicate whether the investment firm is authorized to hold funds and/or financial instruments of its clients.

Authorization of Status Changes

Article 152

An investment firm shall obtain prior approval from the Commission before applying to be entered into the Company Register with respect to any merger, acquisition or division.

Public Availability of Authorizations

Article 153

The Commission shall keep a register of investment firms and a register of banks i.e., credit institutions performing activities of an investment firm.

The register referred to in para.1 of this Article shall be publicly accessible on the webpage of the Commission and shall contain information on the services or activities for which investment firms and credit institutions are authorized.

The register referred to in para.1 of this Article shall be updated on a regular basis.

Every authorization shall be notified to ESMA by the Commission.

Where the Commission has withdrawn an authorization in accordance with para.1 of Article 225 of this Law, that withdrawal shall be published in the register referred to in para.1 of this Article and shall remain disclosed for a period of five years.

Entry into Company Register and Commencement of Activities

Article 154

An investment firm shall file an application to be entered into the Company Register, within 15 days from the day of the receipt of the investment firm authorization and the decision granting prior approval to the election or appointment of members of the management boards of the investment firm.

If the application is not submitted within the time period referred to in paragraph 1 of this Article, the Commission shall adopt a decision on the annulment of the authorization for performing activities and for removing the company from the register.

An investment firm shall file with the Commission a certificate from the Company Register, within seven days from the day of receipt of the decision on its entry into the Register.

An investment firm shall not commence its activities for which it has obtained the authorization, prior:

1) to the entry of this activity into the Company Register, and
2) to the submission to the Commission proof of membership in the Investor Protection Fund.

General Enactments of an Investment Firm

Article 155

The general enactments of an investment firm shall be the instrument of incorporation, statute, rules and procedures of operations and the rulebook on fees.

The Commission shall grant approval to the general acts referred to in paragraph 1 of this Article, except for the rulebook on tariffs, as well as to any amendments thereto.

An investment firm charges fees for the services and activities that it provides up to the amount set forth in the rulebook on fees approved by the Commission.

The Commission shall adopt a regulation to specify the contents of the general enactments referred to in paragraph 1 of this Article.

Management Bodies

Article 156

The investment firm management structure shall consist of management bodies in compliance with the law regulating companies or in the case of the credit institution performing activities of an investment firm - managers of the organizational part of the credit institution performing investment services and activities.

An investment firm shall have at least two members of the management body performing management function in the investment firm effectively.

By way of derogation from paragraph 2 of this Article, the Commission may grant authorization to investment firms that are managed by a single member of the management body in its management function provided that:

1) alternative arrangements are in place which ensure the sound and prudent management of such investment firms and the adequate consideration of the interest of clients and the integrity of the market;

2) the natural person concerned is of sufficiently good repute, possesses sufficient knowledge, skills and experience and commits sufficient time to perform his duties.

Members of the management body shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the management body shall reflect an adequately broad range of experiences.

All members of the management body shall commit sufficient time to perform their functions in the institution.

The number of directorships which may be held by a member of the management body at the same time shall take into account individual circumstances and the nature, scale and complexity of the investment firm’s activities. Unless representing the Republic, members of the management body of an investment firm that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

1) one executive directorship with two non-executive directorships;

2) four non-executive directorships.

For the purposes of paragraph 6 of this Article, the following shall count as a single directorship:

1) executive or non-executive directorships held within the same group;

2) executive or non-executive directorships held within:

(1) institutions which are members of the same institutional protection scheme provided that the conditions set out in the law governing prudential requirements and investment firms are fulfilled;

(2) undertakings (including non-financial entities) in which the institution holds a qualifying holding.

Directorships in organizations which do not pursue predominantly commercial objectives shall not count for the purposes of paragraph 6.

The Commission can authorize members of the management body to hold one additional non-executive directorship.

The Commission shall regularly inform ESMA of authorizations referred to in paragraph 8 of this Article.

The management body shall possess adequate collective knowledge, skills and experience to be able to understand the institution's activities, including the main risks.

Each member of the management body shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management and where necessary to effectively oversee and monitor management decision-making.

Investment firms shall devote adequate human and financial resources to the induction and training of members of the management body.

Investment firms and their respective nomination committees shall engage a broad set of qualities and competences when recruiting members to the management body and for that purpose to put in place a policy promoting diversity on the management body.

The Commission shall collect the information regarding the policy on diversity with regard to selection of members of the management board disclosed in accordance with the law governing prudential requirements for credit institutions and investment firms and shall use it to benchmark diversity practices.

The Commission shall provide the European Banking Authority (EBA) with information referred to in paragraph 14 of this Article.

The Commission shall adopt a regulation specifying the following:

1) the notion of sufficient time commitment of a member of the management body to perform his functions, in relation to the individual circumstances and the nature, scale and complexity of activities of the investment firm;

2) the notion of adequate collective knowledge, skills and experience of the management body as referred to in paragraph 10 of this Article;

3) the notion of honesty, integrity and independence of mind of a member of the management body as referred to in paragraph 11 of this Article;

4) the notion of adequate human and financial resources devoted to the induction and training of members of the management body as referred to in paragraph 12 of this Article;

5) the notion of diversity to be taken into account for the selection of members of the management body as referred to in paragraph 13 of this Article.

6) criteria under which the investment firm will be considered large in terms of its size, internal organization and nature, volume and complexity of business operations.

Article 157

The management body of an investment firm or managers of the organizational part of the credit institution performing investment services and activities shall define, oversee and be accountable for the implementation of the governance arrangements that ensure effective and prudent management of the investment firm, including the segregation of duties in the organization and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interest of the clients.

The arrangements referred to in para.1 of this Article shall comply with the following requirements:

1) the management body shall have the overall responsibility for the investment firm and approve and oversee the implementation of the investment firm's strategic objectives, risk strategy and internal governance;

2) the management body shall ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards;

3) the management body shall oversee the process of disclosure and communications;

4) the management body shall be responsible for providing effective oversight of senior management;

5) the management body shall define, approve and oversee:

(1) the organization of the firm for the provision of investment services and activities and ancillary services, including the skills, knowledge and expertise required by personnel, the resources, the procedures and the arrangements for the provision of services and activities, taking

into account the nature, scale and complexity of its business and all the requirements the firm has to comply with;

(2) a policy as to services, activities, products and operations offered or provided, in accordance with the risk tolerance of the firm and the characteristics and needs of the clients of the firm to whom they will be offered or provided, including carrying out appropriate stress testing, where appropriate;

(3) a remuneration policy of persons involved in the provision of services to clients aiming to encourage responsible business conduct, fair treatment of clients as well as avoiding conflict of interest in the relationships with clients.

The management body shall monitor and periodically assess the adequacy and the implementation of the firm's strategic objectives in the provisions of investment services and activities and ancillary services, the effectiveness of the investment firm's governance arrangements and the adequacy of the policies relating to the provision of services to clients and take appropriate steps to address any deficiencies.

Members of the management body shall have adequate access to information and documents which are needed to oversee and monitor decision-making of the management bodies and senior management.

Article 158

Investment firms which are significant in terms of their size, internal organization and the nature, scope and complexity of their activities shall establish a nomination committee composed of members of the management body who do not perform any executive function in the investment firm concerned.

The nomination committee shall:

1) identify and recommend, for the approval of the management body or for approval of the general meeting, candidates to fill management body vacancies, whereas the nomination committee shall:

(1) evaluate the balance of knowledge, skills, diversity and experience of the management body;

(2) prepare a description of the roles and capabilities for a particular appointment and assess the time commitment expected.

(3) decide on a target for the representation of the underrepresented gender in the management body and prepare a policy on how to increase the number of the underrepresented gender in the management body in order to meet that target.

2) periodically, and at least annually, assess the structure, size, composition and performance of the management body and make recommendations to the management body with regard to any changes;

3) periodically, and at least annually, assess the knowledge, skills and experience of individual members of the management body and of the management body collectively, and report to the management body accordingly;

4) periodically review the policy of the management body for selection and appointment of senior management and make recommendations to the management body.

In performing its duties, the nomination committee shall, to the extent possible and on an ongoing basis, take account of the need to ensure that the management body's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the investment firm as a whole.

The nomination committee shall be able to use any forms of resources that it considers to be appropriate, including external consultations, and shall receive appropriate funding to that effect.

Commission Procedures for Granting, Denying and Revoking Approval

Article 159

When it determines that all requirements referred to in Articles 156-158 of this Law have been met, the Commission shall give its approval to the election or appointment of members of the management body of an investment firm or managers of the organizational part of the credit institution performing investment services and activities, within seven working days from the day of receipt of a complete application.

Investment firms and credit institutions that have submitted the application referred to in para.1 of this Article shall notify the Commission and submit information needed to assess whether the firm complies with Articles 156-158 of this Law and corresponding Commission regulations.

When the request for approval specified in paragraph 1 of this Article is submitted with an application for authorization to carry out the activities of an investment firm, the Commission shall conduct a unified procedure in which case the deadline referred to in Article 151, paragraph 1 of this Law applies.

The Commission shall reject the request for approval specified in paragraph 1 of this Article:

1) when it determines that the requirements specified in Articles 156-158 of this Law and corresponding Commission regulations have not been met;

2) it is not satisfied that the members of the management body of the investment firm or managers of the organizational part of the credit institution performing investment services and activities are of sufficiently good repute, possess sufficient knowledge, skills and experience and commit sufficient time to perform their functions in the investment firm, or if there are objective and demonstrable grounds for believing that the management body of the investment firm or managers of the organizational part of the credit institution performing investment services and activities may pose a threat to its effective, sound and prudent management and to the adequate consideration of the interest of its clients and the integrity of the market.

The Commission shall revoke the prior approval to the election or appointment of the persons referred to in paragraph 1 of this Article, when it determines the following:

1) that the decision on granting approval was made on the basis of materially false or incomplete information;

2) that the person for whom the approval was granted no longer meets the stipulated requirements;

3) that the person for whom the approval was granted has subsequently engaged in a violation of this Law, the law on prevention of money laundering and terrorism financing or a general enactment of a market operator or the Commission regulations, and the Commission considers it sufficiently serious and systematic to cause the person no longer to be deemed fit and proper to serve as a member of the management body.

The Commission shall adopt regulation to specify the contents of a request for granting prior approval to the election or appointment of members of the management body of an investment firm or managers of the organizational part of the credit institution performing investment services and activities.

Shareholders and Members with Qualifying Holdings

Article 160

Simultaneously with the granting of an authorization to perform the activities of an investment firm, the Commission shall grant approvals to the holders of qualified holding.

The application shall state the identities of the shareholders or members with qualified holdings, whether direct or indirect, natural or legal persons, that have qualifying holdings and the amounts of those holdings.

The Commission shall refuse authorization if, taking into account the need to ensure the sound and prudent management of an investment firm, it is not satisfied as to the suitability of the shareholders or members that have qualifying holdings.

Where close links exist between the investment firm and other natural or legal persons, the Commission shall grant authorization only if those links do not prevent the effective exercise of the supervisory functions of the Commission.

The Commission shall refuse authorization if the laws, regulations or administrative provisions of a third country governing one or more natural or legal persons with which the undertaking has close links, or difficulties involved in their enforcement, prevent the effective exercise of its supervisory functions.

Where the influence exercised by the persons referred to in paragraph 1 of this Article is likely to be prejudicial to the sound and prudent management of an investment firm, the Commission shall take appropriate measures to put an end to that situation.

Measures referred to in paragraph 6 of this Article may include applications for judicial orders or the imposition of sanctions against directors and those responsible for management, or

suspension of the exercise of the voting rights attaching to the shares held by the shareholders or members in question.

Notification of Proposed Acquisitions

Article 161

Any natural or legal person or such persons acting in concert, excluding the Republic (hereinafter referred to as the “proposed acquirer”), who have taken a decision either to acquire, directly or indirectly, a qualifying holding in an investment firm or to further increase, directly or indirectly, such a qualifying holding in an investment firm as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20%, 33% or 50% or so that the investment firm would become its subsidiary (hereinafter referred to as the “proposed acquisition”), shall apply to the Commission for prior approval for acquisition of a qualifying holding, indicating the size of the intended holding and other stipulated information, referred to in paragraph 4 Article 163 of this Law, based on which the Commission shall assess the intended acquisition of qualifying holdings and grant approval.

Any natural or legal person who has taken a decision to dispose, directly or indirectly, of a qualifying holding in an investment firm shall first notify in writing the Commission, indicating the size of the intended holding. Such a person shall likewise notify the Commission if he has taken a decision to reduce his qualifying holding so that the proportion of the voting rights or of the capital held would fall below 20 %, 33% or 50 % or so that the investment firm would cease to be his subsidiary.

In determining the qualifying holdings, the Commission shall not take into account percentage of voting shares which other investment firms may hold as a result of providing the underwriting of financial instruments and/or placing of financial instruments based on the underwriting on a firm commitment basis, provided that those rights are not exercised to intervene in the management of the issuer nor disposed of within one year of acquisition.

At least once a year, investment firms shall also inform the Commission of the names of shareholders and members possessing qualifying holdings and the sizes of such holdings, pursuant to regulations governing companies and capital market.

The Commission shall accordingly apply Article 160, paragraph 5 of this Law to persons who have not been granted approval for the acquisition of a qualifying holding.

If a holding is acquired despite the opposition of the Commission, regardless of any other sanctions to be adopted, the Commission shall:

1) suspend the voting rights attaching to the acquired qualifying holding or otherwise prevent the control over the investment firm;

2) order that the qualifying holding be sold/disposed of.

Assessment Period

Article 162

The Commission shall, promptly and in any event within two working days following receipt of the notification required under the paragraph 1 of Article 161 of this Law, as well as following the possible subsequent receipt of the information referred to in paragraph 4 of this Article, acknowledge receipt thereof in writing to the proposed acquirer.

The Commission shall have a maximum of sixty working days as from the date of the written acknowledgement of receipt of the notification and all documents required by this Law and the Commission's regulations, to carry out the assessment.

The Commission shall inform the proposed acquirer of the date of the expiry of the assessment period at the time of acknowledging receipt.

The Commission may, during the assessment period, if necessary, and no later than on the 50th working day of the assessment period, request in writing any further information that is necessary to complete the assessment. Such request shall be made in writing and shall specify the additional information needed.

For the period between the date of request for information by the Commission and the receipt of a response thereto by the proposed acquirer, the assessment period shall be interrupted. The interruption shall not exceed 20 working days. Any further requests by the Commission for completion or clarification of the information may not result in an interruption of the assessment period.

The Commission may extend the interruption referred to in paragraph 5 of this Article, up to 30 working days if the proposed acquirer is one of the following:

1) a natural or legal person situated or regulated outside the Republic;

2) a natural or legal person not subject to supervision under this Law or the laws regulating the supervision and activity of investment funds, insurance and reinsurance undertakings and credit institutions.

If the Commission, upon completion of the assessment, decides to oppose the proposed acquisition, it shall, within two working days, and not exceeding the assessment period, inform the proposed acquirer in writing and provide the reasons for that decision.

An appropriate statement of the reasons for the decision may be made accessible to the public at the request of the proposed acquirer. The Commission may make such disclosure in the absence of a request by the proposed acquirer if deemed necessary and appropriate.

If the Commission does not oppose the proposed acquisition within the assessment period in writing, it shall be deemed to be approved.

The Commission may fix a maximum period for concluding the proposed acquisition and extend it where appropriate.

Assessment

Article 163

In assessing the notification provided for in paragraph 1, Article 161 and the information referred to in paragraph 4 Article 162 of this Law, the Commission shall, in order to ensure the sound and prudent management of the investment firm in which an acquisition is proposed, and having regard to the likely influence of the proposed acquirer on the investment firm, appraise the suitability of the proposed acquirer and the financial soundness of the proposed acquisition against the following criteria:

1) the reputation of the proposed acquirer;

2) the reputation and experience of any person who will direct the business of the investment firm as a result of the proposed acquisition;

3) the financial soundness of the proposed acquirer, in particular in relation to the type of business pursued and envisaged in the investment firm in which the acquisition is proposed;

4) whether the investment firm will be able to comply and continue to comply with the prudential requirements based on this this Law other applicable laws;

5) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof.

The Commission may oppose the proposed acquisition only if there are reasonable grounds for doing so on the basis of the criteria set out in paragraph 1 of this Article or if the information provided by the proposed acquirer is incomplete.

The Commission shall neither impose any prior conditions in respect of the level of holding that must be acquired nor examine the proposed acquisition in terms of the economic needs of the market.

The Commission shall make publicly available a list specifying the information that is necessary to carry out the assessment and that must be provided to the Commission at the time of notification referred to in paragraph 1 Article 161 of this Law. The information required shall be proportionate and adapted to the nature of the proposed acquirer and the proposed acquisition. The Commission shall not require information that is not relevant for a prudential assessment.

When the Commission reviews two or more applications for the acquisition or increase of a qualifying holding in the same investment firm, the Commission shall treat the proposed acquirers equally.

The Commission shall work in full consultation with other competent authorities when carrying out the assessment provided for in this Article if the proposed acquirer is one of the following:

1) a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorized in another Member State or in a sector other than that in which the acquisition is proposed;

2) the parent undertaking of a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorized in another Member State or in a sector other than that in which the acquisition is proposed; or

3) a natural or legal person controlling a credit institution, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorized in another Member State or in a sector other than that in which the acquisition is proposed.

The Commission shall, without undue delay, provide other competent authorities with any information which is essential or relevant for the assessment referred to in Article 163 of this Law. In that regard, the Commission shall communicate to other competent authorities, upon request, all relevant information, but it shall also communicate on its own initiative all relevant information. A decision by the Commission shall indicate any views or reservations expressed by the competent authority responsible for the proposed acquirer.

If an investment firm becomes aware of any acquisitions or disposals of holdings in its capital that cause holdings to exceed or fall below any of the thresholds referred to in paragraph 1 of this Article, that investment firm shall inform the Commission without delay.

The Commission shall adopt a regulation specifying the criteria set out in paragraph 1 of this Article, and a list of information referred to in paragraph 4 of this Article, to be included by proposed acquirers in their notification.

Withdrawal of Approval

Article 164

The Commission may withdraw its approval of a qualifying holding, if the person with the qualifying holding has obtained the Commission approval by providing materially false or incomplete information or by other irregular means or the conditions set forth in Article 160 of this Law for approval of a qualifying holding are no longer met, and in such circumstances, the remedies in Article 367 of this Law shall apply.

The decision on the measures undertaken pursuant to paragraph 1 of this Article or pursuant to Article 225 of this Law shall be published by the Commission on its website.

Minimum capital

Article 165

The minimum capital of an investment firm shall be set forth and calculated pursuant to the Commission enactment and shall not be less than:

1) EUR 125,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia for the provision of services referred to in Article 2, point 8) subpoints (1), (2), (4), (5) and (7) of this Law;

2) EUR 200,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia for the provision of services and performance of activities referred to in Article 2, paragraph 1, point 2) subpoint (3) of this Law;

3) EUR 730,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia for the provision of services and performance of activities referred to in Article 2, paragraph 1, point 2) subpoint (6) of this Law;

4) EUR 730,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia for the provision of services and performance of activities referred to in Article 2, paragraph 1, point 2) subpoint (8) of this Law.

By exception to paragraph 1 of this Article, the Commission may reduce the capital requirement from paragraph 1, point 1) to EUR 50,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia, where the investment firm is not authorized to hold clients' money or financial instruments, or when it performs only the activities or provides services referred to in Article 2, paragraph 1, point 2) subpoints (1) and (2) of this Law.

An investment firm that satisfies the highest minimum capital requirement in paragraph 1 of this Article, shall be deemed to satisfy the capital requirements applicable to any other of the services or activities that it provides for which lower minimum capital requirements apply.

The capital referred to in paragraphs 1 and 2 of this Article shall be paid fully in cash.

Organizational Requirements

Article 166

Investment firms shall comply with the organizational requirements laid down in this Law.

An investment firm shall establish adequate policies and procedures sufficient to ensure compliance of the firm, including its managers and employees and tied agents, with its obligations under this Law and Commission regulations, as well as appropriate rules governing personal transactions by such persons.

Investment Product Approval

Article 167

An investment firm shall maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as defined in Article 176 of this Law from adversely affecting the interests of its clients.

An investment firm which manufactures financial instruments for sale to clients shall maintain, operate and review a process for the approval of each financial instrument and significant adaptations of existing financial instruments before it is marketed or distributed to clients.

The product approval process shall specify an identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks

to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market.

An investment firm shall also regularly review financial instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

An investment firm which manufactures financial instruments shall make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

Where an investment firm offers or recommends financial instruments which it does not manufacture, it shall have in place adequate arrangements to obtain the information referred to in paragraph 5 of this Article and to understand the characteristics and identified target market of each financial instrument.

Business Continuity and Outsourcing of Operational Functions

Article 168

An investment firm shall take reasonable steps to ensure continuity and regularity in the performance of investment services and activities.

An investment firm shall ensure, when relying on a third party for the performance of operational functions which are critical for the provision of continuous and satisfactory service to clients and the performance of additional investment activities that it takes reasonable steps to avoid undue additional operational risk.

In the case referred to in paragraph 2 of this Article, outsourcing of important operational functions may not be undertaken in such a way as to impair materially the quality of its internal control and the ability of the supervisory authority to monitor the firm's compliance with all obligations.

An investment firm shall have:

1) sound and precise administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment;

2) effective control and safeguard arrangements for information processing systems;

3) sound security mechanisms in place to guarantee the security and authentication of the means of transfer of information, minimize the risk of data corruption and unauthorized access and to prevent information leakage maintaining the confidentiality of the data at all times.

Records of Communication

Article 169

An investment firm shall arrange for records to be kept of all services, activities and transactions undertaken by it which shall be sufficient to enable the Commission to fulfil its supervisory tasks and to perform the enforcement actions under this Law.

The records kept in accordance with this Article shall be provided to the client upon request and shall be kept for five years from the date of delivery, and where requested by the Commission for a period of up to seven years.

The Commission shall prescribe the manner of maintaining and keeping the records of communication with clients and potential clients.

In the case of branches of investment firms, the competent authority of the Member State in which the branch is located shall, without prejudice to the possibility of the competent authority of the home Member State of the investment firm to have direct access to those records, enforce the obligation laid down in this Article with regard to transactions undertaken by the branch.

Holding of Clients' Financial Instruments and Cash Assets

Article 170

An investment firm shall, when holding financial instruments belonging to clients, make adequate arrangements so as to:

1) safeguard the ownership rights of clients, especially in the event of the investment firm's insolvency, and

2) prevent the use of a client's financial instruments on own account except with the client's express consent.

An investment firm shall, when holding funds belonging to clients, make adequate arrangements to safeguard the rights of clients and, except in the case of credit institutions, prevent the use of client funds for its own account.

An investment firm shall not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

The Commission may, in exceptional circumstances, impose requirements on investment firms concerning the safeguarding of client assets additional to the provisions set out in paragraphs 1 to 3 of this Article. Such requirements must be objectively justified and proportionate so as to address, where investment firms safeguard client assets and client funds, specific risks to investor protection or to market integrity which are of particular importance in the circumstances of the market structure.

Financial instruments and cash assets of clients of an investment firm shall not be the property, bankruptcy or liquidation estate of the investment firm, nor may they be subject to enforcement or forced collection in respect of the investment firm.

The Commission shall notify, without undue delay, the European Commission of any requirement which it intends to impose in accordance with paragraph 4 of this Article and at least two months before the date appointed for that requirement to come into force. The notification

shall include a justification for that requirement. Any such additional requirements shall not restrict or otherwise affect the rights of investment firms under Articles 198 and 199 of this Law.

Commission Regulation

Article 171

The Commission shall adopt a regulation to specify the concrete organizational requirements laid down in Articles 167-170 of this Law to be imposed on investment firms and credit institutions.

Algorithmic Trading

Article 172

An investment firm that engages in algorithmic trading shall have in place effective systems and risk controls which are:

1) suitable to the business it operates to ensure that its trading systems are resilient and have sufficient capacity;

2) subject to appropriate trading thresholds and limits;

3) preventing the sending of erroneous orders or the systems otherwise functioning in a way that may create or contribute to a disorderly market;

4) ensuring that the trading systems cannot be used for any purpose that is contrary to the provisions of this Law or to the rules of a trading venue to which it is connected;

5) ensuring effective business continuity arrangements to deal with any failure of its trading systems;

6) ensuring that its systems are fully tested and properly monitored to ensure that they meet the requirements laid down in this paragraph.

An investment firm that engages in algorithmic trading in a Member State shall notify this to the Commission and to the competent authority of the trading venue at which the investment firm engages in algorithmic trading as a member or participant of the trading venue.

The Commission may require the investment firm to provide, on a regular or ad-hoc basis, a description of the nature of its algorithmic trading strategies, details of the trading parameters or limits to which the system is subject, the key compliance and risk controls that it has in place and details of the testing of its systems. The Commission may, at any time, request further information from an investment firm about its algorithmic trading and the systems used for that trading. The Commission shall, on the request of a competent authority of a trading venue at which the investment firm as a member or participant of the trading venue is engaged in algorithmic trading and without undue delay, communicate the information that it receives from the investment firm that engages in algorithmic trading. The investment firm shall keep the records in relation to the

matters referred to in this paragraph and shall ensure that those records be sufficient to enable the Commission to monitor compliance with the requirements of this Law

An investment firm that engages in a high-frequency algorithmic trading technique shall store in an approved form accurate and time sequenced records of all its placed orders, including cancellations of orders, executed orders and quotations on trading venues and shall make them available to the Commission upon request.

An investment firm that engages in algorithmic trading to pursue a market making strategy shall, taking into account the liquidity, scale and nature of the specific market and the characteristics of the instrument traded:

1) carry out this market making continuously during a specified proportion of the trading venue's trading hours, except under exceptional circumstances, with the result of providing liquidity on a regular and predictable basis to the trading venue;

2) enter into a binding written agreement with the trading venue which shall at least specify the obligations of the investment firm in accordance with point 1); and

3) have in place effective systems and controls to ensure that it fulfils its obligations under the agreement referred to in point 2) at all times.

An investment firm that engages in algorithmic trading shall be considered to be pursuing a market making strategy when, as a member or participant of one or more trading venues, its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or across different trading venues, with the result of providing liquidity on a regular and frequent basis to the overall market.

An investment firm that provides direct electronic access to a trading venue shall have in place effective systems and controls which:

1) ensure a proper assessment and review of the suitability of clients using the service;

2) ensure that clients using the service are prevented from exceeding appropriate pre-set trading and credit thresholds,

3) that trading by clients using the service is properly monitored and that appropriate risk controls prevent trading that may:

(1) create risks to the investment firm itself;

(2) create or contribute to a disorderly market;

(3) be contrary to the provisions of Chapter XII of this Law governing market abuses (Art. 269-297 of this Law); or

(4) contrary to the rules of the trading venue.

Direct electronic access without controls referred to in paragraph 7 of this Article is prohibited.

An investment firm that provides direct electronic access shall be responsible for ensuring:

1) that clients using that service comply with the requirements of this Law and the rules of the trading venue;

2) monitoring of transactions in order to identify infringements of those rules, disorderly trading conditions or conduct that may involve market abuse and that is to be reported to the Commission;

3) that there is a binding written agreement between the investment firm and the client regarding the essential rights and obligations arising from the provision of the service and that under the agreement the investment firm retains responsibility under this Law.

An investment firm that provides direct electronic access to a trading venue shall notify the Commission and the competent authority of the trading venue at which the investment firm provides direct electronic access accordingly.

The Commission may require the investment firm to provide, on a regular or ad-hoc basis, a description of the systems and controls referred to in paragraph 7 of this Article and evidence that those have been applied.

The Commission shall, on request of a competent authority of a trading venue in relation to which the investment firm provides direct electronic access, communicate without undue delay the information referred to in paragraph 11 of this Article that it receives from the investment firm.

The investment firm shall keep records in relation to the matters referred to in this paragraph and shall ensure that those records be sufficient to enable the Commission to monitor compliance with the requirements of this Law.

An investment firm that acts as a general clearing member for other persons i.e. provides clearing for securities of participants who do not perform this activity themselves, shall have in place effective systems and controls to ensure clearing services are only applied to persons who are suitable and meet clear criteria and that appropriate requirements are imposed on those persons to reduce risks to the investment firm and to the market. The investment firm shall ensure that there is a binding written agreement between the investment firm and the person regarding the essential rights and obligations arising from the provision of that service.

The Commission may adopt a regulation to specify the following:

1) the details of organizational requirements laid down in this Article to be imposed on investment firms providing different investment services and/or activities and ancillary services or combinations thereof, whereby the specifications in relation to the organizational requirements laid down in paragraphs 6 to 13 of this Article shall set out specific requirements for direct market access and for indirect access in such a way as to ensure that the controls applied to sponsored access are at least equivalent to those applied to direct market access;

2) the circumstances in which an investment firm would be obliged to enter into the market making agreement referred to in point 2) of paragraph 5 of this Article and the content of such agreements, including the proportion of the trading venue's trading hours laid down in paragraph 5 of this Article;

3) the situations constituting exceptional circumstances referred to in paragraph 3 of this Article, including circumstances of extreme volatility, political and macroeconomic issues, system

and operational matters, and circumstances which contradict the investment firm's ability to maintain prudent risk management practices as laid down in paragraph 1 of this Article;

4) the content and format of the approved form referred to in the paragraph 4 of this Article and the length of time for which such records must be kept by the investment firm.

Trading Process and Finalization of Transactions in an MTF and an OTF

Article 173

Investment firms and market operators operating an MTF or an OTF, in addition to meeting the organizational requirements laid down in Articles 166-171 of this Law, shall:

1) establish transparent rules and procedures for fair and orderly trading and establish objective criteria for the efficient execution of orders;

2) have arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with risks of systems disruption;

3) establish transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems;

4) provide, or shall be satisfied that there is access to, sufficient publicly available information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instruments traded;

5) establish, publish, maintain, and implement transparent and non-discriminatory rules, based on objective criteria, governing access to their facility;

6) have arrangements to identify clearly and manage the potential adverse consequences for the operation of the MTF or OTF, or for the members or participants and users, of any conflict of interest between the interest of the MTF, the OTF, their owners or the investment firm or market operator operating the MTF or OTF and the sound functioning of the MTF or OTF;

7) comply with Articles 127 and 128 of this Law and have in place all the necessary effective systems, procedures and arrangements to do so;

8) clearly inform its members or participants of their respective responsibilities for the settlement of the transactions executed in that facility;

9) put in place the necessary arrangements to facilitate the efficient settlement of the transactions concluded under the systems of that MTF or OTF.

MTFs and OTFs shall have at least three materially active members or users, each having the opportunity to interact with all the others in respect to price formation.

Where a transferable security that has been admitted to trading on a regulated market is also traded on an MTF or an OTF without the consent of the issuer, the issuer shall not be subject to any obligation relating to initial, ongoing or ad hoc financial disclosure with regard to that MTF or an OTF.

Any investment firm and market operator operating an MTF or an OTF shall comply immediately with any instruction from the Commission pursuant to paragraph 1 of Article 196 of this Law to suspend or remove a financial instrument from trading.

Investment firms and market operators operating an MTF or an OTF shall provide the Commission with a detailed description of the functioning of the MTF or OTF, including any links to or participation by a regulated market, an MTF, an OTF or a systematic internaliser owned by the same investment firm or market operator, and a list of their members, participants and/or users.

Every authorization to an investment firm or market operator as an MTF and an OTF shall be notified to ESMA.

The Commission shall make the information from paragraph 5 of this Article available to ESMA on request.

The Commission shall adopt a regulation to determine the content and format of the description and notification referred to in paragraph 5 of this Article.

Specific Requirements for MTFs

Article 174

Investment firms and market operators operating an MTF, in addition to meeting the requirements laid down in Articles 166-171 and 173 of this Law, shall establish and implement non-discretionary rules for the execution of orders in the system.

The rules referred to in point 5), paragraph 1 of Article 173 of this Law governing access to an MTF shall comply with the conditions established in paragraph 3 of Article 134 of this Law.

Investment firms and market operators operating an MTF shall have arrangements:

1) to be adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation, and to put in place effective measures to mitigate those risks;

2) to have effective arrangements to facilitate the efficient and timely finalization of the transactions executed under its systems; and

3) to have available, at the time of authorization and on an ongoing basis, sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which it is exposed.

Articles 177, 179, 180, 181, 182, paragraphs 1-3, 6 and 12 of Article 186 and Article 187 of this Law shall not be applicable to the transactions concluded under the rules governing an MTF between its members or participants or between the MTF and its members or participants in relation to the use of the MTF.

Notwithstanding paragraph 4 of this Article, the members of or participants in the MTF shall comply with the obligations provided for in Articles 177, 179, 180, 181, 182, 186 and 187 of this Law with respect to their clients when, acting on behalf of their clients, they execute their orders through the systems of an MTF.

Investment firms or market operators operating an MTF are not allowed to execute client orders against proprietary capital, or to engage in matched principal trading.

Specific Requirements for OTFs

Article 175

An investment firm and a market operator operating an OTF shall establish arrangements preventing the execution of client orders in an OTF against the proprietary capital of the investment firm or market operator operating the OTF or from any entity that is part of the same group or legal person as the investment firm or market operator.

An investment firm or market operator operating an OTF may engage in matched principal trading in bonds, structured finance products, and certain derivatives only where the client has consented to the process.

An investment firm or market operator operating an OTF shall not use matched principal trading to execute client orders in an OTF in derivatives pertaining to a class of derivatives that has been declared subject to the clearing obligation, in accordance with the prescribed clearing obligation procedure.

An investment firm or market operator operating an OTF shall establish arrangements ensuring compliance with the definition of matched principal trading in point 48) of paragraph 1 of Article 2 of this Law.

An investment firm or market operator operating an OTF may engage in dealing on own account other than matched principal trading only with regard to sovereign debt instruments for which there is not a liquid market.

The operation of an OTF and of a systematic internaliser shall not take place within the same legal entity. An OTF shall not connect with a systematic internaliser in a way which enables orders in an OTF and orders or quotes in a systematic internaliser to interact. An OTF shall not connect with another OTF in a way which enables orders in different OTFs to interact.

An investment firm or a market operator operating an OTF is allowed to engage another investment firm to carry out market making on that OTF on an independent basis.

For the purposes of this Article, an investment firm shall not be deemed to be carrying out market making on an OTF on an independent basis if it has close links with the investment firm or market operator operating the OTF.

The execution of orders on an OTF shall be carried out on a discretionary basis.

An investment firm or market operator operating an OTF shall exercise discretion in the following cases:

1) when deciding to place or retract an order on the OTF they operate; and/or

2) when deciding not to match a specific client order with other orders available in the systems at a given time, provided it is in compliance with specific instructions received from a client and with its obligations in accordance with Article 186 of this Law.

For the system that crosses client orders the investment firm or market operator operating the OTF may decide if, when and how much of two or more orders it wants to match within the system. In accordance with paragraphs 1, to 4 and 6 to 8 of this Article, investment firm or market operator operating the OTF may facilitate negotiation between clients so as to bring together two or more potentially compatible trading interest in a transaction with regard to a system that arranges transactions in non-equities.

The Commission may require, either when an investment firm or market operator requests to be authorized for the operation of an OTF or on ad-hoc basis, a detailed explanation:

1) why the system does not correspond to and cannot operate as a regulated market, MTF, or systematic internaliser;
2) a detailed description as to how discretion will be exercised, in particular when an order to the OTF may be retracted;
3) when and how two or more client orders will be matched within the OTF;
4) use of matched principal trading for its own account or trading for its own account by matching orders.

The Commission shall monitor an investment firm's or market operator's engagement in matched principal trading to ensure that it continues to fall within the definition of such trading and that its engagement does not give rise to conflicts of interest between the investment firm or market operator and its clients.

Articles 177, 179, 180, 181, 182, 186 and 187 of this Law shall apply to the transactions concluded on an OTF.

Conflicts of Interests

Article 176

Investment firms shall take all appropriate steps to identify and to prevent or manage conflicts of interest that arise in the course of providing any investment and ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm's own remuneration and other incentive structures:

1) between investment firms, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients; or
2) between clients.

Where organizational or administrative arrangements made by the investment firm in accordance with Article 167 of this Law to prevent conflicts of interest from adversely affecting the interest of its client are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the investment firm shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on its behalf.

The disclosure referred to in paragraph 2 of this Article shall:

1) be made in a durable medium; and

2) include sufficient detail, taking into account the nature of the client, to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

The Commission shall adopt a regulation to:

1) define the steps that investment firms might reasonably be expected to take to identify, prevent, manage and disclose conflicts of interest when providing various investment and ancillary services and combinations thereof;

2) establish appropriate criteria for determining the types of conflict of interest whose existence may damage the interests of the clients or potential clients of the investment firm.

General Principles and Information to Clients

Article 177

When providing investment services or, where appropriate, ancillary services to clients, an investment firm shall act honestly, fairly and professionally in accordance with the best interests of its clients and comply, in particular, with the principles set out in this Article and in Articles 180, 181 and 182 of this Law.

Investment firms which manufacture financial instruments for sale to clients shall ensure that:

1) those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients;

2) the strategy for distribution of the financial instruments is compatible with the identified target market, and the investment firm takes reasonable steps to ensure that the financial instrument is distributed to the identified target market;

3) an investment firm shall understand the financial instruments they offer or recommend, assess the compatibility of the financial instruments with the needs of the clients to whom it provides investment services, also taking account of the identified target market of end clients as referred to in Article 167 of this Law; and

4) financial instruments are offered or recommended only when this is in the interest of the client.

Article 178

An investment firm shall allow the access to its business rules and the rules on fees on the premises where it deals with clients and by electronic means on its website.

The investment firm, the managers and employees of an investment firm shall keep as business secret information about client accounts and transactions and amounts in such accounts, and they must not disclose the information to third parties or, use the information other than to further the interests of the respective client.

By exception to paragraph 2 of this Article, client information referred to in that paragraph may be disclosed and made available:

1) with the written approval of the client;

2) in the course of supervisory functions of the Commission or market operator;

3) based on the court order;

4) based on an order issued by the authority in charge of prevention of money laundering or terrorism financing i.e. other competent government authority.

Information, Marketing Communication and Inducements in relation to the Provision of Investment and Ancillary Services

Article 179

All information, including marketing communications, addressed by an investment firm to clients or potential clients shall be fair, clear and not misleading, and the marketing communications shall be clearly identifiable as such.

Appropriate information shall be provided in good time to clients or potential clients with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges. That information shall include the following:

1) when investment advice is provided, the investment firm must, in good time before it provides investment advice, inform the client:

(1) whether or not the advice is provided on an independent basis;

(2) whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the investment firm or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided;

(3) whether the investment firm will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client;

2) the information on financial instruments and proposed investment strategies must include appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies and whether the financial instrument is intended for retail or professional clients, taking account of the identified target market in accordance with paragraphs 2 and 3 of Article 177 of this Law;

3) the information on all costs and associated charges must include information relating to both investment and ancillary services, including the cost of advice, where relevant, the cost of the financial instrument recommended or marketed to the client and how the client may pay for it, also encompassing any third-party payments.

The information about all costs and charges, including costs and charges in connection with the investment service and the financial instrument, which are not caused by the occurrence of underlying market risk, shall be aggregated to allow the client to understand the overall cost as well as the cumulative effect on return of the investment, and where the client so requests, an

itemized breakdown shall be provided. Where applicable, such information shall be provided to the client on a regular basis, at least annually, during the life of the investment.

The information referred to in paragraphs 2, 3 and 8 - 10 of this Article shall be provided in a comprehensible form in such a manner that clients or potential clients are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis. That information may be provided in a standardized format.

Where an investment service is offered as part of a financial product which is already subject to other provisions of the Law on Banks, that service shall not be additionally subject to the obligations set out in paragraphs 1 to 4 of this Article.

Where an investment firm informs the client that investment advice is provided on an independent basis, that investment firm shall:

1) assess a sufficient range of financial instruments available on the market which must be sufficiently diverse with regard to their type and issuers or product providers to ensure that the client’s investment objectives can be suitably met and must not be limited to financial instruments issued or provided by:

(1) the investment firm itself or by entities having close links with the investment firm; or

(2) other entities with which the investment firm has such close legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided;

2) not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the investment firm’s duty to act in the best interest of the client must be clearly disclosed and are excluded from this point.

When providing a portfolio management service, the investment firm shall act in accordance with paragraph 6, point 2) of this Article.

Investment firms shall be regarded as not fulfilling their obligations under Article 176 of this Law or under paragraph 1 of this Article where they pay or are paid any fee or commission, or provide or are provided with any non-monetary benefit in connection with the provision of an investment service or an ancillary service, to or by any party except the client or a person on behalf of the client, other than where the payment or benefit:

1) is designed to enhance the quality of the relevant service to the client; and

2) does not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients.

The existence, nature and amount of the payment or benefit referred to in the paragraph 8 of this Article, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client. in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service. Where

applicable, the investment firm shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service.

The paragraph 8 of this Article shall not apply to the expenses pertinent to the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the investment firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

An investment firm which provides investment services to clients shall ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, it shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the investment firm could offer a different financial instrument which would better meet that client's needs.

When an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, the investment firm shall inform the client whether it is possible to buy the different components separately and shall provide for separate evidence of the costs and charges of each component.

Where the risks resulting from such an agreement or package offered to a retail client are likely to be different from the risks associated with the components taken separately, the investment firm shall provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks.

The Commission may, in exceptional cases, impose additional requirements on investment firms, which must be objectively justified and proportionate to market risks in the Republic, aimed at protecting investors and market integrity.

The Commission shall notify the European Commission of any requirement which it intends to impose in accordance with paragraph 14 of this Article without undue delay and at least two months before the date appointed for that requirement to come into force. The notification shall include a justification for that requirement. Any such additional requirements shall not restrict or otherwise affect the rights of investment firms under EU regulation governing financial instruments market. The European Commission shall within two months from the notification referred to in this paragraph provide its opinion on the proportionality of and justification for the additional requirements.

The Commission shall adopt a regulation to determine:

1) the conditions with which the information must comply in order to be fair, clear and not misleading;

2) the details about content and format of information to clients in relation to client categorization, investment firms and their services, financial instruments, costs and charges;

3) the criteria for the assessment of a range of financial instruments available on the market;

4) the criteria to assess compliance of firms receiving inducements with the obligation to act honestly, fairly and professionally in accordance with the best interest of the client;

5) guidelines for the assessment and the supervision of cross-selling practices.

The Commission regulation referred to in paragraph 16 of this Article shall take into account:

1) the nature of the services offered or provided to the client or potential client, taking into account the type, object, size and frequency of the transactions;

2) the nature and range of products being offered or considered including different types of financial instruments;

3) the retail or professional nature of the client or potential clients or, in the case of paragraphs 2, 3 and 4 of this Article, an eligible counterparty referred to in Article 194.

Assessment of suitability and appropriateness

Article 180

When providing investment advice or portfolio management the investment firm shall obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, that person's financial situation including his ability to bear losses, and his investment objectives including his risk tolerance, so as to enable the investment firm to recommend to the client or potential client the investment services and financial instruments that are suitable for him and, in particular, are in accordance with his risk tolerance and ability to bear losses.

Where an investment firm provides investment advice recommending a package of services or products bundles pursuant to paragraphs 12 and 13 of Article 179 of this Law, the overall bundled package shall be suitable.

When providing investment services other than those referred to in paragraph 1 and 2 of this Article, the investment firm shall ask the client or potential client to provide information regarding that person's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the investment firm to assess whether the investment service or product envisaged is appropriate for the client.

In the case referred to in paragraph 3 of this Article, where a bundle of services or products is envisaged pursuant to paragraphs 12 and 13 of Article 179 of this Law, the assessment shall consider whether the overall bundled package is appropriate.

Where the investment firm considers, on the basis of the information received under paragraph 3 of this Article, that the product or service is not appropriate to the client or potential client, the investment firm shall warn the client or potential client, and this warning may be provided in a standardized format.

Where client or potential client decides not to provide the information referred to under paragraph 3 of this Article, or where he provides insufficient information regarding their knowledge and experience, the investment firm shall warn them that the investment firm is not in a position to determine whether the service or product envisaged is appropriate for them, and that warning may be provided in a standardized format.

Investment firms, when providing investment services that only consist of execution or the reception and transmission of client orders with or without ancillary services, excluding the granting of credits or loans as specified in point 2 of paragraph 1 of Article 2 of this Law that do not comprise of existing credit limits of loans, current accounts and overdraft facilities of clients, shall be permitted to provide those investment services to their clients without the need to obtain the information or make the determination provided for in paragraph 3 of this Article, where all the following conditions are met:

1) the listed services relate to any of the following financial instruments:

(1) shares admitted to trading on a regulated market or an equivalent third-country market or on an MTF, where those are shares in companies, and excluding shares in non-UCITS collective investment undertakings and shares that embed a derivative;

(2) bonds or other forms of securitized debt admitted to trading on a regulated market or on an equivalent third country market or on an MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;

(3) money-market instruments, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;

(4) shares or units in UCITS, excluding structured UCITS, pursuant to the law governing open-ended investment funds subject to a public offering;

(5) structured deposits, excluding those that incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term;

(6) other non-complex financial instruments for the purpose of this paragraph.

2) the service is provided at the initiative of the client or potential client;

3) the client or potential client has been clearly informed that in the provision of this service the investment firm is not required to assess the appropriateness of the financial instrument or service provided or offered and that therefore the client does not benefit from the corresponding protection of the relevant conduct of business rules. Such a warning may be provided in a standardized format;

4) the investment firm complies with its obligations under Article 176 of this Law.

For the purpose of paragraph 7 of this Article, a third-country market shall be considered to be equivalent to a regulated market if the Commission adopts an equivalence decision where the third-country framework fulfils at least the following conditions:

1) the markets are subject to authorization and to effective supervision and enforcement on an ongoing basis;

2) the markets have clear and transparent rules regarding the admission of securities to trading so that such securities are capable of being traded in a fair, orderly and efficient manner, and are freely negotiable;

3) security issuers are subject to periodic and ongoing information requirements ensuring a high level of investor protection; and

4) market transparency and integrity are ensured by the prevention of market abuse in the form of insider dealing and market manipulation.

Contract and Reporting to Clients

Article 181

The investment firm shall establish a record that includes the document or documents signed between the investment firm and the client that set out the rights and obligations of the parties, and the other terms on which the investment firm will provide services to the client. The rights and duties of the parties to the contract may be incorporated by reference to other documents or legal texts.

The investment firm shall provide the client with adequate reports on the service provided in a durable medium. Those reports shall include periodic communications to clients, taking into account the type and the complexity of financial instruments involved and the nature of the service provided to the client and shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.

When providing investment advice, the investment firm shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.

Where the agreement to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the suitability statement, the investment firm may provide the written statement on suitability in a durable medium immediately after the client is bound by any agreement, provided both the following conditions are met:

1) the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and

2) the investment firm has given the client the option of delaying the transaction in order to receive the statement on suitability in advance.

Where an investment firm provides portfolio management or has informed the client that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the investment meets the client's preferences, objectives and other characteristics of the retail client.

Where an investment firm provides an investment service to a person concluding a housing loan agreement in connection with mortgage bonds specifically issued to secure financing and under the same conditions as the housing loan agreement, in order to enable payment, refinancing or repayment of the loan, that service is not subject to the obligations under this Article.

Commission Regulation

Article 182.

The Commission shall adopt a regulation specifying:

1) information to obtain when assessing the suitability or appropriateness of the services and financial instruments for their clients;

2) criteria for the assessment of knowledge and competence required under paragraph 1 of Article 180 of this Law;

3) criteria to assess non-complex financial instruments for the purposes of subpoint (6), point 1), paragraph 7 of Article 180 of this Law;

4) criteria for the assessment of:

(1) financial instruments incorporating a structure which makes it difficult for the client to understand the risk involved in accordance with subpoints (2) and (3), point 1), paragraph 7 of Article 180 of this Law;

(2) structured deposits incorporating a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term, in accordance with subpoint (5), point 1), paragraph 7 of Article 180 of this Law, on the basis of previously obtained opinion of the National Bank of Serbia;

5) the content and the format of records and agreements for the provision of services to clients and of periodic reports to clients on the services provided;

6) the examination procedure and criteria for assessment of third-country market equivalence.

The regulation referred to in para.1 of this Article shall take into account:

1) the nature of the service(s) offered or provided to the client or potential client, having regard to the type, object, size and frequency of the transactions;

2) the nature of the products being offered or considered, including different types of financial instruments;

3) the retail or professional nature of the client or potential clients or, in the case of paragraphs 2 to 5 of Article 181 of this Law, their classification as eligible counterparties.

Article 183

Investment firms shall ensure and demonstrate to the Commission on request that employees of an investment firm and other natural persons providing the services and activities from paragraph 2 of this Article on behalf or for the account of the investment firm possess at any time the necessary knowledge and competence to fulfil their obligations under Articles 177 and 180 of this Law and corresponding Commission regulations.

Paragraph 1 of this Article shall apply to natural persons who:

1) provide to clients or potential clients investment services and activities or ancillary services from points 2) and 3) of paragraph 1 of Article 2 of this Law;

2) provide information about financial instruments, investment services or ancillary services of the investment firm to clients or potential clients.

Investment firms shall approve and oversee the implementation of a system of continuous education of the persons from paragraph 1 of this Article in accordance with the complexity and

scope of their tasks and with the goal of providing them with the knowledge and competences necessary to fulfil their tasks from Articles 177 and 180 of this Law.

The Commission shall define and publish a minimum level of knowledge and competencies required for the various tasks and functions performed by the persons from paragraph 1 of this Article and shall publish the criteria to be used for assessing such knowledge and competence.

The Commission shall be empowered to organize educational programs and examinations for the assessment of the knowledge and competences from paragraph 4 of this Article.

By way of derogation from paragraph 5 of this Article, the Commission may recognize qualifications, certificates, exams or other professional licenses issued by other persons if it determines that it provides the minimum level of knowledge and competencies from paragraph 4 of this Article. The Commission shall publish a list of such recognized qualifications, certificates, exams or other professional licenses.

The Commission shall adopt a regulation to further specify:

1) the persons, services and activities to which the provisions of this Article shall apply;

2) the scope and minimum level of knowledge and competencies required;

3) the criteria to be used for assessing such knowledge and competence; and

4) the procedure and criteria for the recognition of qualifications, certificates, exams or other professional licenses issued by other persons.

Authorization for natural persons to provide investment services and activities

Article 184

Natural persons may conduct services and activities referred to in Art. 2 (1.2. (1) - (5)) of this Law, only if they hold valid authorizations/licenses for providing such investment services and activities.

The Commission shall grant a license for performing the services and activities referred to in para.1 hereof only if the applicant meets the following requirements:

1) the applicant has successfully passed the examination for obtaining the license;

2) the applicant is not subject to statutory disqualifications.

The applicant for an authorization/license to conduct activities of investment advisor or portfolio manager shall have at least three years of professional experience acquired on the jobs involving securities and hold a university degree.

The Commission shall regulate the method for recognition of licenses or authorizations for performing such activities acquired abroad.

The Commission shall organize the classes and examinations for obtaining a title of broker, investment manager and portfolio manager.

Provision of Services Through the Medium of Another Investment Firm

Article 185

An investment firm may conclude a contract with a second investment firm to perform investment or ancillary services on behalf of a client, in such case, the latter investment firm shall be permitted to rely on client information transmitted by the first investment firm.

The investment firm which mediates the client instructions will remain responsible for the completeness and accuracy of the information transmitted.

The investment firm which receives an instruction to undertake services on behalf of a client in that way shall also be able to rely on any recommendations in respect of the service or transaction that have been provided to the client by another investment firm.

The investment firm which mediates the instructions will remain responsible for the suitability for the client of the recommendations or advice provided.

The investment firm which mediates the instructions to another investment firm shall remain responsible for:

1) the completeness and accuracy of the information transmitted;
2) adequacy/ appropriateness of the recommendation or advice provided to the client.

The conclusion of a contract referred to in paragraph 1 of this Article shall be permitted if the engagement of a second investment firm:

1) does not result in fees or other charges to clients, which exceed the charges that would be applicable if the first investment firm provided the services directly;

2) does not result in undue operational risk to the investment firm or impair materially the firm's internal controls and the ability of the Commission to monitor the firm's compliance with all obligations.

The Commission shall regulate the circumstances in more detail under which an investment firm may use services of other investment firm.

A credit institution that concludes an agreement on the provision of investment services or the provision of ancillary services with another investment firm on behalf of a client shall notify the National Bank of Serbia no later than seven days after the conclusion of that agreement, under the conditions and in a manner which may be determined by the National Bank of Serbia

Obligation to Execute Orders on the Most Favorable Terms

Article 186

An investment firm shall be required to take all the necessary steps to obtain, when executing orders, the best possible result for clients taking into account price, costs, speed, likelihood of execution, settlement, size, nature or any other consideration relevant to the execution of the order, whereas when there is a specific instruction from a client, the investment firm shall execute the order following the specific instruction.

Where an investment firm executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial

instrument and the costs relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

Where there is more than one competing venue to execute an order for a financial instrument, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in the investment firm's order execution policy that is capable of executing that order, the investment firm's own commissions and the costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

An investment firm shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements set out in paragraph 1 of this Article and Articles 167, 176, 177 and 179 of this Law.

For financial instruments subject to the trading obligation in Article 237 of this Law each trading venue and systematic internaliser and for other financial instruments each execution venue shall make available to the public, data relating to the quality of execution of transactions on that venue on at least an annual basis. Following execution of a transaction on behalf of a client the investment firm shall inform the client where the order was executed. Periodic reports shall include details about price, costs, speed and likelihood of execution for individual financial instruments.

Investment firms shall establish and implement effective arrangements and order execution policy to allow them to obtain, for their client orders, the best possible result in accordance with paragraph 1 of this Article.

The order execution policy referred to in paragraph 6 of this Article shall include, in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue and shall at least include those venues that enable the investment firm to obtain on a consistent basis the best possible result for the execution of client orders.

Investment firms shall provide appropriate information to their clients on their order execution policy; that information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the investment firm for the client.

Investment firms shall obtain the prior written consent of their clients to the order execution policy.

Where the order execution policy provides for the possibility that client orders may be executed outside a trading venue, investment firms shall obtain the prior express consent of their clients.

Investment firms may obtain such consent either in the form of a general agreement or in respect of individual transactions.

Investment firms who execute client orders shall summarize and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading

volumes where they executed client orders in the preceding year and information on the quality of execution obtained.

Investment firms shall:

1) monitor the effectiveness of their order execution, in order to identify and, where appropriate, correct any deficiencies;

2) assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client or whether they need to make changes to existing execution arrangements taking account of, *inter alia*, the information published under paragraphs 3 and 6 of this Article;

3) notify clients of any material changes to their order execution arrangements or execution policy;

4) demonstrate to their clients, at their request, that they have executed their orders in accordance with the investment firm's execution policy and to demonstrate to the Commission, at its request, their compliance with this Article.

The Commission shall adopt a regulation concerning:

1) the criteria for determining the importance of the different factors that, pursuant to paragraphs 1 to 3 of this Article, may be taken into account for determining the best possible result taking into account the size and type of order and the retail or professional nature of the client;

2) the content, the format and the periodicity of data relating to the quality of execution to be published in accordance with paragraph 5 of this Article, taking into account the type of execution venue and the type of financial instrument concerned;

3) factors that may be taken into account by an investment firm when reviewing its execution arrangements and the circumstances under which changes to such arrangements may be executed;

4) factors for determining which venues enable investment firms to obtain on a consistent basis the best possible result for executing the client orders;

5) the nature and extent of the information to be provided to clients on their execution policies, pursuant to paragraphs 7 to 9 of this Article;

6) the content and the format of information to be published by investment firms in accordance with paragraph 5 of this Article.

Client Order Handling Rules

Article 187

An investment firm shall implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders and the trading interests of the investment firm.

Those procedures or arrangements shall allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the investment firm.

In the case of a client limit order in respect of shares admitted to trading on a regulated market or traded on a trading venue which is not immediately executed or applicable under

prevailing market conditions, the investment firm shall take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in a manner which is easily accessible to other market participants, unless a client expressly instructs otherwise.

An investment firm shall be deemed to comply with this obligation by transmitting the client limit order to a trading venue. The obligation to make public a limit order shall not apply to an order that is large in scale compared with normal market size and for which the obligation to make public the information about current bid and offer prices has been waived by the Commission based on paragraph 4 of Article 229 of this Law.

The Commission shall adopt a regulation to define:

1) the conditions and nature of the procedures and arrangements which result in the prompt, fair and expeditious execution of client orders and the situations in which or types of transaction for which investment firms may reasonably deviate from prompt execution so as to obtain more favorable terms for clients;

2) the different methods through which an investment firm can be deemed to have met its obligation to disclose not immediately executable client limit orders to the market.

Refusal to Execute a Purchase and Sale Order

Article 188

An investment firm may refuse to:

1) execute a purchase order when it concludes that the funds in a client's cash account are not sufficient to settle the liabilities that would arise upon the execution of the purchase order;

2) execute a sale order when it concludes that there are not enough securities contained in the client's securities account - required to execute the order.

By exception to paragraph 1 of this Article, an investment firm shall not refuse to execute a client order if the client order can be executed fully or partially:

1) from transactions executed, but not settled;

2) by extension of credit with the client's consent and subject to applicable regulations;

3) by lending of securities subject to applicable regulations governing securities lending.

An investment firm shall refuse the execution of an order for purchase or sale, if there is reasonable doubt that the execution of such an order would:

1) violate the provisions of this Law or the law governing the prevention of money laundering and financing of terrorism;

2) result in committing an act sanctioned by law as a criminal offense, economic offense or infraction.

In the case referred to in paragraph 3 of this Article, an investment firm shall notify the Commission thereof, without delay.

When establishing the circumstances referred to in paragraph 3 of this Article, an investment firm shall be entitled to rely on its own information or the information provided by its

clients or potential clients, unless it is aware or ought to be aware that the information is out of date, inaccurate or incomplete.

Confirmation of Execution of Client Orders

Article 189

An investment firm shall issue a confirmation of the execution of transactions between market participants not later than the close of business on the first working day following the day when the transaction is executed, in the manner envisaged by the contract concluded with the client.

A client may not waive the right to obtain such confirmation on the execution of order, however, it may direct that such conformation be sent to another person representing the client.

Obligations of Investment Firms When Appointing Tied Agents

Article 190

An investment firm shall be allowed to appoint tied agents for the purposes of

1) promoting the services of the investment firm;
2) soliciting business or receiving orders from clients or potential clients and transmitting them;
3) placing financial instruments and providing advice in respect of such financial instruments; and
4) other services offered by that investment firm.

Where an investment firm decides to appoint a tied agent, it shall remain fully and unconditionally responsible for any action or omission on the part of the tied agent when acting on behalf of the investment firm.

The investment firm shall ensure that a tied agent discloses the capacity in which he is acting and the investment firm which he is representing when contacting or before dealing with any client or potential client

Tied agents registered in the Republic shall not be allowed to hold money and/or financial instruments of clients on behalf of the investment firm for which they are acting within the Republic or, in the case of a cross border operation, in the territory of a Member State which allows a tied agent to hold client money, if permitted by regulations in the field of foreign exchange operations.

Investment firms shall monitor the activities of their tied agents so as to ensure that they continue to comply with this Law when acting through tied agents.

Tied agents shall be registered in a register established and regularly updated by the Commission.

The Commission shall publish on its website the register referred to in paragraph 6 of this Article.

Tied agents shall be admitted to the public register if the Commission has established that they are of sufficiently good repute and that they possess the appropriate general, commercial and professional knowledge and competence so as to be able to deliver the investment service or ancillary service and to communicate accurately all relevant information regarding the proposed service to the client or potential client.

Investment firms appointing tied agents shall take adequate measures in order to avoid any negative impact that the activities of the agent not covered by the scope of this Law could have on the activities carried out on behalf of the investment firm.

Investment firms may appoint only tied agents entered in the public registers referred to in paragraph 6 of this Article.

A credit institution appointing tied agents referred to in this Article shall notify the National Bank of Serbia of the appointment of such tied agents, no later than seven days from the date of such appointment.

Article 191

An investment firm shall adopt and implement appropriate written internal rules and procedures to categorize clients.

Professional clients (investors) shall be responsible for keeping the investment firms informed of all facts, which could affect their current client categorization with the investment firm.

If an investment firm becomes aware that a client no longer fulfils the initial conditions, which made him eligible for a professional treatment, it shall take appropriate actions.

The Commission shall regulate in further detail how the investment firms shall categorize clients and provide services to different categories of clients.

Professional Clients/Investors

Article 192

The following shall be regarded as professional clients in all investment services and activities and financial instruments for the purposes of this Law:

1) entities which are required to be authorized or regulated to operate in the financial market, including:

(1) credit institutions;

(2) investment firms;

(3) other authorized or regulated financial institutions;

(4) insurance companies;

(5) collective investment schemes and their management companies of such schemes;

(6) voluntary pension funds and management companies of such funds;

(7) commodity and commodity derivatives dealers;

(8) other institutional investors;

(9) other investors considered professional in line with the EU regulations;

2) Legal persons who meet at least two of the following criteria:

(1) the total assets amounting to at least 20,000,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

(2) the annual business revenue amounting to minimum 40,000,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

(3) own funds amounting to minimum 2,000,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

3) the Republic, autonomous provinces and local government authorities, and other states or national and regional authorities, the National Bank of Serbia and central banks of foreign states, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations;

4) other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions.

An investment firm may agree to provide to the person indicated in paragraph 1 of this Article, at its request, a higher level of protection i.e. a level provided to other clients not being professional clients.

Where the client of an investment firm is a person referred to in paragraph 1 of this Article, the investment firm must inform the person, prior to any provision of services that, on the basis of the information available to the firm, the client is deemed to be a professional client/investor, and will be treated as such unless the investment firm and the client agree otherwise.

An investment firm must also inform the professional client/investor that the client can request a variation of the terms of the agreement in order to secure a higher level of protection of his own interest, whereas it is the responsibility of the client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection shall be provided when a professional client/investor enters into a written agreement with the investment firm to the effect that it shall not be treated as professional, and such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transactions.

Article 193

An investment firm may treat clients other than those mentioned in Article 192 of this Law as professional clients/investors, at their request, provided that an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and understanding the risks involved.

The assessment referred to in paragraph 1 of this Article shall include the verification whether a professional client meets at least two of the following criteria:

1) the client has carried out transactions, in significant size, on the relevant market at an average frequency of at least 10 per quarter over the previous four quarters;

2) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000 in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia;

3) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the financial transactions or services envisaged.

In the case of legal entities that do not meet the requirements referred to in Article 192, paragraph 1, point 2) of this Law, the person subject to that assessment of expertise and knowledge shall be the person authorized to carry out transactions on behalf of the legal person.

The Commission may adopt specific criteria for the assessment of the expertise and knowledge of municipalities and local public authorities requesting to be treated as professional clients/investors.

Those criteria can be alternative or additional to those listed in the second paragraph of this Article.

The clients, treated as professional clients, may, at their own request, waive the higher level of protection provided by their status in compliance with the following procedure:

1) the client must state in writing to the investment firm that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product;

2) the investment firm must give a clear written warning to the professional client, of the protections and investor compensation rights they may lose;

3) a professional client must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protection.

Before deciding to accept any request for waiver of a higher level of protection, an investment firm shall take all reasonable steps to ensure that the client/investor requesting professional client treatment meets the relevant requirements.

Transactions Executed with Eligible Counterparties

Article 194

For the purpose of this Article, eligible counterparties shall be investment firms, credit institutions, insurance companies, UCITS and their management companies, other financial institutions authorized or regulated under laws of the Republic, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organizations.

An investment firm authorized to execute orders on behalf of clients and/or to deal on own account and/or to receive and transmit orders, may bring about or enter into transactions with

eligible counterparties without being obliged to comply with the obligations under Article 177, Article 179, paragraphs 1 and 5-17, Article 180, Article 181, paragraphs 1 and 6, Article 186 and Article 187, paragraphs 3-5 of this Law in respect of those transactions or in respect of any ancillary service directly relating to those transactions.

In their relationship with eligible counterparties, investment firms shall act honestly, fairly and professionally and communicate in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and of its business.

Classification as an eligible counterparty under paragraph 1 of this Article shall be without prejudice to the right of such entities to request, either on a general form or on a trade-by-trade basis, treatment as clients whose business with the investment firm is subject to Articles 177, 179, 180, 181, 182, 186 and 187 of this Law.

In the event of a transaction where the prospective counterparties are located in a jurisdiction different than the Republic, the investment firm shall defer to the status of the other undertaking as determined by the law or measures of the Member State in which that undertaking is established.

When the investment firm enters into transactions in accordance with paragraphs 1 and 2 of this Article with such undertakings, it shall obtain the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. The investment firm shall obtain that confirmation either in the form of a general agreement or in respect of each individual transaction.

The investment firms may recognize as eligible counterparties third country entities equivalent to those categories of entities referred to in paragraphs 3 and 4 of this Article.

Investment firms may also recognize as eligible counterparties third country undertakings such as those referred to in paragraphs 5 and 6 of this Article, on the same conditions and subject to the same requirements as those laid down in paragraphs 5 and 6 of this Article.

The Commission shall adopt a regulation to specify:

1) the procedures for requesting treatment as clients under paragraph 3 and 4 of this Article;

2) the procedures for obtaining the express confirmation from prospective counterparties under paragraphs 5 and 6 of this Article;

Monitoring of Compliance with the Rules of the MTF or the OTF and with other Legal Obligations

Article 195

Investment firms and market operators operating an MTF or OTF shall:

1) establish and maintain effective arrangements, systems and procedures, relevant to the MTF or OTF, for the regular monitoring of the compliance by its members or participants or users with its rules;

2) monitor the orders sent, including cancellations and the transactions undertaken by their members or participants under their systems, in order to identify infringements of those rules, disorderly trading conditions, conduct that may indicate insider dealing, market manipulation or attempted insider dealing or market manipulation or system disruptions in relation to a financial instrument and shall deploy the resource necessary to ensure that such monitoring is effective;

3) inform the Commission immediately of significant infringements of its rules or disorderly trading conditions or conduct that may indicate insider dealing, market manipulation or attempted insider dealing or market manipulation or system disruptions in relation to a financial instrument;

4) supply without undue delay the information referred to in point 3) of this Article to the state prosecutor and to provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through its systems.

The Commission shall communicate to ESMA and to the competent authorities of the other Member States the information referred to in the paragraph 1, points 1) and 2) of this Article.

In relation to conduct that may indicate behavior that is prohibited under the EU regulation governing markets in financial instruments, a competent authority must be convinced that such behavior is being or has been carried out before it notifies the competent authorities of the other Member States and ESMA.

The Commission shall adopt a regulation to determine circumstances that trigger an information requirement as referred to in paragraph 1, points 3) and 4), and paragraphs 2 and 3 of this Article.

Suspension and Removal of Financial Instruments from Trading on an MTF or an OTF

Article 196

An investment firm or a market operator operating an MTF or an OTF may suspend or remove from trading a financial instrument which no longer complies with the rules of the MTF or an OTF unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

An investment firm or a market operator operating an MTF or an OTF that suspends or removes from trading a financial instrument shall also suspend or remove derivatives referred to in subpoints (4) - (10), point 19), paragraph 1 of Article 2 of this Law that relate or are referenced to that financial instrument where necessary to support the objectives of the suspension or removal of the underlying financial instrument. The investment firm or market operator operating an MTF or an OTF shall make public its decision on the suspension or removal of the financial instrument and of any related derivative and communicate the relevant decisions to the Commission.

Under the circumstances referred to in paragraphs 1 and 2 of this Article, the Commission shall require that other regulated markets, other MTFs, other OTFs and systematic internalisers, which fall under its jurisdiction and trade the same financial instrument or derivatives referred to

in paragraph 2 of this Article, also suspend or remove that financial instrument or derivatives from trading, where the suspension or removal is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 271 to 282 of this Law, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market. The Commission shall immediately make public such a decision.

The Commission shall immediately communicate to ESMA and the competent authorities of the other Member States such a decision referred to in paragraph 2 of this Article. This paragraph shall enter into force at the Republic's entry into the EU.

When notified of such a decision, the Commission shall require that regulated markets, other MTFs, other OTFs and systematic internaliser, which fall under its jurisdiction and trade the same financial instrument or derivatives referred to in paragraph 2 of this Article also suspend or remove that financial instrument or derivatives from trading, where the suspension or removal is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 271 to 282 of this Law except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market. This paragraph shall enter into force at the Republic's entry into the EU.

The Commission shall communicate its decision to ESMA and other competent authorities, including an explanation if the decision was not to suspend or remove from trading the financial instrument or derivatives referred to in subpoints (4) - (10) of point 19) of paragraph 1 of Article 2 of this Law that relate or are referenced to that financial instrument.

Paragraphs 2 to 6 of this Article shall also apply when the suspension from trading of a financial instrument or derivatives referred to in paragraph 2 of this Article, is lifted.

The notification procedure referred to in this Article shall also apply in the case where the decision to suspend or remove from trading a financial instrument or derivatives referred to Article 2 of this Law is taken by the competent authority pursuant to points 13) and 14) of paragraph 1 of Article 374 of this Law. This paragraph shall enter into force at the Republic's entry into the EU.

The Commission shall adopt a regulation to determine and further specify:

1) the cases in which the connection between a derivative as referred to in Article 2 of this Law and the original financial instrument implies that the derivative is also to be suspended or removed from trading, in order to achieve the objective of the suspension or removal of the underlying financial instrument;

2) the format and timing of the communications and the publication referred to in this Article;

3) situations constituting significant damage to the investors' interests and the orderly functioning of the market referred to in this Article.

Growth Market of Small and Medium-Sized Enterprises (SME growth markets)

Article 197

The operator of an MTF may apply to the Commission to have the MTF registered as an SME growth market.

The Commission may register the MTF as an SME growth market if it receives an application referred to in paragraph 1 of this Article and is satisfied that the requirements in paragraph 3 of this Article are complied with in relation to the MTF.

The operator of an MTF shall adopt effective rules, systems and procedures which ensure that the following is complied with:

1) at least 50 % of the issuers whose financial instruments are admitted to trading on the MTF are SMEs at the time when the MTF is registered as an SME growth market and in any calendar year thereafter;

2) appropriate criteria are set for initial and ongoing admission to trading of financial instruments of issuers on the market;

3) on initial admission to trading of financial instruments on the market there is sufficient information published to enable investors to make an informed judgment about whether or not to invest in the financial instruments; information shall be available either in an appropriate admission document or in a prospectus if the requirements in respect of a public offer being made in conjunction with the initial admission to trading of the financial instrument on the MTF;

4) there is appropriate ongoing periodic financial reporting by or on behalf of an issuer on the market, such as audited annual reports;

5) issuers on the market, persons discharging managerial responsibilities and persons closely associated with them comply with relevant requirements applicable to them under this Law;

6) regulatory information concerning the issuers on the market is stored and disseminated to the public;

7) there are effective systems and controls aiming to prevent and detect market abuse on that market as required under this Law.

The criteria in paragraph 3 also do not prevent the investment firm or market operator operating the MTF from imposing additional requirements.

The Commission may deregister an MTF as an SME growth market in any of the following cases:

1) the investment firm or market operator operating the market applies for its deregistration;

2) the requirements in paragraph 3 of this Article are no longer complied with in relation to the MTF.

If the Commission registers or deregisters an MTF as an SME growth market, it shall as soon as possible notify ESMA of that registration or deregistration.

Where a financial instrument of an issuer is admitted to trading on one SME growth market, the financial instrument may also be traded on another SME growth market only where the issuer has been informed and has not objected.

In such a case however, the issuer shall not be subject to any obligation relating to corporate governance or initial, ongoing or ad hoc disclosure with regard to the latter SME growth market.

Freedom to Provide Investment Services and Perform Investment Activities

Article 198

Any investment firm authorized and supervised by the competent authorities of another Member State in accordance with the EU directive governing markets in financial instruments, and in respect of credit institutions in accordance with the EU directive governing the access to the activity of credit institutions and the prudential supervision of credit institutions, may freely provide investment services and/or perform investment activities as well as ancillary services within the Republic, provided that such services and activities are covered by its authorization and in the case of credit institutions - under the conditions prescribed by the law governing credit institutions in the Republic. Ancillary services may only be provided together with an investment service and/or activity.

The investment firms and credit institutions referred to in paragraph 1 of this Article may start to provide the investment services and activities in the Republic when the Commission receives from their home competent authority designated as contact point in accordance with the EU directive governing the markets in financial instruments, the information referred to in paragraphs 4 and 5 of this Article. The Commission shall publish such information when received. The Commission shall forward the information related to the credit institution to the National Bank of Serbia without delay.

Any investment firm authorized and supervised by the Commission in accordance with this Law, and in respect of credit institutions in accordance with the law governing credit institutions, may freely provide investment services and/or perform investment activities as well as ancillary services within the territory of other Member States, provided that such services and activities are covered by its authorization. Ancillary services may only be provided together with an investment service and/or activity.

Any investment firm wishing to provide services or activities within the territory of another Member State for the first time, or which wishes to change the range of services or activities so provided, shall communicate the following information to the Commission:

1) the Member State in which it intends to operate;

2) a program of operations stating, in particular, the investment services and/or activities as well as ancillary services which it intends to provide in the territory of that Member State and whether it intends to do so through the use of tied agents, established in the Republic. Where an investment firm intends to use tied agents, the investment firm shall communicate to the Commission the identity of those tied agents.

The Commission shall forward all information, including the identity of tied agents that the investment firm intends to use for provision of investment services and activities in that Member State, within one month of receiving the information, to the competent authority of the

host Member State designated as contact point in accordance with the EU directive governing the markets in financial instruments The investment firm may then start to provide the investment services and activities concerned in the host Member State.

In the event of a change in any of the particulars communicated in accordance with this Article, an investment firm shall give written notice of that change to the Commission at least one month before implementing the change. The Commission shall inform the competent authority of the host Member State of that change.

Any credit institution intending to provide investment services or activities as well as ancillary services in accordance with paragraph 3 of this Article through tied agents shall communicate the identity of those tied agents to the Commission and the National Bank of Serbia.

Where the credit institution intends to use tied agents established in the Republic in the territory of the Member States in which it intends to provide services, the Commission shall, within one month from the receipt of all the information, communicate to the competent authority of the host Member State designated as contact point in accordance with the EU directive governing the markets in financial instruments the identity of the tied agents that the credit institution intends to use to provide services in that Member State.

Investment firms and market operators operating MTFs and OTFs from other Member States are allowed, without further legal or administrative requirement, to provide appropriate arrangements in the Republic so as to facilitate access to and trading on those markets by remote users, members or participants established in their territory.

Investment firms and market operators operating MTFs and OTFs in the Republic are allowed, without further legal or administrative requirement, to provide appropriate arrangements in other Member States so as to facilitate access to and trading on those markets by remote users, members or participants established in the Republic.

The investment firm or the market operator operating an MTF or an OTF shall communicate to the Commission such arrangements in other Member States, which the Commission shall communicate, within one month, to the competent authority of the Member State in which the MTF or the OTF intends to provide such arrangements.

The Commission shall, on the request of the competent authority of the host Member State of the MTF and without undue delay, communicate the identity of the remote members or participants of the MTF established in that Member State.

Establishment of a Branch

Article 199

Any investment firm authorized and supervised by the competent authorities of another Member State in accordance with the EU directive governing the markets in financial instruments, may provide investment services and/or activities as well as ancillary services within the Republic in accordance with the EU directive governing the markets in financial instruments and with the EU directive governing the access to the activity of credit institutions and the prudential

supervision of credit institutions and investment firms through the right of establishment, whether by the establishment of a branch or by the use of a tied agent established in the Republic, provided that those services and activities are covered by the authorization granted to the investment firm or the credit institution in the home Member State. Ancillary services may only be provided together with investment services and/or activities.

Any credit institution authorized in accordance with the EU regulation governing the access to activities of credit institutions and prudential supervision of credit institutions, may provide investment services and/or perform investment activities and ancillary services within the Republic in accordance with the EU regulations governing the market on financial instruments and the EU regulations on access to the activity of credit institutions and the prudential supervision of credit institutions through the right of establishment, whether by the establishment of a branch or by the use of a tied agent established in the Republic, provided that those services and activities are covered by the authorization granted to the credit institution in the home Member State and under the conditions prescribed by the law governing credit institutions in the Republic. Ancillary services may only be provided together with investment services and/or activities.

Any investment firm authorized and supervised by the Commission in accordance with this Law, may provide investment services and/or activities as well as ancillary services within the territory of another Member State in accordance with this Law and with the law governing credit institutions through the right of establishment, whether by the establishment of a branch or by the use of a tied agent established outside the Republic, provided that those services and activities are covered by the authorization granted to the investment firm or the credit institution in the Republic. Ancillary services may only be provided together with investment services and/or activities.

Any credit institution authorized in accordance with the law governing credit institutions in the Republic may provide investment services and/or perform investment activities and ancillary services within the territory of another Member State through the right of establishment, whether by the establishment of a branch or by the use of a tied agent established outside the Republic, provided that those services and activities are covered by the authorization granted to the credit institution as prescribed by the law governing credit institutions in the Republic. Ancillary services may only be provided together with investment services and/or activities.

Any investment firm wishing to establish a branch within the territory of another Member State or to use tied agents established in another Member State in which it has not established a branch, shall first notify the Commission and provide it with the following information:

1) the Member States within the territory of which it plans to establish a branch or the Member States in which it has not established a branch but plans to use tied agents established there;

2) a program of operations setting out, *inter alia*, the investment services and/or activities as well as the ancillary services to be offered;

3) where established, the organizational structure of the branch and indicating whether the branch intends to use tied agents and the identity of those tied agents;

4) where tied agents are to be used in a Member State in which an investment firm has not established a branch, a description of the intended use of the tied agent(s) and an organizational structure, including reporting lines, indicating how the agent(s) fit into the corporate structure of the investment firm;

5) the address in the host Member State from which documents may be obtained;

6) the names of those responsible for the management of the branch or of the tied agent.

Where an investment firm uses a tied agent established in a Member State outside the Republic, such tied agent shall be assimilated to the branch, where one is established, and shall in any event be subject to the provisions of this Law relating to branches.

Unless the Commission has reason to doubt the adequacy of the administrative structure or the financial situation of an investment firm, taking into account the activities envisaged, it shall, within three months of receiving all the information, communicate that information to the competent authority of the host Member State designated as contact point in accordance with the EU directive governing the markets in financial instruments and inform the investment firm concerned accordingly.

In addition to the information referred to in paragraph 5 of this Article, the Commission shall communicate details of the accredited compensation scheme of which the investment firm is a member in accordance with this Law to the competent authority of the host Member State. In the event of a change in the particulars, the Commission shall inform the competent authority of the host Member State accordingly.

Where the Commission refuses to communicate the information to the competent authority of the host Member State, it shall give reasons for its refusal to the investment firm concerned within three months of receiving all the information.

On receipt of a communication from the competent authority of the host Member State or failing such communication from the latter at the latest after two months from the date of transmission of the communication by the Commission the branch may be established, and business commenced.

When the Commission receives communication from the competent authority of the home Member State of investment firms or credit institutions wishing to provide services in the Republic through the right of establishment in accordance with paragraph 1 of this Article, it shall send a communication to the competent authority of the home Members State at the latest after two months from the date of transmission of the communication by the competent authority of the home Members State. If the Commission fails to transmit such communication within the required time frame, the branch may be established, and business commenced.

Any credit institution wishing to use a tied agent established in a Member State outside the Republic to provide investment services and/or activities as well as ancillary services in accordance with this Law shall notify the Commission and the National Bank of Serbia and provide them with the information referred to in paragraph 5 of this Article.

Unless the Commission has reason to doubt the adequacy of the administrative structure or the financial situation of a credit institution, it shall, within three months of receiving all the

information, communicate that information to the competent authority of the host Member State designated as contact point in accordance with the EU directive governing the markets in financial instruments and inform the credit institution concerned accordingly.

Where the Commission refuses to communicate the information to the competent authority of the host Member State, it shall give reasons for its refusal to the credit institution concerned within three months of receiving all the information.

On receipt of a communication from the competent authority of the host Member State or failing such communication from the latter at the latest after two months from the date of transmission of the communication by the Commission, the tied agent can commence business. Such tied agent shall be subject to the provisions of this Law relating to branches.

The Commission shall assume responsibility for ensuring that the services provided by the branch within its territory comply with the obligations laid down in Articles 177, 179, 180, 182, 186, 187 and Articles 233 to 239 of this Law and the measures adopted pursuant thereto in the Republic.

The Commission shall have the right to examine branch arrangements and to request such changes as are strictly needed to enable the competent authority to enforce the obligations under Articles 177, 179, 180, 182, 186, 187 and Articles 233 to 239 of this Law and measures adopted pursuant thereto in the Republic with respect to the services and/or activities provided by the branch within its territory.

Where an investment firm authorized in another Member State has established a branch within the Republic, the competent authority of the home Member State of the investment firm, in the exercise of its responsibilities and after informing the Commission, may carry out on-site inspections in that branch.

In the event of a change in any of the information communicated in accordance with paragraph 3 of this Article, an investment firm shall give written notice of that change to the Commission at least one month before implementing the change. The Commission shall inform the competent authority of the home Member State of that change.

Access to Regulated Markets

Article 200

Investment firms from other Member States which are authorized to execute client orders or to deal on own account shall have the right of membership or have access to regulated markets established in the Republic by means of any of the following arrangements:

1) directly, by setting up branches in the Republic;

2) by becoming remote members of or having remote access to the regulated market without having to be established in the Republic, where the trading procedures and systems of the market in question do not require a physical presence for conclusion of transactions on the market.

Investment firms from the Republic which are authorized to execute client orders or to deal on own account shall have the right of membership or have access to regulated markets established outside the Republic by means of any of the following arrangements:

1) directly, by setting up branches in another country;

2) by becoming remote members of or having remote access to the regulated market without having to be established in such country, where the trading procedures and systems of the market in question do not require a physical presence for conclusion of transactions on the market.

Access to the CCP, Clearing and Settlement Facilities and Right to Select/Designate Settlement System

Article 201

Investment firms from other Member States shall have the right of direct and indirect access to CCP, clearing and settlement systems in the Republic for the purposes of finalizing or arranging the finalization of transactions in financial instruments.

Direct and indirect access of those investment firms to such facilities shall be subject to the same non-discriminatory, transparent and objective criteria as apply to local members or participants.

The use of those facilities shall not be restricted to the clearing and settlement of transactions in financial instruments undertaken on a trading venue in the Republic.

Regulated markets shall offer all their members or participants the right to designate the system for the settlement of transactions in financial instruments undertaken on that regulated market, subject to the following conditions:

1) such links and arrangements between the designated settlement system and any other system or facility as are necessary to ensure the efficient and economic settlement of the transaction in question;

2) agreement by the Commission that technical conditions for settlement of transactions concluded on the regulated market through a settlement system other than that designated by the regulated market are such as to allow the smooth and orderly functioning of financial markets.

That assessment of the Commission shall be without prejudice to the competencies of the national central bank as overseers of settlement systems or other supervisory authorities with competence in relation to such systems.

The Commission shall take into account the oversight/supervision already exercised by those institutions in order to avoid undue duplication of control.

Investment firms from the Republic shall have the right of direct and indirect access to CCP, clearing and settlement systems in another country for the purposes of finalizing or arranging the finalization of transactions in financial instruments.

Provisions regarding CCP, Clearing and Settlement Arrangements in respect of MTFs

Article 202

Investment firms and market operators operating an MTF shall be allowed to enter into appropriate arrangements with a CCP or clearing house and a settlement system of another Member State with a view to providing for the clearing and/or settlement of some or all trades concluded by the members or participants under their systems.

The Commission may not oppose the use of CCP, clearing houses and/or settlement systems in another Member State except where necessary in order to maintain the orderly functioning of that MTF and taking into account the conditions for settlement systems established in paragraph 4 of Article 201 of this Law.

In order to avoid undue duplication of control, the Commission shall take into account the oversight and supervision of the clearing and settlement system already exercised by the central banks as overseers of clearing and settlement systems or by other supervisory authorities with competence in relation to such systems.

Provision of Investment Services and Activities on the Territory of the Republic by Foreign Companies

Article 203

The person providing investment services and activities or ancillary services within the territory of the Republic shall conduct business activities pursuant to this Law and shall hold the adequate authorization of the Commission.

The provision of investment services and activities or ancillary services by foreign investment firms or market operators without an authorization of the Commission, shall be allowed only through intermediation of investment firms holding the authorization of the Commission.

Only the investment firms holding the authorization of the Commission may offer investment services and activities or ancillary services from the territory of the Republic to persons in foreign countries on behalf of foreign investment firms.

Marketing, advertising, online trading platforms demo trading, as well as other forms of promotion of services of foreign investment firms or market operators may be conducted only by the persons holding adequate authorizations pursuant to this Law, irrespectively of whether they offer the services to residents or non-residents of the Republic.

Provision of Investment Services and Activities by Third Country Firms

Article 204

A third-country investment firm intending to provide investment services or perform investment activities with or without any ancillary services to retail clients or to professional clients in the Republic shall establish a branch in the Republic.

The branch shall acquire a prior authorization by the Commission in accordance with the following conditions:

1) the provision of services for which the third-country investment firm requests authorization is subject to authorization and supervision in the third country where the firm is established and the requesting firm is properly authorized, whereby the competent authority pays due regard to any FATF recommendations in the context of anti-money laundering and countering the financing of terrorism;

2) cooperation arrangements, that include provisions regulating the exchange of information for the purpose of preserving the integrity of the market and protecting investors, are in place between the Commission and the competent supervisory authorities of the third country where the firm is established;

3) sufficient initial capital is at free disposal of the branch;

4) one or more persons are appointed to be responsible for the management of the branch and they all comply with the requirement laid down in Article 156 of this Law;

5) the third country where the third-country investment firm is established has signed an agreement with the Republic, which fully comply with the standards of the OECD Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, including, if any, multilateral tax agreements;

6) the investment firm belongs to an investor-compensation scheme authorized or recognized in accordance with the EU legislation regulating investor-compensation schemes.

The third-country investment firm referred to in paragraph 1 of this Article shall submit its application to the Commission.

Article 205

A third-country investment firm intending to obtain authorization for the provision of any investment services or the performance of investment activities with or without any ancillary services in the territory of the Republic through a branch shall provide the Commission with the following:

1) the name of the authority responsible for its supervision in the third country concerned. When more than one authority is responsible for supervision, the details of the respective areas of competence shall be provided;

2) all relevant details of the investment firm (name, legal form, registered office and address, members of the management body, relevant share-holders) and a program of operations setting out the investment services and/or activities as well as the ancillary services to be provided and the organizational structure of the branch, including a description of any outsourcing to third parties of essential operating functions;

3) the name of the persons responsible for the management of the branch and the relevant documents to demonstrate compliance with requirements laid down in Article 156 of this Law;

4) information about the initial capital at free disposal of the branch.

Article 206

The Commission shall grant authorization to the third-country firm for the provision of any investment services or the performance of investment activities with or without any ancillary services in the territory of the Republic when it is satisfied that:

1) the conditions under Article 204 are fulfilled; and

2) the branch of the third-country investment firm will be able to comply with the provisions referred to in paragraph 3 of this Article.

The Commission shall inform the third-country investment firm, within six months of submission of a complete application, whether or not the authorization has been granted.

The branch of the third-country investment firm authorized in accordance with paragraph 1 of this Article, shall comply with the obligations laid down in EU regulation governing capital markets and shall be subject to the supervision of the Commission.

Article 207

Where a retail client or professional client established or situated in the Republic initiates at its own exclusive initiative the provision of an investment service or activity by a third-country investment firm, the requirement for authorization under Article 204 of this Law shall not apply to the provision of that service or activity by the third country investment firm to that person including a relationship specifically relating to the provision of that service or activity. An initiative by such clients shall not entitle the third-country investment firm to market otherwise than through the branch, new categories of investment products or investment services to that client.

Article 208

The Commission may withdraw authorization issued to a third country firm under Article 206 of this Law where such a firm:

1) does not make use of the authorization within 12 months, expressly renounces the authorization or has provided no investment services or performed no investment activity for the preceding six months;

2) has obtained the authorization by making false statements or by any other irregular means;

3) no longer meets the conditions under which authorization was granted;

4) has seriously and systematically infringed the provisions adopted pursuant to this Law governing the operating conditions for investment firms and applicable to third-country firms;

5) falls within any other case where the law provides for withdrawal.

Establishment of a Branch Offices of an Investment Firm from the Republic in a Foreign Country

Article 209

An investment firm is required to obtain prior approval from the Commission for establishing a branch in a foreign country.

The provisions of this Law regarding the granting of an authorization for performing the activities of an investment firm, shall apply accordingly to the granting of authorizations for performing such activities for branches of these companies in a foreign country.

The Commission shall prescribe in more detail the contents of the application referred to in paragraph 1 of this Article, which shall be submitted with a document attesting that competent authorities of the other country permit the investment firm to provide investment services and activities in such country through the establishment of a branch.

Capital Adequacy

Article 210

An investment firm shall ensure that its capital remains at the minimum level which is not below the minimal capital prescribed by Article 165 of this Law.

When the capital of an investment firm, referred to in paragraph 1 of this Article, falls below the minimal capital prescribed by Article 165 of this Law, the Commission shall order such an investment firm to remove deficiencies within a specified time period, and/or impose a supervisory measure prescribed by the provisions of this Law.

The Commission shall prescribe a method for calculating capital and capital adequacy of an investment firm.

Risk Management

Article 211

The capital of an investment firm must always be sufficient to cover its obligations and possible losses and risks to which the investment firm is exposed, without causing any loss to clients or counterparties to transactions with the investment firm.

An investment firm shall calculate its capital, risks and exposures in the manner prescribed by the Commission regulation.

Risk management entails a set of activities and methods for identification, measurement, monitoring risks and reporting on risks an investment firm is exposed to or could be exposed to in its operations.

An investment firm shall identify, measure and assess risks it is exposed to in its operations and manage such risks.

An investment firm shall establish procedures for identification, measurement, and assessment of risks and management of risks, in compliance with regulations, standards and industry practices.

The enactments specified in paragraph 5 of this Article shall include:

1) the provisions ensuring functional and organizational segregation of activities of risk management and regular business activities of the investment firm;

2) procedures for identification, measurement and assessment of risks;

3) risk management procedures;

4) procedures enabling supervision and consistent implementation of all internal procedures of the investment firm related to risk management;

5) procedures for regular reporting to the management of an investment firm and the Commission on risk management.

An investment firm shall be required to have robust governance arrangements, which include a clear organizational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks and large exposures it is or might be exposed to, and adequate internal control mechanisms, including sound administrative and accounting procedures.

The Commission may pass a regulation to specify detailed conditions and manner of identification, measurement, and assessment of risk referred to in this Article, and management of such risks.

Types of Risks

Article 212

An investment firm’s enactments specified in Article 211 of this Law shall include all types of risks the investment firm is exposed to in its operations, and in particular:

1) market risk;

2) credit risk;

3) liquidity risk;

4) operational risk;

5) risks of exposure to one person or a group of related persons.

Market Risk

Article 213

Market risk includes: price change risk, settlement risk and counterparty risk, risk of exceeding permitted exposures, currency risk and commodity risk.

Price change risk means risk of a loss arising from a change in the price of a financial instrument, or in case of a derivative financial instrument, a loss arising from a change in the price of its underlying instrument.

Price change risk is categorized into:

1) general price risk shall mean risk of a loss arising from a change in the price of a financial instrument due to a change in interest rates or major changes in the capital market, independently from any specific feature of such financial instrument;

2) specific price risk shall mean risk of a loss arising from a change in the price of a financial instrument due to facts relating to the issuer, or in case of a derivative financial instrument, the facts relating to the issuer of its underlying financial instrument.

Settlement risk and counterparty risk shall mean risks of a loss arising from counterparty's failure to meet their obligations pursuant to positions in the trading book.

Currency risk shall mean risk of a loss arising from a change in exchange rates.

Commodity risk shall mean risk of a loss arising from a change in commodity prices.

An investment firm shall develop and apply proper policies and procedures designed for measurement and management of all significant elements and effects market risk entails.

Credit Risk

Article 214

Credit risk shall mean risk of a loss arising from failure of a person to meet their financial liabilities towards the investment firm.

An investment firm shall:

1) identify, measure, and assess credit risk according to the creditworthiness of a client and their timeliness in fulfillment of obligations to the investment firm, and according to the quality of collateral instruments for the company's receivables.

2) develop and apply relevant policies and procedures designed for credit risk management.

3) an investment firm shall establish and implement an adequate system of management and monitoring of portfolios and individual exposure associated to credit risk and appropriate reconciliation of values.

Liquidity Risk

Article 215

Liquidity risk means the possibility of arising of negative effects on financial result and capital of the investment firm, caused by incapability of such firm to settle its liabilities due for payment.

An investment firm shall develop and apply policies and procedures for continuous measurement and management of liquidity risk, it shall regularly inspect of adequacy of facts on which the risk liquidity management system is based, manage current and future cash inflow and outflow and adopt liquidity crisis action plans.

Operational Risk

Article 216

Operational risk means risk due to errors, stoppage or damages that may arise from inadequate internal procedures, activities of persons, systems or external events, including legislation change risk.

An investment firm shall:

1) develop and implement relevant policies and procedures for measurement and management of operational risk, including some infrequent events that have significant effects and it shall determine what operational risks are in terms of those policies and procedures.

2) adopt a contingency plan and operation continuity and loss limitation plan in cases of significant disruption or interruption of business operations.

Exposure Risk of an Investment Firm

Article 217

An investment firm's exposure to one person represents the total amount of receivables towards such person or a group of related persons (credits, investments in debt securities, ownership investments and participations, issued guarantees and sureties and similar).

Pursuant to paragraph 1 of this Article, a group of related persons shall mean two or more legal or natural persons which, unless proven otherwise, represent one risk for an investment firm and:

1) one of those persons exercises direct or indirect control over another person;

2) they are related in such a way that there is high probability that a change in operations or financial result of one person may bring about a change in operations and financial result of the other person, while there is a possibility of transfer of loss, profit or creditworthiness among them;

3) the persons are mutually related as family members.

Exposure risk shall mean risk of loss arising from exceeding exposure risk limit towards one person or group or related persons based on positions in trading book.

An investment firm’s exposure to a client or a group of related persons shall be considered a large exposure, where its value is equal to or exceeds 10% of its capital.

The highest risk exposure allowed of an investment firm to one person and/or several mutually related persons must not exceed 25% of capital of the investment firm.

Article 218

If an investment firm’s exposure exceeds the limit referred to in Article 217 of this Law, the investment firm shall promptly inform the Commission of the level of the exposure, in compliance with Article 223 of this Law.

Having completed the assessment, the Commission may allow the investment firm a limited amount of time to comply with the limit.

Trading Book and Book of Positions Not Subject to Trading

Article 219

A trading book shall contain positions in financial instruments that an investment firm keeps for the purpose of trading or hedging of positions in other financial instruments kept in that book and which are not subject to trading limitations, and there are no limitations for hedging these positions from risks.

A book of positions not subject to trading shall contain all positions of financial instruments and commodities not included into the trading book.

The Commission shall regulate the contents of a trading book and book of positions not subject to trading.

Risk Management Policies and Strategies

Article 220

In addition to meeting organizational requirements for purposes of consistent implementation of risk management policies and strategies, an investment firm shall establish and consistently apply administrative and accounting procedures for effective internal control system, namely:

1) for calculating and reviewing capital requirements for such risks;

2) for determining and monitoring large exposures, changes in large exposures and reviewing compliance of large exposures with investment firm's policies regarding such type of exposure.

Solvency and Liquidity Principle

Article 221

An investment firm shall conduct business activities in such a way as to be able to permanently meet its financial liabilities (solvency principle), and at all times and timely, settle all its financial liabilities due for payment (liquidity principle).

Minimum Capital Level in Relation to Capital Requirements

Article 222

The capital of an investment firm must always be higher or equal to the sum of capital requirements for market, credit and operational risks.

The capital of an investment firm must not be less than one quarter of fixed overheads from the previous financial year.

The Commission shall regulate the method of calculating capital requirements for management of certain types of risks, particularly taking into account types of investment services and activities performed by an investment firm.

Procedures to Ensure Compliance with Capital Adequacy Requirements

Article 223

Pursuant to the Commission regulation, an investment firm shall file with the Commission a report at any time the capital of the investment firm falls below an amount or percentage specified by Articles 165 and 210 of this Law, and such a report shall indicate the specific facts and circumstances that have caused the investment firm's capital to fall below the specified thresholds.

The Commission may require an investment firm that fails to satisfy the capital requirements of paragraph 1 of this Article, or whose capital falls below such requirements, to discontinue immediately all investment services and activities of an investment firm with respect to which the investment firm fails to satisfy such capital requirements and it may require investment firm to:

1) immediately undertake measures to raise its capital above the thresholds required by paragraph 1 of this Article;

2) limit its investment services and activities in areas specified by the Commission until such thresholds are reached or exceeded;

3) file additional timely reports with the Commission regarding the investment firm's capital requirements, until such thresholds are reached or exceeded.

Reporting by Investment Firms

Article 224

The Commission shall prescribe in detail the form and content of monthly financial reports that an investment firm is required to file with the Commission, not later than the 15th day of the month immediately following the month reported upon.

The monthly reports referred to in paragraph 1of this Article shall be required to show the investment firm's compliance with the capital requirements of Articles 165 and 210 of this Law and the Commission regulation, including the investment firm's risk exposure.

The Commission shall regulate the form and content and filing deadline for the annual financial statements and the independent auditor's report and prepared in accordance with the laws on accounting and auditing, that an investment firm is required to file with the Commission.

Within a time period of at least 60 days and not exceeding 120 days after the close of the financial year, an investment firm shall file with the Commission its annual report on operations, the contents and form of which shall be defined by the Commission.

The independent auditor's report referred to in paragraph 3 of this Article shall be required to report on the adequacy of the investment firm's internal controls and accounting procedures for

calculating compliance with capital adequacy requirements and managing risk exposure and shall be required to identify any material weaknesses in such internal controls and procedures.

Suspension or Withdrawal of Authorizations of Investment Firms

Article 225

The Commission shall be authorized to suspend for a period of not more than two years or to withdraw the authorization of an investment firm, if it finds that:

1) an investment firm does not make use of its authorization within 12 months, expressly renounces the authorization, or has provided no investment services or performed no investment activity for the preceding six months;

2) the investment firm has obtained the authorization on the grounds of materially false or incomplete information or by other irregular means;

3) the investment firm no longer meets the conditions prescribed by this Law for obtaining the authorization;

4) the investment firm has committed a material violation of any provision of the Law or Commission regulations, and in the case of an authorization withdrawal, such material violations have been serious and systematic;

5) the investment firm has failed to comply within the prescribed time period and in the prescribed manner with a Commission decision issued pursuant to Article 374, para.1, point 1) of this Law;

6) the investment firm failed to meet the requirements considering the timely and accurate reporting to the Commission for more than two times in a period of three years, or if in any other way hinders or prevents the Commission supervision over its operations;

7) the investment firm systemically and to a great extent does not comply with the obligations related to organizational, technical, staffing and other requirements for the provision of investment services and performance of investment activities;

8) the investment firm does not conform to the obligations stipulated by the law regulating the prevention of money laundering and terrorism financing;

9) the investment firm and/or a manager of the investment firm fails to exercise reasonable supervision over any employee of the firm who is the cause of a material violation of this Law, Commission regulations or the general enactments of a market operator or a CSD.

10) the investment firm referred to in Article 251, paragraph 1 of this Law has started preforming the activity for which it had received the authorization before submitting proof of membership in the Investor Protection Fund to the Commission, or its membership has ceased upon admission to the Investor Protection Fund.

The Commission shall notify to ESMA every withdrawal of authorization.

An investment firm shall comply at all times with the conditions for initial authorization established in this Chapter of the Law.

The Commission shall establish appropriate methods to monitor that investment firms comply with their obligation under paragraph 1 of this Article. Investment firms shall notify the Commission of any material changes to the conditions for initial authorization.

Article 226

The Commission's authority to suspend or permanently withdraw an authorization pursuant to this Article shall not exclude the possibility to apply measures that the Commission is authorized to undertake with respect to:

1) authorized persons, pursuant to Chapter XIII of this Law;

2) under other provisions of this Law with respect to members of management, managers and persons with qualifying holdings in an investment firm or managers of the organizational part of the credit institution performing investment services and activities.

If an investment firm file a request to the Commission to withdraw the investment firm's authorization on the grounds of no longer performing the activities that require an authorization under this Law or there has been a change in such activities, the Commission shall perform supervision over the operations and depending on the findings, it may adopt a decision withdrawing the authorization and striking it off the register of authorized investment firms of the Commission.

The management body of the investment firm shall file a request and inform the Commission of the cessation or a change in activities on the first working day following the day when such decision is made.

The Commission is under no obligation to order a withdrawal of an authorization held by an investment firm or natural person subject to the supervision or charged with violations of provisions of this Law, Commission regulations or general enactments of a market operator or a CSD until such matters have been fully resolved.

Special Rules Applied to Investment Firms Whose Authorizations Are Suspended or Withdrawn

Article 227

The Commission may instruct, by the decision referred to in Article 225 of this Law, that the non-executed orders and other documentation of the clients of the investment firm whose authorization is withdrawn by the Commission are transferred to another investment firm, with the clients' consent.

From the date of effectiveness of the decision on authorization withdrawal, the investment firm shall not contract, commence or perform investment services or activities for which the authorization has been withdrawn.

In cases where authorization for activities of an investment firm has been suspended or withdrawn by the Commission, the firm shall give an immediate written notice to all clients so that

they may elect to withdraw their assets on the accounts with the investment firm or transfer them to another authorized investment firm.

If the authorization of an investment firm is revoked, the bankruptcy i.e. liquidation proceedings shall be instituted, in accordance with the law governing companies i.e. bankruptcy proceedings.

If a liquidation administrator determines existence of bankruptcy reasons, they shall promptly suspend liquidation proceedings and launch bankruptcy proceedings.

Assets of an investment firm clients shall not be the property, bankruptcy or liquidation estate of the investment firm, nor may they be subject to enforcement or forced collection of the investment firm.

The notice to clients required by paragraph 1 of this Article shall be given at the investment firm's expense.

Credit Institutions Authorized in Accordance with the Law Governing Banks, or in Accordance with the Law Governing Credit Institutions

Article 228

A credit institution authorized in accordance with the law governing banks, or in accordance with the law governing credit institutions may not perform one or more investment services and activities referred to in Article 2, paragraph 1, points 2) and 3) of this Law, except for ancillary services referred to in Article 2, paragraph 1, point 3) subpoints (2) and (4) of this Law, without the authorization of the Commission for performing the activities of the investment firm.

The credit institution referred to in paragraph 1 of this Article shall:

1) have a special organizational unit performing investment services and activities referred to in Article 2, paragraph 1, points 2) and 3) of this Law, except for the provision of ancillary services referred to in Article 2, paragraph 1, point 3) subpoints (2) and (4) of this Law;

2) keep separate records and information on the operations of that organizational unit in the books of account.

The credit institution referred to in paragraph 1 of this Article may not perform the activities of a market operator i.e. provide investment services and activities referred to in Article 2, paragraph 1, point 2) subpoints (8) and (9) of this Law.

The credit institution referred to in paragraph 1 of this Article shall notify the National Bank of Serbia of obtaining the authorization of the Commission to perform activities of an investment firm, no later than the next business day from the day of issuing the authorization.

The provisions relating to investment firms referred to in this Chapter shall apply accordingly to the credit institutions referred to in paragraph 1 of this Article.

The following provisions shall not apply to credit institutions referred to in paragraph 1 of this Article:

1) Article 152 of this Law, regulating the granting of authorization by the Commission in the event of a status change of an investment firm;

2) Article 154 of this Law, regulating the entry in the Company Register and the commencement of activities;

3) Article 158 of this Law, regulating the obligation to establish a nomination committee of large investment firms;

4) Art. 160-165 of this Law, regulating qualifying holdings, the minimum capital of investment firms and the procedure for giving the prior consent of the Commission for acquiring a qualifying holding in an investment firm;

5) Art. 173-175 of this Law, regulating trading process and finalization of transactions within the MTF or OTF;

6) Art. 195-202 of this Law, regulating the monitoring of compliance with the rules of the MTF and OTF, SME growth market, freedom to provide investment services and perform investment activities, establishment of a branch of an investment company from EU Member States, access to regulated markets, access to the CCP, clearing and settlement facilities and the right to select/designate the settlement system;

7) Art. 204-208 of this Law, regulating the provision of investment services and activities by third country investment firms and Art. 210-218 of this Law, regulating capital adequacy, types of risks and risk management;

8) Art. 220-223 of this Law, regulating risk management strategies and policies, the minimum capital level in relation to capital requirements and measures to ensure capital adequacy.

The National Bank of Serbia shall submit to the Commission reports or information it collects regarding the capital adequacy and risk exposure of the credit institution referred to in paragraph 1 of this Article.

The credit institution shall be exclusively authorized to accept structured deposits and shall inform the National Bank of Serbia and the Commission about the intention to introduce structured deposits in the offer of its services no later than 30 days before that introduction.

The provisions of the regulations governing the bank's risk management related to the introduction of a new product shall apply to the notification of the National Bank of Serbia referred to in para.8 of this Article.

The provisions of that law shall also apply to structured deposits of persons who are considered users of financial services in terms of the provisions of the law governing the protection of users of financial services.

Reports and information referred to in paragraph 7 of this Article shall be considered confidential information in accordance with the regulations governing the confidentiality of data and acts of the Commission and shall be kept as confidential in accordance with the regulations governing the confidentiality of data.

The Commission shall supervise credit institutions referred to in paragraph 1 of this Article in accordance with this Law.

The information collected by the Commission in the supervision procedure shall be confidential and submitted to the National Bank of Serbia subject to the prescribed measures for the protection of confidentiality.

In performing supervision of a credit institution referred to in paragraph 1 of this Article, measures and sanctions imposed in the course of the supervision prescribed by this Law for investment firms shall be applied accordingly. The Commission shall submit the decision on measures taken against credit institutions to the National Bank of Serbia without delay after delivery to the credit institution.

The information, referred to in paragraph 13 of this Article, shall be treated as professional secret by the National Bank of Serbia in accordance with the provisions of this Law, the law governing confidentiality of information, and its regulations.

IX TRANSPARENCY FOR TRADING VENUES, SPECIAL TRANSPARENCY REQUIREMENTS, PRODUCT INTERVENTION POWERS AND PROVISION OF SERVICES AND PERFORMANCE OF ACTIVITIES BY FOREIGN FIRMS

Pre-Trade Transparency Requirements for Trading Venues

Article 229

Market operators and investment firms operating a trading venue shall make public current bid and offer prices and the depth of trading interests at those prices which are advertised through their systems for financial instruments traded on a trading venue.

That requirement shall also apply to actionable indication of interests.

Market operators and investment firms operating a trading venue shall make that information available to the public on a continuous basis during normal trading hours.

The Commission may waive the obligation for market operators and investment firms operating a trading venue to make public the information referred to in paragraph 1 of this Article.

The Commission may withdraw a waiver granted under paragraph 1 of this Article if it observes that the waiver is being used in a way that deviates from its original purpose or if it believes that the waiver is being used to circumvent the requirements established in this Law.

Market operators and investment firms operating a trading venue which comply with Article 233 of this Law, shall give access, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements they employ for making public the information referred to in paragraph 1 of this Article to investment firms which are obliged to publish their quotes in financial instruments.

The Commission may adopt a regulation to specify:

1) the transparency requirements referred to in paragraph 1 of this Article;

2) the circumstances under which it may grant or withdraw a waiver under paragraphs 4 and 5 of this Article.

Post-Trade Transparency Requirements for Trading Venues

Article 230

Market operators and investment firms operating a trading venue shall make public the price, volume and time of the transactions executed in respect of financial instruments traded on that trading venue.

Market operators and investment firms operating a trading venue shall make details of all such transactions public as close to real-time as is technically possible.

Market operators and investment firms operating a trading venue shall give access, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements they employ for making public the information under paragraph 1 of this Article to investment firms which are obliged to publish the details of their transactions in financial instruments pursuant to Article 235 of this Law.

The Commission may pass a regulation to specify the transparency requirements referred to in paragraph 1 of this Article.

Authorization of Deferred Publication

Article 231

The Commission may authorize market operators and investment firms operating a trading venue to provide for deferred publication of the details of transactions based on their type or size.

The Commission may authorize the deferred publication in respect of transactions that are large in scale compared with the normal market size for that financial instrument.

Market operators and investment firms operating a trading venue shall obtain the Commission's prior approval of proposed arrangements for deferred trade-publication and shall clearly disclose those arrangements to market participants and the public.

The Commission may impose or allow other arrangements in conjunction with an authorization of deferred publication.

The Commission may adopt a regulation to specify:

1) deadlines for the authorization of deferred publication referred to in paragraph 1 of this Article;

2) other arrangements in conjunction with an authorization of deferred publication referred to in paragraph 4 of this Article.

Obligation to Make Pre-Trade and Post-Trade Data Available Separately and on a Reasonable Commercial Basis

Article 232

Market operators and investment firms operating a trading venue shall make the information published in accordance with Articles 229, 230 and 231 available to the public:

1) in a non-discriminatory manner;

2) by offering pre-trade and post-trade transparency data separately; and

3) on a reasonable commercial basis.

Such information shall be made available free of charge 15 minutes after publication.

The Commission shall adopt a regulation to specify:

1) the offering of pre-trade and post-trade transparency data, including the level of disaggregation of the data to be made available to the public as referred to in paragraph 1 of this Article;

2) what constitutes a reasonable commercial basis to make information public as referred to in paragraph 1, of this Article.

2. TRANSPARENCY FOR SYSTEMATIC INTERNALISERS AND INVESTMENT FIRMS TRADING OTC (OUTSIDE OF A REGULATED MARKET)

Obligation for Systematic Internalisers to Make Public Firm Quotes in Respect of Financial Instruments

Article 233

Investment firms shall make public firm quotes in respect of those financial instruments traded on a trading venue for which they are systematic internalisers and for which there is a liquid market.

Where there is not a liquid market for the financial instruments referred to in the paragraph 1 of this Article, systematic internalisers shall disclose quotes to their clients upon request.

Systematic internalisers shall make public their quotes on a regular and continuous basis during normal trading hours.

Systematic internalisers may update their quotes at any time, and shall be allowed, under exceptional market conditions, to withdraw their quotes.

The quotes shall be made public in a manner which is easily accessible to other market participants on a reasonable commercial basis.

Investment firms that meet the definition of systematic internaliser shall notify the Commission.

The Commission may adopt a regulation to specify:

1) the different conditions under which the obligation to make public firm quotes shall apply to systematic internalisers;

2) the arrangements for the publication of a firm quote;

3) the conditions under which systematic internalisers may withdraw their quotes;

4) the conditions under which systematic internalisers shall execute the orders they receive from their clients.

Access to Quotes

Article 234

Systematic internalisers shall be allowed to decide on the basis of their commercial policy and in an objective non-discriminatory way, the clients to whom they give access to their quotes.

For the purpose of paragraph 1 of this Article, there shall be clear standards for governing access to their quotes.

Systematic internalisers may refuse to enter into or discontinue business relationships with clients on the basis of commercial considerations such as the client credit status, the counterparty risk and the final settlement of the transaction.

In order to limit the risk of exposure to multiple transactions from the same client, systematic internalisers shall be allowed to limit in a non-discriminatory way the number of transactions from the same client which they undertake to enter at the published conditions

Systematic internalisers may, in a non-discriminatory way and in accordance with Article 187 of this Law, limit the total number of transactions from different clients at the same time provided that this is allowable only where the number and/or volume of orders sought by clients considerably exceeds the norm.

Post-Trade Disclosure by Investment Firms and Systematic Internalisers, in Respect of Financial Instruments

Article 235

Investment firms which, either on own account or on behalf of clients, conclude transactions in financial instruments traded on a trading venue, shall make public the volume and price of those transactions and the time at which they were concluded.

That information shall be made public through an APA.

The information which is made public in accordance with paragraph 1 of this Article and the time-limits within which it is published shall comply with the requirements adopted pursuant to Articles 230 and 231 of this Law.

Where the measures adopted pursuant to Article 231 of this Law provide for deferred publication for certain categories of transaction in financial instruments traded on a trading venue, that possibility shall also apply to those transactions when undertaken outside trading venues.

The Commission shall adopt a regulation:

1) criteria for the different types of transactions published under this Article;

2) the application of the obligation under paragraph 1 of this Article to transactions involving the use of those financial instruments for collateral, lending or other purposes where the exchange of financial instruments is determined by factors other than the current market valuation of the financial instrument;

3) specific conditions applying to transactions for which deferred publication has been authorized in accordance with Article 231 of this Law;

4) the party to a transaction that has to make the transaction public in accordance with paragraph 1 of this Article if both parties to the transaction are investment firms.

Providing Information for the Purposes of Transparency and Other Calculations

Article 236

The Commission may require information from:

1) trading venues;

2) APAs.

The Commission may adopt a regulation to specify:

1) content and frequency of data requests and the formats and the timeframe in which trading venues, and APAs must respond to such requests in accordance with paragraph 1;

2) the type of data that must be stored, and the minimum period of time for which trading venues and APAs store data in order to be able to respond to such requests.

Trading venues and APAs shall store data pursuant to the Commission regulation referred to in paragraph 2 of this Article.

Trading Obligation for Investment Firms

Article 237

An investment firm shall ensure the trades it undertakes in shares admitted to trading on a regulated market or traded on a trading venue shall take place on a regulated market, MTF or systematic internaliser, or a third-country trading venue assessed as appropriate, unless their characteristics include that they:

1) are non-systematic, ad-hoc, irregular and infrequent; or

2) are carried out between eligible and/or professional counterparties referred to in Article 194, paragraph 1 of this Law and do not contribute to the price discovery process.

An investment firm that operates an internal matching system which executes client orders in shares, depositary receipts, ETFs, certificates and other similar financial instruments on a multilateral basis must ensure it is authorized as an MTF under this Law and comply with all relevant provisions pertaining to such authorization.

The Commission may adopt a regulation to specify the particular characteristics of those transactions in shares that do not contribute to the price discovery process as referred to in paragraph 1 of this Article, taking into consideration cases such as:

1) non-addressable liquidity trades; or

2) where the exchange of such financial instruments is determined by factors other than the current market valuation of the financial instrument.

Obligation to Maintain Records

Article 238

Investment firms shall keep at the disposal of the Commission, for five years, the relevant data relating to all orders and all transactions in financial instruments which they have carried out, whether on own account or on behalf of a client.

In the case of transactions carried out on behalf of clients, the records shall contain all the information and details of the identity of the client, and the information required by the law governing the prevention of money laundering and terrorist financing.

The operator of a trading venue shall keep at the disposal of the Commission, for at least five years, the relevant data relating to all orders in financial instruments which are advertised through their systems.

The Commission shall adopt a regulation to specify the details of the relevant order data required to be maintained under paragraph 2 of this Article.

Obligation to Report Transactions

Article 239

Investment firms which execute transactions in financial instruments shall report complete and accurate details of such transactions to the Commission as quickly as possible, and no later than the close of the following working day in accordance with the timeline, technical arrangements, content and format defined in the Commission's regulation referred to in paragraph 14 of this Article.

The obligation laid down in paragraph 1 of this Article shall apply to:

1) financial instruments which are admitted to trading or traded on a trading venue or for which a request for admission to trading has been made;

2) financial instruments where the underlying is a financial instrument traded on a trading venue; and

3) financial instruments where the underlying is an index, or a basket composed of financial instruments traded on a trading venue.

The obligation shall apply to transactions in financial instruments referred to in points 1) to 3) paragraph 2 of this Article, irrespective of whether or not such transactions are carried out on the trading venue.

Investment firms which transmit orders shall include in the transmission of that order all the details as specified in the Commission's regulation referred to in paragraph 14 of this Article.

Instead of including the mentioned details when transmitting orders, an investment firm may choose to report the transmitted order, if it is executed, as a transaction in accordance with the requirements under paragraph 1 of this Article. In that case, the transaction report by the investment firm shall state that it pertains to a transmitted order.

The operator of a trading venue shall report details of transactions in financial instruments traded on its platform which are executed through its systems by an investment firm which is not

subject to this Law in accordance with the Commission's regulation referred to in paragraph 14 of this Article.

In reporting the designation to identify the clients as required under paragraphs 3 and 4 of this Article, investment firms shall use a legal entity identifier established to identify clients that are legal persons.

The reports shall be made to the Commission either by the investment firm itself, or by the trading venue through whose system the transaction was completed.

Investment firms shall have responsibility for the completeness, accuracy and timely submission of the reports which are submitted to the Commission.

By way of derogation from that responsibility, the investment firm shall not be responsible for failures in the completeness, accuracy or timely submission of the reports which are attributable to trading venue.

In those cases, the trading venue shall be responsible for such deficiencies.

Investment firms must nevertheless take reasonable steps to verify the completeness, accuracy and timeliness of the transaction reports which were submitted on their behalf.

Where there are errors or omissions in the transaction reports, the ARM, investment firm or trading venue reporting the transaction shall correct the information and submit a corrected report to the Commission.

The Commission shall adopt a regulation to specify:

1) data standards and formats for the information to be reported in accordance with paragraphs 1, 5 and 6 of this Article, including the methods and arrangements for reporting financial transactions and the form and content of such reports and corrected reports;

2) the references of the financial instruments bought or sold, the quantity, the dates and times of execution, the transaction prices, the information and details of the identity of the client, a designation to identify the clients on whose behalf the investment firm has executed that transaction, a designation to identify the persons and the computer algorithms within the investment firm responsible for the investment decision and the execution of the transaction, a designation to identify the applicable waiver under which the trade has taken place, the means of identifying the investment firms concerned, the way in which the transaction was executed, data fields necessary for the processing and analysis of the transaction reports in accordance with this Article;

3) the designation to identify short sales of shares and sovereign debt securities;

4) the relevant categories of financial instrument to be reported in accordance with this Article;

5) the conditions upon which legal entity identifiers are developed, attributed and maintained, and the conditions under which those legal entity identifiers are used by investment firms so as to provide for the designation to identify the clients in the transaction reports they are required to establish;

6) the application of transaction reporting obligations to branches of investment firms;

7) what constitutes a transaction and execution of a transaction for the purposes of this Article.

8) when an investment firm is deemed to have transmitted an order for the purposes of this Article.

Obligation to Supply Financial Instrument Reference Data

Article 240

With regard to financial instruments admitted to trading on regulated markets or traded on MTFs or OTFs, trading venues shall provide the Commission with identifying reference data for the purposes of transaction reporting under Article 239 of this Law.

With regard to other financial instruments covered by paragraph 2 of Article 239 of this Law traded on its system, each systematic internaliser shall provide the Commission with reference data relating to those financial instruments.

Identifying reference data shall be made ready for submission to the Commission in an electronic and standardized format before trading commences in the financial instrument that it refers to.

The financial instrument reference data shall be updated whenever there are changes to the data with respect to a financial instrument.

The Commission shall establish the necessary arrangements in order to ensure that:

1) effectively receives the financial instrument reference data pursuant to paragraph 1 of this Article;

2) the quality of the data so received is appropriate for the purpose of transaction reporting under Article 239 of this Law.

The Commission shall adopt a regulation to specify:

1) data standards and formats for the financial instrument reference data in accordance with paragraph 1 of this Article, including the methods and arrangements for supplying the data and any update thereto to the Commission in accordance with paragraph 1 of this Article, and the form and content of such data;

2) the technical measures that are necessary in relation to the arrangements to be made by the Commission pursuant to paragraph 4 of this Article.

3. POSITION LIMITS AND POSITION MANAGEMENT CONTROLS IN COMMODITY DERIVATIVES AND REPORTING

Position Limits and Position Management Controls in Commodity Derivatives

Article 241

The Commission shall, in line with the methodology for calculation determined by ESMA, establish and apply position limits on the size of a net position which a person can hold at all times in commodity derivatives traded on trading venues and economically equivalent OTC contracts.

The limits shall be set on the basis of all positions held by a person and those held on its behalf at an aggregate group level in order to:

1) prevent market abuse;

2) support orderly pricing and settlement conditions, including preventing market distorting positions, and ensuring, in particular, convergence between prices of derivatives in the delivery month and spot prices for the underlying commodity, without prejudice to price discovery on the market for the underlying commodity.

Position limits shall not apply to positions held by or on behalf of a non-financial entity and which are objectively measurable as reducing risks directly relating to the commercial activity of that non-financial entity.

Position limits shall specify clear quantitative thresholds for the maximum size of a position in a commodity derivative that persons can hold.

The Commission shall set limits for each contract in commodity derivatives traded on trading venues based on the methodology for calculation determined by ESMA in accordance with paragraph 1 of this Article.

That position limit shall include economically equivalent OTC contracts.

The Commission shall review position limits where there is a significant change in deliverable supply or open interest or any other significant change on the market, based on its determination of deliverable supply and open interest and reset the position limit in accordance with the methodology for calculation developed by ESMA.

The Commission shall notify ESMA of the exact position limits they intend to set in accordance with the methodology for calculation established by ESMA under paragraph 1 of this Article.

Where The Commission imposes limits contrary to an ESMA opinion, it shall immediately publish on its website a notice fully explaining its reasons for doing so.

Where the same commodity derivative is traded in significant volumes on trading venues in more than one jurisdiction, the competent authority of the trading venue where the largest volume of trading takes place (the central competent authority) shall set the single position limit to be applied on all trading in that contract.

The central competent authority shall consult the competent authorities of other trading venues on which that derivative is traded in significant volumes on the single position limit to be applied and any revisions to that single position limit.

Where competent authorities do not agree, they shall state in writing the full and detailed reasons why they consider that the requirements laid down in paragraph 2 are not met.

The competent authorities of the trading venues where the same commodity derivative is traded and the competent authorities of position holders in that commodity derivative shall put in

place cooperation arrangements including exchange of relevant data with each other in order to enable the monitoring and enforcement of the single position limit.

An investment firm or a market operator operating a trading venue which trades commodity derivatives shall apply position management controls.

Those controls shall include at least the powers for the trading venue to:

1) monitor the open interest positions of persons;

2) access information, including all relevant documentation, from persons about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market;

3) require a person to terminate or reduce a position, on a temporary or permanent basis as the specific case may require and to unilaterally take appropriate action to ensure the termination or reduction if the person does not comply; and

4) where appropriate, require a person to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.

The position limits and position management controls shall be transparent and non-discriminatory, specifying how they apply to persons and taking account of the nature and composition of market participants and of the use they make of the contracts submitted to trading.

The investment firm or market operator operating the trading venue shall inform the Commission of the details of position management controls.

The Commission shall communicate the same information as well as the details of the position limits it has established to ESMA.

The Commission shall not impose limits which are more restrictive than those adopted pursuant to paragraph 1 of this Article except in exceptional cases where they are objectively justified and proportionate taking into account the liquidity of the specific market and the orderly functioning of that market.

The Commission shall publish on its website the details of the more restrictive position limits it decided to impose, which shall be valid for an initial period not exceeding six months from the date of their publication on the website.

The more restrictive position limits may be renewed for further periods not exceeding six months at a time if the grounds for the restriction continue to be applicable.

If not renewed after that six-month period, the restrictions shall automatically expire.

Where the Commission decides to impose more restrictive position limits, it shall notify ESMA.

The notification shall include a justification for the more restrictive position limits.

Where the Commission imposes limits contrary to an ESMA opinion, it shall immediately publish on its website a notice fully explaining its reasons for doing so.

The Commission shall apply its powers to impose sanctions under this Law for the infringements of position limits set in accordance with this Article to:

1) positions held by persons situated or operating in the Republic or abroad which exceed the limits on commodity derivative contracts the Commission has set in relation to contracts on trading venues situated or operating in the Republic or economically equivalent OTC contracts;

2) positions held by persons situated or operating in the Republic which exceed the limits on commodity derivative contracts set by competent authorities in other Member States.

Position Reporting by Categories of Position Holders

Article 242

An investment firm or a market operator operating a trading venue which trades commodity derivatives or emission allowances, or derivatives thereof shall:

1) make public a weekly report with the aggregate positions held by the different categories of persons for the different commodity derivatives or emission allowances or derivatives thereof traded on their trading venue, specifying the number of long and short positions by such categories, changes thereto since the previous report, the percentage of the total open interest represented by each category and the number of persons holding a position in each category in accordance with paragraph 4 of this Article and communicate that report to the Commission;

2) the report referred to in point 1) of this paragraph shall be forwarded to ESMA;

3) provide the Commission with a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on that trading venue, at least on a daily basis.

The obligation laid down in point 1) of paragraph 1, shall only apply when both the number of persons and their open positions exceed minimum thresholds.

Investment firms trading in commodity derivatives or emission allowances or derivatives thereof outside a trading venue shall provide the competent authority of the trading venue where the commodity derivatives or emission allowances or derivatives thereof are traded or the central competent authority where the commodity derivatives or emission allowances or derivatives thereof are traded in significant volumes on trading venues in more than one jurisdiction at least on a daily basis with a complete breakdown of their positions taken in commodity derivatives or emission allowances or derivatives thereof traded on a trading venue and economically equivalent OTC contracts, as well as of those of their clients and the clients of those clients until the end client is reached, in accordance with Article 237 of this Law.

Members or participants of regulated markets, MTFs and clients of OTFs shall report to the investment firm or market operator operating that trading venue the details of their own positions held through contracts traded on that trading venue at least on a daily basis, as well as those of their clients and the clients of those clients until the end client is reached.

Persons holding positions in a commodity derivative or emission allowance, or derivative thereof shall be classified by the investment firm or market operator operating that trading venue according to the nature of their main business, taking account of any applicable authorization, as either:

1) investment firms or credit institutions;

2) investment funds, either an undertaking for collective investments in transferable securities (UCITS) as defined in the law regulating undertakings for collective investments in transferable securities, or an alternative investment fund as defined in the law regulating alternative investment funds;

3) other financial institutions, including insurance undertakings and reinsurance undertakings as defined in the laws regulating insurance and voluntary pension fonds and voluntary pension fund management companies by virtue of the law governing voluntary pension funds and pension plans;

4) commercial undertakings;

5) in the case of emission allowances or derivatives thereof, operators with compliance obligations under the law regulating greenhouse gas emission allowance trading.

The reports referred to in point (1) of paragraph 1 shall specify the number of long and short positions by category of persons, any changes thereto since the previous report, percent of total open interest represented by each category, and the number of persons in each category.

The reports referred to in point 1) of paragraph 1 of this Article and the breakdowns referred to in paragraph 3 of this Article shall differentiate between:

1) positions identified as positions which in an objectively measurable way reduce risks directly relating to commercial activities; and

2) other positions.

In the case of emission allowances or derivatives thereof, the reporting shall not prejudice the compliance obligations under the law regulating greenhouse gas emission allowance trading.

Powers of the Commission Regarding Commodity Derivatives

Article 243

Without prejudice to other articles of this Law, the Commission shall use, when it deems necessary, its supervisory powers from points 8) and 9), paragraph 4, Article 355 of this Law, in order to prevent excessive commodity price volatility, market abuse, including cornering the market, and to support orderly pricing and settlement conditions, including the prevention of market distorting positions.

X MARKET INTERMEDIARIES

Incorporation Requirements

Article 244

A market intermediary must be organized as a joint stock company or a limited liability company with its registered office in the Republic.

The minimum amount of core capital of a market intermediary amounts to 5,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The provisions of the law regulating companies shall apply, unless otherwise specified in this Law.

Scope of Activity

Article 245

A market intermediary authorized by the Commission shall provide only those investment services and perform only those activities referred to in Article 2, paragraph 1, point 2), subpoints (1) and (5) of this Law pertinent to transferable securities and units of a collective investment undertaking.

Market intermediaries in the course of providing investment services referred to in paragraph 1 of this Article are allowed to transmit orders only to:

1) investment firms authorized in accordance with this Law;

2) credit institutions authorized in accordance with the law regulating credit institutions; or

3) collective investment undertakings authorized under the law regulating collective investment undertakings and to the management companies of such undertakings.

Application

Article 246

The provisions of the present Law pertaining to requirements and procedures for issuing and revoking authorizations, keeping records, business operations, organizational requirements and supervision over investment firms shall apply accordingly to market intermediaries.

Professional Indemnity Insurance

Article 247

Market intermediaries shall conclude an agreement on professional indemnity insurance against damage caused by conducting activities whereas, taking into account their size and risk profile, protection to their clients is ensured and can be considered equivalent to the protection that would be provided under the provisions of the law governing the Investor Protection Fund.

Restrictions

Article 248

Market intermediaries shall not benefit from the freedom to provide investment services or to perform activities or to establish branches as provided for in Articles 198 and 199 of this Law.

Market intermediaries are not allowed to hold client funds or client securities and are not allowed at any time to place themselves in debit with their clients.

Market intermediaries shall not be allowed to appoint tied agents.

Reporting

Article 249

Market intermediaries shall regularly report to the Commission data necessary for the fulfilment of the Commission's duties under this Chapter.

The Commission shall adopt a regulation to specify the scope, format and frequency of the reports from paragraph 1 of this Article.

XI PROTECTION OF RETAIL CLIENTS

Retail Clients Protection System

Article 250

This Law shall regulate the investor protection scheme for the protection of retail clients of members of the Investor Protection Fund (hereinafter referred to as the "Fund") whose funds or financial instruments are at risk in events referred to in Article 259, paragraph 1 of this Law.

In order to provide funds for the protection of retail clients, the Deposit Insurance Agency (hereinafter referred to as the "Agency") shall organize and manage the Fund.

The retail clients protection system shall not cover professional clients defined in Article 192 of this Law.

The Fund shall not have legal personality.

Membership in the Fund

Article 251

Membership in the Fund shall be obligatory for any company with a registered office in the Republic, when authorized to hold clients' financial instruments and/or funds, perform investment services and activities referred to in Article 2, paragraph 1, point 2) subpoints (1), (2), (4), (6) and (7) of this Law and ancillary services referred to in Article 2, paragraph 1, point 3), subpoint (1) of this Law, namely:

1) investment firm;

2) credit institution authorized pursuant to provisions of the law governing banks or provisions of the law governing credit institutions.

Membership in the Fund shall also be obligatory for companies managing open-ended funds with a public offering when providing investment services referred to in Article 2, paragraph 1, point 2), subpoint (4) of this Law.

The provisions of this Article shall also apply to credit institutions when marketing, distributing and selling structured deposits.

The clients protection system shall also cover retail client of the Fund's members' branches.

Article 252

The branch referred to in Article 199 of this Law that performs investment services and activities or ancillary services in the Republic, may join the Fund on a voluntary basis.

The branch may voluntarily join the Fund when the level or scope of the cover provided by the Fund exceeds the level or scope of the cover provided to the retail client in the home country, in order to compensate for this difference.

In cases when a branch becomes a Fund Member, the Agency shall be obliged to establish bilateral relations with the institution providing protection to retail clients in the home Member State, in order to establish procedures for the payment of the protected claim.

If the branch does not meet the obligations stipulated in this Chapter, the Agency shall notify the competent authority thereof . The competent authority shall, based on the information received from the Agency, inform the competent authority of the home Member State with the purpose of taking measures for compelling the branch to meet the stipulated obligations.

In case the measures taken do not result in compliance with obligations under this Chapter, the Agency may, with the consent of the competent authority of the home Member State, cancel the Fund membership of the branch, after giving appropriate notice of not less than 12 months. The Agency shall be obliged to provide protection of claims to a retail client for activities which commenced before the date of exclusion. The branch shall be obliged to inform all retail clients about the termination of the validity of the additional coverage, as a consequence of the cancelation of the Fund membership, and about the date of its entry into force.

The Agency shall regulate in more detail the rules and procedures applicable to branches by a separate regulation.

Article 253

The branch referred to in Article 204 of this Law that performs investment services and activities or ancillary services in the Republic, shall join the Fund when the competent authority determines that the level or scope of cover provided by the Fund exceeds the level or scope of cover provided to the retail client in the home country, to make up for that difference.

Article 254

The Commission shall prescribe, by issuing a separate act, the requirements for voluntary access of the branches of the Fund Members to the investor protection systems established in other countries, the amounts of coverage, as well as their obligation to pay contributions and other fees.

The Fund’s Resources

Article 255

The Fund’s resources shall consist of:

1) contributions of Fund Members;
2) funds collected in bankruptcy proceedings against a Fund Member;
3) income from investment of Fund assets;
4) funds obtained by borrowing;
5) donations and

6) other sources of funding.

The Fund’s resources shall be used for:

1) paying the retail clients’ claims for the purposes set forth in this Chapter, including all related costs;

2) covering the costs of providing additional funds for the payment of protected claims;

3) covering the costs of repayment of borrowed assets (repayment of principal and all related liabilities for interest, fees, and other costs);

4) covering the costs of managing the assets of the Fund;

5) covering the operating costs and investments of the Agency in fixed assets and intangible assets, for the purpose of carrying out activities related to investor protection, in the full amount of determined costs and investments

The Fund's resources may not be used for other purposes, may not be subject to forced collection, or subject to claims against the Agency.

Article 256

The Fund’s resources referred to in Article 255 of this Law shall be held in a special account at the National Bank of Serbia.

The Fund’s resources can be invested in:

1) financial instruments issued by the Republic or the National Bank of Serbia;

2) bonds and other debt instruments guaranteed by the Republic;

3) bonds and other debt instruments issued by a local self-government unit of the Republic;

4) deposits with credit institutions;

5) financial instruments issued by Member States or OECD Member States and central banks of those states; and

6) bonds and other debt instruments guaranteed by Member States or OECD Member States; and

7) bonds and other debt instruments issued by a local self-government unit of a Member State or OECD Member State.

The Agency shall issue an act regulating in more detail the use, investment and recording of the Fund's assets.

Contributions into the Fund

Article 257

Members of the Fund shall be obliged to pay initial, regular, and extraordinary contributions.

The company referred to in Article 251 hereof shall be obliged to pay the initial contribution of 5,000 euros in dinar equivalent on the day of payment at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The basis for the calculation of the regular contribution shall consist of funds and financial instruments of the protected retail client.

The maximum regular contribution may not exceed 5% of business income generated on the basis of investment services and activities and ancillary services referred to in Article 2501, paragraph 1 of this Law.

The minimum regular contribution of a Fund Member shall be calculated based on the average number of protected active retail clients.

The Agency shall issue an act to determine the regular contribution and submit it to the Commission for an opinion.

In the event that the Fund's resources are not sufficient for payment of the of protected claims or other purposes set forth in Article 255, paragraph 2 of this Law, the Agency may provide additional funds by collecting extraordinary contributions, pursuant to the Agency's decision.

The Agency shall issue a separate act regulating the basis, manner and deadlines for calculation and collection of contributions.

If a Fund Member does not pay the regular and/or extraordinary contribution, the Agency shall charge legal default interest on the amount of unpaid contributions.

The Agency shall notify the competent authority of any failure to settle the contribution of a Fund Member and said authority shall take appropriate measures against such Fund Member for the purpose of settling the obligation.

Funds paid as contributions are non-refundable.

Article 258

If the Agency assesses that the Fund's resources will not be sufficient for the payment of protected claims or other purposes determined in Article 255 of this Law, the Agency may secure additional funds by borrowing.

The Agency shall issue an act to regulate the conditions and manner of securing additional funds referred to in paragraph 1 of this Article and Article 257, paragraph 7 of this Law.

Insured Event

Article 259

The Agency shall be obliged to pay protected claims when the insured event occurs, whichever of the following occurs first:

1) when bankruptcy proceedings are initiated against a Fund Member;

2) when the competent authority determines, by a decision, that the Fund Member is unable to settle their obligations due to a retail investor client of the Fund Member, including funds owed to clients and financial instruments held, administered, or managed on behalf of the client, and there is no prospect of the circumstances changing significantly in the foreseeable future.

The decisions referred to in paragraph 1 of this Article shall be submitted to the Agency without delay.

The day of occurrence of the insured event shall mean the day of the decision of the competent court on initiating the procedure referred to in paragraph 1, point 1) of this Article or the decision of the competent authority referred to in paragraph 1 point 2) of this Article.

The Fund Member for which the insured event occurred shall be obliged to submit the following to the Agency without delay:

1) the list of clients from the retail client category, including all necessary records and

2) other data that the Agency deems necessary for determining and paying the protected claim amounts.

The Fund Member for which the insured event occurred shall be obliged, in collaboration with the Agency, to establish the final list of retail clients whose claims are protected in accordance

with this Chapter of the Law, no later than 60 days from the date of occurrence of the insured event.

Claim Protection

Article 260

Protected claims shall include funds deposited and/or derived on the basis of investment services and activities and financial instruments of a retail client of a Fund Member.

The Agency shall provide coverage of the claims from a retail client up to a maximum of 20,000 euros in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The coverage referred to in paragraph 2 of this Article shall apply to the total claims from a retail client against one Fund Member, irrespective of the number of accounts, place of account management and currency.

Upon the occurrence of the insured event referred to in Article 259 of this Law, protection shall be provided for compensation claims arising from the inability of a Fund Member to:

1) disburse funds owed and/or belonging to retail client's, which the Fund Member holds and manages on their behalf, arising from providing services and performing activities referred to in Article 251, paragraph 1 of this Law;

2) return to the retail clients the financial instruments belonging to them and which the Fund Member holds and manages on their behalf, arising from providing services and performing activities referred to in Article 251, paragraph 1 of this Law.

The Agency shall be obliged to provide protection of claims to retail clients for activities which commenced before the date of occurrence of the insured event.

Article 261

Protection of claims shall not apply to:

1) funds of clients of credit institutions insured in keeping with the law governing protection of deposits;

2) claims from a retail client of a Fund Member arising from transactions for which a retail client has been convicted by a final court ruling of a criminal offense, economic offense, or misdemeanor for money laundering and terrorist financing;

3) a legal or a natural person holding more than 5 % of voting shares or capital of a Fund Member which is unable to settle their obligations, or 5% or more of the voting shares or capital of a company which is closely associated with such Fund Member;

4) board Member of the Fund Member that is unable to settle their obligations, if such person is at the specified position or is employed by a Fund Member on the day of the occurrence of the insured event, and if the person was employed at that position during the current or previous financial years;

5) family members and third parties acting on behalf of the persons referred to in points 3) and 4) of this Article;

6) clients, auditors, or employees of the Fund Member responsible for the occurrence of the claim or those who have taken advantage of certain facts related to the Fund Member, resulting in financial difficulties of the Fund Member or the deterioration of their financial situation.

Use and Protection of Data

Article 262

The Agency shall keep as confidential all information and data it learns within the course of exercising its powers and obligations in accordance with the provisions of this Chapter, and in accordance with the regulations governing personal data protection.

The Agency may use the information and data referred to in paragraph 1 of this Article only for the purpose for which it was obtained and may not make them available to third parties.

The provisions referred to in paragraph 2 of this Article shall also apply to a person who is employed by the Agency, formerly employed, or otherwise engaged by the Agency.

Claim Determination

Article 263

The amount of the protected claim shall be determined on the day of occurrence of the insured event referred to in Article 259, paragraph 3 of this Law.

In determining the amount of protected claims, all legal and contractual provisions, and in particular counterclaims, shall be taken into account.

In case the claim from a retail client is expressed in foreign currency, such claim shall be converted into dinars, at the official middle exchange rate of the National Bank of Serbia on the day of occurrence of the insured event.

The value of a financial instrument shall be determined, where possible, according to its market value.

For the purposes of calculating the amount of protected claims, a claim arising from a joint investment transaction of two or more persons, in terms of Article 2, paragraph 1, point 136) of this Law, shall be treated as a claim arising from investments of a singleperson. In determining the corresponding part of the amount of the protected claim, the share of each of the persons in the joint investment business shall be taken into account. When there are no special contractual provisions, the amount of the protected claim shall be divided equally among all persons.

If a retail client is not absolutely entitled to funds or securities, the person who is absolutely entitled shall receive the compensation, provided that such person can be identified before the date of occurrence of the insured event referred to in Article 259 of this Law.

If two or more persons absolutely entitled to funds or financial instruments, the share of each shall be taken into account when calculating the amount of the protected claim, in accordance with the provisions governing funds or financial instruments. This provision shall not apply to open-end investment fund management companies.

A separate regulation of the Agency shall regulate in detail the framework and procedures foradmission, calculation and payment of claims from a retail client of a Fund Member when the insured event referred to in Article 259 of this Law occurs.

Payment of Claims

Article 264

The Agency shall inform retail clients about the occurrence of the insured event through the media and the Agency's website and shall determine the deadline by which retail clients may

submit a request for payment of protected claims, which may not be shorter than five months from the day of occurrence of the insured event.

In case the retail client is prevented, due to reasons outside their influence, from submitting a request for payment of the protected claim within the stipulated deadline, the deadline shall be extended to one year from the day of occurrence of the insured event. In that case, the retail client shall be required to submit, along with the request for payment of the protected claim, evidence confirming the justification of the reasons for the impediment.

The Agency shall be obliged to commence the payment of the retail client's claim as soon as possible, and no later than within three months from the day of determining the right to payment or the day of determining the amount of the protected claim.

Notwithstanding paragraph 3 of this Article, the deadline for payment may be extended up to three months with the consent of the competent authority.

Notwithstanding the deadline referred to in paragraph 3 of this Article, the claim from the investor or any person related to or having an interest in connection with the investment, against whom proceedings for money laundering or terrorist financing are being conducted, shall not be paid until a final court judgment is issued.

Payment of protected amounts of claims from retail clients shall be in dinars.

A retail client of a Fund Member may initiate proceedings against the Agency if the Agency fails to pay the protected claim.

Right to Reimbursement

Article 265

On the day of payment of the protected claim referred to in Article 260 of this Law, the claim from a retail client against a Fund Member shall be reduced by the amount paid out for the claim.

The claim from a retail client, in the amount of the paid protected amount of the claim, shall be transferred to the Agency.

The Agency shall have the right of priority of collection in bankruptcy proceedings in relation to other bankruptcy creditors. The Agency shall submit a proposal for the return of funds to the competent court after determining the sum total of protected claims.

In the event of payment of protected claims based on the occurrence of the insured event referred to in Article 259, paragraph 1, point 2) of this Law, the Agency shall submit a request for reimbursement to the Fund Member. The Fund Member shall be obliged to compensate the Agency for the total amount of paid protected claims from a retail client within 30 days from the day of receipt of the request.

Reporting and Monitoring

Article 266

The Fund Members shall be obliged to submit monthly reports to the Agency, as well as all other data that the Agency may need to perform its legally required activities, in the manner and within the deadlines prescribed by the Agency.

The Agency shall monitor compliance with the obligations of the Fund Member from this Chapter.

The Agency shall inform the competent authorities about all observed irregularities.

Information about the Investor Protection Scheme

Article 267

A Fund Member shall be obliged to provide, in a comprehensible manner, in writing and in the Serbian language, information related to the investor protection scheme that covers clients of the Fund Member, emphasizing in particular the amount and scope of protection provided.

At the request of a client or potential client, a Fund Member shall be obliged to provide information related to the requirements and formalities that need to be met for the purpose of exercising the right to protection of claims.

Every company that performs investment activities and/or provides investment services or ancillary services in the Republic in accordance with Articles 198 and 199 of this Law shall take appropriate measures to make available to existing and interested retail clients comprehensible information, in the Serbian language, which is necessary for the identification of the investor protection scheme which the investment firm and its branches are members of, or any other alternative method of compensating retail clients provided by EU regulations.

Every company that performs investment activities and/or provides investment services or ancillary services in the Republic in accordance with Article 204 of this Law shall be obliged to provide information regarding the investor protection scheme in a comprehensible manner, in writing and in the Serbian language which covers clients of the Fund Member, emphasizing in particular the amount and scope of protection provided.

The Agency shall prescribe in detail the scope and manner of providing information on the investor protection scheme by a Fund Member.

A Fund Member may not use information related to the investor protection system for promotional purposes, nor may the use of such information impact the stability of the financial system or investor confidence.

The competent authority shall prescribe rules restricting the use of data for promotional purposes, in accordance with paragraph 6 of this Article.

Fund Member Obligations

Article 268

A Fund Member shall be obliged to fulfil all obligations prescribed in this Chapter.

The Agency shall be obliged to inform the competent authority about any failure to fulfil obligations or irregularity in fulfilling obligations by the Fund Member.

Upon receipt of the notification, the competent authority, in cooperation with the Agency, shall take the measures prescribed by law for compelling the Fund Member to fulfil their obligations.

In case the Fund Member fails to fulfil their obligations after the measures taken referred to in paragraph 3 of this Article, the Agency may, with the consent of the competent authority, cancel the membership of the Fund Member, after giving appropriate notice of not less than 12 months.

XII MARKET ABUSE

Application

Article 269

The provisions of this Chapter shall apply to the following:

1) financial instruments admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made;

2) financial instruments traded on an MTF, admitted to trading on an MTF or for which a request for admission to trading on an MTF has been made;

3) financial instruments traded on an OTF;

4) financial instruments not covered by points 1), 2) or 3) of this paragraph, the price or value of which depends on or has an effect on the price or value of a financial instrument referred to in those points, including but not limited to, CDS derivative and contracts for difference.

The provisions of Articles 276 and 279 of this Law shall also apply to:

1) spot commodity contracts, which are not wholesale energy products, where the transaction, order or behavior has or is likely or intended to have an effect on the price or value of a financial instrument referred to in paragraph 1 of this Article;

2) financial instruments, including derivative contracts or derivative instruments for the transfer of credit risk, where the transaction, order, bid or behavior has or is likely to have an effect on the price or value of a spot commodity contract, where the price or value depends on the price or value of those financial instruments;

3) behavior in relation to benchmarks.

The provisions of this Chapter apply to any transaction, order or behavior concerning any financial instrument as referred to in paragraphs 1 and 2 of this Article, irrespective of whether or not such transaction, order or behavior takes place on a trading venue.

The provisions of Articles 278 and 279 of this Law shall not apply to:

1) trading in own shares in buy-back programs;

2) trading in securities or associated instruments aimed at the stabilization of a financial instrument; or

3) transactions, orders or behaviors carried out by the public bodies or the National Bank of Serbia in pursuit of monetary, exchange rate, public debt management, climate, agricultural, or fisheries policy, provided such trading is carried out in accordance with the regulation governing transactions, orders or behaviors stemming from the above listed policies.

Scope of Prohibitions

Article 270

The Commission shall apply the prohibitions and requirements provided for in this Chapter to activities:

1) carried out in the Republic or abroad and relating to financial instruments admitted to trading on a regulated market operating within the Republic, for which a request for admission to trading on such market has been made, or which are traded on an MTF or an OTF or for which a

request for admission to trading has been made on an MTF operating within the Republic, and where the activity carried out is an offence;

2) carried out in the Republic relating to financial instruments that are admitted to trading on a regulated market or on an MTF in a foreign country, or for which a request for admission to trading on such a market has been made, or that are traded on an OTF in a foreign country, and where the activity carried out is an offence.

Inside Information

Article 271

Inside information shall comprise the following types of information:

1) information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if made public, would be likely to have a significant effect on the prices of those financial instruments or on the prices of derivative financial instruments;

2) in relation to commodity derivatives, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;

3) for persons in charge of the execution of orders concerning financial instruments, it also means information conveyed by a client and related to the client's pending orders in financial instruments, which is of a precise nature, relating, directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.

For the purposes of paragraph 1 of this Article, information, shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonable be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative instrument or the related spot commodity contracts.

In the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected may be deemed to be insider information.

An intermediate step in a protracted process shall be deemed to be inside information if, by itself, it satisfies the criteria of inside information laid down in this Article.

For the purposes of paragraph 1 of this Article, information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments, or related spot commodity contracts shall mean information a reasonable investor would be likely to use as part of the basis of his investment decisions.

The Commission shall issue guidelines to establish a non-exhaustive indicative list of information which is reasonably expected or is required to be disclosed in accordance with legal or regulatory provisions, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets as referred to in point 2) of paragraph 1 of this Article.

Insider Dealing

Article 272

Insider dealing arises where a person possesses inside information and uses that information by acquiring or disposing of, for his own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates.

The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered to be insider dealing.

Insider dealing includes an event where a person possesses inside information and:

1) recommends, on the basis of that information, that another person acquire or dispose of financial instruments to which that information relates, or induces that person to make such an acquisition or disposal, or

2) recommends, on the basis of that information, that another person cancel or amend an order concerning a financial instrument to which that information relates or induces that person to make such a cancellation or amendment.

Insider dealing includes an event where a person using the recommendation or inducement knows or ought to know that it is based upon inside information.

This Article shall apply to any person who possesses inside information as a result of:

1) being a member of the administrative, management or supervisory bodies of an issuer;

2) having a holding in the capital of the issuer;

3) having access to the information through the exercise of his employment or profession;

4) by virtue of his criminal activities.

This Article also applies to any person who possesses inside information under circumstances where that person knows or ought to know that it is inside information.

Where the person referred to in paragraph 5 of this Article is a legal person, this Article shall also apply to the natural persons who take part in the decision to carry out the acquisition, disposal, cancellation or amendment of an order for the account of the legal person concerned.

Legitimate Behavior

Article 273

It shall not be deemed from the mere fact that a legal person is or has been in possession of inside information that that person has used that information and has thus engaged in insider dealing, where that person:

1) has established, implemented and maintained adequate and effective arrangements and procedures that effectively ensure that neither the natural person who made the decision on its behalf to acquire or dispose of financial instruments to which the information relates, nor another natural person who may have had an influence on that decision, was in possession of the inside information; and

2) has not encouraged, made a recommendation to, induced or otherwise influenced the natural person who, on behalf of the legal person, acquired or disposed of financial instruments to which the information relates.

It shall not be deemed from the mere fact that a person is in possession of inside information that that person has used that information and has thus engaged in insider dealing where that person:

1) for the financial instrument to which that information relates, is a market maker or a person authorized to act as a counterparty, and the acquisition or disposal of financial instruments to which that information relates is made legitimately in the normal course of the exercise of its function as a market maker or as a counterparty for that financial instrument; or

2) is authorized to execute orders on behalf of third parties, and the acquisition or disposal of financial instruments to which the order relates, is made to carry out such an order legitimately in the normal course of the exercise of that person's employment, profession or duties.

It shall not be deemed from the mere fact that a person is in possession of inside information that that person has used that information and has thus engaged in insider dealing on the basis of an acquisition or disposal where that person conducts a transaction to acquire or dispose of financial instruments and that transaction is carried out in the discharge of an obligation that has become due in good faith and not to circumvent the prohibition against insider dealing and:

1) that obligation results from an order placed or an agreement concluded before the person concerned possessed inside information; or

2) that transaction is carried out to satisfy a legal or regulatory obligation that arose, before the person concerned possessed inside information.

It shall not be deemed from the mere fact that a person is in possession of inside information that that person has used that information and has thus engaged in insider dealing, where such person has obtained that inside information in the conduct of a public takeover or merger with a company and uses that inside information solely for the purpose of proceeding with that merger or public takeover, provided that at the point of approval of the merger or acceptance of the offer by the shareholders of that company, any inside information has been made public or has otherwise ceased to constitute inside information.

The provision of paragraph 4 of this Article shall not apply to stake-building.

The mere fact that a person uses its own knowledge that it has decided to acquire or dispose of financial instruments in the acquisition or disposal of those financial instruments shall not of itself constitute use of inside information.

Notwithstanding paragraphs 1 - 6 of this Article, an infringement of the prohibition of insider dealing may still be deemed to have occurred if the Commission establishes that there was an illegitimate reason for the orders to trade, transactions or behaviors concerned.

Unlawful Disclosure of Inside Information

Article 274

Unlawful disclosure of inside information arises where a person possesses inside information and discloses that information to any other person, except where the disclosure is made in the normal exercise of an employment, a profession or duties.

Paragraph 1 of this Article applies to any natural or legal person in the situations or circumstances referred to in paragraphs 4 and 5 of Article 272 of this Law.

The onward disclosure of recommendations or inducements referred to in paragraph 3 of Article 272 of this Law amounts to unlawful disclosure of inside information where the person disclosing the recommendation or inducement knows or ought to know that it was based on inside information.

Market Soundings

Article 275

A market sounding comprises the communication of information prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction and the conditions relating to it, such as its potential size or pricing to one or more potential investors, by:

1) an issuer;

2) a secondary offeror of a financial instrument, in such quantity or value that the transaction is distinct from ordinary trading and involves a selling method based on the prior assessment of potential interest from potential investors;

3) a third party acting on behalf or on the account of a person referred to in points 1) or 2) of this paragraph.

Disclosure of inside information by a person intending to make a takeover bid for the securities of a company or a merger with a company to parties entitled to the securities, shall also constitute a market sounding, if the following conditions are cumulatively met:

1) the information is necessary to enable the parties entitled to the securities to form an opinion on their willingness to offer their securities; and;

2) the willingness of parties entitled to the securities to offer their securities is reasonably required for the decision to make the takeover bid or merger.

A disclosing market participant shall, prior to conducting a market sounding, specifically consider whether the market sounding will involve the disclosure of inside information, shall make a written record, and shall provide it to the Commission upon request.

This obligation shall apply to each disclosure of information throughout the course of the market sounding.

The market participant conducting the market sounding, before making the disclosure of the inside information, shall:

1) obtain the consent of the person receiving the market sounding (information recipient) to receive inside information;

2) inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by acquiring or disposing of, for his own account or for the account of a third party, directly or indirectly, financial instruments relating to that information;

3) inform the person receiving the market sounding that he is prohibited from using that information, or attempting to use that information, by cancelling or amending an order which has already been placed concerning a financial instrument to which the information relates; and

4) inform the person receiving the market sounding that by agreeing to receive the information, that he is obliged to keep the information confidential.

Disclosure of inside information made in the course of a market sounding shall be deemed to be made in the normal exercise of a person’s employment profession or duties where the disclosing market participant complies with paragraphs 3 and 5 of this Article.

The disclosing market participant shall make and maintain a record of all information given to the person receiving the market sounding, including the information given in accordance with points 1) - 4) of paragraph 5 of this Article, the identity of the potential investors to whom the information has been disclosed, including but not limited to the legal and natural persons acting on behalf of the potential investor, and the date and time of each disclosure.

The market participant conducting market shall provide that record to the Commission upon request.

Where information that has been disclosed in the course of a market sounding ceases to be inside information according to the assessment of the disclosing market participant, the disclosing market participant shall inform the recipient accordingly, as soon as possible, shall maintain a record of the information given, and shall provide it to the Commission upon request.

Notwithstanding the provisions of this Article, the person receiving the market sounding shall assess for itself whether it is in possession of inside information and when it ceases to be in possession of inside information.

The disclosing market participant shall keep the records referred to in this Article for a period of at least five years.

The Commission shall adopt a regulation to determine appropriate arrangements, procedures, systems, notification templates and record keeping and updating requirements laid down in this Article.

The Commission shall issue guidelines addressed to the information recipient regarding:

1) the factors that such persons are to take into account when information is disclosed to them as part of a market sounding in order for them to assess whether information amounts to inside information;

2) the steps that such persons are to take if inside information has been disclosed to them in order to comply with Articles 272 and 274 of this Law; and

3) the records that such persons are to maintain in order to demonstrate that they are not dealing or disclosing inside information.

Market Manipulation

Article 276

Market manipulation shall comprise the following activities:

1) entering into a transaction, placing an order to trade or any other behavior which:

(1) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or a related spot commodity contract;

(2) secures, or is likely to secure, the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level,

unless the person entering into a transaction, placing an order to trade or engaging in any other behavior establishes that such transaction, order or behavior have been carried out for legitimate reasons, and conform with an accepted market practice on that particular market;

2) entering into a transaction, placing an order to trade or any other activity or behavior which affects or is likely to affect the price of one or several financial instruments or a related spot commodity contract, which employs fictitious devices or any other form of deception or contrivance;

3) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or a related spot commodity contract, secures or is likely to secure, the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level, including the dissemination of rumors, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

4) transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behavior which manipulates the calculation of a benchmark.

The following behavior shall, *inter alia*, be considered as market manipulation:

1) the conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument or related spot commodity contracts, which has, or is likely to have, the effect of fixing, directly or indirectly, purchase or sale prices or creates, or is likely to create, other unfair trading conditions;

2) the buying or selling of financial instruments at the opening or closing of the market, which has or is likely to have the effect of misleading investors, acting on the basis of the prices displayed, including the opening or closing prices;

3) the placing of orders to a trading venue, including any cancellation or modification thereof, by any available means of trading, including by electronic means, such as algorithmic and high-frequency trading strategies, and which has one of the effects referred to in points 1 and 2 of paragraph 1 of this Article, by:

(1) disrupting or delaying the functioning of the trading system of the trading venue or being likely to do so;

(2) making it more difficult to identify genuine orders on the trading system of the trading venue or being likely to do so, including by entering orders which result in the overloading or destabilization of the order book;

(3) creating or being likely to create a false or misleading signal about the supply of, or demand for, or price of, a financial instrument, in particular by entering orders to initiate or exacerbate a trend;

4) the taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument or related spot commodity contract (or indirectly about its issuer), while having previously taken positions on that financial instrument or a related spot commodity contract and profiting subsequently from the impact of the opinions voiced on the price of that instrument, or related spot commodity contract, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

Where the person referred to in this Article is a legal person, this Article shall also apply to the natural persons who participate in the decision to carry out activities for the account of the legal person concerned.

The Commission shall adopt a regulation defining non-exhaustive indicators relating to the employment of a fictitious device or any other form of deception or contrivance, and non-exhaustive indicators related to false or misleading signals and to price securing.

Accepted Market Practices

Article 277

The prohibition in market manipulation shall not apply to the activities referred to in point 1) of paragraph 1 of Article 276 of this Law, provided that the person entering into a transaction, placing an order to trade or engaging in any other behavior establishes that such transaction, order or behavior have been carried out for legitimate reasons, and conform with an accepted market practice as established in accordance with this Article.

The Commission may establish an accepted market practice, taking into account the following criteria:

1) whether the market practice provides for a substantial level of transparency to the market;

2) whether the market practice ensures a high degree of safeguards to the operation of market forces and the proper interplay of the forces of supply and demand;

3) whether the market practice has a positive impact on market liquidity and efficiency;

4) whether the market practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice;

5) whether the market practice does not create risks for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument;

6) the outcome of any investigation of the relevant market practice by the Commission or by another authority, in particular whether the relevant market practice infringed rules or regulations designed to prevent market abuse, or codes of conduct, irrespective of whether it concerns the relevant market or directly or indirectly related markets; and

7) the structural characteristics of the relevant market, *inter alia*, whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of retail-investor participation in the relevant market.

The Commission shall review regularly, and at least every two years, the accepted market practices that it has established, in particular by taking into account significant changes to the relevant market environment, such as changes to trading rules or to market infrastructures, with a view to deciding whether to maintain it, to terminate it, or to modify the conditions for its acceptance.

The Commission shall publish on its website a list of accepted market practices.

The Commission shall adopt a regulation specifying the criteria, the procedure and the requirements for establishing an accepted market practice, and the requirements for maintaining it, terminating it, or modifying the conditions for its acceptance.

Prohibition of Insider Dealing and Unlawful Disclosure of Inside Information

Article 278

A person shall not:

1) engage or attempt to engage in insider dealing;

2) recommend that another person engage in insider dealing, or induce, incite, aid or abet another person to engage in insider dealing; or

3) unlawfully disclose inside information, or incite, aid or abet another person to unlawfully disclose inside information.

Prohibition of Market Manipulation

Article 279

A person shall not engage in or attempt to engage in market manipulation. Inciting, aiding or abetting another person to engage in market manipulation shall also be considered unlawful.

The persons who engage in market manipulation shall be jointly liable for the damage caused as a result of a market manipulation.

Prevention and Detection of Market Abuse

Article 280

Any regulated market operator, MTF, OTF, investment firm or person professionally arranging or executing transactions shall establish and maintain effective arrangements, systems and procedures to prevent and detect insider dealing or attempted insider dealing and manipulations.

Any person referred to in paragraph 1 of this Article shall notify the Commission without delay on orders and transaction, including their withdrawal or changes that may represent a case of insider dealing or attempted insider dealing and manipulation.

Any regulated market operator, MTF, OTF, investment firm or person professionally arranging or executing transactions shall regulate in its internal acts and establish internal procedures for their employees to report a market abuse.

When the Commission receives the notification referred to in paragraph 2 of this Article pertinent to a trading venue outside the Republic or a person with a registered office abroad, he shall promptly notify the competent authority of the trading venue or of the place of the registered office.

The Commission shall issue an act to determine appropriate arrangements, systems, procedures and reporting templates to comply with the requirements established in this Article.

Reporting Market Abuses by Whistleblowers

Article 281

In order to detect market abuses, and to ensure the protection of personal data provided by whistleblowers, the Commission will establish a special procedure for receiving information related to market abuses by those persons.

The Commission shall prescribe in more detail the communication channels for receiving information, the manner of handling the received information and other issues of importance for the procedure related to the reporting of market abuses referred to in the previous paragraph.

Public Disclosure of Inside Information

Article 282

An issuer shall inform the public as soon as possible of inside information which directly concerns that issuer.

The issuer shall ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public,

and that the inside information are published in the Official Register of Regulated Information as referred to in this Law.

The issuer shall not combine the disclosure of inside information to the public with the marketing of its activities.

The issuer shall post and maintain on its website for a period of at least five years, all inside information it is required to disclose publicly.

This Article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market or, in the case of instruments only traded on an MTF or on an OTF, issuers who have approved trading of their financial instruments on an MTF or an OTF or have requested admission to trading of their financial instruments on an MTF.

Delayed Public Disclosure of Inside Information

Article 283

An issuer may, on its own responsibility, delay disclosure to the public of inside information provided that all of the following conditions are met:

1) immediate disclosure is likely to prejudice the legitimate interests of the issuer;

2) delay of disclosure is not likely to mislead the public;

3) the issuer is able to ensure the confidentiality of that information.

In the case of a protracted process that occurs in stages and that is intended to bring about, or that results in, a particular circumstance or a particular event, an issuer may on its own responsibility delay the public disclosure of inside information relating to this process, subject to points 1), 2) and 3) of paragraph 1 of this Article.

Where an issuer has delayed the disclosure of inside information, it shall inform the Commission without delay that disclosure of the information was delayed and shall provide to the Commission, immediately after the information is disclosed to the public, a written explanation of how the conditions set out in this paragraph were met.

In order to preserve the stability of the financial system, an issuer that is a credit institution or a financial institution, may, on its own responsibility, delay the public disclosure of inside information, including information which is related to a temporary liquidity problem and, in particular, the need to receive temporary liquidity assistance from the National Bank of Serbia or another lender of last resort (a lender extending loans to commercial banks as a last resort) provided that conditions stipulated by the Commission in the rulebook referred to in paragraph 9 of this Article are met.

Where disclosure of inside information has been delayed, and the confidentiality of that inside information is no longer ensured, the issuer shall disclose that inside information to the public as soon as possible, even including situations where a rumor explicitly relates to inside information the disclosure of which has been delayed, where that rumor is sufficiently accurate to indicate that the confidentiality of that information is no longer ensured.

Where an issuer, or a person acting on its behalf or for its account, discloses any inside information to any third party in the normal course of the exercise of an employment, profession or duties, he must make complete and effective public disclosure of that information, simultaneously in the case of an intentional disclosure, and promptly in the case of a non-intentional disclosure.

The paragraph 6 of this Article shall not apply if the person receiving the information owes a duty of confidentiality, regardless of whether such duty is based on a law, on regulations, on articles of association, or on a contract.

Inside information relating to issuers whose financial instruments are admitted to trading on an SME growth market, may be posted on the trading venue's website instead of on the website of the issuer where the trading venue chooses to provide this facility for issuers on that market.

The Commission shall adopt a regulation to determine:

1. a non-exhaustive indicative list of the legitimate interests of issuers and of situations in which delay of disclosure of inside information is likely to mislead the public;

2. the technical means for appropriate public disclosure of inside information, and for delaying the public disclosure of inside information; and

3. other requirements pertinent to the delay of disclosure of inside information.

The National Bank of Serbia and the Commission may, by a joint act, prescribe special conditions for delaying the disclosure of inside information to the public for a credit or financial institution.

Insider Lists

Article 284

Issuers or any person acting on their behalf or on their account, shall:

1) draw up a list of all persons who are working for them, under a contract of employment or otherwise performing tasks through which they have access to inside information;

2) promptly update the insider list; and

3) provide the insider list to the Commission as soon as possible upon its request.

The person referred to in paragraph 1 of this Article shall take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Where another person acting on behalf or on the account of the issuer assumes the task of drawing up and updating the insider list, the issuer remains fully responsible for complying with this Article and shall always retain a right of access to the insider list.

The insider list shall include at least:

1) date of birth, unique personal identification number, and permanent or temporary residence of any person having access to inside information;

2) the reason for including that person on the insider list;

3) the date and time at which that person obtained access to inside information; and

4) the date on which the insider list was drawn up.

Issuers or any person acting on their behalf or on their account shall update the insider list promptly, including the date of the update, in the following circumstances:

1) where there is a change in the reason for including a person already on the insider list;

2) where there is a new person who has access to inside information and needs, therefore, to be added to the insider list; and

3) where a person ceases to have access to inside information.

Each update shall specify the date and time when the change triggering the update occurred.

Issuers or any person acting on their behalf or on their account shall retain the insider list for a period of at least five years after it is drawn up or updated.

This Article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market or, in the case of an instrument only traded on an MTF or and OTF, have approved trading of their financial instruments on an MTF or an OTF or have requested admission to trading of their financial instruments on an MTF.

The Commission shall adopt a regulation to determine the precise format of insider lists and the format for updating insider lists referred to in this Article.

Special Rules Applied to Issuers at the SME Growth Market

Article 285

Issuers whose financial instruments are admitted to trading on an SME growth market shall be exempt from drawing up an insider list, provided that the following conditions are met:

1) the issuer takes all reasonable steps to ensure that any person with access to inside information acknowledges the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information; and

2) the issuer is able to provide the competent authority, upon request, with an insider list.

A Person Discharging Managerial Responsibilities and a Person Closely Associated with a Person Discharging Managerial Responsibilities

Article 286

A person discharging managerial responsibilities within an issuer means a person who is:

1) a member of the issuer’s management;

2) a senior executive having regular access to inside information relating, directly or indirectly, to the issuer, and the power to make managerial decisions affecting the future developments and business prospects of the issuer.

A person closely associated with a person discharging managerial responsibilities within an issuer shall mean the person who is:

1) a spouse or partner considered by the law as equivalent to the spouse;

2) a minor dependent child, in accordance with the law;

3) a relative who has shared the same household for at least one year on the date of the transaction concerned;

4) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or which is directly or indirectly controlled by such a person, or which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

Managers' Transactions

Article 287

Persons discharging managerial responsibilities, as well as persons closely associated with them shall notify the issuer and the Commission of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto, within three business days following the day of the transaction.

Paragraph 1 of this Article shall apply to any subsequent transaction once a total amount of EUR 5,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia has been reached within a calendar year, calculated by adding without netting all transactions referred to in paragraph 1 of this Article.

The notification obligation referred to in paragraph 1 of this Article shall not apply to transactions in financial instruments linked to shares or to debt instruments of the issuer referred to in that paragraph, where the financial instrument is a unit or share in a collective investment undertaking or the financial instrument provides exposure to a portfolio of assets, and where at the time of the transaction the conditions set out in the Commission's regulation are met.

Transactions referred to in paragraph 1 of this Article include:

1) the pledging or lending of financial instruments by or on behalf of a person discharging managerial responsibilities or a person closely associated with such a person;

2) transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a person discharging managerial responsibilities or a person closely associated with such a person, including where discretion is exercised;

3) transactions made under a life insurance policy where the policyholder is a person discharging managerial responsibilities or a person closely associated with such a person and where the investment risk is borne by the policyholder who has the power or discretion to make investment decisions or to execute transactions regarding specific instruments for that life insurance policy.

The Commission shall place the information from the notification, referred to in the paragraph 3 of this Article in the Official Register of Regulated Information, without delay.

This Article shall apply to issuers who have requested or approved admission of their financial instruments to trading on a regulated market or, in the case of an instrument only traded

on an MTF or and OTF, have approved trading of their financial instruments on an MTF or an OTF or have requested admission to trading of their financial instruments on an MTF.

Issuer's Notification to Persons Discharging Managerial Responsibilities

Article 288

Issuers shall notify the person discharging managerial responsibilities of their obligations under this Article in writing.

Issuers shall draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.

Persons discharging managerial responsibilities shall notify the persons closely associated with them of their obligations under this Article in writing and shall keep a copy of this notification.

Issuer's Notification Content and Commission Regulation

Article 289

The notification of transactions referred to in Article 287 of this Law shall contain the following information:

1) the name of the person discharging managerial responsibilities within the issuer, or, where applicable, name of the person closely associated with such a person;

2) the reason for the notification;

3) the name of the relevant issuer;

4)) a description and the identifier of the financial instrument;

5) the nature of the transaction(s) (e.g. acquisition or disposal), indicating whether it is linked to the exercise of share option programs or to the specific examples set out in the Commission regulation referred to in paragraph 2 of this Article;

6) the date and place of the transaction(s);

7) the price and volume of the transaction(s), in the case of a pledge whose terms provide for its value to change, this should be disclosed together with its value at the date of the pledge; and

8) other information pertaining to the transaction(s) as set out in the Commission's regulation referred to in paragraph 2 of this Article.

The Commission shall adopt a regulation specifying:

1) the types of transactions that would trigger the notification requirement

2) the form content and format and notification method;

3) the conditions that must be met for applying the exemption to the obligation of notification referred to in Article 287, paragraph 3 of this Article; and

4) other transactions and information pertaining to transactions that must be notified.

Closed Trading Period for the Person Discharging Managerial Responsibilities

Article 290

A person discharging managerial responsibilities within an issuer shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer, or to derivatives or other financial instruments linked to them during a closed period of 30 days before the announcement of an annual, half-yearly or quarterly report, which the issuer is required to make public.

An issuer may give a written permission to a person discharging managerial responsibilities within the issuer to trade on its own account or for the account of a third party during a closed period as referred to in paragraph 1 of this Article either:

1) on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of shares; or

2) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

The Commission shall adopt a regulation specifying the circumstances under which an issuer may permit trading during a closed period, including the circumstances that would be considered as exceptional and types of transactions that would justify the permission for trading.

Investment Recommendations

Article 291

Investment recommendations implies analysis or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public.

A disseminator (or producer) of recommendation is a natural or legal person producing or disseminating recommendations in the exercise of their profession or the conduct of their business.

A distribution channel shall be a channel through which information becomes publicly available or access of information will be provided to a large number of persons.

Analysis or other information recommending or suggesting an investment strategy means information produced by:

1) an independent analyst, an investment firm, a credit institution, any other person whose core business is to produce investment recommendations or a natural person working for them under a contract of employment or otherwise, which, directly or indirectly, expresses a particular investment proposal in respect of a financial instrument or issuer;

2) persons other than those referred to in point 1) of this paragraph, which directly proposes a particular investment decision in respect of a financial instrument.

An appropriate regulation shall mean any regulation, including self-regulation, which ensures that the producer of recommendations that prepares or distributes recommendations applies reasonable care, in order to ensure that such recommendations have been fairly presented

and disclose their interests or point to a conflict of interest regarding financial instruments to which the recommendations refer.

Identity of Producers of Recommendations

Article 292

Any recommendation shall disclose clearly and prominently the identity of the person responsible for its production, in particular, the name and job title of the individual who prepared the recommendation and the name and headquarters of the legal person responsible for its production.

Where the producer of recommendation is an investment firm or a credit institution, the identity of the relevant competent authority shall be disclosed in the recommendation.

Where the producer of recommendation is neither an investment firm nor a credit institution but is subject to self-regulatory standards or codes of conduct, a reference to those standards or codes must be disclosed.

General Standard for Presentation of Recommendations

Article 293

A producer of recommendations shall ensure that in the recommendation:

1) facts are clearly distinguished from interpretations, estimates, opinions and other types of non-factual information;

2) all sources are reliable or, where there is any doubt as to whether a source is reliable, this is clearly indicated;

3) all projections, forecasts and price targets are clearly labeled as such and that the material assumptions made in producing or using them are indicated.

Upon request of the Commission a producer of recommendations shall explain the soundness of the recommendation.

General Standard for Disclosure of Interests and Conflict of Interest pertinent to Investment Recommendations

Article 294

A producer of recommendation shall disclose all relationships and circumstances that may reasonably be expected to impair the objectivity of the recommendation, in particular where the producer of recommendation has a significant financial interest in one or more of the financial instruments which are the subject of the recommendation, or a significant conflict of interest with respect to an issuer to which the recommendation relates.

Where the producer of recommendation is a legal person, that requirement referred to in paragraph 1 of this Article shall apply also to any legal or natural person working for it, under a contract of employment or otherwise, who was involved in preparing the recommendation.

Where the producer of recommendation is a legal person, the information to be disclosed in accordance with paragraphs 1 and 2 of this Article shall at least include the following information about any interests and conflicts of interest:

1) of the producer of recommendation or of related legal persons that are accessible or reasonably expected to be accessible to the persons involved in the preparation of the recommendation;

2) of the producer of recommendation or of related persons known to persons who, although not involved in the preparation of the recommendation, had or could reasonably be expected to have access to the recommendation prior to its dissemination to customers or the public.

The disclosures provided for in paragraphs 1- 3 of this Article shall be included in the recommendation, and where such disclosures would be disproportionate in relation to the length of the recommendation distributed, it shall suffice to make clear and prominent reference in the recommendation itself to the place where such disclosures can be directly and easily accessed by the public.

Dissemination of Recommendations Produced by Third Parties

Article 295

When a disseminator of recommendation under his own responsibility disseminates a recommendation produced by a third party, the recommendation shall indicate clearly and prominently the identity of the disseminator.

When a disseminator of recommendation produced by a third party substantially alters the disseminated information, that information must clearly indicate the substantial alteration in detail.

The Commission shall regulate in detail how alterations shall be indicated.

Paragraphs 2-3 of this Article shall not apply to news reporting on recommendations produced by a third party, where the substance of the recommendation is not altered.

In case of dissemination of a summary of a recommendation produced by a third party, the provider of recommendations disseminating such summary shall ensure that the summary is clear and not misleading, mentioning the source document and where the disclosures related to the source document can be directly and easily accessed by the public, provided that they are publicly available.

Public institutions disseminating statistics in the Republic, which could potentially affect financial market substantially, shall disseminate them in a fair and transparent way.

Regulation Governing Investment Recommendations

Article 296

The Commission shall regulate:

1) what is considered to be an explicit or implicit recommendation;

2) additional requirements regarding the contents of recommendations;

3) requirements for publishing the identity of the person producing recommendations;

4) requirements for disclosing interests and conflicts of interest;

5) obligations related to the objective presentation of recommendations;

6) obligations related to the dissemination of recommendation;

7) additional obligations when, as a provider of investment recommendations, an investment firm or a natural person who works for that company on the basis of an employment contract or in another way, distributes recommendations made by a third party.

Disclosure of Dissemination of Information in the Media

Article 297

Provisions of the regulation referred to in Article 296 of this Law shall not apply to journalists subject to equivalent appropriate regulations, including equivalent appropriate self-regulation, provided that such regulation achieves similar effects as that regulation.

Where information is disclosed or disseminated and where recommendations are produced or disseminated for the purpose of journalism or other form of expression in the media, such disclosure or dissemination of information shall be assessed taking into account the rules governing the freedom of the press and freedom of expression in other media and the rules or codes governing the journalist profession, unless:

1) the persons concerned, or persons closely associated with them, derive, directly or indirectly, an advantage or profits from the disclosure or the dissemination of the information in question; or

2) the disclosure or dissemination is made with the intention of misleading the market as to the supply of, demand for, or prices of financial instruments.

XIII FINALITY OF SETTLEMENT IN THE SETTLMENT SYSTEM

Irrevocability of Netting and the Moment of Acceptance of a Transfer Order

Article 298

Transfer and netting orders are legally valid and produce legal effect towards third parties even in the event of inability to settle the obligations of the participants, provided that these transfer orders are accepted into the settlement system before the onset of that incapacity.

The paragraph 1 of this Article shall apply even in the event of inability to settle the obligations of the participants, in the netting system concerned or in an interoperable system, or against the system operator of an interoperable system which is not a participant.

Where transfer orders are accepted into the settlement system after the inability to settle obligations and are executed within the business day, as defined by the rules of the system, and inability to settle obligations occurred on that day, they shall be legally enforceable and have legal effect against third parties only if the system operator can prove that, at the time that such transfer orders become irrevocable, it was neither aware, nor should have been aware, of the occurrence of inability to settle obligations.

No law or regulation relating to the cancellation of a contract or transaction concluded before the occurrence of inability to settle obligations, as defined in this Law, shall lead to the unwinding of netting.

The rules of the settlement system shall determine the moment of acceptance of the transfer order in that system.

In the case of interoperable systems, each system determines in its own rules the moment of acceptance into its system, in such a way as to ensure, to the greatest extent, that the rules of all interoperable systems concerned are coordinated in this regard.

Unless expressly provided for by the rules of all the systems that are parties to the interoperable systems, one system's rules on the moment of acceptance shall not be affected by any rules of the other systems with which it is interoperable.

Article 299

Occurrence of inability to settle obligations of participants or operators of an interoperable system shall not prevent funds or securities available on the settlement account of that participant from being used to fulfill that participant’s obligations in the system or in an interoperable system on the business day of the occurrence of inability to settle obligations.

In the event of inability to settle the obligations of a participant in a settlement system or the operator of an interoperable system that is not a participant, the collateral available in the participant's settlement account may be used to settle the obligations of participants in a settlement system or the operator of an interoperable system on the day on which that incapacity occurred.

Irrevocability of Transfer Orders

Article 300

A transfer order may not be revoked by a participant in a system, nor by a third party, from the moment of irrevocability.

In the case of interoperable systems, each system determines in its own rules the moment of irrevocability, in such a way as to ensure, to the extent possible, that the rules of all interoperable systems concerned are coordinated in this regard.

Unless expressly provided for by the rules of all the systems that are party to the interoperable systems, one system's rules on the moment of irrevocability shall not be affected by any rules of the other systems with which it is interoperable.

Occurrence of Inability to Settle Obligations
Article 301

The moment of inability to settle obligations is:

1) the moment of making the decision of the competent court on opening bankruptcy proceedings against the participant who has been authorized to operate by the Commission;

2) the moment of making a decision on revoking the authorization to operate or provide services to a participant not covered by point 1) of this Article, a participant of an interoperable system or an operator of an interoperable system that is not a participant, or the moment of initiating/opening bankruptcy proceedings or taking other measures of the competent authority in accordance with the law, which are aimed at termination or reorganization of these persons and lead to prohibition, suspension or restriction of disposal of financial instruments and/or disposal of funds from accounts (payments).

The authority that adopted the decision, or the act referred to in paragraph 1 of this Article shall promptly submit that decision or the act to the Commission, the National Bank of Serbia and CSD, with notification of the date, hour and minute of their adoption.

The CSD is obliged to keep records on the time of receipt (day, hour and minute) of the acts referred to in paragraph 2 of this Article.

Article 302

The occurrence of inability to settle the obligations of the participant does not affect the rights and obligations of the participant arising from or in connection with his participation in the settlement system before the occurrence of that moment.

The paragraph 1 of this Article shall apply, *inter alia*, to the rights and obligations of a participant in an interoperable system, or of a system operator of an interoperable system which is not a participant.

Article 303

In the event of occurrence of the inability to settle obligations of a participant in a system, the rights and obligations arising from, or in connection with, the participation of that participant shall be determined by the present Law.

The Rights of the Recipient of Collateral in the Event of Inability to Settle the Obligations of the Collateral Provider
Article 304

The exercise of the right of a system operator or of a participant to collateral security provided to them in connection with a system or any interoperable system, and the rights of National Bank of Serbia to collateral security provided to them, shall not be affected by the occurrence of inability to settle obligations of the following persons:

1) the participant (in the system concerned or in an interoperable system);

2) the system operator of an interoperable system which is not a participant;

3) any third party which provided the collateral security.

The collateral referred to in paragraph 1 of this Article may be used for the purpose of exercising the rights for which they were acquired.

The provisions of the law governing financial security shall apply to the exercise of the rights referred to in paragraph 1 of this Article of the National Bank of Serbia, as well as other parties of financial security agreements in terms of the Law on Financial Security.

Where a system operator has provided collateral security to another system operator in connection with an interoperable system, the rights of the providing system operator to that collateral security shall not be affected by insolvency proceedings against the receiving system operator.

Where financial instruments or rights to financial instruments are given as collateral to a participant, settlement system operator or National Bank of Serbia in terms of paragraph 1 of this Article, that right shall be entered into the register.

XIV CENTRAL SECURITIES DEPOSITORY AND CLEARNIG HOUSE

CSD Organization

Article 305

The CSD is a legal person organized and operated as a joint stock company in compliance with this Law and the law governing companies.

The share of state-owned capital in the Central Securities Depository shall not be under 51%.

The shares of the Central Securities Depository shall be ordinary, voting right shares.

The head office of the Central Securities Depository shall be in Belgrade.

Activities

Article 306

The Central Securities Depository shall carry out the following activities:

1) managing the register of financial instruments;

2) opening and maintaining of the financial instrument accounts;

3) maintaining the Register of pledged financial instruments;

4) maintaining and safekeeping of electronic records relating to financial instruments;

5) managing of money accounts of CSD members opened in CSD;

6) registration, deregistration and all changes in financial instruments;

7) organizing and managing the settlement system, clearing and settlement operations on the basis of concluded transactions with financial instruments and determining the status of liabilities and receivables of CSD members and their clients;

8) transfer of financial instruments and rights arising from financial instruments;

9) defining and assigning a unique identification number for financial instruments;

10) keeping the codebook for kinds of financial instruments;

11) activities related to corporate actions of issuers of financial instruments;

12) activities related to the depositing of shares in connection to takeovers of joint stock companies;

13) formation and use of the guarantee fund and other ways to reduce the risk in case of non-fulfillment of the obligations of the CSD members;

14) participation in and cooperation with international organizations dealing with financial instruments;

15) other activities in accordance with the law, including the activities required to perform the activities set forth by the law.

The Central Securities Depository shall not be permitted to outsource any of its activities without the prior written approval of the Commission.

Minimum Capital and Acquisition of Qualifying Holdings in the CSD Capita

Article 307

The minimum capital of the CSD shall not be lower than EUR 750,000 in dinar equivalent at the official middle exchange rate of the dinar against the euro determined by the National Bank of Serbia.

The funds for the operations of the CSD shall be provided from the fees charged for the services provided in accordance with the CSD rulebook on fees, and from other sources in compliance with the law.

The provisions of this Law governing acquisitions of qualifying holdings in the capital of a regulated market and market operator shall apply accordingly to acquisitions of qualifying holdings in the capital of the CSD.

The provisions of paragraph 3 of this Article shall not apply when a qualifying holding is acquired by the Republic.

CSD Bodies

Article 308

The CSD shall have a general meeting of shareholders, supervisory board and a general manager.

The competencies of the general meeting shall be performed by the Government through its authorized representatives.

The representatives in the general meeting and the general manager shall be appointed by the Government, at the proposal of the ministry in charge of finance (hereinafter referred to as the „Ministry”).

The General Meeting shall appoint and relieve from their duties the members of the management board.

The term of office of a general manager and supervisory board members shall be four years and the same persons can be reelected

The supervisory board shall have a chairperson and four members.

The general manager cannot be the chairperson of the supervisory board.

If the ownership structure changes, the bodies referred to in paragraph 1 of this Article shall be elected in compliance with the agreement on the establishment of the CSD.

Approval for the Appointment of a General Manager and Members of the Supervisory Board and Employees

Article 309

The CSD shall obtain from the Commission prior approval for the appointment of the general manager and members of the supervisory board.

When issuing the prior approval referred to in paragraph 1 of this Article, the Commission shall accordingly apply the standards and procedures set out in Article 114 and 119 of this Law governing requirements for the appointment of a general manager and members of the supervisory board of the market operator.

Employees of the CSD shall not be directors, members of the supervisory board or employees of market operators, investment firms, with the members of the CSD, or public companies whose financial instruments are cleared and settled at the CSD or for which the CSD maintains a register of such financial instruments.

The general regulations governing labor relations shall apply to rights and obligations of employees in the CSD.

General Enactments and Commission Approval

Article 310

The general enactments of the CSD shall be the Statute, Operating Rules, Tariff Rate Rules and other general enactments which govern the operations of the CSD.

The Commission shall grant prior approval for the Statute, Operating Rules, Tariff Rate Rules of the CSD and all amendments thereto within 30 days from the day of receiving the application, and the proposed enactment shall come into force upon being approved by the Commission.

The CSD may also pass other rules and procedures that regulate in more detail the activities within its scope of work.

The Commission shall have the authority to revoke a general enactment of the CSD and to direct the CSD to adopt general enactments.

If the CSD fails to adopt a general enactment instructed by the Commission, the Commission may adopt such enactment.

The general enactments referred to in paragraphs 1-5 of this Article shall be published on the website of the CSD immediately following the Commission approval or adoption.

The general enactments shall include a code of conduct for its general manager, members of the supervisory board and staff, including provisions regarding professional secrecy and procedures designed to prevent the misuse of confidential or inside information, substantially the same as the procedures applicable to the Commission and its employees under Article 344 of this Law.

Operating Rules

Article 311

The CSD Operating Rules regulate in more detail the manner of performing activities referred to in Article 306 of this Law, as well as other issues of importance for the work of the CSD.

Tariff Rate Rules

Article 312

The Rulebook on fees of the CSD shall govern the membership and other fees charged by the CSD for its services.

The CSD shall inform users of its services about the adoption of the rulebook on fees and its amendments, at least seven days before the beginning of its application.

Membership in the CSD

Article 313

Members of the CSD may be the Republic, the National Bank of Serbia, investment firms, credit institutions, market operators, regulated markets, fund management companies, foreign legal persons that perform clearing and settlement or registration and other persons if they fulfill the conditions of membership specified in the CSD general enactments.

The CSD shall adopt a decision on admittance to the membership of the CSD, within 30 days from the day of the receipt of the application.

The CSD shall inform the Commission on a regular basis of each new member and termination of membership, and it shall file an updated list of members using a method regulated by the Commission regulation.

Members' Rights and Obligations

Article 314

Operating Rules of the CSD regulate the conditions for admission and termination of the membership, type of membership, performing activities by type of membership and other issues related to the rights and obligations of members.

Termination of Membership

Article 315

Membership of a member in the CSD shall be terminated:

1) if the member's operating license is permanently revoked;

2) if the member no longer meets membership conditions of the CSD;

3) if the member significantly of systemically fails to fulfill its obligations towards the CSD, or violates general enactments of the CSD;

4) in other cases stipulated by the Operating Rules of the CSD.

The CSD shall have the authority to suspend the membership according to Operating Rules of the CSD.

Accounts

Article 316

The following accounts of financial instruments are opened and maintained in CSD:

1) proprietary account;

2) issuing accounts;
3) omnibus account;
4) custody accounts
5) nominee accounts;
6) management accounts
7) deposit accounts
8) and other accounts.

The Operating Rules of the CSD, i.e. a special CSD act prescribe the types of accounts referred to in paragraph 1 of this Article, as well as the manner and conditions for opening, managing and performing operations related to changes in those accounts.

The following money accounts of CSD members are opened and maintained in the CSD:

1) for the purpose of settlement of concluded transactions in connection with financial instrument;

2) the guarantee fund account, in the amount determined by the Operating Rules of the CSD;

3) and other accounts.

Within the money account of the Republic opened with the CSD, a Share Fund, or its legal successor sub-account shall be opened where funds shall be collected from the sale of shares performed by the Share Fund or its legal successor.

The money accounts of the CSD and foreign legal persons carrying out the activities of clearing and settlement of government securities, engaged pursuant to the law governing public debt, shall be opened and kept by the National Bank of Serbia.

The financial instruments and funds of CSD members on accounts kept by the CSD shall not be included in the property of the CSD, or in its bankruptcy or liquidation estate, and shall not be subject to enforcement of claims.

CSD Obligations and Responsibilities

Article 317

The CSD shall protect the information system and the information at its disposal from unauthorized use, changes and losses and it shall preserve for at least five years in a safe place and in the original form the original documentation used for making entries.

The CSD shall permanently keep the documentation and information recorded by means of electronic media.

The CSD shall provide a continuous, functioning information system by creating a secondary database and a secondary computer system that will ensure continuous operation in case of flood, fire and similar, and which shall be located at a certain distance, and connected on a separate power grid from the location of the primary information system of the CSD.

The information kept by the CSD about accounts of lawful holders shall be confidential and disclosed only under the terms and in the manner prescribed by this Law, or based on a court order or the request of the Commission or another competent body.

The CSD is obliged to provide a CSD member with an insight into the part of the CSD database that refers to that member and his clients, i.e. to issue him an excerpt of data, in accordance with the CSD act.

The CSD shall establish and implement a stable and safe management system including:

1) a sound organizational structure, supervisory procedures and operation instructions;

2) Efficient procedures for determination, evaluation, management and control of risks to which the CSD is exposed in its operations;

3) an efficient internal control system, including appropriate administrative, accounting and internal auditing procedures;

4) appropriate arrangements for preventing, identifying and resolving conflicts of interest between the CSD and the CSD member.

Right of Access to Information

Article 318

Pursuant to Article 317 of this Law, the lawful holder of a financial instrument, a member of the CSD keeping the accounts for the lawful holders, and any person who proves their legal interest in the financial instrument shall have the right of access to the information kept by the CSD according to Art. 317.

The CSD shall have the right to compensation for the costs of preparation and delivery of the information referred to in paragraph 1) of this Article in accordance with its Tariff Rate Rules.

Processing of Personal Data

Article 319

The CSD collects, processes and handles the following data on natural persons, in accordance with the law, and for the purpose of performing activities referred to in Article 306 of this Law:

1) for domestic natural persons - personal name (name and surname), gender, unique personal identification number of citizens, address of permanent or temporary residence, e-mail address;

2) for foreigners - personal name (name and surname), gender, passport number and country of issue, i.e. registration number for a foreigner, i.e. ID card number of the foreigner and country of issue, e-mail address;

3) data on the account of financial instruments and the monetary account, as well as data on the balance on those accounts.

Public Information

Article 320

The CSD shall make publicly available and update the following information, regularly, on its website:

1) information about issuing, re-registration, deregistration of financial instruments;

2) information about corporate actions performed by the CSD with respect to such financial instruments;

3) name and surname and/or business name of a shareholder from the register it keeps, including the type, quantity and percentage of shareholder’s part in total quantity of those shares.

The Commission may prescribe the content of the information referred to in paragraph 1 of this Article.

Responsibility for Data in the CSD

Article 321

The CSD shall be responsible to the issuer, lawful holder of the financial instruments entered with the CSD, for damages caused by failure to execute, or by improper execution of a transfer order, or by violation of other obligations specified by this Law, and for the damages caused by inaccuracy or loss of information.

Where a member of the CSD or a person submitting a request for entry of data in the CSD has led to incorrect or illegal entry in the CSD in connection with financial instruments, he shall be liable for damages resulting from incorrect or illegal entry.

A member or an issuer shall not be liable for damages caused by malfunctions in the processing systems of the CSD, if such malfunctions are not caused by themselves.

CSD Reporting

Article 322

No later than April 30 of the current year for the previous year, the CSD shall submit an annual report on operations to the Government and the Commission.

The Commission shall regulate in more detail the contents and the method for filing the report referred to in paragraph 1 of this Article, and the form, method and timeliness of delivering other reports.

The CSD shall make public its annual financial statements prepared in accordance with the law governing accounting and auditing and shall submit such financial statements to the Government and the Commission, together with an independent auditor's report, observing the timeline indicated in paragraph 1 hereof.

Powers of the National Bank of Serbia

Article 323

The National Bank of Serbia shall issue regulations governing payment operations through money accounts referred to in Article 316, paragraph 5 of this Law.

The National Bank of Serbia shall supervise compliance of operations of persons whose accounts referred to in para.1 of this Article it opens and maintains in the part concerning payment operations through money accounts.

In the course of supervision and control, the Commission and the National Bank of Serbia shall exchange information accordingly applying provisions of Article 353 of this Law.

Commission Supervision over the CSD

Article 324

The Commission shall perform supervision over the operations of the CSD.

The competencies and powers of the Commission regarding supervision set forth in Chapter XVI of this Law shall apply accordingly to the Commission's supervision of the CSD, to ensure that the CSD conducts its operations in a lawful and professional manner that promotes the integrity of the capital market in the Republic, including lawful and efficient clearance and settlement and registration of financial instruments consistent with the objectives of this Law.

The Commission’s supervision of the CSD shall be based upon a risk-assessment supervisory plan that includes on-site examinations with emphasis placed on those areas of operations and activities that pose the greatest risk in terms of the volume and type of transactions and activities performed, provided that the Commission shall conduct at least one, annual on-site examination of the CSD.

Supervision Measures

Article 325

If the Commission, in supervision of the CSD, finds the existence of violations of the general enactments of the CSD, the provisions of this Law or Commission regulations which do not oblige the Commission to take the measures specified in paragraph 2 of this Article, it shall adopt a decision instructing the CSD to eliminate the violations and irregularities within an adequate time limit and may undertake one or more of the following measures:

1) impose a public censure;

2) issue an order for amending or adopting a general enactment of the CSD;

3) undertake other measures and sanctions, other than suspension or revocation of the CSD license, pursuant to Chapter XVI of this Law.

The Commission may prohibit any person with a qualifying holding in the CSD, other than the Republic, from voting based on the qualifying holding, or revoke previously granted approval from any person serving as a member of the management or a general manager of the CSD, if the Commission finds that:

1) the person has committed a material violation of any provision of the general enactments of the CSD, this Law or Commission regulations;

2) the general manager or a member of the management board has obtained a license on the grounds of materially false or misleading information, the omission of information necessary to make the information disclosed not materially misleading, or other irregular means.

3) the general manager or a member of the management board no longer complies with the stipulated approval requirements;

4) the person fails to comply within the set time period and as instructed in the Commission's decision referred to in paragraph 1 of this Article;

5) the CSD general manager or a member of the supervisory board fails to exercise appropriate supervision over employees of the CSD and such activity causes a material violation of the general enactments of the CSD, this Law or Commission regulations, by the CSD or employee, and such violations could have been prevented, if appropriate supervision had been exercised.

The person referred to in paragraph 2 of this Article shall be entitled to a hearing before the Commission adopts a decision on measures, in accordance with the Commission regulation.

The decision on the measures undertaken pursuant to paragraph 1 and 2 of this Article shall be published by the Commission on its website.

The specific terms and conditions for the performance of supervision, the procedures for issuance of the decisions and the implementation of the measures, and the timelines for following up on the orders, and the duration of the measures shall be prescribed by the Commission.

XV SECURITIES COMMISSION

Commission Status

Article 326

The Commission is an independent and autonomous regulatory and supervisory institution of the Republic that exercises public authority in accordance with the competencies prescribed by this and other laws.

The Commission has the status of a legal entity.

The Commission is directly responsible for its work to the National Assembly.

The seat of the Commission is in Belgrade.

Secondary Legislation and Other Documents

Article 327

For the purpose of implementing and exercising the public authorities determined by this and other laws, the Commission shall issue rulebooks, instructions and other documents.

The Commission regulations shall be published in the "Official Gazette of the Republic of Serbia" and on the website of the Commission.

Public statements, opinions and interpretative releases of the Commission

Article 328

The Commission may take positions, give opinions, as well as other forms of public statements, when it is necessary for the application and implementation of certain provisions of laws or bylaws within the competence of the Commission.

The views, opinions and public statements referred to in paragraph 1 of this Article shall be published on the website of the Commission.

Application of the Law Governing General Administrative Procedure

Article 329

In administrative matters, the Commission shall apply the provisions of the law governing the general administrative procedure, unless otherwise prescribed by this or another law.

The decisions passed by the Commission are finally binding and administrative proceedings may be instituted against them.

Commission's Structure

Article 330

The Commission shall have the Chairman of the Commission and four Commissioners.

The Chairman and the Commissioners shall be elected and released from duty by the National Assembly, at the proposal of the competent working body in charge of financial affairs of the National Assembly.

The Chairman and Commissioners must be citizens of the Republic, possessing general work ability, university degree, and at least five years of professional experience acquired on jobs involving securities, in the Republic or abroad.

The Commission shall be represented by its Chairman, who manages it and performs other functions in accordance with the law and the Statute of the Commission.

The Chairman of the Commission may temporarily, in whole or in part, delegate the Chairman's powers to another Commissioner.

Term of Office

Article 331

The Chairman and Commissioners of the Commission shall be appointed for a five-year period with the possibility of re-election.

The term of office of the Chairman and the Commissioners begins on the day the decision of the National Assembly on their election is published in the "Official Gazette of the Republic of Serbia", if the decision of the National Assembly does not specify another date for the beginning of the term of office and ends:

1) upon the expiration of the term for which they were elected;

2) on dismissal for reasons provided by law;

3) by resignation.

Depending on the reasons for the termination, the term of office of the Chairman and the Commissioners shall end:

1) on the day of publication of the decision of the National Assembly on termination of the term office, i.e. their dismissal in the "Official Gazette of the Republic of Serbia", if the decision of the National Assembly does not specify another date for the beginning of the term of office, in the cases referred to in paragraph 2, points 1) and 2) of this Article.

2) on the day of resignation to the National Assembly in the cases referred to in paragraph 2, point 3) of this Article.

If the Chairman's function or the function of a Commissioner ends, prior to the end of their term of office, the new Chairman, i.e. a Commissioner is appointed for the period until the end of the term of office of the Chairman, i.e. the Commissioner whose function has ended.

If the function of the Chairman ends before the expiration of the term of office, the remaining members of the Commission, for the purpose of uninterrupted work and performance of tasks within the competence of the Commission, may appoint among themselves an acting Chairman until the election of a new Chairman by the National Assembly.

The acting Chairman has the powers and competencies of the Chairman of the Commission referred to in the Law and the Statute of the Commission.

The Commission shall without delay notify the competent working body for financial affairs of the National Assembly of the appointment of the persons referred to in paragraph 5 of this Article.

The competent working body for finance affairs of the National Assembly shall, within 60 days before the termination of the term of office of the Chairman and the Commissioners in the case referred to in paragraph 2, point 1) of this Article, or 60 days from the day of termination of the term of office in the cases referred to in paragraph 2, points 2) and 3) of this Article, send a proposal to the National Assembly for the election of a new Chairman and the Commissioners.

Ineligibility

Article 332

The Chairman and the Commissioners shall not be:

1) subject to statutory disqualifications;

2) related or married to another Commissioner;

3) performing another function in a state agency or organization on the grounds of election or appointment.

The Chairman, and the Commissioners, during the term of office as well as two years after the termination of the term of office, shall not be allowed to have a holding in ownership, to participate in the management, or be employed by legal persons authorized or supervised by the Commission, and they may not represent the interests of those persons before the Commission, public authorities or other institutions, except with the obtained consent of the body responsible for the prevention of corruption in accordance with the law governing the prevention of corruption.

The Chairman and Commissioners shall not perform other duties that could adversely affect their independence, impartiality and reputation and the reputation of the Commission.

Any violation of the provisions of this Article shall constitute grounds for removal from office and termination of employment.

Removal from Office

Article 333

The Chairman and Commissioners shall be relieved of their functions:

1) if they are sentenced for a criminal offense to unconditional imprisonment for a minimum of six months, or for a criminal offense against the labor relations, commerce, property, judicial system, public order, legal transactions, or convicted of malfeasance in office money laundering and terrorism financing;

2) if it is determined, on the grounds of findings and opinions of the competent health-care institution that they have permanently lost the capacity of performing their functions;

3) should it be determined that they perform their tasks unprofessionally;

4) if the existence of one or more circumstances from Article 331 of this Law is established.

Procedure for Determining the Reasons for Termination

Article 334

Termination of office in case of expiration of the term to which they were appointed and resignation of the Chairman or a Commissioner is determined in writing by the competent working body for finance affairs of the National Assembly.

Fulfillment of conditions for termination of office due to the dismissal of a Chairman or a Commissioner is determined by the competent working body for finance of the National Assembly by initiating proceedings for termination of office before the National Assembly within 60 days from the day of ascertaining these conditions.

The decision on dismissal of the Chairman and a Commissioner, is made by the National Assembly.

Qualified Immunity and Indemnification

Article 335

The Chairperson or Commissioners shall not be personally liable for any act or omission taken in the discharge of their official functions within the scope of the authority the Commission has under this Law, the laws referred to in Article 4 of this Law and the Commission regulations, absent a finding of malice and intentional abuse of office.

The Commission shall indemnify the persons referred to in paragraph 1 of this Article for all court and other costs incurred in connection with the proceedings that may be instituted against them in connection with the actions or proceedings referred to in that paragraph.

Decision-Making and Quorum

Article 336

The Commission shall decide matters in sessions presided by the Chairman of the Commission, or a Commissioner authorized by the Chairman.

The quorum shall comprise of three Commissioners, including the Chairman of the Commission.

The Commission shall decide matters by a majority vote of all Commissioners, including the Chairman.

In case of an even number of votes, the Chairman’s vote shall be decisive.

The Chairman and Commissioners shall be exempted from voting when deciding on matters representing a conflict of interest.

Operational Principle

Article 337

The Chairman and Commissioners shall act with expertise, conscientiously and impartially in performing their duties.

The Chairman and the Commissioners shall not jeopardize their autonomy in making their decisions, nor the autonomy of the Commission.

Any person, agency or organization shall not undertake any action to influence the autonomy in operation and decision-making of the Commission or any of its Commissioners.

Any person, agency or organization shall not take actions that are foreseen by law as the competence of the Commission, unless otherwise stipulated by this Law.

Prohibitions on Trading in Financial Instruments, Advisory Services, and Using Commission Position for Private Gain

Article 338

The Chairman and Commissioners shall provide the Commission with the information on securities they hold, including the information on any changes in those securities holdings.

The obligation referred to in paragraph 1 of this Article shall also apply to the immediate family members of person referred to in paragraph 1 of this Article.

Personal Transactions in Securities

Article 339

The Chairman and the Commissioners shall provide the Commission with the information on securities they have at their disposal, including the information on any changes in those securities holdings.

The obligation referred to in paragraph 1 of this Article shall also apply to the immediate family members of person referred to in paragraph 1 of this Article.

Administrative and Professional Service

Article 340

The Administrative and Professional Service of the Commission (hereinafter referred to as the “Administrative and Professional Service”) performs professional tasks within the competence of the Commission in accordance with this Law, the Statute and other acts of the Commission.

With regard to ineligibility to perform business operations, qualified indemnity, operational principles, prohibition of trading in financial instruments and advisory services, as well as the use of the status of the Commission for personal gain and personal transactions in securities,

the provisions of this Law pertinent to the Chairman and Commissioners shall apply to the staff of the Administrative and Professional Service.

Notwithstanding the provisions of paragraph 2 of this Article, the prohibition referred to in Article 332, paragraph 2 of this Law shall not apply to the staff of the Administrative and Professional Service after termination of employment with the Commission.

The Administrative and Professional Service is managed by the Secretary.

The Secretary is elected by the Chairman and the Commissioners by a majority vote.

A person who complies with the requirements for appointment of a Commissioner may be appointed as the Secretary.

The Secretary is accountable for its work to the Commission.

Labor Relations

Article 341

The general law governing the rights, obligations and responsibilities arising from the labor relationship, i.e. on the basis of work, in the Republic, shall apply to the rights, obligations and responsibilities arising from the employment of the Chairman, Commissioners and employees in the Administrative and Professional Service of the Commission.

Employment of the Chairman and Commissioners

Article 342

The Chairman and the Commissioners shall be elected to office on the basis of a decision of the National Assembly on their appointment within 30 days of the publication of that decision in the "Official Gazette of the Republic of Serbia", unless they have concluded an employment contract in the Commission before being appointed to office on another basis.

The Chairman and the Commissioners conclude a fixed-terms employment contracts, for the period for which they are elected.

The Chairman establishes full-time employment in the Commission, and the Commissioners may establish employment in the Commission on a full-time or part-time basis.

The Chairman and Commissioners who have concluded employment contracts in the Commission on the basis of a decision of the National Assembly on their appointment, such employment shall be terminated within 90 days from the date of termination of the term of office, in the case referred to in Article 331, paragraph 3, point 1) of this Law, or on the day of termination of the term of office in the case referred to in Article 331, paragraph 3, point 2) of this Law.

Notwithstanding the provisions of paragraph 4 of this Article, the Chairman and the Commissioners who concluded employment contract in the Commission before being appointed to office on another basis, shall remain employed in the Commission in accordance with the employment contract under which they were employed.

Statute of the Commission

Article 343

The Commission shall enact a statute in conformity with this Law, which shall regulate matters of its jurisdiction, and the organization and procedures for performing activities within those competencies, rights, obligations and responsibilities of Commissioners, Chairman and Secretary of the Commission, rights and obligations of other employees in the Administrative and Professional Service, funding, procedures for the adoption of general and specific enactments, including other matters significant for the work of the Commission.

The Statute of the Commission shall be approved by a relevant body in charge of finance of the National Assembly.

The Statute of the Commission is published in the "Official Gazette of the Republic of Serbia" and on the website of the Commission.

Confidentiality Obligation

Article 344

The former and current Chairman, Commissioners and the Commission staff, as well as auditors and experts contracted by the Commission, shall be bound by the confidentiality obligation.

Persons referred to in paragraph 1 of this Article shall not divulge any confidential information which they may receive in the course of their duties, save in summary or aggregate form such that individual investment firms, market operators, regulated markets or any other person cannot be identified, unless otherwise prescribed by the present Law.

Where issuers of securities, investment firm, market operator or regulated market declare bankruptcy or compulsory liquidation, confidential information not relating to third parties may be disclosed in commercial and civil litigation, if necessary for the conduct of legal proceedings.

The Commission, other authorities, natural or legal persons which receive confidential information pursuant to this Law may use it only in the performance of their duties and for the exercise of their functions and for the purpose for which such information was provided to them and/or in the context of administrative or judicial proceedings specifically relating to the exercise of those functions, except in the case of the existence of the express consent of the persons providing that information for use and for other purposes.

Any confidential information, received, exchanged or transmitted pursuant to this Law shall be subject to confidentiality obligation laid down in this Article.

Notwithstanding provisions of the previous paragraph of this Article, the Commission shall be allowed to exchange or transmit confidential information with competent authorities from the Republic or foreign countries in accordance with this Law and other laws applicable to investment firms, credit institutions, voluntary pension funds, collective investment undertakings, open-ended funds with public offering, alternative investment funds, insurance and reinsurance intermediaries

and representatives, insurance undertakings, regulated markets or market operators, or otherwise with the consent of the Commission, foreign authority or other authority or body, natural or legal person that communicated the information.

This Article shall not prevent the Commission from exchanging or transmitting confidential information that has not been received from an authority of a foreign country, in accordance with the law.

The Commission shall further regulate the information subject to confidentiality obligation in the sense of this Law, the manner of protection and storage.

Relations with Auditors

Article 345

A person empowered by law to carry out audits of financial statements in an investment firm, regulated market, data reporting services provider, CSD, when performing the audit of financial statements or any other task prescribed by law, shall report promptly to the Commission any fact or decision concerning that undertaking of which that person has become aware while carrying out that task and which is liable to:

1) constitute a material infringement of this Law or other laws, regulations or administrative provisions which lay down the conditions governing authorization or which specifically govern pursuit of the activities of the undertakings referred to in this paragraph;

2) adversely affect the continuous functioning of the undertakings referred to in this paragraph;

3) lead to refusal to certify the accounts or to the expression of reservations.

It is also the duty of the person referred to in paragraph 1 of this Article to inform the Commission of any fact or decision which the person became aware in performance of their duties referred to in paragraph 1 of this Article in an undertaking having close links with the undertaking within which the person is carrying out that task.

The disclosure in good faith to the Commission, by such person referred to in paragraph 1 of this Article, of any fact or decision referred to in paragraph 1of this Article shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind.

Data Protection

Article 346

With regard to the processing of personal data, the Commission shall carry out its tasks for the purposes of this Law in accordance with the law on personal data protection.

The Commission may transfer personal data to a foreign country pursuant to the law governing personal data protection, only on a case-by-case basis, provided that the transfer is

necessary for the purpose of this Law and that the foreign country does not transfer the data to another foreign country unless it is given express written authorization and complies with the conditions specified by the Commission.

IT System

Article 347

The Commission shall establish an information system that enables it to communicate with the CSD, market operator, regulated market, investment firms, investment fund management companies, open-ended funds subject to public offering, alternative investment funds as well as other capital market participants.

The Commission shall prescribe the criteria for secure communication and protection of information submitted to the Commission, technical compatibility of equipment and information systems of persons authorized by the Commission with equipment and information systems of the Commission in order to enable the Commission to independently access data and records that these persons are obliged to keep in accordance with this law, by initiating the so-called "Pull" procedure, as well as the use of electronic means to receive, transmit and publish information.

The information received by electronic means through the information and telecommunication systems, in accordance with and under the conditions prescribed by the Commission, shall be considered original documents.

Rulebook on Fees

Article 348

The Commission shall adopt a rulebook on fees determining the amount of fees charged for performing activities within its competence, pursuant to this and other laws.

The rulebook referred to in paragraph 1 of this Article shall be published at the Official Gazette of the Republic of Serbia and on the Commission's website.

Commission Funding

Article 349

Funds for operations of the Commission are provided from fees charged for performing activities within its competence, in compliance with the rulebook referred to in Article 348 of this Law, donations (except donations from market participants), local borrowing, as well as other sources in compliance with the law.

From its realized revenues, the Commission shall allocate a contingency amount (reserves).

The Commission shall pay the surplus of annual revenues over expenditures into the budget of the Republic.

The Commission shall cover the excess of expenditures over revenues from its own reserves.

If the generated revenues and contingencies are insufficient to cover expenditures, the gap shall be covered from the budget of the Republic

Closing the finance gap, in accordance with paragraph 5 of this Article, shall not affect the independence and autonomy of the Commission.

Financial Statements; Financial Plan; Submission of Reports

Article 350

The Commission shall submit an annual report to the National Assembly not later than six months after the end of the financial year.

The annual report referred to in paragraph 1 of this Article shall include financial statements for the preceding year accompanied by a report of an authorized auditor and a report on the Commission’s operations in the previous year.

The annual financial statements of the Commission shall be compiled pursuant to the provisions of the law governing accounting and bylaws governing the chart of account and the content of accounts contained in the chart of accounts prescribed for companies.

The Commission’s financial statements may be audited only by an audit company provided with a valid audit license, or a chartered certified auditor in terms of the law governing audit, meeting also additional requirements prescribed by the Commission, in order to prevent conflicts of interest when performing the control role of the Commission over audit companies and chartered certified auditors and auditing the financial statements of the Commission by those persons.

When selecting an audit company, the Commission shall apply the law governing public procurement in the part that is not in conflict with this law and the bylaw of the Commission referred to in paragraph 4 of this Article

The Commission shall prepare a Financial Plan for the following year by November 30th of the current year and forward it to the National Assembly for approval.

In case the National Assembly fails to approve the Financial Plan by the beginning of the financial year, until the approval of the Financial Plan for that year, the financing is done pursuant to the decision of the Chairman on temporary financing.

Reporting to the Government

Article 351

At six-monthly intervals, the Commission shall be required to provide to the Government a report on its operations and trends in the capital market, with attached documentation, related to:

1) issued and revoked licenses, authorizations and approvals regarding securities related activities, in conformity with this Law and other laws enforced by the Commission;

2) the supervisory function of the Commission with imposed supervision measures in the reporting period;

3) implementation of the Commission financial plan for the current year;

4) Commission regulations issued during the reporting period.

5) other documents on carrying out the tasks within the jurisdiction of the Commission.

XVI COMMISSION AUTHORITY AND COMPETENCIES

Commission Competencies

Article 352

The Commission, within its remit and in accordance with the provisions of the Law shall:

1) adopt regulations and other enactments enforcing the Law;

2) approve public offerings for which a prospectus is required to be published and admissions of financial instruments to trading;

3) approve exempt offers and admissions of financial instruments to trading that are exempted from the obligation to publish a prospectus, and the approval of the Commission is required in accordance with the provisions of this Law;

4) approve the status of qualified investors to natural and legal persons;

5) grant, deny, withdraw and suspend authorizations to investment firms, market intermediaries and data reporting services providers;

6) approve amendments to general enactments, acquisition of qualifying holdings, grant prior approval to the appointment of management members of the market operator, investment firms, market intermediaries and CSD;

7) organize courses and examinations for the assessment of the knowledge and competences of natural persons referred to in paragraph 2 Article 153 of this Law;

8) regulate, supervise and monitor:

(1) the activities of issuers and public companies;

(2) fulfilment of reporting requirements of issuers and participants on regulated markets, MTFs and OTFs;

(3) operations of persons referred to in point 5) of this paragraph, including persons with qualifying holdings, management members and other employees of such persons;

(4) business operations of the CSD, persons with qualifying holdings, management members and CSD staff;

(5) secondary trading in financial instruments in the Republic, regardless of whether such trading occurs on or off a regulated market, MTF or OTF;

9) monitor compliance with provisions and violations of the law, regulations of the Commission referred to in Article 327 of this Law and general enactments of the market operator, investment firms, market intermediaries, data reporting services providers and CSD;

10) organize, impose and control implementation of measures and sanctions that ensure the fair, orderly and efficient functioning of a regulated market, MTF or OTF, with a view to minimizing market disturbances and ensuring protection of investors;

11) keep registers;

12) perform other duties within its general and special authorities defined in more detail in Articles 355 and 364 of this Law;

13) cooperate and enter into agreements with international organizations, foreign regulators and other local or foreign bodies and organizations in order to provide legal assistance, exchange information and in other cases, as needed.

14) prepare reports and information on regulated markets, MTFs and OTFs

15) promote investor education and cooperate with the bodies and organizations responsible for the training of judges, public prosecutors, police and judicial staff with the aim of providing appropriate training with respect to the objectives of this Law, in particular those competent authorities' staff involved in criminal proceedings and investigations related to market abuse;

16) supervise, undertake and control implementation of measures and sanctions regarding implementation of the law regulating takeovers of joint stock companies, the law regulating operations of investment funds, the law regulating commodity exchanges, the law regulating digital assets, the law regulating audit, and the law regulating prevention of money laundering and terrorism financing;

17) perform other tasks specified by the Law and by other laws

The Commission carries out the activities referred to in paragraph 1, points 1) - 13), and point 16) of this Article as delegated activities.

The Commission may institute and conduct court proceedings in order to protect the interests of investors in financial instruments and of other entities for which it determines that certain rights of theirs, or their interest arising from that right, have been violated, in connection with transactions involving financial instruments.

If the Commission considers there are indications of a criminal offense, economic violations or infractions, the Commission shall refer a proposal i.e. request to an authority responsible for conducting investigations, criminal prosecutions and misdemeanor proceedings.

Cooperation Between Authorities in the Republic

Article 353

The Commission, National Bank of Serbia and other competent authorities in the Republic within their competences shall cooperate closely in order to ensure the application of the provisions of this Law, including the exchange and transmit of any information which is essential or relevant to the exercise of their duties, in particular information about authorizations granted or withdrawn, breaches of the provisions of this Law or other irregularities and imposed administrative sanctions and measures.

Where necessary, cooperation referred to in paragraph 1 of this Article shall include other authorities and bodies in the Republic.

The authorities referred to in paragraph 1 of this Article shall define the scope, frequency and format of exchange and transmission of information in a cooperation agreement.

Notwithstanding the cooperation agreement referred to in paragraph 3 of this Article, authorities referred to in paragraph 1 of this Article shall in any case, upon request and without undue delay, provide each other with the information necessary for the exercise of their competencies.

The Commission shall, in the exercise of its general duties, duly consider the potential impact of its decisions on financial market stability concerns based on the available information.

The Commission and the National Bank of Serbia shall immediately inform each other of any emergency situation relating to the CSD, including any developments in financial markets, which may have an adverse effect on operations of the financial market.

The authorities referred to in paragraph 1 of this Article and other bodies or natural and legal persons receiving confidential information in the exercise of their duties shall keep it and use it only in the course of their duties.

The exchange and transmission of information referred to in paragraphs 1, 2 and 3 of this Article shall not be considered a breach of confidentiality obligation as referred to in Article 344 of this Law provided that it is used in accordance with paragraph 4 of Article 344 of this Law.

Commission Supervision

Article 354

In conducting the procedure of supervision over the supervised entities, the Commission shall apply the provisions of this Law and the regulations adopted under this Law.

In the segment that is not defined by this law, the Commission shall apply the law governing the general administrative procedure.

When conducting supervision in accordance with the provisions of other laws within the competence of the Commission, the provisions on supervision in accordance with this Chapter shall apply, unless otherwise prescribed by those laws.

The Commission shall prescribe in detail the conditions and manner of conducting supervision, issuing orders and undertaking measures and sanctions, deadlines for execution of orders and duration of measures, and other issues of importance for conducting supervision.

Powers in the Supervision Procedure

Article 355

The Commission may request the submission of data and documents, as well as the submission of written statements of importance for supervision from any person in possession of relevant data and/or documents and may conduct a hearing.

The persons referred to in paragraph 1 of this Article shall submit the requested data, documents and statements within the deadline and in the manner specified in the submitted request.

The request referred to in paragraph 2 of this Article may be issued in writing or by e-mail, and exceptionally by telephone when there are reasons for urgency.

The supervisory powers of the Commission include the following powers:

1) to have access to any document or other data in any form which the Commission considers could be relevant for the performance of its duties and receive or take a copy of it;

2) to carry out, with or without prior announcement, on-site inspections or investigations at sites other than at the private residence of natural persons;

3) to enter the premises of the supervised entity, independently or in cooperation with other state bodies, in order to seize documents or data, especially when there are grounds for suspicion that documents or data related to the supervised entity may be relevant in proving unauthorized provision of services, market abuse or proving violations of the provisions of this Law relating to public offering and admission to trading;

4) to require existing recordings of telephone conversations, records of electronic communications and other data exchanges kept by the investment firm, credit institution or other supervised entities;

5) to require the auditors of authorized investment firms, regulated markets, data reporting services providers, issuers, offerors or persons asking for admission to trading on a regulated market to provide information;

6) for the purpose of verifying data of interest for supervision, the Commission may allow auditors or specialized experts to verify certain data;

7) to require from the telecommunications operator data on data exchange held by the telecommunications operator;

8) to request from the telecommunications operator data on received and sent calls to telephone numbers of natural and legal persons covered by the supervision procedure;

9) to require or demand the provision of information including all relevant documentation from any person regarding the size and purpose of a position or exposure entered into via a commodity derivative, and any assets or liabilities in the underlying market;

10) in relation to commodity derivatives, to request information from market participants on related spot markets, obtain reports on transactions, and have direct access to traders' systems;

The Commission may, in the exercise of its powers in the supervision procedure, request the cooperation of the ministry in charge of the interior.

Method of Performing Supervision

Article 356

The Commission exercises supervision:

1) continuously (ongoing), based on the analysis of reports that supervised entities are obliged to submit to the Commission in accordance with laws and bylaws, through monitoring,

collecting and verifying documentation, notifications and data obtained at the special request of the Commission, as well as monitoring, collecting and verifying data and findings from other sources;

2) on-site, on the premises of the supervised entity or the Commission premises or premises of the legal entity with which the supervised entity is connected either directly or indirectly, through business operations, management or capital;

Supervision referred to in paragraph 1, point 2) of this Article may be regular and extraordinary.

The plan for conducting regular direct supervision shall be passed by the Commission on the basis of risk assessment, as well as other criteria in accordance with the bylaw of the Commission which further regulates the conditions and manner of conducting supervision.

Supervised Entity, Interested Parties and Review of Files

Article 357

The supervised entity in the direct supervision procedure is a person specified in the supervision order as a person over whom the procedure of Commission supervision is carried out.

The supervised entity has all the rights of a party in accordance with the law governing the general administrative procedure.

An interested party in the procedure of direct supervision is a person who proves his legal interest.

The interested party’s right to inspect the files is limited until the end of the direct supervision procedure.

The Commission shall decide whether enabling the interested party to inspect the files would hinder the purpose of the supervision procedure, render available data representing inside information or otherwise jeopardize the supervision procedure or cause damage to the supervised entity or to some other person.

Ongoing Supervision

Article 358

In the course of the ongoing supervision, the Commission shall determine:

1) whether the required reports, notifications and other information have been submitted within the set time period and in the form required;

2) whether the information contained in reports, notifications and other requested documentation are accurate and correct, as well as whether they indicate violations of laws and bylaws;

3) the position of the supervised entity and the risks to which the supervised entity is exposed or could be exposed in its business;

4) on the basis of data from other available sources, the existence of a violation of laws and bylaws.

In case of established illegalities and/or irregularities in business operations of the supervised entity in the course of ongoing supervision, the Commission will enable the supervised entity to provide explanation, and based on the established facts, make an appropriate decision to eliminate the established illegalities and irregularities.

If it is not possible to establish the complete factual situation, on the basis of data and statements obtained in the procedure of continuous supervision, the Commission may determine the implementation of direct supervision.

Complaint procedure

Article 359

The Commission supervision may be initiated by a petition.

The petition shall be comprehensible, contain necessary information about a person on whose behalf the petition is being submitted, the subject to which it relates, the purpose of the petition as well as information about the applicant, namely: personal or business name, residence, contact phone, address, e-mail address and signature of the applicant.

The petition shall contain sufficient information as to indicate the existence of illegalities and irregularities.

If, on the basis of publicly available data, data available to the Commission and official records, it is not possible to establish the factual situation regarding the irregularities or illegalities indicated by the petition, the Commission shall initiate the procedure of direct supervision.

Reporting on Illegalities and Irregularities

Article 360

Any person who learns of illegalities or irregularities in connection with the application of this law, other laws and bylaws adopted on the basis thereof, as well as other laws and bylaws adopted on the basis thereof, may submit a written petition to the Commission through a prescribed communication channel.

The Commission shall prescribe in more detail:

1) special procedures for receiving reports on illegalities or irregularities related to the application of this Law and by-laws within the competence of the Commission and communication channels that may be used to file such reports;

2) adequate protection of employees working on the basis of employment contracts, who report illegalities or irregularities, from revenge, discrimination and other types of unfair treatment exercised by the employer or third parties towards them;

3) protection of the identity and personal data of the person reporting illegalities or irregularities and the natural person to whom the report relates at all stages of the procedure, except in the investigation and court proceedings.

Investment firms, market operators, data delivery services providers, credit institutions with regard to investment services or activities and ancillary services, as well as other employers performing activities related to financial services shall establish appropriate internal procedures for their employees to enable them to report observed illegalities or irregularities through a special, independent and autonomous channel.

The channel for internal reporting on illegalities or irregularities referred to in paragraph 3 of this Article may also be provided through outsourcing with the application of protection measures referred to in paragraph 2, point 2) and 3) of this Article.

The Commission shall regulate in more detail the communication channels referred to in paragraph 1 of this Article, monitoring and taking actions after reporting, measures for protection of employees, measures for protection of personal data and other issues related to the receipt of reports of illegality or irregularities.

Obligation to Provide Data Relevant for the Supervision

Article 361

All persons who have information and knowledge relevant for the supervision have the obligation to submit upon request, and within the deadline set by the authorized person of the Commission, general acts, copies of business books, account statements, correspondence and other documents, including electronic correspondence, records of telephone calls, and other forms of correspondence.

Notification of the Commission in accordance with the provisions of this Law does not constitute a violation of the prohibition on disclosure of information provided by the contract or regulation, and the person who gave such notification shall not be liable.

Direct Supervision

Article 362

The direct supervision is conducted ex officio.

The direct supervision initiates with the issuance of a supervision order and its delivery to the supervised entity in writing.

The supervision order shall contain the subject of the supervision, data on the persons authorized to conduct the supervision, the address or designated business premises where the supervision will be performed and other data of importance for the implementation of the supervision.

If during the course of the direct supervision possible illegalities and irregularities are discovered that are out of the scope of the supervision, the order is supplemented by issuing a supplementing order.

The supervision order may be amended in the part relating to the person authorized to conduct supervision and the supervision duration.

The provisions of paragraphs 2 and 3 of this Article shall apply accordingly to the supplement to the supervision order referred to in paragraph 4 of this Article.

The supervision order shall be delivered to the supervised entity within a period which may not be shorter than eight days from the day of the beginning of the supervision.

In order not to jeopardize the purpose of the supervision, the supervision order may be submitted in a shorter period, and at the latest immediately before conducting the supervision by an authorized person.

Reporting on Breaches of the Law by Whistleblowers

Article 363

A special communication channel shall be provided for whistleblowers who have knowledge of actual or potential breaches of laws and bylaws within the competence of the Commission.

The Commission shall prescribe in detail the procedures for receiving applications, communication channels, records, protection of the identity of persons and other issues related to reporting referred to in paragraph 1 of this Article.

General Competencies of the Commission in Conducting Direct Supervision

Article 364

Direct supervision is carried out by an authorized person of the Commission - the supervision officer or another person temporarily authorized by the Commission to undertake actions in the procedure of direct supervision.

The supervision officer has an official ID, while other authorized persons have a special authority to take actions in the process of direct supervision.

The person referred to in paragraph 1 of this Article is independent in undertaking direct supervision and assessing established facts.

Before initiating the supervision, the supervision officer must show the official ID to the person when the supervision is performed, and the other authorized person shall show their special authorization to undertake actions in the procedure of direct supervision.

The Commission shall prescribe procedures for issuing, termination and replacement of official ID as well as its content.

The direct supervision is carried out in the premises of the supervised entity or of a person with whom the supervised entity has close ties, as well as in the business premises of the

Commission in the presence of the responsible person or authorized person of the supervised entity.

As a rule, the direct supervision procedure conducted by the Commission is conducted without oral hearing procedure.

Direct Supervision Requirements

Article 365

The supervised entity is obliged to provide the authorized person of the Commission with appropriate premises in which it is possible to perform business supervision unhindered and without the presence of other persons.

At request of an authorized person of the Commission, the supervised entity shall provide professional and technical assistance, including required explanations and other conditions necessary for the conduct of supervision.

The supervision shall be conducted by authorized persons of the Commission during working hours of the supervised entity and if volume or nature of the supervision requires, the supervised entity shall enable the authorized person of the Commission to conduct supervision after working hours.

The authorized person of the Commission carries out direct supervision by means of:

1) direct observation at the premises used for performing business activities or storing equipment;
2) insight into business documentation of any form, records, databases and any other form of business communication of the supervised entity and its staff;
3) hearing any person who has findings regarding the supervision procedure;
4) collecting and inspecting data relevant for the supervision in a different way.

An authorized person of the Commission may order the subject of the supervision to ensure the presence of an employee whose testimony is important for conducting the procedure.

The authorized person of the Commission may, with the issuance of a certificate, temporarily seize documentation, money or objects that can serve as evidence in criminal proceedings and proceedings for economic offenses to the supervised entity, but only until the initiation of these proceedings, when it will hand them over to the competent authorities.

Participation of Other Experts

Article 366

For the purpose of verifying data of interest for the supervision for which special knowledge is required, the Commission may request the participation of an auditor, expert or other professionals.

The supervised entity shall bear the costs of the data verification referred to in paragraph 1 of this Article, if irregularities and illegalities in its operations are established.

Supervision Procedure Without Prior Delivery of the Supervision Order

Article 367

When performing extraordinary direct supervision, without prior delivery of the supervision order, if the authorized person of the Commission does not find a person authorized to represent the supervised entity, the person may perform supervision without their presence.

In the case referred to in paragraph 1 of this Article, employed or engaged persons with the supervised entity must enable the authorized person of the Commission to conduct direct supervision.

Where, in the case referred to in paragraph 1 of this Article, the presence of an authorized person to represent the supervised entity is necessary for conducting supervision, the authorized person of the Commission shall submit an invitation to the responsible person to be present at a certain time for conducting supervision.

Hindering the Supervision Process

Article 368

If an authorized person of the Commission is prevented from performing the actions prescribed by Article 365, paragraph 4 of this Law or is otherwise prevented from performing supervision, the person shall draw up minutes thereof.

It is considered that the supervised entity has not not enabled the authorized person of the Commission to perform supervision in the following cases:

1) if it fails to submit all the required documents and data within the given deadline, in particular, data that the supervised entity is obliged to provide according to the law, by-laws and business rules;

2) if it submits data, at the request of the authorized person of the Commission, that are determined to be inaccurate;

3) if it fails to ensure the necessary conditions, i.e. if employees in the supervised entity fail to ensure undisturbed conduct of supervision to the supervision officer or the authorized person;

4) if an authorized representative or another party to the procedure fails to respond to the invitation to attend the supervision at the Commission's business premises, if the absence is not justified nor is another person authorized to participate in the procedure;

5) if it fails to ensure the presence of an employee in the supervision procedure whose statement is important for the procedure.

The minutes stating that the supervisory procedure has been hindered shall be submitted to the supervised entity.

Supervision Minutes

Article 369

The supervision minutes shall state the direct supervision procedure, statements of the supervised entity, i.e. authorized or responsible person of the supervised entity that is a legal entity, witness statements, facts arising from documents, as well as other important actions taken in the procedure.

The supervision minutes shall be compiled in as many copies as there are subjects of supervision and two copies for official needs of the Commission, it is signed after reading by all present persons and the authorized person of the Commission who conducted the supervision procedure and handed over to the supervised entity/entities.

The present supervised entity, i.e. the responsible person or the authorized person of the supervised entity, may submit remarks on the factual situation ascertained by the minutes before finalizing the minutes.

If the minutes are compiled without the presence of the supervised entity, i.e. the responsible or authorized person of the supervised entity, the minutes shall be delivered to the supervised entity and the supervised entity has the right to file an objection to the submitted minutes within eight days of receipt.

Notwithstanding paragraph 5 of this Article, the authorized person of the Commission may set a shorter deadline for filing an objection, when this is necessary in order to prevent possible significant harmful consequences.

Grounds for Objection to the Minutes

Article 370

An objection to the factual situation stated in the minutes is allowed if the factual situation is incorrectly or incompletely stated in the minutes.

Content of the Objection

Article 371

An objection shall contain a reference to the minutes to which objection refers, the reasons for the objection, which indicate that the factual situation is incorrectly or incompletely ascertained and the signature of the objector.

If the supervised entity, in its objection, refers to documents, it shall attach them to the objection as evidence.

The submitted objection to the minutes constitutes an integral part of the minutes.

If the supervised entity fails to enclose all the documents to its objection, the authorized person of the Commission shall take into account only the evidence that is attached to the objection when reviewing it.

After the expiry of the time period provided for objection, a supervised entity shall not have the right to raise new facts and evidence.

If the facts stated in the minutes are reasonably contested by the objection filed by the supervised entity, an addendum to the minutes shall be drawn up by an authorized person and submitted to the supervised entity within 15 days of the day of filed objection.

If the objection is assessed as groundless, the addendum shall not be compiled.

If the supervised entity is not provided with the addendum to the minutes within 15 days from the day of the filed objection, it will be considered that the objection was assessed as unfounded.

Illegalities and irregularities

Article 372

Illegalities, in terms of this law, are conditions and procedures that are not in accordance with this law, acts of the Commission, other laws within the competence of the Commission and bylaws, and regulations that give the Commission competence to implement and supervise the implementation.

Irregularities, in terms of this law, are conditions and activities by which the adopted internal acts of the supervised entity, business policies, prescribed measures and procedures are not consistently applied in the business of the supervised entity.

Based on the conducted supervision procedure, the Commission may impose supervisory measures and sanctions prescribed by this Law on the supervised entity, for the purpose of lawful, fair, equitable and professional business that improves the integrity of the capital market.

Supervision Report

Article 373

The Commission shall review the report on the conducted procedure of direct supervision and, in case of established illegalities or irregularities, decide on the imposition of measures.

The report referred to in paragraph 1 of this Article shall contain the following information:

1) supervised entity;
2) Commission’s authorized person;
3) date of the supervision order;
4) reason and subject of direct supervision;
5) a brief overview of the activities conducted during the direct supervision procedure;
6) description of identified irregularities and illegalities;
7) proposal of administrative measures and sanctions;
8) other information relevant to the Commission's decision-making.

If the violation of regulations determined during the supervision procedure has elements of an economic offense or criminal offense, the supervision report shall contain provisions governing that economic offense or criminal offense, information on the person suspected of having committed an economic offense or criminal offense, as well as a reference to evidence of the existence of that act.

Administrative Measures and Sanctions

Article 374

In case of established illegalities and/or irregularities, the Commission may impose the following administrative measures and sanctions:

1) order to a natural or legal person to establish the legality of business operations and/or to cease and not repeat any action that results in illegality or irregularity;

2) disclose the decision of the Commission on a natural or legal person and the nature of the legal violation;

3) issue press releases;

4) impose fines;

5) ban temporary or in case of repeated and serious illegalities, ban permanently performing of managerial functions to a member of the management or another responsible natural person in an institution such as an investment firm, CSD, or ban on trading for one's own account;

6) ban temporary membership or participation of an investment firm in a regulated market, an MTF or an OTF;

7) ban temporary conducting business activities;

8) revoke temporarily or permanently authorization for performing activities to the persons to whom it has been issued;

9) impose measures to ensure that investment firms, regulated markets and other persons subject to the application of this law meet the requirements prescribed by law consistently;

10) order reimbursement of generated profit or compensation for avoided loss due to violation of provisions, if it can be determined;

11) require the freezing and/or confiscation of assets;

12) refer cases to the police and the public prosecutor's office;

13) request temporary suspension of trading in a financial instrument when it considers that trading would jeopardize the interests of investors;

14) require the exclusion of a financial instrument from trading on a regulated market or from another trading system;

15) require any person to take steps to reduce the size of the position or exposure;

16) restrict the ability of any person to conclude a transaction with a commodity derivative, including the introduction of restrictions on the size of the position that a person may hold at any time;

17) suspend temporary the advertising or sale of financial instruments or structured deposits when the conditions are met;

18) suspend temporary the advertising or sale of financial instruments or structured deposits when the investment firm has not developed or does not apply an effective product approval procedure or otherwise fails to meet the provisions of Article 167 of this Law;

19) request the exclusion of a person from the management of the investment firm or market operator;

20) undertake all necessary measures to ensure that the public is accurately informed, i.e. request from the issuer or another person to correct erroneous or misleading information, or publish them at the expense of those persons

21) requires the issuer to publish, or the Commission publishes, all important information that may affect the assessment of securities that are publicly offered or admitted to trading on a regulated market, in order to protect investors or to ensure smooth functioning of the market;

22) request from issuers, offerors or persons requesting admission to the regulated market to include additional information in the prospectus, if this is necessary for the protection of investors;

23) suspend temporarily a public offer or admission to trading on a regulated market for a period of maximum ten consecutive working days if there is a reasonable suspicion that there has been a violation of the provisions of this Law governing public offering and admission to trading;

24) prohibit or suspend temporarily advertising; request from issuers, offerors, persons requesting admission to trading on a regulated market, or relevant financial intermediaries to prohibit or suspend temporarily advertising for a period of not more than ten consecutive working days if there is a reasonable suspicion that there has been a violation of the provisions of this Law governing public offering and admission to trading;

25) prohibit the public offering or admission of securities to trading on a regulated market when it determines that there has been a violation of the provisions of this Law or when there are grounds for suspicion that a violation may occur;

26) suspend temporarily or require a regulated market, an MTF or an OTF to suspend temporarily trading on a regulated market for a period of maximum 10 consecutive working days in the event that there is a reasonable suspicion that there has been a violation of the provisions of this Law governing public offering and admission to trading;

27) prohibit temporarily or permanently a participant or a market from trading in a certain product;

28) prohibit trading on a regulated market, an MTF or an OTF if it deems that there has been a violation of the provisions of this Law governing public offering and admission to trading;

29) announce the fact that the issuer, offeror or person requesting admission to trading on a regulated market does not fulfill the legal requirements;

30) suspend temporarily the review of the prospectus submitted to it for approval or suspend temporarily or limit the public offering of securities or admission to trading on a regulated market, if it exercises its authority to impose a ban or restriction, until the ban or restriction expires;

31) refuses, for a maximum of five years, to approve the prospectus when the issuer, offeror or person requesting admission to a regulated market commits a serious violation, i.e. repeated violations of the provisions of this Law governing public offering and admission to trading;

32) prohibit trading if it deems that the situation of the issuer is such that trading would harm the interests of investors.

Revocation of the authorization for performing the activities referred to in paragraph 1, point 8) of this Article may cover all or some activities.

The provision of investment services, the performance of investment activities or the offer of services of a settlement system operator without the authorization or approval referred to in this Law shall also be considered a violation of the provisions of this Law.

Failure to cooperate in the supervision procedure or failure to comply with the order during the direct supervision is considered a violation of the provisions of this Law and may be grounds for revocation of the license issued by the Commission.

The revenue generated by the fines collected represents the revenue of the Commission.

The decision from paragraph 1 points 4), 6), 7) 8) and 11) of this Article, after delivery to the supervised entity, shall constitute a legally actionable document.

The Commission, before imposing the measure on the person to whom it grants authorization, i.e. prior consent, shall enable the person to deposit a statement.

Supervision in Case of Authorization Revocation

Article 375

The Commission conducts the procedure of direct supervision over a person authorized by the Commission in case of cessation of activities or revocation of the authorization due to other circumstances.

Criteria for Imposing Measures and Sanctions

Article 376

In determining the nature and level of administrative sanctions or measures imposed when exercising its powers, the Commission shall take into account all relevant circumstances, including, where appropriate:

1) the severity and duration of illegal or improper conduct of a supervised entity;

2) the level of responsibility of a natural or legal person for illegal or improper conduct;

3) the financial strength of a responsible natural or legal person, reflected in the total income of a legal person or the annual income and individual net worth of a responsible natural person;

4) the value of the realized profit, or the avoided loss of physical or legal assets, if it is possible to establish it;

5) losses incurred by a third party due to illegal or improper conduct of the supervised entity, if it is possible to establish it;

6) the impact of illegal or improper conduct of the supervised entity on the interests of retail clients;

7) the level of cooperation of the supervised entity in the supervision procedure, without prejudice to the need to ensure the recovery of profits or prevented losses that the person has avoided;

8) previously established illegalities or irregularities with the same supervised entity;

9) measures taken by the supervised entity to prevent the recurrence of illegalities or irregularities.

Fines

Article 377

Where illegalities and irregularities that constitute a violation of the provisions of Chapter XII of this Law which regulate abuses in the market (Articles 269 - 297 of this Law), are established, the Commission may impose fines as follows:

1) fines for legal persons, from at least 10,000 dinars to 15% of the total annual turnover of the legal entity according to the latest available statements approved by the management; if the legal person is a parent company or a subsidiary of the parent company obliged to prepare consolidated financial statements in accordance with the law governing accounting, the total annual turnover means the total annual turnover, or the appropriate type of income pursuant to the acts governing accounting, according to the latest available consolidated statements approved by the management of the ultimate parent company;

2) fines for natural persons, which may not be less than one salary, nor more than the sum of twelve salaries received by a natural person in the period of twelve months before the day of the decision.

The maximum fine may be imposed in the triple amount of the gained profit, or avoided loss when the profit can be determined, even if it exceeds the maximum amounts referred to paragraph 1 of this Article.

The Commission shall prescribe a methodology for determining the amount of fines.

Imposition of Measures by Direct Decision-Making

Article 378

If the imposition of measures is deemed necessary in order to ensure orderly functioning of the financial market or to protect investors, where those measures cannot be postponed, and the facts on which the measures are based are established, generally known, known to the Commission or can be determined based on official records, the Commission may decide on their imposition directly, without conducting the procedure of direct supervision.

Order to Restore Legality and Cessation of Procedure

Article 379

In case of established illegalities and irregularities, the Commission may order a natural or legal person to restore legality and/or terminate any action that is contrary to the provisions of this Law, and order that such illegal and improper conduct not be repeated.

With the decision referred to in paragraph 1 of this Article, the Commission shall determine the deadline for execution of the decision and the obligation to submit to the Commission proof of compliance with the orders from the decision.

By virtue of the decision referred to in paragraph 1 of this Article, the Commission may impose one or more measures in accordance with this Law.

If the Commission determines that the illegalities and irregularities whose elimination is ordered by the decision referred to in paragraph 1 of this Article have not been eliminated, the Commission may impose a new measure.

The Commission shall inform the regulated market, i.e. MTF, CSD, and a credit institution when necessary, of the decisions made under this Article and shall inform the National Bank of Serbia in any case when the decision refers to the credit institution.

Written Warning

Article 380

When the Commission in the course of the supervision establishes illegalities or irregularities violating provisions of this Law, Commission regulations, and other laws within the competence of the Commission and acts adopted on the basis of those laws, and the nature and scope of established illegalities and irregularities have no significant impact and consequences, the Commission may issue a written warning to the supervised entity.

If the supervised entity during the supervision corrects the established violation of the provisions of this Law, Commission regulations, and other laws within the competence of the Commission and acts adopted on the basis of those laws, for which the Commission would have issued an order requesting restoration of legality and/or cessation of actions that are contrary to the provisions of the law, the Commission may issue a written warning to the supervised entity.

Order Compliance Report

Article 381

In compliance with the order from the Commission decision, a supervised entity shall remedy the identified illegalities or irregularities and it shall submit a report to the Commission stating actions taken upon order within the time period set by the Commission.

In addition to the report referred to in paragraph 1 of this Article, the supervised entity shall file documents and other evidence substantiating that illegalities or irregularities have been eliminated.

If the report referred to in paragraph 1 of this Article is incomplete or the report and enclosed evidence fail to substantiate that the identified illegalities or irregularities have been remedied, the Commission may instruct the supervised entity to supplement the report and it shall set a time period within which the report must be supplemented.

If the report, enclosed documentation and other evidence prove that the established illegalities and irregularities have been removed, the Commission shall adopt the report.

When the Commission fails to order supplement to the report referred to in paragraph 1 of this Article within 60 days following the date of submission of the report, it shall be deemed that illegalities and irregularities have been removed.

Decision Compliance Supervision

Article 382

Notwithstanding submission of the order compliance report, the Commission is authorized to conduct direct supervision over the supervised entity, which is ordered to eliminate illegalities or irregularities, to the extent necessary to determine whether the identified illegalities and irregularities have been eliminated.

Decision Publication

Article 383

The Commission shall publish on its website information on each decision imposing an administrative measure or sanction referred to in Article 374 of this Law immediately after notifying the person to whom the sanction has been imposed.

The Commission publishes information on the type and nature of illegality and the identity of the responsible persons and may also publish other data that it deems relevant for the investors.

The first paragraph of this Article does not refer to decisions ordering some action of the supervised entity in order to manage the supervision procedure.

Notwithstanding paragraph 1 of this Article, on the basis of an individual assessment of the case, when assessing that disclosure of the identity of a legal or natural person would be inappropriate or when disclosure jeopardizes the stability of the financial market or the ongoing supervision procedure, the Commission shall:

1) defer publication of the decision until the reasons for that deferral cease to exist;

2) publish the decision on an anonymous basis, where such publication ensures the effective protection of the personal data concerned;

3) not publish the decision in the event that it is of the opinion that publication in accordance with point 1) or 2) will be insufficient to ensure:

(1) that the stability of financial markets is not jeopardized; or

(2) the proportionality of the publication of such decisions with regard to measures which are deemed to be of a minor nature.

Where the Commission decides to publish a decision on an anonymous basis, it may postpone the publication of the relevant data for a reasonable period of time where it is foreseeable that the reasons for anonymous publication will cease to exist during that period.

Where the decision is subject to an appeal before the relevant judicial authorities, the Commission shall also publish such information and any subsequent information on the outcome of such an appeal immediately on its website as well as any decision annulling the appealed decision.

The Commission shall ensure that any decision that is published in accordance with this Article shall remain accessible on its official website for a period of at least five years after its publication, and personal data contained shall be kept on its website for the period which is necessary in accordance with the applicable law on data protection.

The Commission shall inform ESMA of all administrative sanctions imposed but not published in accordance with point 3) of paragraph 3 of this Article including any appeal in relation thereto and the outcome thereof. The Commission shall receive information and the final judgement in relation to any criminal sanction imposed and submit it to ESMA.

The Commission shall provide ESMA annually with aggregated information regarding all sanctions and measures imposed in accordance with this Article. The obligation does not apply to measures of an investigatory nature.

The Commission shall provide ESMA annually with anonymized and aggregated data regarding all criminal investigations undertaken and criminal sanctions imposed. ESMA shall publish data on criminal sanctions imposed in an annual report.

Where the Commission has disclosed an administrative measure, sanction or criminal sanction to the public, it shall, at the same time, report that fact to ESMA.

Supervisory Powers

Article 384

The Commission shall exercise its supervisory powers, including the powers to impose measures referred to in Article 355 of this Law and the powers to impose penalties referred to in Article 374 of this Law:

1) directly;

2) in collaboration with other authorities, including the ministry in charge of interior, or market participants;

3) by addressing the competent judicial authorities.

Supervision over an Unauthorized Service Provider

Article 385

The Commission may also conduct supervision over a natural or legal person, as a supervised entity, if there are grounds for suspicion that it performs an activity for which the authorization is required under this law.

In the procedure of direct supervision over the entity referred to in paragraph 1 of this Article, supervision shall be conducted without prior notification of the forthcoming supervision, with direct delivery of the supervision order to the responsible person or other person found in the business premises of the entity.

The general provisions of this Law and the Commission regulation shall apply to the supervision procedure and minutes drawing up.

If it finds that the person referred to in paragraph 1 of this Article is performing an activity without authorization, the Commission may issue an order to cease the conduct that constitutes illegality as well as all other measures necessary to ensure that the illegal conduct is terminated.

Failure of the Commission to Issue Decision at the Request of a Party

Article 386

Should the Commission fail to issue a reasoned decision at the request of a party within six months from the submission of a proper request, the party may, after the expiration of that period, initiate an administrative dispute due to failure to issue a decision.

Out-of-court Consumer Dispute Resolution

Article 387

Investment firms shall set up efficient and effective redress procedures and provide out-of-court consumer dispute resolution mechanisms concerning the provision of investment and ancillary services.

Investment firms shall provide the possibility of out-of-court dispute resolution referred to in paragraph 1 of this Article in accordance with the laws governing mediation in resolving disputes and arbitration.

The procedures referred to in paragraph 1 of this Article shall be made public by the investment firm. All complaints received, and actions undertaken shall be documented and kept by the investment firm for a period not shorter than five years.

The bodies referred to in paragraph 2 of this Article shall actively cooperate with their counterparts in other Member States in the resolution of cross-border disputes.

The Commission shall notify ESMA of the complaint and redress procedures referred to in paragraph 2 of this Article which are available in the Republic.

Paragraphs 4 and 5 of this Article shall enter into force at the entry of the Republic in the EU.

Powers of the Commission Regarding Short Selling and Certain Aspects of CDS Derivatives

Article 388

The Commission shall be the competent authority for the purposes of the EU regulations governing short selling and certain aspects of CDS derivatives.

Article 389

Without prejudice to other measures prescribed by this Law, the Commission may require persons entering into short-selling transactions and CDS derivative transactions to notify the Commission and to publish short positions and positions in CDS derivatives in accordance with the scope, format and frequency prescribed by the Commission.

The Commission may, in case of adverse events or developments that would seriously jeopardize financial market stability or financial market confidence in the Republic, temporarily restrict transactions resulting in short-selling and CDS derivatives transactions, if the measure is necessary to control this threat and will not have a negative impact on the efficiency of financial markets that is disproportionate to its benefits.

Cooperation with Competent Authorities of other Member States and ESMA

Article 390

The Commission shall be the contact point for the purposes of cooperation with competent authorities of other Member States and ESMA.

The Commission cooperates with the competent authorities of other Member States and provides them with assistance when necessary to perform the duties prescribed in accordance with this Law, i.e. the regulation transposing into the legal order of a Member State the provisions of EU regulations governing both financial instruments and the prospectus that needs to be published during the public offering of securities or admission to trading on a regulated market.

The cooperation referred to in paragraph 2 of this Article shall include the exchange of information and cooperation in investigative and supervisory activities.

The Commission shall cooperate with competent authorities of other Member States with respect to facilitating the recovery of fines.

The Commission may use its powers for the purpose of cooperation, even where the conduct under investigation does not constitute an infringement of any regulation in force in the Republic.

When, taking into account the situation of the securities markets in the Republic, the operations of a trading venue that has established arrangements in the Republic, have become of substantial importance for the functioning of the securities markets and the protection of the investors in the Republic, the Commission shall establish a proportionate cooperation agreement with the home competent authorities of the trading venue.

The provisions of paragraph 5 of this Article shall apply accordingly in cases when the Commission is the home competent authority of the trading venue.

Where the Commission has good reasons to suspect that acts contrary to the provisions of this Law or the EU regulation governing markets in financial instrument, carried out by entities subject to its supervision, are being or have been carried out on the territory of another Member State, it shall as much as possible notify the competent authorities of the other Member State and ESMA.

When it has been notified by the competent authorities of another Member States that acts contrary to the provisions of EU regulation governing markets in financial instruments are being or have been carried out, the Commission shall take appropriate action, inform the notifying competent authorities and ESMA of the outcome of the action and, to the extent possible, of significant interim developments.

The paragraph 8 of this Article shall be without prejudice to the competence of the notifying competent authorities.

The Commission shall notify ESMA and other competent authorities of:

1) any requests to reduce the size of a position or exposure pursuant to point 15) paragraph 1 Article 374 of this Law;

2) any limits on the ability of persons to enter into a commodity derivative pursuant to point 16) paragraph 1 Article 374 of this Law.

The notification referred to in paragraph 10 of this Article shall include, where relevant, the details of the request, identity of the person or persons to whom it was addressed and the reasons therefor, as well as the scope of the limits introduced including the person concerned, the applicable financial instruments, any limits on the size of positions, any exemptions thereto granted, and the reasons therefore.

The notification referred to in paragraph 10 of this Article shall be sent at least 24 hours before the actions or measures are intended to take effect, and the Commission may, in exceptional circumstances, when it is not possible to respect the deadline of at least 24 hours, issue a notification within a shorter period.

When the Commission receives notification under paragraph 10 of this Article, it may take measures in accordance with points 15) or 16) paragraph 1 Article 374 of this Law where it is satisfied that the measure is necessary to achieve the objective of the other competent authorities, in which case it shall notify the intention to take such measures in accordance with paragraph 10 of this Article.

When a measure under points 1) or 2) of paragraph 10 of this Article relates to wholesale energy products, the Commission shall also notify the Agency for the Cooperation of Energy Regulators (ACER) established under the EU regulation establishing an agency for the cooperation of energy regulators.

In relation to emission allowances, the Commission shall cooperate with public bodies competent for the oversight of spot and auction markets and competent authorities, registry administrators and other public bodies in charge of the supervision of compliance under the EU

directive establishing a scheme for greenhouse gas emission allowance trading in order to ensure that they can acquire a consolidated overview of emission allowances markets.

In relation to agricultural commodity derivatives, the Commission shall report to and cooperate with public bodies competent for the oversight, administration and regulation of physical agricultural markets under the EU regulation establishing a common organization of the markets in agricultural products.

Cooperation Between the Commission and Competent Authorities of Other Member States in Supervision, Direct Control and Investigation

Article 391

The Commission may request the cooperation of the competent authorities of another Member State in conducting supervision, direct control and investigation.

In the case of investment firms that are remote members or participants of a regulated market, the Commission may choose to address them directly, in which case it shall inform the competent authorities of the home Member State of the remote member or participant accordingly.

Where the Commission receives a request with respect to a direct control or an investigation, it shall, within the framework of its powers:

1) carry out the control or investigations itself;

2) allow the requesting authority to carry out the control or investigation or take part in the direct supervision conducted by the Commission;

3) allow auditors or experts to carry out the direct control or investigation;

4) forward the request to the competent authority of the Republic.

For the purpose of standardizing supervisory practices, ESMA may participate in the activities of the colleges of supervisors, including direct controls or investigations, carried out jointly by two or more competent authorities.

Exchange of Information

Article 392

The Commission shall immediately supply competent authorities from other Member States that have been designated as contact points with the information required for the purposes of carrying out their duties set out in the provisions adopted pursuant to the EU legislation governing markets in financial instruments.

When exchanging information with other competent authorities under this Law and EU regulation governing markets in financial instruments, the Commission may indicate at the time of communication that such information must not be disclosed without its express consent.

Information received from other competent authorities in accordance with paragraph 2 of this Article may be used by the Commission only for the purposes for which the competent authorities have given their consent.

The Commission, as a contact point, may transmit the information received under paragraph 1 of this Article, and under Articles 344 and 399 of this Law to the authorities designated to carry out the duties provided for under provisions of the EU legislation governing markets in financial instruments.

The Commission shall not transmit information received under paragraph 1 of this Article, to other bodies or natural or legal persons without the express consent of the competent authorities which disclosed it and solely for the purposes for which those authorities gave their consent, except in duly justified circumstances.

In duly justified circumstances referred to in paragraph 5 of this Article, the Commission shall immediately inform the competent authorities from the other Member State that sent the information and that has been designated as contact point for the purposes of the EU legislation governing markets in financial instruments.

The Commission, as well as other bodies or natural and legal persons receiving confidential information under paragraph 1 of this Article or under Articles 344 and 399 of this Law may use it only in the course of their duties, in particular:

1) to check that the conditions governing the taking-up of the business of investment firms are met and to facilitate the monitoring, on a non-consolidated or consolidated basis, of the conduct of that business, especially with regard to the capital adequacy requirements imposed by the law governing the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, administrative and accounting procedures and internal-control mechanisms;

2) to monitor the proper functioning of trading venues;

3) to impose sanctions;

4) in appeals against decisions by the competent authorities;

5) in court proceedings initiated under Articles 329 and 386 of this Law;

6) in the out-of-court procedures based on investors' complaints provided for in Article 387 of this Law.

Neither this Article nor Article 344 or 399 of this Law shall prevent the Commission from transmitting to ESMA, the European Systemic Risk Board, central banks, the ESCB and the ECB, in their capacity as monetary authorities, and, where appropriate, to other public authorities responsible for overseeing payment and settlement systems, confidential information intended for the performance of their tasks.

Binding Mediation

Article 393

The Commission may contact ESMA in cases where a request relating to:

1) conducting supervision, direct supervision or investigation, as provided for in Article 391 of this Law; or

2) exchanging information as provided for in Article 392 of this Law has been rejected or has not been acted upon within a reasonable time.

Refusal to Cooperate

Article 394

The Commission may refuse to act upon a request for cooperation in carrying out an investigation, direct control or supervision as provided for in Article 391 of this Law or to exchange information as provided for in Article 392 of this Law only where:

1) judicial proceedings have already been initiated in respect of the same actions and the same persons in the Republic;

2) final judgment has already been delivered in the Republic in respect of the same persons and the same actions.

3) acting upon the request would adversely affect the Commission's investigation, law enforcement or criminal proceedings.

If the Commission refuses to act upon the request for cooperation referred to in paragraph 1 of this Article, it shall explain its decision and notify the requesting competent authority and ESMA.

Consultation Prior to Authorization

Article 395

The Commission shall consult the competent authorities of the other Member State involved prior to granting authorization to an investment firm which is:

1) a subsidiary of an investment firm or market operator or credit institution authorized in another Member State; or

2) a subsidiary of the parent undertaking of an investment firm or credit institution authorized in another Member State; or

3) controlled by the same natural or legal persons who control an investment firm or credit institution authorized in another Member State.

The Commission shall consult the competent authorities of the Member State responsible for the supervision of credit institutions or insurance undertakings prior to granting an authorization to an investment firm or market operator which is:

1) a subsidiary of a credit institution or insurance undertaking authorized in the EU; or

2) a subsidiary of the parent undertaking of a credit institution or insurance undertaking authorized in the EU; or

3) controlled by the same person, whether natural or legal, who controls a credit institution or insurance undertaking authorized in the EU.

The Commission and relevant competent authorities of other Member States referred to in paragraphs 1 and 2 of this Article shall in particular consult each other when assessing the

suitability of the shareholders or members and the reputation and experience of persons who effectively direct the business involved in the management of another entity of the same group.

For the purpose of the consultations referred to in paragraph 3 of this Article, all information regarding the suitability of shareholders or members and the reputation and experience of persons who effectively direct the business that is of relevance to the other competent authorities involved, for the granting of an authorization as well as for the ongoing assessment of compliance with operating conditions shall be exchanged.

The provisions of this Article shall apply *mutatis mutandis* where the Commission receives a request for information from the competent authorities of another Member State.

Powers of Host Member States

Article 396

The Commission may, for statistical purposes, require all investment firms with branches within the Republic to report periodically on the activities of those branches.

The Commission may require branches of investment firms to provide the information necessary for the monitoring of their compliance with the standards set by this Law that apply to them for the cases provided for in paragraphs 14 and 15 of Article 199 of this Law.

The requirements referred to in paragraph 2 of this Article, may not be stricter than those imposed by the Commission on companies established in the Republic for the purpose of monitoring compliance with the same standards.

Precautionary Measures

Article 397

Where the Commission has clear and demonstrable grounds for believing that an investment firm providing services within the Republic infringes the obligations set out in this Law, or that an investment firm that has a branch within the Republic infringes the obligations arising from the provisions set out in this Law, which do not confer powers on the Commission, it shall refer those findings to the competent authorities of the home Member State.

If, despite the measures taken by the competent authorities of the home Member State or because such measures prove inadequate, the investment firm persists in acting in a manner that is clearly prejudicial to the interests of investors or the orderly functioning of markets in the Republic, the following shall apply:

1) after informing the competent authorities of the home Member State, the Commission shall take all the appropriate measures needed in order to protect investors and the proper functioning of the markets, which shall include the possibility of preventing offending investment firms from initiating any further transactions within Republic, and shall inform the European Commission and ESMA of such measures without undue delay; and

2) the Commission may refer the matter to ESMA.

Where the Commission ascertains that an investment firm that has a branch within its territory infringes the legal or regulatory provisions adopted in the Republic pursuant to those provisions of the EU governing markets in financial instruments which confer powers on the host Member State's competent authorities, the Commission shall require the investment firm concerned to put an end to its irregular situation.

If the investment firm concerned fails to take the necessary steps, the Commission shall take all appropriate measures to ensure that the investment firm concerned puts an end to its irregular situation, and the nature of those measures shall be communicated to the competent authorities of the home Member State.

Where, despite the measures taken by the Commission, the investment firm persists in infringing the legal or regulatory provisions referred to in paragraph 3 of this Article, the Commission shall, after informing the competent authorities of the home Member State, take all the appropriate measures needed in order to protect investors and the proper functioning of the markets, and shall inform the European Commission and ESMA of such measures without undue delay.

In the case referred to in paragraph 5 of this Article, the Commission may refer the matter to ESMA.

Where the Commission, acting as the competent authority of the host Member State of a regulated market, an MTF or OTF, has clear and demonstrable grounds for believing that such regulated market, MTF or OTF infringes the obligations arising from the provisions adopted pursuant to the EU directive governing markets in financial instruments, it shall refer those findings to the competent authorities of the home Member State of the regulated market or the MTF or OTF.

Where, despite the measures taken by the competent authorities of the home Member State or because such measures prove inadequate, that regulated market or MTF or OTF persists in acting in a manner that is clearly prejudicial to the interests of investors or the orderly functioning of market in the Republic, the Commission shall, after informing the competent authorities of the home Member State, take all the appropriate measures needed in order to protect investors and the proper functioning of the markets, including the possibility of preventing that regulated market or MTF or OTF from making their arrangements available to remote members or participants established in the Republic.

The Commission shall inform the European Commission and ESMA of measures referred to in paragraph 8 of this Article without undue delay and may refer the matter to ESMA.

Any measure adopted pursuant to this Article involving sanctions or restrictions on the activities of an investment firm or of a regulated market shall be properly justified and communicated to the investment firm or to the regulated market concerned.

Cooperation and Exchange of Information with ESMA

Article 398

The Commission shall cooperate with ESMA.

The Commission shall, without undue delay, provide ESMA with all information necessary to carry out its duties under the EU legislation governing markets in financial instruments.

The Commission and the National Bank of Serbia shall, on request and without undue delay, provide ESMA with the information required for the purpose of carrying out the duties under the EU regulation governing the improvement of securities settlement and the central securities depositories.

Exchange of Information with Third Countries

Article 399

The Commission may conclude cooperation agreements providing for the exchange of information with the competent authorities of third countries only if the information disclosed is subject to guarantees of professional secrecy at least equivalent to those required under Article 344 of this Law.

The exchange of information referred to in paragraph 1 of this Article shall be intended for the performance of the tasks of the Commission.

Transfer of personal data to a third country by the Commission shall be in accordance with EU legislation governing data protection.

The Commission may also conclude cooperation agreements providing for the exchange of information with third country authorities, bodies and natural or legal persons responsible for one or more of the following:

1) supervision of credit institutions, other financial institutions, insurance undertakings and the supervision of financial markets;

2) liquidation and bankruptcy of investment firms and other similar procedures;

3) carrying out of statutory audits of the accounts of investment firms and other financial institutions, credit institutions and insurance undertakings, in the performance of their supervisory functions, or investors protection schemes management;

4) oversight of the bodies involved in the liquidation and bankruptcy of investment firms and other similar procedures;

5) oversight of persons in charge of carrying out statutory audits of the accounts of insurance undertakings, credit institutions, investment firms and other financial institutions;

6) oversight of persons active on emission allowance markets for the purpose of ensuring a consolidated overview of financial and spot markets;

7) oversight of persons active on agricultural commodity derivatives markets for the purpose of ensuring a consolidated overview of financial and spot markets.

The cooperation agreements referred to in paragraph 4 of this Article may be concluded only where the information disclosed is subject to guarantees of confidentiality at least equivalent to those required under Article 344 of this Law.

The exchange of information referred to in paragraph 5 of this Article shall be intended for the performance of the tasks of those competent authorities or bodies or natural or legal persons.

Where the cooperation agreements referred to in paragraph 4 of this Article involves the transfer of personal data by the Commission, it shall comply with the EU legislation governing data protection.

Where the information originates in another Member State, it may not be disclosed without the prompt approval of the competent authorities which have transmitted it and, where appropriate, solely for the purposes for which those competent authorities have given their approval. The same provision applies to information provided by third country competent authorities.

The Official Register of Regulated Information

Article 400

The Commission shall be required to keep the Official Register of Regulated Information and to publish its content on the website of the Commission.

The Official Register of Regulated Information referred to in paragraph 1 of this Article shall consist of the following:

1) the register of issuers that have had a prospectus approved by the Commission for public offering of securities;

2) the register of issuers whose financial instruments are admitted to trading on a regulated market or MTF in the Republic;

3) register of public companies, including the following sub-registers of:

(1) financial reports, annual reports, half-yearly reports, quarterly reports, material information and regulated information filed by each company;

(2) issuers that have issued financial instruments in transactions approved by the Commission as exempted from publication of a prospectus;

(3) owners of major holdings in public companies who have submitted information under Chapter V of this Law;

(4) public companies that fail to meet obligations under Chapter V of this Law or Commission regulations, imposed measures and sanctions;

(5) companies whose status of a public company has been terminated;

4) the register of authorizations granted and withdrawn including sub-registers: approvals for general enactments, members of management, acquisition of the qualifying holdings in capital, imposed measures and sanctions;

5) the registers kept in accordance with the law governing open-end investment funds with a public offering and the law governing alternative investment funds

6) the register(s) of imposed measures and sanctions;

7) the register kept pursuant to the law governing takeovers of joint stock companies.

The Commission shall prescribe the detailed content and the method used for keeping the registers specified in this Article.

Multilateral Memorandum of Understanding of the International Organization of Securities Commissions (IOSCO)

Article 401

The Securities Commission as a signatory to the Multilateral Memorandum of Understanding (MMOU) of the International Organization of Securities Commissions (IOSCO) shall be authorized to provide services and exchange information in cooperation with other authorities - signatories to the MMOU:

1) information and documents regarding the matters set forth in a request for assistance, including:

(1) updated records sufficient to reconstruct all transactions in financial instruments, including records of all funds and assets transferred into and out of accounts of credit institutions and broker-dealer companies and brokerage accounts relating to those transactions;

(2) records on beneficial ownership and control;

(3) information about any transaction, account holders, buy and sell prices, transaction times, prices and persons, credit institutions or investment firms conducting those transaction;

2) statements given by persons under material and criminal liability, in connection with issues that are the subject of cooperation.

The information is shared, or services are provided as referred to in paragraph 1 of this Article with an explanation as to why the requesting body requests information or assistance and if appropriate evidence is provided on the confidentiality of the information.

The government authorities of the Republic, and other persons holding information that is subject of the request for assistance indicated in paragraph 1 of this Article shall provide such information to the Commission in line with the provisions of this Law, provided that such exchange of information does not violate the laws or other regulations that these authorities adhere to.

XVII SANCTIONS

1. CRIMINAL OFFENSES

Prohibition of Market Manipulation

Article 402

Any person engaging in market manipulation and earning financial benefits for themselves or for any other person and causing damages to other persons by:

1) concluding transactions or issuing orders to trade which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or which

secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal level;

2) concluding transactions or issuing orders to trade which employ fictitious devices or any other form of deception or contrivance;

3) disseminating information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

shall be punished with imprisonment of six months to five years and fined.

If the acts referred to in paragraph 1 of this Article cause a significant disruption on the regulated market or MTF, the perpetrator will be sentenced to imprisonment for a period ranging from three to eight years.

Any attempt of committing the act referred to in paragraph 1 hereof shall be punished.

Using, Disclosing and Recommending Inside Information

Article 403

Whoever uses inside information with the intention to acquire themselves or other persons financial benefits or causes damage to other persons:

1) by acquiring or disposing of, or by trying to acquire or dispose of, for their own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates;

2) by disclosing and making available inside information to a third party;

3) by recommending or inducing another person, on the basis of inside information, to acquire or dispose of financial instruments to which that information relates,

shall be fined or sentenced to imprisonment of up to one year.

If the acts referred to in paragraph 1 of this Article result in acquiring financial benefits or causing damage to a third party exceeding RSD 1,500,000 the perpetrator shall be punished by imprisonment lasting up to three years and a fine.

If a person commits an act referred to in paragraph 1, having inside information by virtue of the membership in the management or supervisory bodies of an issuer or a public company, by virtue of holding in the capital of the issuer or public company, by having access to the information through the exercise of their employment, profession or other duties or by virtue of their criminal activities, the person shall be fined or imprisoned for a period of up to three years.

If the acts referred to in paragraph 3 of this Article result in acquiring material gain or causing damage to a third party exceeding RSD 1,500,000.00 the person shall be punished to imprisonment of six months to five years and fined.

Any attempt of committing the act referred to in paragraph 1 hereof shall be punished.

Unauthorized Provision of Investment Services

Article 404

The unauthorized provision of investment services and activities with the intention to secure material gain for themselves or someone else, shall be subject to punishment by a fine or imprisonment of up to one year.

If the acts referred to in paragraph 1 of this Article result in acquiring material gain or causing damage to a third party exceeding RSD 1,500,000.00, the perpetrator shall be punished by imprisonment lasting up to three years and fined.

2. ECONOMIC OFFENCES

Article 405

A fine in the amount of 10,000 to 3,000,000 dinars shall be imposed for an economic offence if:

1) the CSD member transfers the rights arising from securities contrary to the provisions of Article 9 of this Law;

2) CSD fails to maintain the Pledge Registry for Financial Instruments in accordance with Article 14 of this Law;

3) CSD fails to maintain the records or the Pledge Registry in accordance with Article 23, paragraph 2, Article 32 and Article 33 of this Law;

4) the issuer, bidder or the person requesting inclusion on the regulated market publishes a prospectus contrary to Article 54, paragraph 1, of this Law;

5) the issuer, bidder or the person requesting admission to trading on a regulated market fails to publish the approved prospectus within the timeline referred to in Article 55, paragraph 1, of this Law;

6) the issuer, bidder or the person requesting admission to trading on a regulated market fails to ensure that any links to the information included and referred to in the prospectus or any links to the appendix to the prospectus and/or final terms are functional during the period referred to in Article 55, paragraph 13, of this Law;

7) the issuer, bidder or the person requesting admission to trading on a regulated market publishes or makes available to the public the prospectus or the appendix to the prospectus contrary to the provisions of Article 55, paragraph 18, of this Law.

8) the issuer, bidder, the person requesting admission to trading on a regulated market or the financial intermediary that places or sells securities fails to provide a copy of the prospectus to the potential investor in accordance with Article 55, paragraphs 19 and 20, of this Law;

9) the audited entity fails to inform the Commission of the facts referred to in Article 77, paragraph 9, of this Law;

10) the issuer of equity securities traded on a regulated market fails to report to its shareholders in accordance with Article 95, paragraph 4, of this Law.

11) the issuer of debt securities admitted to a regulated market fails to fulfil its obligations under Article 96, paragraphs 1 through 5 of this Law.

12) the market operator fails to obtain the permission of the Commission for merger, acquisition or division, submission of applications for registration of a status change in the Business Register in accordance with Article 110 of this Law;

13) the market operator fails to submit to the Commission a request for approval to revise the Articles of Association, operating rules and procedures, tariff regulations or a request for approval of a management member in accordance with Article 111 of this Law;

14) the market operator starts performing an activity for which he/she has not received an authorization, before registering the activity in the Business Register in accordance with Article 113, paragraph 2, of this Law;

15) the legal person fails to notify or fails to submit a request for prior consent for the acquisition and reduction of the percentage of a qualified holding, indicating all the information in accordance with Article 120, paragraphs 1 and 2 of this Law;

16) the market operator acts contrary to the provisions of Article 124, paragraph 1, of this Law where it refers to the acquisition of a qualifying holding;

17) the market operator acts contrary to the provisions of Article 126 of this Law;

18) the market operator fails to provide to the Commission, at their request, any information relating to the order book or fails to ensure that the Commission has access to the order book in order to be able to monitor trading in accordance with Article 127, paragraph 20, of this Law;

19) the market operator fails to publish the decision on temporary trading suspension or exclusion of a financial instrument from trading, including all the related derivative financial instruments, or fails to notify the Commission of all relevant decisions adopted by the parties in accordance with Article 132, paragraph 2, of this Law;

20) the market operator fails to notify the Commission of the procedures prescribed by Article 135, paragraph 2, of this Law;

21) the market operator fails to act in accordance with Article 135, paragraph 4, of this Law in the event of market abuse;

22) the market operator fails to act in the manner prescribed by Article 137, paragraph 2, of this Law, where it refers to data storage;

23) the legal person provides the data provision services as the regular activity or business without a prior permission of the Commission, if that is contrary to Article 140, paragraph 1, of this Law;

24) the investment firm provides services or performs activities that are not in accordance with the provisions of Article 149 of this Law;

25) the investment firm fails to act in accordance with the provisions of Article 152 of this Law, or fails to obtain the permission of the Commission for any merger, acquisition or division;

26) the investment firm, contrary to the provisions of Article 154, paragraph 4, of this Law, begins to perform an activity for which it has obtained a license before having registered that activity in the Business Register or before having provided to the Commission proof of membership to the Investor Protection Fund;

27) the investment firm fails to implement the management system in accordance with Article 157, paragraph 1, of this Law;

28) the investment firm fails to establish the Appointment Committee in accordance with the provisions of Article 158, paragraph 1, of this Law;

29) the investment firm acts contrary to the provisions of Article 160 of this Law where it refers to the acquisition of a qualifying holding;

30) the legal person, contrary to the provisions of Article 161 of this Law, and without the approval of the Commission, acquires or increases a qualifying holding in an investment firm;

31) the investment firm fails to establish or implement the efficient organizational and administrative procedures in accordance with Article 167, paragraph 1, of this Law;

32) the investment firm fails to fulfil the obligations and duties provided for in Article 168 of this Law;

33) the investment firm fails to maintain or keep the records in the prescribed manner in accordance with Article 169 of this Law;

34) the investment firm fails to act in accordance with Article 170 of this Law;

35) the investment firm fails to act upon the order of the Commission regarding the trading parameters or exclusion of the financial instrument from trading in accordance with Article 173, paragraph 4, of this Law;

36) the investment firm acts in relation to the provision of information and marketing materials contrary to the provisions of Article 179, paragraph 1, of this Law;

37) the investment firm uses the services of another investment firm contrary to Article 185 of this Law;

38) the investment firm receives fees, discounts or non-monetary benefits to direct client orders to a particular trading venue or execution venue, contrary to Article 186, paragraph 4, of this Law;

39) an investment firm, contrary to Article 186 paragraph 9 of this Law, fails to obtain the clients' prior written consent for their order execution procedures;

40) the investment firm fails to refuse to execute a client order in accordance with Article 188, paragraph 3, of this Law;

41) the investment firm fails to ensure that the tied agent discloses its role and the investment firm it represents when it approaches or commences business with a client or a potential client, in accordance with Article 190, paragraph 3, of this Law;

42) the investment firm or the MTF/OTF market operator fails to comply with Article 195, paragraph 1, of this Law;

43) the investment firm establishes, without the consent of the Commission, a branch in another state in accordance with Article 209, paragraph 1, of this Law;

44) the investment firm fails to publish the volume or the price of transactions with financial instruments traded in the trading venue in accordance with Article 235, paragraph 1, of this Law;

45) the investment firm performs activities without the permission of the Commission, contrary to the provisions of Article 237, paragraph 2, of this Law;

46) the investment firm or the trading venue operator fails to fulfil the record keeping and reporting obligations in accordance with Articles 238 and 239 of this Law;

47) the trading venue operator or the systemic internaliser fails to fulfil the record keeping and reporting obligations in accordance with Article 240 of this Law;

48) the investment firm fails to fulfil its record keeping and reporting obligations in accordance with the provisions of Article 242 of this Law;

49) the Agency fails to make the payment of the protected claims in the event of an insured event, in accordance with the provisions of Articles 259 and 260 of this Law;

50) CSD delegates the performance of its activities to a third party without the approval of the Commission, contrary to the provisions of Article 306, paragraph 2, of this Law;

51) CSD fails to fulfil the obligations and duties provided by the provisions of Article 317 of this Law;

52) CSD fails to ensure supervision in accordance with the provisions of Article 324 of this Law;

53) the legal person that is supervised entity prevents the implementation of direct supervision in accordance with Article 365, paragraphs 1 through 5 of this Law.

For any action referred to in paragraph 1 of this Article, the responsible person in the legal person shall also be fined in the amount from RSD 50,000 to 200,000 for an economic offence.

In addition to the fines for economic offences referred to in paragraphs 1 and 2 of this Article, a protective measure of prohibiting the performance of certain duties by the responsible person for a period of one to five years or a protective measure of public verdict announcement may also be imposed.

3. FINES

Article 406

A fine prescribed in accordance with Article 377 of this Law shall be imposed on the legal person:

1) which, acting as the market participant conducting market research, before disclosing any insider information, fails to act in accordance with Article 275, paragraph 5, of this Law;

2) which, acting as the market participant conducting market research, fails to compile and keep records of all information provided to the information recipients in accordance with Article 275, paragraph 7, of this Law;

3) which, acting as the market participant conducting market research, fails to forward the records referred to in Article 275, paragraph 7, of this Law to the Commission, in accordance with Article 275, paragraph 8, of this Law;

4) which, acting as the market participant that publishes information, fails to keep records during the period prescribed by Article 275, paragraph 11, of this Law;

5) which is the regulated market operator, MTF or OTF, the investment firm or the person professionally arranging or executing transactions, if it fails to notify the Commission of orders and transactions, including any withdrawal or amendment of orders and transactions, that could constitute trade or attempt to trade on the basis of insider information or a manipulation, in accordance with Article 280, paragraph 2, of this Law;

6) which is a regulated market operator, MTF or OTF, the investment firm and a person professionally arranging or executing transactions, if it fails to prescribe or establish the internal procedures ensuring that their employees can report market abuse incidents, in accordance with Article 280, paragraph 3, of this Law;

7) which is the issuer, if it combines the publication of insider information with the advertising of own activities in terms of Article 282, paragraph 3, of this Law;

8) which is the issuer, if it fails to publish the information or if it fails to make the information available to the public in the manner and within the timeline prescribed in Article 282, paragraph 4, of this Law;

9) which is the issuer, if it delays the publication of insider information if the conditions from Article 283, paragraph 1, of this Law are not met;

10) which is the issuer, if it fails to compile, update, forward to the Commission or maintain a list of persons who have access to insider information in accordance with Article 284, paragraphs 1, 5 and 7, of this Law;

11) which is the issuer, if it fails to issue the notice in accordance with Article 288, paragraph 1, of this Law;

12) which is the issuer, if it fails to act in accordance with Article 288, paragraph 2, of this Law;

13) which is the investment recommendation provider, if it fails to indicate in the recommendation the identity of the person responsible for its preparation in accordance with Article 292, paragraph 1, of this Law;

14) which is the investment recommendation provider, if it fails to issue the recommendation contrary to Article 293, paragraph 1, and Article 294, paragraphs 1 through 3 of this Law;

15) which is the investment recommendation provider, if it distributes an investment recommendation made by a third party contrary to Article 295 of this Law.

Article 407

A fine prescribed in accordance with Article 377 of this Law shall be imposed on:

1) any person performing the manager duties and any person related to such person if he/she fails to inform the issuer and the Commission about the transactions for his/her own account, in accordance with Article 287, paragraphs 1 and 2 of this Law;

2) any person who performs the manager duties if he/she trades contrary to the provisions of Article 290, paragraph 1, of this Law;

3) any natural person providing investment recommendations who fails to indicate in the recommendation the identity of the person responsible for its preparation in accordance with Article 292, paragraph 1, of this Law;

4) any natural person providing investment recommendations who issues a recommendation contrary to Article 293, paragraph 1, and Article 294, paragraph 1, of this Law;

5) any natural person providing investment recommendations who distributes an investment recommendation made by a third party contrary to Article 295 of this Law.

Article 408

A fine prescribed in accordance with Article 104 of this Law shall be imposed on:

1) the issuer who fails to fulfil the annual reporting obligations within the timeline and in the manner provided for in Article 71 of this Law;

2) the issuer who acts contrary to the provisions of Article 73, paragraphs 1 and 2 of this Law where it refers to the obligation to adopt, submit and publish the annual report in the event that the competent authority of the issuer fails to adopt the annual report;

3) the issuer who fails to publish or fails to submit to the Commission and the relevant regulated market the decision referred to in Article 73, paragraph 3, of this Law;

4) the issuer who fails to act in accordance with the provisions of Article 74 of this Law where it refers to the obligation to prepare, publish and submit the half-yearly report;

5) the issuer who fails to comply with the provisions of Article 75 of this Law where it refers to the obligation to prepare, publish and submit the quarterly report;

6) the issuer who fails to publish or fails to not make available to the public for the prescribed duration the summary report on payments to the authorities in accordance with Article 76 of this Law;

7) the issuer whose shares are traded on the regulated market who fails to disclose information referred to in Article 80, para.1 of this Article within the deadline referred to in Article 92, para.1 of this Law;

8) the legal person referred to in Article 81, paragraph 1 and 2 of this Law who fails to notify the Commission of reaching, exceeding or falling below the thresholds referred to in Article 80, paragraph 1, of this Law;

9) the legal person who fails to prepare the notification in accordance with Article 89, paragraph 1, of this Law or omits any information or indicates false information in the notification;

10) the legal person who fails to submit the notification referred to in Article 89, paragraph 1, of this Law within the timeline referred to in Article 90, paragraph 1, of this Law;

11) the issuer of equity securities that are admitted to trading on a regulated market who fails to submit to the Commission or fails to publish any change in accordance with Article 93 paragraph 1 of this Law;

12) the issuer of non-equity securities that are admitted to trading on a regulated market who fails to submit to the Commission or fails to publish any change in accordance with Article 93, paragraph 2, of this Law;

13) the issuer of shares that are admitted to trading on a regulated market who fails to publish a notice on the number of acquired or disposed of own shares by which he has exceeded or fallen below the threshold of 5% or 10% in the manner and within the time limit referred to in Article 94, paragraph 1, of this Law.

Article 409

A fine prescribed in accordance with Article 104 of this Law shall be imposed on:

1) the natural person responsible for non-publication or untimely publication of regular reports of a public company referred to in Art. 71 - 79 and interim reports of the public company from Article 80 and Art. 92 - 96 of this Law;

2) the natural person referred to in Article 81, paragraphs 1 and 2 of this Law failing to notify the Commission of reaching, exceeding or falling below the thresholds referred to in Article 80, paragraph 1, of this Law;

3) the natural person failing to submit the notification in accordance with Article 89, paragraph 1, of this Law or omitting or entering false information;

4) the natural person failing to submit the notification referred to in Article 89, paragraph 1, of this Law within the time limit referred to in Article 90, paragraph 1, of this Law.

Article 410

A fine in the amount of 10,000 to 3,000,000 dinars shall be imposed on the legal person if:

1) the CSD member acts contrary to the provisions of Article 24, paragraph 3, of this Law where it refers to the settlement procedure;

2) the legal person publicly offers securities for which the prospectus has not been published without the conditions for applying the exception from Article 36, paragraph 3, of this Law having been met;

3) the market operator admits to trading any securities for which the prospectus has not been published without the conditions for applying the exception from Article 36, paragraph 4, of this Law having been met;

4) the issuer combines exceptions contrary to Article 36, paragraph 7, of this Law;

5) the market operator admits to trading any shares for which the prospectus has not been published due to combining exceptions contrary to Article 36, paragraph 7, of this Law;

6) the financial intermediary places securities for which the prospectus has not been published without the conditions for applying the exception having been met, contrary to Article 39, paragraph 2, of this Law;

7) the legal person sells to an unqualified investor non-equity securities which, according to the published prospectus, are traded only on the regulated market or a particular segment of that market in which only qualified investors are allowed to trade, contrary to Article 39, paragraph 4, of this Law;

8) the issuer, after the registration document has been approved, establishes a new significant fact, material error or significant inaccuracy in relation to the information contained in the registration document, which may affect the valuation of securities, and fails to submit the supplemented registration document to the Commission in accordance with Article 44, paragraph 3, of this Law for approval, at the latest at the time of submission of the securities document and the abbreviated prospectus;

9) the issuer, after the approval, fails to make the registration document available to the public in accordance with Article 44, paragraph 6, of this Law;

10) the legal person has the capacity of the person responsible for the content of the prospectus, and the prospectus or the abbreviated prospectus contains erroneous, incorrect or misleading information or omits material facts in accordance with Article 45, paragraphs 1 and 2 of this Law;

11) the legal person has the capacity of the responsible person for erroneous, inaccurate or misleading information, i.e., where the material facts in the registration document or the universal document in the event referred to in Article 45, paragraphs 5 and 6 of this Law have been omitted;

12) the person responsible for the content of the advertising message publishes an advertisement in connection with the public offering of securities and/or admission to trading on a regulated market contrary to the provisions of Article 56, paragraphs 1 through 6 of this Law;

13) the issuer fails to prepare or fails to submit to the Commission for approval the appendix to the prospectus in accordance with Article 57, paragraphs 1 and 2 of this Law;

14) the issuer or the bidder initiates a public offering of securities before the publication of the prospectus, contrary to Article 60, paragraph 1, of this Law;

15) the issuer or the bidder contracts the subscription or payment of securities contrary to Article 61, paragraphs 1 and 2 of this Law;

16) the investment firm or the credit institution makes the subscription or receipt of payment of securities contrary to Article 61, paragraph 3, of this Law;

17) the issuer, i.e., the bidder, fails to publish or fails to report to the Commission on the outcome of the public offering within the time limit and in the manner referred to in Article 62, paragraphs 1 through 3 of this Law;

18) the issuer or the bidder fails to submit the request to the CSD in accordance with Article 63, paragraph 1, of this Law or if the issuer fails to submit the request to the market operator in accordance with Article 64, paragraph 1, of this Law;

19) CSD fails to notify the Commission on the subscription and transfer of securities to the legal holders' accounts for financial instruments in accordance with Article 63, paragraph 3, of this Law;

20) the market operator fails to publish the notification referred to in Article 64, paragraph 2, of this Law or fails to submit a copy of that notification to the Commission;

21) the issuer, bidder or the person requesting admission to trading on a regulated market fails to provide the notification referred to in Article 65, paragraph 1, of this Law to the Commission or fails to submit such notification within the timelines referred to in paragraphs 2 and 3 of this Article;

22) the issuer or the bidder offering securities in accordance with the exceptions prescribed by the provisions of Article 36, paragraph 3, of this Law, fails to make the information available to investors in accordance with Article 65, paragraph 4, of this Law;

23) the foreign issuer makes a public offer of securities, i.e. requests to admit securities to trading in the territory of Serbia contrary to Article 66, paragraph 1, of this Law;

24) the market operator engages in trading in a foreign issuer's securities contrary to Article 66, paragraph 1, of this Law;

25) the legal person performing the audit acts contrary to the provisions of Article 77, paragraphs 1 and 2 of this Law;

26) the legal person performing the audit in the same year performs the audit of the company's financial statements and provides consulting services to the company contrary to Article 77, paragraph 3, of this Law;

27) the legal person performing the audit fails to provide to the Commission the opinion referred to in Article 77, paragraph 7 of this Law;

28) the legal person performing the audit fails to provide to the Commission all additional information requested in connection with the performed audit within the timeline specified by the Commission pursuant to Article 77, paragraph 8 of this Law;

29) the issuer fails to act in accordance with Article 77, paragraph 11, of this Law;

30) the market maker fails to submit the notification the Commission in accordance with Article 87, paragraphs 5 and 6 of this Law;

31) the market operator fails to establish the efficient systems, procedures and mechanisms related to trading systems, in accordance with Article 127, paragraph 1, of this Law;

32) the market operator fails to act in accordance with Article 127, paragraph 2, of this Law;

33) the issuer fails to notify the operator of the regulated market in which his shares are admitted to trading of the registration of the decision to withdraw shares from the regulated market in the Business Register, in accordance with Article 133, paragraph 4, of this Law;

34) the issuer fails to notify the Commission in which Member States he has established the mechanisms referred to in Article 134, paragraphs 7 and 8 of this Law;

35) the market operator fails to provide the systems and procedures for regular monitoring of the compliance of their members and participants with their rules, in accordance with Article 135, paragraph 1, of this Law;

36) the market operator charges fees for services and activities performed exceeding maximum amounts of fees prescribed by the market operator in the Tariff Rulebook in accordance with Article 136, paragraph 4, of this Law;

37) APA fails to ensure or maintain the measures, mechanisms and systems in the manner prescribed by Article 145, paragraph 3, of this Law;

38) CRP fails to ensure or maintain the measures, mechanisms and systems in the manner prescribed by Article 146, paragraph 5, of this Law;

39) ARM fails to ensure or maintain the measures, mechanisms and systems in the manner prescribed by Article 147, paragraph 2, of this Law;

40) the investment firm fails to submit the application for the registration in the Business Register contrary to the provisions of Article 154, paragraph 1, of this Law;

41) the investment firm charges fees for services and activities they perform contrary to the provisions of Article 155, paragraph 3, of this Law;

42) the investment firm fails to submit to the Commission all the necessary information, contrary to Article 159, paragraph 2, of this Law;

43) the investment firm fails to notify the Commission in accordance with Article 163, paragraph 8, of this Law;

44) the investment firm engaged in algorithmic trading fails to establish the effective risk control systems and procedures in accordance with Article 172, paragraph 1, of this Law;

45) the investment firm fails to comply with the provisions of Article 172, paragraph 4, of this Law where it refers to the records of orders, as well as if it fails to comply with the request of the Commission to make such records available;

46) the investment firm engaged in algorithmic trading fails to meet its obligations in accordance with the provisions of Article 172, paragraph 5, of this Law where it refers to the market maintenance strategy;

47) the investment firm fails to ensure the effective control systems and procedures or fails to comply with the provisions of Article 172, paragraphs 7 and 9 of this Law where it refers to the provision of direct electronic access to the trading venue;

48) the investment firm fails to comply with the provisions of Article 172, paragraph 10, of this Law where it refers to notifying the Commission;

49) the investment firm acts contrary to the provisions of Article 172, paragraph 13, of this Law where it refers to record keeping;

50) the investment firm or the market operator fails to comply with the provisions of Article 173, paragraph 1, of this Law where it refers to the MTF/OTF management;

51) the investment firm fails to submit to the Commission a detailed description of the MTF/OTF operations in accordance with the provisions of Article 173, paragraph 5, of this Law;

52) the investment firm or the MTF market operator executes client orders contrary to the provisions of Article 174, paragraph 6, of this Law;

53) the investment firm or the OTF market operator fails to comply with any of the requirements of Article 175 of this Law;

54) the investment firm fails to comply with the provisions of Article 176 of this Law where it refers to the prevention of conflicts of interest and harming client's interests;

55) the investment firm that creates the financial instruments fails to act in accordance with the provisions of Article 177, paragraph 2, of this Law;

56) the investment firm, when providing investment advice or portfolio management services, fails to collect the data on the client's knowledge and experience in accordance with the provisions of Article 180, paragraph 1, of this Law;

57) the investment firm fails to collect the data on the knowledge and experience of the client to whom it does not provide investment advice services or portfolio management services in accordance with Article 180, paragraph 3, of this Law;

58) the investment firm fails to warn the client in the event referred to in Article 180, paragraphs 5 and 6 of this Law;

59) the investment firm, contrary to the provisions of Article 183 paragraph 1 of this Law, fails to prove to the Commission, at their request, that the investment firm employees and other natural persons providing the services and performing the activities referred to in Article 183, paragraph 2, of this Law on behalf of the investment firm possess at all times the necessary knowledge and skills to perform their duties;

60) the investment firm, contrary to the provisions of Article 183, paragraph 3, of this Law, fails to approve or fails to supervise the implementation of the continuing education system;

61) the investment firm fails to execute orders at the most favorable terms in accordance with Article 186, paragraphs 1 through 3 of this Law;

62) the trading venue or the systematic internaliser or any execution venue fails to provide the information in accordance with Article 186, paragraph 5, of this Law;

63) the investment firm fails to establish or fails to implement the effective mechanisms and procedures to execute client orders and achieve the best outcomes in accordance with Article 186, paragraph 6, of this Law;

64) the investment firm, contrary to Article 186, paragraph 10, of this Law, fails to obtain the client's prior explicit consent before executing the order outside the trading venue;

65) the investment firm fails to comply with the disclosure obligation in accordance with Article 186, paragraph 12, of this Law;

66) the investment firm fails to comply with Article 186, paragraph 13, of this Law;

67) the investment firm handles client orders contrary to Article 187, paragraphs 1 through 3 of this Law;

68) the investment firm refuses to execute a client order contrary to Article 188, paragraph 2, of this Law;

69) the investment firm fails to notify the Commission in accordance with Article 188, paragraph 4, of this Law;

70) the investment firm fails to issue the transaction execution certificate in accordance with Article 189, paragraph 1, of this Law;

71) the professional client fails to notify the investment firm in accordance with Article 191, paragraph 2, of this Law;

72) the investment firm, contrary to Article 191, paragraph 3, of this Law, fails to take the appropriate measures when it finds that a client does not belong to the initially determined professional client category;

73) the investment firm fails to notify the professional client in accordance with Article 192, paragraph 3, of this Law;

74) the investment firm fails to notify the professional client in accordance with Article 192, paragraph 4, of this Law;

75) the investment firm, in the event of a change in the information submitted in accordance with Article 198 of this Law, fails to notify the Commission in accordance with Article 198, paragraph 6, of this Law;

76) the credit institution, contrary to Article 198, paragraph 7, of this Law, fails to notify the Commission of the names of the tied agents;

77) the investment firm or the MTF/OTF market operator fails to notify the Commission in accordance with Article 198, paragraph 11, of this Law;

78) the investment firm fails to submit the written notice in accordance with Article 199, paragraph 19, of this Law;

79) the legal person performs advertising, promotion, training for trading through electronic trading platforms, and other forms of marketing of foreign investment firms' or trading operators' services without a license issued by the Commission, contrary to Article 203, paragraph 4, of this Law;

80) the investment firm fails to calculate the amount of capital, risks and exposure in the manner prescribed by the act adopted by of the Commission, in accordance with Article 211, paragraph 2, of this Law;

81) the investment firm fails to submit the monthly report in the form and within the timeline prescribed in accordance with Article 224, paragraph 1, of this Law;

82) the investment firm fails to submit the annual financial report or the independent auditor's report in accordance with Article 224, paragraph 3, of this Law;

83) the market operator or the investment firm that manages the trading venue fails to publish the data in accordance with Article 229, paragraph 1, and Article 230, paragraph 1, of this Law;

84) the market operator or the investment firm operating the trading venue delays the transaction data publication without the prior approval of the Commission in accordance with Article 231, paragraph, 3 of this Law;

85) the Fund member fails to submit the monthly reports or any other data that the Agency may require to perform its statutory duties, in the prescribed manner and within the prescribed timelines, in accordance with Article 266, paragraph 1, of this Law;

86) the Fund member fails to provide to the clients and interested persons the information related to the investor protection system as specified by this Law, in accordance with Article 267, paragraphs 1 through 4 of this Law;

87) CSD collects membership and other fees in the amounts exceeding the prescribed fees in the Tariff Rulebook referred to in Article 312, paragraph, 1 of this Law;

88) CSD acts contrary to the provisions of Article 313 of this Law where it refers to admission to the CSD;

89) CSD acts contrary to the provisions of Article 322 of this Law where it refers to reporting;

90) CSD fails to ensure supervision in accordance with the provisions of Articles 323 and 324 of this Law;

91) the legal person fails to submit the data, documents or the written statements relevant for supervision at the request of the Commission in accordance with Article 355, paragraph 2, of this Law;

92) the investment firm, market operator, data service provider, credit institution with regard to investment services or activities and ancillary services or other employer performing an activity registered for the financial services purposes fails to act in accordance with Article 360, paragraph 3, of this Law;

93) the legal person fails to submit the data relevant for supervision in accordance with Article 361, paragraph 1, of this Law.

Article 411

A fine in the amount of 2,000 to 200,000 dinars shall be imposed on a natural person if:

1) the natural person sells to an unqualified investor non-equity securities that, in accordance with the published prospectus, are traded only on the regulated market, i.e., a particular segment of that market in which only eligible investors referred to in Article 39, paragraph 4, of this Law are allowed to trade;

2) the natural person has the capacity of the person responsible for the content of the prospectus, and the prospectus or abbreviated prospectus contains erroneous, incorrect or misleading information or omits the material facts from Article 45, paragraphs 1 and 2 of this Law are isolated;

3) the natural person fails to notify or fails to submit a request for obtaining prior consent for the acquisition or reduction of the percentage of a qualified participation, indicating all the data in accordance with Article 120, paragraphs 1 and 2 of this Law;

4) the natural person performs data provision services as the regular activity or business without a prior permission of the Commission, if that is contrary to Article 140, paragraph 1, of this Law;

5) the management body member of the investment firm, which is considered large in terms of its size, internal organization and nature, scope and complexity of business, performs the function contrary to the restrictions of Article 156, paragraph 6, of this Law;

6) the management body member of the investment firm, contrary to Article 159, paragraph 1, of this Law, performs the function without the consent of the Commission;

7) the natural person acts contrary to the provisions of Article 160 of this Law with regard to the acquisition of a qualifying holding;

8) the natural person, contrary to the provisions of Article 161 of this Law, acquires or increases a qualifying holding in an investment firm without the approval of the Commission;

9) the natural person, contrary to Article 184, paragraph 1, of this Law, performs the services and activities referred to in Article 2, paragraph 1, point 2) subpoint (1) through (5) of this Law without having obtained a license to perform such services and activities;

10) the professional client fails to notify the investment firm in accordance with Article 191, paragraph 2, of this Law;

11) the person who provides investment services and activities or ancillary services in the territory of Serbia fails to operate in accordance with the law or fails to obtain the appropriate license of the Commission, in accordance with Article 203, paragraph 1, of this Law;

12) the natural person performs the tasks referred to in Article 203, paragraph 4, of this Law;

13) the natural person fails to submit the data, documents or the written statements relevant for supervision at the request of the Commission, in accordance with Article 355, paragraph 2, of this Law;

14) the natural person fails to submit any data relevant for supervision in accordance with Article 361, paragraph 1, of this Law;

15) the natural person is the supervised entity and prevents the implementation of direct supervision in accordance with Article 365, paragraphs 1 through 5 of this Law.

XVIII TRANSITIONAL AND FINAL PROVISIONS

Securities Commission

Article 412

The Commission that performs activities in accordance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15, 108/16, 9/20 and 153/20) shall continue performing its activities in accordance with this Law.

The Commission shall set up its organization in compliance with this Law within six months from the day of coming of this Law into force.

Authorizations, conclusions, measures, approvals and other decisions enacted by the Commission in compliance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15,108/16, 9/20 and 153/20) shall remain in force after the entry of this Law into force.

The proceedings initiated before the Commission before the day this Law comes into effect shall be finalized in compliance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15,108/16, 9/20 and 153/20).

The Commissioners appointed in accordance with the regulations in force until the date of entry of this Law into force shall continue to perform their duties in accordance with their mandate, until the election of new members in accordance with the provisions of this Law.

The Commission shall adopt regulations for the implementation of this Law within six months from the day this Law enters into force

Central Securities Depository and Clearing House

Article 413

The CSD performing activities in accordance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15,108/16, 9/20 and 153/20) shall continue performing its activities in accordance with this Law and it shall set up its organization and align its enactments with the provisions of this Law, within nine months from the effective date of this Law.

Conclusions, measures and other decisions enacted by the CSD in compliance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15,108/16, 9/20 and 153/20) shall remain in force after the entry of this Law into force.

Market Operator

Article 414

The market operator performing activities in accordance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15, 108/16, 9/20 and 153/20) shall continue performing its activities in accordance with this Law and it shall set up its organization and align its enactments with the provisions of this Law, within nine months from the effective date of this Law.

Conclusions, measures and other decisions referred to in paragraph 1 of this Article enacted by the market operator in compliance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15,108/16, 9/20 and 153/20) shall remain in force after the entry of this Law into force.

Securities admitted to the regulated market referred to in paragraph 1 of this Article in terms of the Law on Capital Market ("Official Gazette of RS", No. 31/11, 112/15, 108/16, 9/20 and 153/20) after the entry into force of this Law shall be considered admitted to the regulated market, i.e. the listing of the regulated market, in accordance with the acts of the market operator.

Securities admitted to the MTF in terms of the Law on Capital Market ("Official Gazette of RS", No. 31/11, 112/15, 108/16, 9/20 and 153/20) after the entry of this law into force, shall be admitted to the MTF by the market operator i.e. to a segment of the regulated market that is not a listing, in accordance with the act of the market operator.

Broker-dealer Companies

Article 415

Broker-dealer companies licensed by the Commission prior to the effective date of the Law shall continue to carry out their activities and shall come into full compliance with all applicable provisions of the Law and Commission regulations within one year following the effective date of the Law.

Authorized Banks

Article 416

Credit institutions which, until the day of entry of this Law into force, operated as authorized banks in accordance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15, 108/16, 9/20 and 153/20) shall set up its organization and align its enactments with the provisions of this Law and Commission regulations, within one year from the effective date of this Law.

Credit institutions providing ancillary services referred to in Article 2, paragraph 1 point 9) of the Law on Capital Market until the day this Law enters into force ("Official Gazette of RS", No. 31/11, 112/15, 108/16, 9 / 20 and 153/20) in accordance with Article 211, paragraph 3 of that Law, are obliged to obtain authorization from the Commission to perform the activities of an investment firm in accordance with the provisions of this Law and relevant acts of the Commission, except for the provision of ancillary services referred to in Article 2, paragraph 1, point 3) subpoints (2) and (4) of this law. Upon the expiration of the deadline referred to in paragraph 1 of this Article, credit institutions that cease to provide ancillary services, except for ancillary services referred to in Article 2, paragraph 1, point 3) subpoints (2) and (4) of this Law, are obliged to inform the Commission thereof.

Investor Protection Fund

Article 417

The Deposit Insurance Agency which organizes and manages the Investor Protection Fund in compliance with the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15, 108/16, 9/20 and 153/20) shall continue performing its activities in accordance with this Law and it shall set up its organization and align its enactments with the provisions of this Law, within nine months from the effective date of this Law.

Article 418

Provisions of Article 1 para 3, point 4, para 4, point 3) and para 5, Article 3, para 3, Article 10 para 6 to 8, Article 72, Article 86, Article 96 para 6 to 8, Article 97 para 12, Article 98 para 5, Article 99 para 4 to 10, Article 100, Article 101, Article 105, Article 106 para 7, Article 115 para 10, Article 127 para 7, 9, 11. and 19, Article 128, Article 130 para 2 points 3), 4), 7), 8), 9) and

10) and para 3, Article 132 para 5. and 6, Article 135 para 3, Article 139 para 3, Article 140 para 2 points 2) and 3)), para 4 and 6, Article 141 para 3, Article 146, Article 147, Article 149, para 2, point 2) and para 5, Article 153 para 4, Article 156 para.9 and 15, Article 169 para 4, Article 170 para 6, Article 172 para 2, Article 173 para 6 to 8, Article 179 para 15, Article 194 para 5, Article 195 para 2 and 3, Article 196 para 4 to 6 and 8, Article 197 para 6, Article 198, Article 199, Article 200 para 1, Article 201 para 1 to 6, Articles 202, 204, 205, 206, 207, 208, Article 225 para 2, Articles 241, 242, 252, 253, Article 256 para 2 points 5), 6), 7), Article 267 para.3 and 4, Article 383 para.8 to 11, Article 387 para.4 and 5, Articles 388, 390, 391, 392, 393, 394, 395, 396, 397, 398 and 399 of this Law shall become applicable on the accession of the Republic to the EU.

Article 419

Provisions of Articles 188, 203, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 243 and 389 of this Law shall apply until the accession of the Republic to the EU.

Repeal of the Prior Law

Article 420

As of the day this Law comes into effect, the Law on Capital Market (Official Gazette of RS, No 31/11, 112/15, 108/16, 9/20 and 153/20) shall no longer be effective.

Entry into Force

Article 421

This Law shall enter into force on the eighth day following its publication in the “Official Gazette of the Republic of Serbia” and its application shall start one year after its effective date, save for the provisions vesting authority to pass regulations, general and other enactments aligning the operations and work of specific entities with the provisions of this and other laws, which shall become applicable from the effective date of this Law.