



**Republic of Serbia Securities Commission**

**L A W**

**ON THE CAPITAL MARKET**

*(Official Gazette of RS, No 31/2011, 112/2015 and 108/2016)*

*Please note that the following translation is provided for information purposes only. The original Serbian text of the Law is binding in all respects.*

**L A W**  
**ON THE CAPITAL MARKET**  
*(Official Gazette of RS, No 31/2011, 112/2015 and 108/2016)*

**I GENERAL PROVISIONS**

**Objectives and application**

**Article 1**

This Law shall govern:

- 1) Public offerings and secondary trading in financial instruments;
- 2) Regulated market, multilateral trading facility (hereinafter: MTF) and OTC markets in the Republic of Serbia (hereinafter the Republic);
- 4) The provision of investment services and activities, including the licensing and regulation of investment firms and other capital market participants in compliance with this Law;
- 4) The financial and non-financial disclosure and reporting obligations of issuers and public companies as defined in 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 - the CSD).
- 7) The organization and powers of the Securities Commission (hereinafter - the Commission).

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.

**Definition of Terms**

**Article 2**

Specific terms, in the context of this Law, shall have the following meanings:

- 1) Financial instruments are:

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and other derivatives relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forward rate agreements and other derivative financial instruments relating to commodities that:
  - Must be settled in cash,
  - May be settled in cash at the option of one of the parties, otherwise than by reason of a default or termination of agreement;
- (6) Options, futures, swaps, and any other derivative financial instruments relating to commodities that can be physically settled provided that they are traded on a regulated market and/or a MTF;
- (7) Options, futures, swaps, and any other derivative financial instruments relating to commodities that can be physically settled provided that they are not mentioned in sub-point (6) of this point and:
  - Which do not have commercial purposes,
  - Which have the characteristics of derivative financial instruments having regard to whether, *inter alia*, they are cleared and settled through recognized clearing houses or are subject to regular margin calls;
- (8) Derivative financial instruments for the transfer of credit risk;
- (9) Financial contracts for difference;
- (10) Options, futures, swaps, forward rate agreements and any other derivative financial instruments relating to climatic variables, freight rates, inflation rates, emission allowances 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 financial instruments 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 or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls;
- (11) Commodity derivatives means derivative financial instruments which relate to a commodity and which must be settled in cash, or by way of an exception physically delivered, if traded on the regulated market or an MTF;
- (12) Credit default swap 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;

2) 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 or other securities equivalent to shares in companies, which represent a holding in capital or voting rights of the company, 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;

3) Money-market instruments means those classes of instruments that are normally dealt in on the money market, such as treasury bills, commercial papers and certificates of deposit, excluding instruments of payment;

3a) A benchmark is 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;

4) An investment firm means a person whose regular occupation or business is the provision of one or more investment services to third parties or the performance of one or more investment activities on a professional basis;

5) A broker-dealer company means an investment firm whose regular occupation or business is the provision of one or more investment services to third parties or the performance of one or more investment activities on a professional basis;

6) An authorized bank means an investment firm which is an organizational unit of a credit institution and whose regular occupation or business is the provision of one or more investment services to third parties or performance of one or more investment activities on a professional basis, involving one or more financial instruments;

7) A credit institution means a person performing activities in accordance with the law governing banks i.e. credit institutions;

7a) 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;

7b) 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;

7c) 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;

8) Investment services and activities relating to any of the financial instruments means:

- (1) Reception and transmission of orders in relation to purchase and sale of financial instruments;
- (2) Execution of orders on behalf of clients;
- (3) Dealing on own account;
- 4) Portfolio management;
- (5) Investment advice;
- (6) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- (7) Services pertaining to placing of financial instruments without a firm commitment basis;
- (8) Operation of Multilateral Trading Facilities.

9) Ancillary services means:

- 1) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- (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 companies on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of companies and similar issues;
- (4) Foreign exchange services where these are connected 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, and ancillary services of the type included under point 1) subpoints (5), (6), (7) and (10) of this Article, related to the provision of investment services and activities and ancillary services;

10) Investment advice means the provision of personal recommendations to a client, either on their request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments;

11) Investment recommendation means investment research and financial analysis or other forms of general recommendation for the public within the context of Chapter VI of this Law, that explicitly or tacitly recommends or suggests an investment strategy regarding one or more financial instruments or issuers;

- 12) Dealing on own account means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments;
- 13) Market maker means an investment firm that holds themselves out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against their proprietary capital at prices defined by them;
- 14) Underwriter means an investment firm that provides underwriting services regarding placing of financial instruments on a firm commitment basis;
- 15) An agent means an investment firm providing services regarding the purchase and sale of financial instruments without a firm commitment basis;
- 16) Portfolio management means managing individual portfolios in accordance with mandates given by a client, in a special contract concluded with the client, where such portfolios include one or more financial instruments;
- 17) A client means any natural or legal person to whom an investment firm provides investment or ancillary services;
- 18) A professional client means a client who possesses sufficient experience, knowledge and expertise to make their own investment decisions and properly assess the risk that they incur and who meets the criteria laid down in this Law;
- 19) A market operator means a person or persons who manage or operate the business of a regulated market, and the market operator may be the regulated market itself;
- 20) A regulated market means a multilateral system operated 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 or systems, and which has the license and functions regularly and in accordance with this Law;
- 21) A multilateral trading facility (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;
- 22) An OTC market means a secondary market for trading in financial instruments that is not required to have a market operator and whose trading system requires negotiation between buyers and sellers of financial instruments for the conclusion of a transaction;
- 22a) A trading venue means a regulated market, an MTF or an OTC;
- 23) 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;
- 24) Clearing means the process of calculating the mutual obligations of a buyer and seller of financial instruments for the exchange of financial instruments and money;
- 25) Settlement means the completion of a transaction through final transfer of financial instruments and money between the buyer and the seller;

26) A management company means a management company as defined in the law governing investment funds;

27) A rating agency means an authorized legal person that provides assessments about the 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 in advance;

28) A qualifying holding means any direct or indirect holding in an investment firm, market operator or Central Securities Depository which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the investment firm in which that holding subsists, in accordance with provisions of this Law;

29) Control means circumstances where:

(1) A parent company:

- Has a majority of the shareholders' or members' voting rights in the subsidiary company,
- Has the right to appoint or remove a majority of the members of the management or supervisory board of subsidiary company, and is at the same time a shareholder in or a member of that company;
- Has the right to exercise a dominant influence over a subsidiary company pursuant to a contract entered into with that company or to a provision in its memorandum or articles of association, where the law governing that subsidiary company permits its being subject to such contracts or provisions;

(2) A parent undertaking is a shareholder in or a member of a subsidiary company and:

- Directly appoints majority of members in managerial and supervisory bodies of the subsidiary company as a result of the exercise of its voting rights,
- Controls alone, pursuant to an agreement with other shareholders or members of the company, a majority of the voting rights in the company;

(3) The parent undertaking has a holding in a subsidiary undertaking and:

- Actually exercises a dominant influence over it,
- It and the subsidiary company are managed on a unified basis;

(4) The parent undertaking may use other means in management and in formulation of the subsidiary company's policies;

30) Close links means a situation in which two or more natural or legal persons are linked by:

(1) Participation, which means the ownership, direct or indirect, of 20% or more of the voting rights or capital of a company;

(2) Control, which means the relationship between a parent company and a subsidiary, in all the cases referred to in point 29) of this paragraph, or a similar relationship between any natural or legal person and a company, any subsidiary of a subsidiary also being considered a subsidiary of the parent company which is at the head of those companies;

- (3) A control relationship to one and the same person permanently;
- (4) As family members;

31) Family members means:

- (1) Spouses or civil partners;
- (2) Direct lineal descendants and ascendants indefinitely;
- (3) Collateral kinsmen to the third degree of kinship, including in-laws;
- (4) Adoptive parent and adoptive children and adoptive children's descendants;
- (5) Foster parent and foster children and foster children's descendants;

32) A rightful holder of a financial instrument shall be the person in whose name the securities account is registered with the Central Securities Depository, and in case of performance of activities referred to in point 9) sub-point (1) of this Article, it shall be the person for whose account the financial instrument is kept on the securities account with the Central Securities Depository;

33) A shareholder means any natural or legal person that directly or beneficially holds:

- (1) Shares of an issuer in their own name and on their own account;
- (2) Shares of the issuer in their 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;

34) A 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 or disposition of the financial instrument or to receive the economic benefits of ownership of that financial instrument, and yet does not nominally own the financial instrument itself;

35) 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 of the aforementioned 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;

36) 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;

37) Public offering of securities means any communication made in any form and by any means, presenting sufficient information on the terms of the offer and 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, i.e. underwriters and agents;

37a) 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;



37b) 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;

37c) A 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;

38) An issuer means a domestic or foreign legal person which issues or proposes to issue securities or other financial instruments, the issuer being in the case of depositary receipts representing securities, the issuer of the securities represented. An issuer shall also include:

(1) The Republic, autonomous provinces, local government units, legal persons which are budget beneficiaries and organizations of compulsory social insurance in the Republic;

(2) The National Bank of Serbia;

(3) Foreign states, state bodies, central banks, international and supranational institutions such as the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation and other members of the World Bank Group, European Central Bank, European Investment Bank, European Bank for Reconstruction and Development and other similar, international organizations;

39) "Person making an offer" (offeror) means a legal or natural person that offers securities or other financial instruments to the public;

40) A base prospectus means a prospectus containing all relevant information as specified in Articles 15, 16, 17 and 18 of this Law, as well as Article 33 concerning the issuer and the securities to be offered to the public or admitted to trading, and, at the choice of the issuer, the final terms of the offering;

41) Securities issued in a repeated manner means the issuance of securities in tranches or in at least two issuances of securities of a similar type or class within a 12-month period;

42) An 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;

43) A public company shall be an issuer which meets at least one of the following conditions:

(1) that has successfully completed a public offering of securities in accordance with the prospectus approved by the Commission;

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

44) The regulated information means all information which a public company, or an issuer who has applied for the admission of the issuer's securities to trading on a regulated market or MTF in the Republic, is required to disclose publicly under this Law, regulations under this Law, securities regulations in the Republic, or under the law regulating companies.

In the case of a public company whose securities are admitted to trading on a market outside the Republic, or whose securities are also proposed to be offered publicly or admitted to trading on a regulated market outside the Republic, the regulated information shall also include all information that the public company or issuer is required to disclose publicly under the laws or regulations of the foreign country and the market in the country where such securities are admitted to trading or proposed to be offered publicly or admitted to trading;

45) 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;

46) Inside information means 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 price of related derivative financial instruments;

46a) A 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;

47) Market manipulation shall mean transactions and trading orders 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 or artificial level, transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance, as well as dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading news that may result in misleading information as to financial instruments, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

48) 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 event 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, the person 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, insurance companies, of the Commission regulations or regulations of the regulated market, MTF or the Central Depository, relating to or resulting in:

- False or misleading disclosure,
- Violation of the market abuse provisions of Chapter VI 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 sub-point (2) of this point, relating to or resulting in:

- Cessation of performance of duties of a director, general manager, employee or a licensed person in the Central Securities Depository, market operator, regulated market or MTF, broker-dealer company, authorized bank, credit institution, insurance company, investment fund management company, voluntary pension fund management company, custody bank,
- 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 the subject of any comparable sanction of violation or the person has been subject to a similar currently effective disqualification from service or other restriction under the laws or secondary legislation of any foreign country;

49) A member of the management means a general manager or a member of the board of directors, executive board or a supervisory board.

## **Exemptions**

### **Article 3**

The definition of “financial instrument” in Article 2. point 1) of this Law shall not apply to:

- 1) Insurance and reinsurance policies and other insurance products issued by insurance companies;
- 2) Financial instruments issued in relation to turnover of goods and services, such as a bill of exchange, check, written order (assignment), bill of lading, waybill or warehouse warrant;
- 3) Other documents relating to debt, money deposits or savings that do not have properties of financial instruments subject to this Law;
- 4) Shares in a general partnership, limited partnership or limited liability company organized pursuant to the law governing companies.

### **Article 4**

Chapters IX and X regulating investment firms shall not apply to:

- 1) Collective investment undertakings and their custody banks and management companies, except where otherwise specifically provided in this Law;
- 2) Persons that provide investment services:
  - (1) Exclusively for their parent company, for their subsidiaries or for other subsidiaries of their parent company; or
  - (2) In an incidental manner in the course of a 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;
  - (3) Consisting exclusively in the administration of employee participation schemes;

- (4) Which only involve administration of employee participation schemes and the provision of investment services exclusively for their parent company, for their subsidiaries or for other subsidiaries of their parent companies;
- 3) Persons who do not provide any investment services or activities other than dealing on own account, unless they are market makers or deal on own account outside a regulated market or MTF on an organized, frequent and systematic basis by providing a system accessible to third parties in order to engage in dealings with them;
- 4) 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;
- 5) Members of the European System of Central Banks and other national bodies performing similar functions and other public bodies charged with or intervening in the management of the public debt;
- 6) Persons dealing on own account in financial instruments, or providing investment services in commodity derivatives or derivative contracts included in Article 2.1) sub-point (10) of this Law to the clients of their main business, provided 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;
- 7) Persons whose main business consists of dealing on own account in commodities or commodity derivatives, provided that this exception shall not apply where the persons are part of a group the main business of which is the provision of other investment services covered by this Law;
- 8) Firms which provide investment services or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets.

## **Article 5**

Provisions of this Law shall not apply to the Republic or the National Bank of Serbia, to trading in financial instruments whose issuer is the Republic or the National Bank of Serbia or non-standardized derivative financial instruments, unless otherwise specified by this Law.

The provisions of Chapter III of this Law regulating public offerings shall not apply to shares issued, sold or distributed in conformity with the law regulating privatization and the law regulating the right of citizens to free shares and financial compensation from the privatization procedure.

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

The issuers of shares referred to in paragraph 5 of this Article shall be deemed public companies if they meet the public company requirements under Article 2. point 43) of this Law.

The issuers of debt securities referred to in paragraph 2, point 38) sub-point (3) of this Law shall not be deemed public companies in the context of this Law.

The provisions of this Law shall not apply to investment units of open-end investment funds, unless otherwise specified by this Law.

## II GENERAL CHARACTERISTICS OF FINANCIAL INSTRUMENTS

### **Transfer of rights arising from financial instruments**

#### **Article 6**

Financial instruments and the rights arising from financial instruments may be unlimitedly transferred in legal dealings, unless otherwise determined by this or another Law.

Transferable securities of a public company headquartered in the Republic issued or offered in the territory of the Republic, shall be issued or offered as dematerialized financial instruments.

### **Dematerialized Financial Instruments**

#### **Article 7**

Dematerialized financial instruments shall be registered as electronic records on securities accounts kept with the Central Securities Depository, imparting to the lawful holder of the financial instrument specific rights in respect of the issuer.

The market operator shall prescribe conditions related to admission of derivative financial instruments to trading, trading rules and conditions and settlement of liabilities arising from transactions concluded in trading in those financial instruments i.e. clearing and settlement, after receiving the approval from the Commission.

### **Essential Elements of Dematerialized Financial Instruments**

#### **Article 8**

A dematerialized financial instrument shall have the following fundamental particulars entered into the records of the Central Depository:

- 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 records of the Central Securities Depository.

In addition to the particulars specified in paragraph 1 of this Article, a dematerialized share must also have the following elements entered:

- 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 particulars specified in paragraph 1 of this Article, a dematerialized bond or other debt security, based on which the holder is entitled to claim the payment of the principal and possible interest from the issuer shall have the following particulars entered as well, where applicable:

- 1) Its nominal value, the amount of the principal;
- 2) Interest rate and the schedule of interest payments, if the holder is entitled to interest payments;
- 3) Information about the maturity of issuer's liabilities arising from the security;
- 4) If the issuer has 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 particulars specified in paragraph 1 of this Article, dematerialized financial instruments convertible into or exchangeable for other financial instruments must contain the following elements:

- 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.

The Central Securities Depository shall regulate in greater detail the particulars concerning financial instruments, the method used for numbering and recording identification numbers and the rights and obligations attached to the instrument.

Dematerialized financial instruments, other than those referred to in this Article shall have the exact content of the rights they confer entered in the Central Depository.

The Central Securities Depository shall obtain from each issuer of financial instruments it records, a description of rights and obligations arising from the financial instrument, retain such information in its records and it shall make such information publicly available on the website of the Central Securities Depository.

The Central Securities Depository shall have the authority to issue unique identification numbers for financial instruments in accordance with international numbering and communication protocols.

## **Currency**

### **Article 9**

Except as 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 5 of this Article shall be final and binding, but 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 of Serbia, 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 shall apply to issuance of securities expressed in foreign currency by the National Bank.

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

## **Ownership Rights**

### **Article 10**

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

## **III PUBLIC OFFERING; ADMISSION TO TRADING; EXEMPTIONS**

### **Obligation to publish a prospectus**

#### **Article 11**

No prospectus shall be published until it has been approved for publication pursuant to provisions of this Law.

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

No admission of securities to trading on a regulated market or MTF in the Republic shall be allowed, unless a valid prospectus has been published prior to their admission, except in cases prescribed by this Law.

### **Exempt offerings not requiring publication of a prospectus - specific public offerings**

#### **Article 12**

The obligation to make public a prospectus shall not apply to:

- 1) An offer addressed to qualified investors exclusively;
- 2) An offer of securities addressed to fewer than 100 natural or legal persons in the Republic, other than qualified investors;
- 3) An offer of securities addressed to investors who acquire securities for a total consideration of at least EUR 50,000 in dinar equivalent, per investor, for each separate offer;
- 4) An offer of securities whose denomination per unit amounts to at least EUR 50,000 in dinar equivalent;
- 5) An offer of securities with a total consideration of less than EUR 100,000 in dinar equivalent; this amount is to be calculated over a period of twelve months;
- 6) 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 core capital of the company;
- 7) Securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the Commission as being equivalent to that of the prospectus, taking into account the requirements of the law governing takeovers of joint stock companies;
- 8) Securities offered, allotted or to be allotted in connection with a merger, provided that a document is available containing information which is regarded by the Commission as being equivalent to that of a prospectus, taking into account the requirements of the law governing companies;
- 9) 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 a document is made available containing information about the number and nature of the shares and the reasons for and details of the offer;
- 10) Securities offered, or to be offered by an issuer whose securities are admitted to a regulated market or MTF or by its affiliated company, to existing or former members of management or employees, provided that a document is made available containing information about the number and nature of the securities, the reasons for and details of the offer.

Any subsequent resale of securities previously offered as exempt offerings referred to in paragraph 1 of this Article, shall be regarded as a separate offer and the offeror shall obtain approval for the publication of the prospectus, when according to this Law a prospectus is required.

The placement of securities through financial intermediaries shall be subject to publication of a prospectus, if none of the conditions in paragraph 1, points 1) to 5) of this Article are met for the final placement.



## **Prospectus for admission of securities to a regulated market or MTF**

### **Article 13**

A prospectus for admission of securities to trading on a regulated market or MTF shall include the entire class of such securities, including any securities that have been reserved for future issuance upon exercise or conversion of issued securities, such as options, warrants and convertible securities.

The obligation to publish a prospectus shall not apply to the admission to trading on a regulated market or MTF of the following types of securities:

- 1) Shares representing over a period of 12 months less than 10% of the total number of shares of the same class already admitted to trading on the same regulated market or MTF;
- 2) Shares issued in substitution for shares of the same class already issued, if the issue of the shares does not involve any increase in the issued capital;
- 3) Securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the Commission as being equivalent to that of the prospectus, taking into account the requirements of the law governing takeovers of joint stock companies;
- 4) Securities offered, allotted or to be allotted in connection with a merger, provided that a document is available containing information which is regarded by the Commission as being equivalent to that of the prospectus, taking into account the requirements of the law governing companies;
- 5) Shares issued to existing shareholders, involving an increase in the issued capital from the company's assets, or in other cases when shares are 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 a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;
- 6) Securities offered, allotted or to be allotted to existing or former directors or employees by their employer which has securities of the same class already admitted to trading on a regulated market or MTF or by an affiliated company, provided that a document is made available containing information on the number and nature of securities and the reasons for and details of the offer.
- 7) Shares resulting from the conversion or exchange of other securities, or from the exercise of the rights conferred by other securities, provided that the shares are of the same class as the shares already admitted to trading on the regulated market or MTF.

### **Qualified investors**

#### **Article 14**

Qualified investors are:

- 1) Legal persons authorized or regulated to operate in the financial market, by a relevant supervisory authority, including: Credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers;

2) The Republic, autonomous provinces and local government authorities, national and regional governments, 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;

3) other legal persons which meet at least two of the three criteria according to the last annual financial statement or consolidated statement:

- (1) an average number of employees during the financial year of more than 250;
- (2) total assets exceed EUR 43,000,000 in dinar equivalent;
- (3) annual net profit exceeding EUR 50,000,000 in dinar equivalent.

By way of exception to paragraph 1 of this Article, the Commission shall approve the status of a qualified investor to the following persons:

1) Legal persons which do not meet the criteria referred to in paragraph 1, point 3) of this Article, but meet at least two of the three criteria according to the last annual financial statement or consolidated statement:

- (1) an average number of employees during the financial year of more than 250;
- (2) total assets exceed EUR 20,000,000 in dinar equivalent;
- (3) annual net profit exceeding EUR 25,000,000 in dinar equivalent.

2) Natural persons who meet at least two of the following criteria:

- (1) the investor has carried out transactions, in significant size, on financial markets at an average frequency of, at least, 10 transactions per quarter over the last year and totaling EUR 50,000 per quarter;
- (2) the size of the investor's securities portfolio exceeds EUR 500,000 in dinar equivalent;
- (3) the investor has worked in the financial sector for at least one year in a professional position which requires knowledge of securities investments.

The Commission shall maintain the register of authorized qualified investors.

The Commission shall regulate in further detail the procedure for obtaining a status of a qualified investors and the keeping of the register of qualified investors.

## **Prospectus**

### **Article 15**

The prospectus shall contain all information which, according to the particular nature of the issuer and of the securities offered to the public or admitted to trading on a regulated market or MTF, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of any guarantor, and of the rights attaching to such securities.

Information contained in the prospectus shall be authentic, complete and consistently presented.

The information in a prospectus shall be presented in an easily analyzable and comprehensible form.

## **Summary prospectus**

### **Article 16**

The prospectus shall include a summary which shall, in a brief manner and in non-technical language, convey the essential characteristics and risks associated with the issuer, any guarantor and the securities.

The summary shall also contain a warning that:

- 1) It should be read as an introduction to the prospectus;
- 2) Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor;
- 3) The issuer and those persons who have tabled the summary shall be jointly liable for the damages, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

Where the prospectus relates to the admission to trading of debt securities having a denomination of at least EUR 50,000 in dinar equivalent, there shall be no requirement to provide a summary.

## **Prospectus as a single document or separate documents**

### **Article 17**

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

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

- 1) The registration document which shall contain 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 base prospectus**

### **Article 18**

The base prospectus can be drawn out for the following securities:

- 1) Debt securities, including warrants in any form issued under an offering program;
- 2) Debt securities issued in a continuous or repeated manner by credit institutions, provided that:

(1) the sums deriving from the issue of the said securities are placed in assets which provide sufficient coverage for the liability deriving from the issued securities until their maturity date;

(2) in the event of the insolvency of the credit institution of the issuer, the sums referred to in the sub-point (1) of this point are intended, as a priority, to repay the capital and interest falling due, without prejudice to the provisions of a separate Law which regulates insolvency and liquidation of a credit institution.

The base prospectus referred to in paragraph 1 of this Article shall contain all the information under Articles 15, 16, 17 and 18 of this Law, and shall be supplemented, if necessary, pursuant to Article 33 of this Law with updated information on the issuer and on the securities to be offered to the public or to be admitted to trading on a regulated market or MTF.

If the final terms of the offer are not included in either the base prospectus or the supplement, the final terms shall be provided to investors and filed with the Commission when each public offer is made as soon as practicable and if possible in advance of the beginning of the offer, in accordance with provisions of Article 14 of this Law.

The base prospectus shall not be drawn up as a prospectus composed of separate documents.

## **Responsibility attaching to prospectus**

### **Article 19**

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, director and members of the management board of the issuer, unless a member of the management board has specifically voted against authorization of the public offering;

2) Any person making an offer (offeror), and who is not an issuer;

3) Any guarantor of the securities;

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

5) 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;

6) 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.

When the issuer is a person referred to in Article 2, point 38) sub-point (3) of this Law, the responsibility for the prospectus and summary is determined in accordance with the foundation acts or other appropriate act of the issuer.

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.

The persons who have tabled the summary shall be liable only for the damages incurred by the summary being misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, unless the persons could not have known for the materially misleading or inaccurate information in the prospectus.

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

## **Minimum information**

### **Article 20**

The Commission shall issue regulations regarding the form and content of a prospectus and the specific information which must be included in a prospectus for different types of issuers, securities and offerings, and regarding publications and advertisements in connection to the prospectus.

In issuing the regulations referred to in paragraph 1 of this Article, the Commission shall take account of the standards in the field of financial and non-financial information set out by the International Organization of Securities Commissions (IOSCO), and relevant regulations of the European Union regulating prospectuses.

## **Omission of information**

### **Article 21**

Where the final offer price and amount of securities that will be offered to the public cannot be included in the prospectus the offeror shall:

- 1) Include the criteria and conditions in accordance with which the final offer price is determined, or include the maximum final offer price, and disclose the criteria and conditions under which the final amount of securities offered shall be determined, or;
- 2) If fails to act in accordance with point 1) of this paragraph, enable the investor to withdraw acceptances of the purchase or subscription of securities within two working days after the final offer price and amount of securities which will be offered to the public, have been published.

The issuer or the offeror shall file with the Commission the final offer price and amount of securities and publish them in accordance with the arrangements provided for in paragraph 1 of Article 31 of this Law.

At the request of the issuer or offeror, the Commission may authorize the omission from the prospectus of certain information provided for in this Law or the regulations of the Commissions if it considers that:

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

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

3) such information is of minor importance only for a specific offer or admission to trading on a regulated market or MTF and is not such as will influence the assessment of the financial position and prospects of the issuer, offeror or guarantor, if any.

Where, exceptionally, certain information required by the provisions of Article 20 of this Law to be included in a prospectus is inappropriate to the issuers' sphere of activity, or to the legal form of the issuer or to the securities to which the prospectus relates, the prospectus shall contain information equivalent to the required information, if there is such information.

The Commission shall issue a decision on the application referred to in paragraph 3 hereof within 7 working days from the day of receiving a submitted application.

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

## **Validity of a prospectus, base prospectus and registration document**

### **Article 22**

A prospectus shall be valid for 12 months after its publication for offers to the public or admissions to trading on a regulated market or MTF, provided that the prospectus is completed by any supplements required containing new information about the issuer or securities to be publicly offered or admitted to trading on a regulated market or MTF, pursuant to Article 33 of this Law.

In the case of an offering program referred to in point 1), paragraph 1 of Article 18 of this Law, the base prospectus previously filed shall be valid for a period of up to 12 months.

In the case of debt securities referred to in point 2), paragraph 1 of Article 18 of this Law, the base prospectus shall be valid until no more of the securities concerned are issued in a continuous or repeated manner.

A registration document, as part of the prospectus composed of separate documents approved by the Commission shall be valid for a period of up to 12 months, provided that it has been updated in accordance with paragraph 1, Article 23 of this Law.

The registration document accompanied by the securities note, updated if applicable in accordance with Article 25 of this Law, and the summary note shall be considered to constitute a valid prospectus.

## **Annual registration document about published information**

### **Article 23**

Issuers whose securities are admitted to trading on a regulated market or MTF shall at least annually provide a registration document that contains or refers to all information that they have published or made available to the public over the preceding 12 months in compliance with their obligations under this Law and the regulations under this Law and the law governing companies.

The annual registration document about the published information shall be filed with the Commission within 20 working days after the publication of the issuer's annual audited financial statements and made available to the public pursuant to Article 31 of this Law.

Where the document refers to information, it shall be stated where the information can be obtained, and the document shall include a statement indicating that some information may be out-of-date, if such is the case.

The obligation set out in this Article shall not apply to issuers whose only securities admitted to trading on a securities market are debt securities whose denomination per unit is at least EUR 50,000 in dinar equivalent.

The Commission shall regulate the method for publication of the registration document about published information, and the time-limits within which it is published and filed with the Commission.

## **Incorporation by reference**

### **Article 24**

Information may be incorporated in the prospectus by reference to one or more previously or simultaneously published documents and the information shall be the latest available to the issuer.

In cases referred to in paragraph 1 of this Article, a prospectus shall contain a cross reference list of all documents containing stated information with a clear indication of parts of documents containing specific items of information.

The information in a prospectus concerning financial statements shall not be incorporated by reference, unless the issuer is the person referred to in Article 2, point 38) sub-point (3) of this Law.

The summary shall not incorporate information by reference.

## **Prospectuses consisting of separate documents – specific rules**

### **Article 25**

An issuer that already has a registration document approved by the Commission and that is valid pursuant to paragraph 1, Article 22 of this Law shall be required to draw up only the securities note and the summary note when securities are offered to the public or admitted to trading on a regulated market or MTF.

In this case, the securities note shall provide information that would normally be provided in the registration document if there has been a material change or recent development which could affect investors' assessments since the latest updated registration document or any supplement was approved as provided for in Article 33 of this Law.

The securities and summary notes shall be subject to a separate approval in cases referred to in paragraphs 1 and 2 of this Article as provided for in the provisions of this Law concerning prospectus approvals.

Where an issuer has only filed a registration document without approval, and files the securities note and the summary note, the entire documentation, including updated information referred to in paragraph 2 of this Article, shall be subject to approval.

## **Application and approval of prospectus**

### **Article 26**

An issuer or offeror may submit the application for approval of the publication of the prospectus for a public offering of securities.

The issuer shall file the application for approval of the prospectus for admission of securities to a regulated market or MTF.

The application referred to in paragraphs 1 and 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 or MTF on which the securities are proposed to be admitted to trading;
- 2) Copies of the prospectus which may consist of one or more documents and the summary;
- 3) The Articles of Association and the Memorandum of Association;
- 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 or MTF;
- 6) Other documentation required by the Commission.

The prospectus shall include financial statements for the last two years at the minimum, together with the audit report, as well as the management's discussion and analysis of the financial statements.

There shall be included as part of the prospectus financial statements on a consolidated basis of the issuer, when the issuer is required to prepare them in compliance with the law governing accounting and auditing.

In the event that the most recent audited balance sheet is as of a date more than 200 days before the date that the prospectus is filed with the Commission or scheduled to be approved by the Commission, there shall be filed initially or as an amendment before approval of the prospectus more recent unaudited semi-annual financial statements subject to Chapter V of this Law.

In the event that the issuer has operated for a period of time shorter than that indicated in paragraphs 4 and 5 of this Article, there shall be included as part of the prospectus the audited financial statement for that period.

If an issuer is an autonomous province, municipality, local government unit or other issuer that is not an obligor pursuant to the law governing accounting and auditing, the Commission shall issue regulations governing the documents required to be filed with the application referred to in paragraphs 1 and 2 of this Article.

If an application for the approval of a prospectus for a public offering of securities also contains an application for admission to trading of such securities on the securities market, for up to twelve months after publication of the prospectus for the public offering of securities, the prospectus must:



- 1) be supplemented with the information following the public offering to include the entire class of securities as required by paragraph 1 of Article 13 of this Law;
- 2) Include the information on compliance with the criteria for admission to trading of a regulated market for which the admission of the securities to trading is sought;
- 3) Be supplemented in accordance with the provision of Article 22, paragraph 4 of this Law.

### **Publication of prospectus – approval**

#### **Article 27**

The Commission shall adopt a decision approving the publication of the prospectus, registration document, securities note and the summary concerning securities to be offered to the public or admitted to trading on a regulated market or MTF.

No prospectus shall be published in the Republic until it has been approved by the Commission.

The Commission shall issue a decision on approval of the publication of a prospectus within 10 working days following the satisfactory receipt of the application, and shall submit the decision to the applicant.

The time limit prescribed in paragraph 3 of this Article shall be extended to 20 working days if the public offering involves securities issued by an issuer which does not have any securities admitted to trading on a securities market and which has not previously offered securities to the public.

If the Commission finds that the prospectus was not drawn up in compliance with this Law and regulations under this Law or that submitted documents are incomplete for any reason, the Commission shall notify the issuer thereof and request that the documents be corrected or supplemented, within ten working days of the submission of the application.

If the Commission fails to give a decision on the prospectus within the time limits laid down in this paragraph, this shall not be deemed to constitute approval of the application.

### **Refusing application for approval of prospectus**

#### **Article 28**

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;
- 3) The required consent of a competent authority referred to in Article 26, paragraph 3, point 4) of this Law has not been obtained;
- 4) The confirmation that the securities market is ready to admit the securities to trading on a regulated market or MTF 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 29**

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

- 1) The prospectus or any of the information filed with the application does not conform to the requirements of the 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.

## **Obligation to publish a prospectus**

### **Article 30**

An issuer or an offeror shall make public their prospectus within 15 days following the day of receipt of the Commission's decision on approval of the prospectus for public offering and at the latest at the beginning of the public offer or the admission to trading of the securities on the regulated market or MTF and submit it to the Commission.

When a prospectus concerns an initial public offer of a class of shares not already admitted to trading on a regulated market or MTF and that is to be admitted to trading for the first time, the prospectus shall be available to the public at least six working days before the end of the offer.

Should the issuer fail to do as stipulated by paragraph 1 of this Article, the decision granting the approval of publication of the prospectus shall be null and void.

## **The method of publication of a prospectus**

### **Article 31**

The prospectus shall be deemed available to the public when published, either:

- 1) By insertion in one or more general or financial information newspapers having national scope;

2) In a printed form to be made available, free of charge, to the public at the offices of the regulated market or MTF on which the securities are being admitted to trading, or at the registered office of the issuer and at the offices of the investment firms placing or selling the securities;

3) In an electronic form on the issuer's website and, if applicable, on the website of the financial intermediaries providing the services and performing activities in connection with the placing or selling of the securities;

4) In an electronic form on the website of the regulated market or MTF where the admission to trading is sought.

The Commission may require issuers who elect to publish their prospectus in the manner prescribed by paragraph 1, points 1) and 2) of this Article also to publish their prospectus in an electronic form, in the manner prescribed by paragraph 1, point 3) of this Article.

If publication is made in accordance with provisions of paragraph 1, points (3) and (4) of this Article, the prospectus or base prospectus must be easily accessible when entering the website, the file format shall be such that the prospectus cannot be modified, the prospectus shall not contain hyperlinks except to information incorporated by reference, and investors must have the possibility of downloading and printing the prospectus and base prospectus.

A notice stating how the prospectus has been made available and where it can be obtained by the public must be published in at least one daily newspaper.

The notice referred to in paragraph 4 of this Article, shall be published on the day following the publication of the prospectus and a copy of the notice shall be submitted to the Commission.

The Commission shall publish on its website all the decisions on approvals of prospectuses in the last 12 months or at least a list of prospectuses approved, including, if applicable, a hyperlink to the prospectus published on the website of the issuer, or on the website of the regulated market or MTF, and in the case of prospectuses not made available in this manner, an indication of how the prospectuses have been made available to the public and where they may be obtained.

The Commission shall regulate additional conditions concerning publication of prospectuses.

In the case of a prospectus comprising several separate documents or incorporating information by reference, the documents and information making up the prospectus may be published and circulated separately provided that the such documents are made available, free of charge, to the public, in accordance with the arrangements established in paragraph 1 of this Article.

Each document referred to in paragraph 8 of this Article shall indicate where the other constituent documents of the full prospectus may be obtained.

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

Where the prospectus is made available by publication in electronic form, a paper copy must nevertheless be delivered to the investor by the issuer, offeror or the financial intermediaries placing or selling the securities, at their expense and at the investor's request.

## **Advertisements**

## **Article 32**

Any type of advertisements relating either to an offer to the public of securities or to an admission to trading on a regulated market or MTF shall observe the principles contained in provisions of this Article.

Where publication is required pursuant to provisions of this Law, advertisements shall state that a prospectus has been or will be published and indicate where investors are or will be able to obtain it.

Advertisements shall be clearly recognizable as such and the information contained in an advertisement shall not be inaccurate, or misleading, the information shall also be consistent with the information contained in the prospectus, if already published, or with the information required to be in the prospectus, if the prospectus is published afterwards.

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

When according to this Law no prospectus is required, an issuer or an offeror shall disclose to all qualified investors or special categories of investors to whom the offer is exclusively addressed all of the information that was disclosed to any one of them.

Where a prospectus is required to be published, the information referred to in paragraph 5 of this Article shall be included in the prospectus or in a supplement to the prospectus in accordance with paragraph 1 of Article 33 of this Law.

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 or MTF, and all types of advertisements shall be submitted to the Commission by electronic means.

For purposes of this Article, advertisements mean announcements:

- 1) relating to a specific offer to the public of securities or to an admission to trading on a regulated market or MTF;
- 2) aiming to specifically promote the potential subscription or acquisition of securities.

## **Supplements to the prospectus**

### **Article 33**

The issuer or offeror shall promptly draw up a supplement to the prospectus and submit it to the Securities Commission for approval, if a significant new factor, material mistake or inaccuracy has arisen relating to the information included in the prospectus which can affect the assessment of securities and which arises or is noted between the time the prospectus is approved and the final closing of the offer to the public or, as the case may be, the time when trading on a securities market begins.

A supplement to the prospectus must include a notification to investors of the rights referred to in this Article.

Such a supplement shall be approved in the same way as the prospectus in a maximum of seven working days and published in accordance with at least the same arrangements as were applied when the original prospectus was published, on the first following day of the day of approval.

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

Investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right, exercisable within the time period designated in the supplement, but lasting at least two working days after the publication of the supplement, to withdraw their acceptances.

If a prospectus is to be used even upon termination of the public offer or admission to trading on the regulated market or MTF, for any period of time not exceeding the prospectus validity referred to in Article 22 of this Law, such a prospectus shall be supplemented pursuant to provisions of this Article.

## **Subscription and Payment Procedures**

### **Article 34**

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 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 the issuer has disclosed in the prospectus that such period may be extended for up to 45 days, 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 35**

Subscription of securities shall be performed in an investment firm on the basis of the written contract concluded between the offeror and such investment firm.

The payment of securities shall be performed in cash in a credit institution - member of the Central Securities Depository, on the basis of the written contract concluded between such credit institution and 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 and payment 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 a public company.

## **Report on the Results of the Public Offer**

### **Article 36**

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 that the prospectus was published pursuant to Article 31 of this Law.

The Commission shall prescribe by regulations 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 37**

The issuer shall submit to the CSD, through a member of the CSD and in accordance with the regulations of the CSD, a request for opening of an account and 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) Who have purchased or have been allotted the securities in accordance with provisions of Article 12 of this Law – within five working days following the completion of the time period for subscription and payment or the allotment.

The issuer or offeror shall submit a request through a member of CSD for the transfer of securities to the accounts of lawful holders within five working days of the completion of the public offering.

The Central Securities Depository shall have three working days from the satisfactory receipt of the request to perform the entries and transfers of securities to the accounts of lawful holders in the Central Securities Depository.

When the procedures specified in paragraph 3 of this Article have been completed, the Central Securities Depository shall immediately inform the Commission and the member of the Central

Securities Depository and, if applicable, the regulated market on which the securities are to be admitted to trading.

## **Admission of Securities to Trading on a Regulated Market or MTF**

### **Article 38**

Within three days following the receipt of the information from the Central Securities Depository regarding the completion of the procedures specified in Article 37, paragraph 1 of this Law, if the securities are required to be admitted to trading on a regulated market or MTF, the issuer shall submit to the securities market operator or MTF the request for admittance to trading.

Immediately following the admission to trading of a class of securities or additional securities in a class of securities, the market operator or MTF shall publish a notice to this effect on their website and send a copy of such notice by electronic means to the Commission, the Central Securities Depository and the issuer.

## **Application for Approval of Prospectus of Foreign Issuers**

### **Article 39**

An issuer headquartered outside of the Republic may file with the Commission an application for the approval of a public offer prospectus or admission to trading of its securities on a regulated market or MTF in the Republic.

The applicant shall submit to the Commission a confirmation in writing from the competent authority of the home country stating that the securities are of the same class as the securities publicly offered or admitted to trading in the issuer's home country.

The application for approval of a public offer of securities or admission to trading on a regulated market or MTF must be filed with the Commission, through an authorized investment firm, together with the prospectus approved by the competent authority of the issuer's home country and relevant documentation, both the original documentation and certified translation.

The approval of the National Bank of Serbia required under Article 9 of this Law shall be submitted along with the application referred to in paragraph 1 of this Article.

Where depositary receipts are issued or admitted to trading on a regulated market or MTF, there shall be filed with the Commission a copy of the contract concluded between the foreign issuer and a credit institution authorized to do business in the Republic that will issue the depositary receipts, as well as evidence that the securities represented by the depositary receipts meet the conditions set forth in paragraph 2 hereof.

The Commission approves publication of a prospectus that has been drawn up in accordance with the regulations of the issuer's home country and this Law, provided that the disclosure requirements also comply with the requirements under this Law and Commission regulations.

The issuers of debt securities referred to in paragraph 2, point 38) sub-point (3) of this Law shall be entitled to make offerings of securities in the Republic and admit them to trading on a regulated market or MTF in the Republic without satisfying the requirements indicated under paragraph 2 hereof, but in accordance with the regulation on the content and form of the application and the documentation for the securities of such issuers, issued by the Commission.

The provisions of this Law related to the entry of securities into the Central Securities Depository and admission to trading on a regulated market or MTF shall accordingly apply to the securities of foreign issuers.

## **Securities of Issuers from the Republic Offered on Foreign Markets**

### **Article 40**

Equity securities of issuers from the Republic might be publicly offered on foreign markets provided that the issuer has been granted an approval for a public offer or admission to trading on a regulated market or MTF in the Republic, in which case a timely notification thereof shall be submitted to the Commission.

An issuer may admit equity securities outside the Republic, if they do not meet the statutory requirements for approval of prospectus or for admission of securities on the regulated market or MTF in the Republic, with the prior approval of the Commission.

Without the approval from the Commission, outside the Republic, an issuer is allowed to:

- 1) Offer or admit to secondary trading its debt securities or depositary receipts for such debt securities;
- 2) Offer securities with or without an approval for publication of a prospectus or admit them to secondary trading.

## **Procedures regarding Exempt Transactions**

### **Article 41**

Where transactions that do not require publication of a prospectus under paragraph 1, points 7), 8) and 10) of Article 12 of this Law are concerned, and prior to complying with Article 37 of this Law, an issuer of securities shall file with the Commission and seek the Commission's approval for the documents required for purposes of such exemptions, in accordance with the Commission regulation.

In the case of all other transactions exempted from prospectus publication requirements under Articles 12 and 13 of this Law, no filing with the Commission shall be required regarding such exemption, however, the issuer shall proceed to comply with Article 37 of this Law, subject to applicable requirements of the Central Securities Depository and the regulated market or MTF on which the securities are to be admitted to trading.

In cases referred to in paragraph 2 of this Article the Commission may, in the course of supervision, require from an issuer, offeror or the person submitting an application for admission of securities on a regulated market or MTF to notify the Commission of reliance upon an exemption referred to in Article 12 of this Law.

In advance of the sale of securities, an issuer or other person who issues or sells securities in reliance upon one of the exemptions from publication of a prospectus included in paragraph 1 of Article 12 shall make the information available to investors, which is substantially equivalent to the information that would be required under this Law and Commission regulations in a public offering prospectus involving the same type of issuer, securities and transaction, subject to the following:

- 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;



3) If the issuer is not a public company, does not have the obligation to have audited financial statements pursuant to the law regulating accounting and auditing, and the preparation of audited financial statements would involve unreasonable effort or expense in connection with the transaction, unaudited financial statements may be used;

4) Any information that is made available to a qualified investor participating in the exempt offering must be made available to all the other investors participating in the transaction.

## **Supervisory Powers of the Commission**

### **Article 42**

The Commission shall exercise supervision over the compliance with all the obligations under this Chapter relating to the public offering of securities or to admission to trading on a regulated market or MTF in the Republic.

The supervision referred to in paragraph 1 of this Article shall mean the following:

- 1) Monitoring, gathering and review of published information and reports by persons required to submit them to the Commission;
- 2) Insight in business operations of the issuer and its parent company and subsidiaries;
- 3) Imposing supervisory measures referred to in Articles 43 and 44 of this Law.

Supervisory Measures during Public Offer of Securities or Admission to Trading Procedure

### **Article 43**

If in the course of a public offering of securities or in the procedure for admission of securities to trading, the Commission determines that information in the prospectus is materially false or misleading or fails to state material information necessary to make the information included not misleading, it shall order the issuer with a set time period to:

- 1) publish the corrected information in the same manner that the prospectus was published;
- 2) Physically distribute copies of the prospectus or its accompanying documents with correct information to all persons who have previously subscribed for the securities;

When public offering prospectuses are concerned, the Commission shall order the issuer and the offeror within a set period of time to:

- 1) suspend further subscriptions, subscription confirmations and receipt of subscription payments, until the issuer corrects such information by supplementing the prospectus or accompanying documents;
- 2) Inform all the persons who subscribed for or purchased securities and enable them if they wish to do so, to rescind the subscription within the time period of at least five days from the day of imposing the supervisory measure referred to in this Article and recuperate their subscription monies.

The issuer shall submit to the Commission a report including evidence on the eliminated irregularities, within the specified deadline.

Should the Commission establish that the procedures set forth in paragraph 2 of this Article have been implemented within the prescribed deadline, it shall terminate the suspension of the subscription and payment procedure by a decision and inform the public, the issuer and persons who have performed the subscription and payment of securities of such decision.

Should the issuer fail or be unable to implement the corrective procedures within the prescribed deadline, the Commission shall annul the prospectus and the public offer procedure by its decision and inform the public, issuer and persons who have performed the subscription and payment of securities of such annulment.

Should the procedure of public offer of securities be annulled, the issuer or the holder of securities shall refund the paid amounts with interest to the persons that subscribed and paid for the securities, within three working days following the day of the receipt of the Commission decision referred to in paragraph 5 of this Article.

If there are reasonable grounds for believing that the provisions of this Law have been infringed, the Commission may suspend a public offer or admission to trading for a maximum of 10 consecutive working days.

## **Other Supervisory Measures**

### **Article 44**

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 or MTF 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 or MTF, 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 or MTF, and their agents who will implement the public offering procedure or submit an application for admission of securities to a regulated market to provide additional information and notifications of importance for the enforcement of the provisions under this Chapter;
- 4) Prohibit or suspend advertisements for a maximum of ten working days, if it has reasonable grounds for believing that the provisions of this Law or Commission regulations have been infringed;
- 5) Suspend trading on a regulated market, MTF or OTC market, if it finds that the provisions of this Law or Commission regulations have been infringed;
- 6) Undertake additional measures and sanctions in accordance with the provisions of Chapter XIII of the Law.

When undertaking measures referred to in paragraph 1 of this Article, the Commission shall take into consideration the gravity of committed violations of provisions of this Chapter and the purpose of such measures.

## **IV SECONDARY TRADING**

### **Intermediation in Secondary Trading**

## **Article 45**

Only investment firms holding a license of the Commission may trade on a regulated market or MTF, while other persons may trade on such markets only through the mediation of such firms.

Only investment firms licensed by the Commission shall be entitled to intermediate transactions in an OTC market.

The Commission license is not required for an OTC market and the Commission shall exercise supervision over an OTC market by supervision of investment firms who engage in transactions in financial instruments on the OTC market.

## **Secondary Trading in Financial Instruments**

### **Article 46**

Except as otherwise provided in this Law a public company shall submit an application to admit its equity securities to trading on a regulated market in the Republic.

If equity securities do not meet the listing standards of the regulated market, they may be admitted to trading on a free tier of the regulated market.

If equity securities do not meet the requirements for admission to this tier of the regulated market either, they may be admitted to trading on a MTF.

If equity securities have been delisted from the regulated market or MTF pursuant to the provision of Article 122 of the Law, they shall be traded freely.

The issuer of debt securities is not required to apply for admission to trading of the debt securities on a securities market, however, if the debt securities do not meet the listing standards of the regulated market, at the issuer's request, they may be admitted to trading on a special tier of the securities market or MTF.

Notwithstanding the fact that debt securities have been admitted to trading on a regulated market, the debt securities may be traded off the market, or on MTF in accordance with the provisions of this Law.

Standardized derivative financial instruments shall be traded on a regulated market or MTF.

## **Reporting of Transactions**

### **Article 47**

Transactions in securities undertaken outside regulated markets or MTF shall be reported timely to the Central Securities Depository by the seller's intermediary, and in cases of securities admitted to trading on a regulated market or MTF, the transactions shall be also reported to the regulated market or MTF.

## **Exceptions for other transactions**

### **Article 48**

The following transactions in financial instruments shall be performed outside of a regulated market i.e. MTF:

- 1) With a view to fulfillment of measures and liabilities in the process of status changes and changes of the legal form of a company, pursuant to provisions of the Law regulating companies, and in the process of reorganization of a company in compliance with the provisions of the Law governing bankruptcy;
- 2) With a view to realization of specific rights of dissenting shareholders and members, in compliance with the provisions of the Law regulating companies;
- 3) With a view to execution of the final court decision which ends inheritance, bankruptcy, or liquidation proceedings, or with a view to execution of a final court decision by which another court proceeding is completed;
- 4) In connection with a takeover bid, in compliance with the provisions of the law regulating takeovers of joint stock companies.

The following transactions shall be performed outside of a regulated market i.e. MTF, unless determined otherwise by an enactment of the Government:

- 1) the transfer of ownership without a consideration, over the shares issued by banks, from the state union of Serbia and Montenegro to the Republic, based on the Law Regulating Relationship between the Federal Republic of Yugoslavia and Legal Persons and Banks from the Federal Republic of Yugoslavia who are Original Debtors or Guarantors towards the Creditors of the Paris Club and the London Club (Official Gazette of FRY, No 36/02 and 7/03);
- 2) the trade in shares issued by banks, when the legal holder of such shares is the Republic, based on the Law Regulating the Relationship between the Federal Republic of Yugoslavia and Legal Persons and Banks from the Federal Republic of Yugoslavia who are Original Debtors or Guarantors towards the Creditors of the Paris Club and the London Club and the Law Regulating the Public Debt of Federal Republic of Yugoslavia based on the Foreign Currency Savings of its Citizens (Official Gazette of FRY, No 36/02 and Official Gazette of RS, No 80/04 and 101/05);
- 3) the trade in shares issued by banks, when the legal holder of such shares is the Republic;
- 4) the trade in shares issued by banks, when, in accordance with law, the legal holder of such shares is the Deposit Insurance Agency;
- 5) the trade in shares issued by banks, when legal holders of such shares have authorized the Deposit Insurance Agency, by a special agreement that must be made in writing, to sell such shares to a third person, in their name and on their behalf;
- 6) the trade in shares issued by insurance companies, when legal holders of such shares have authorized the Deposit Insurance Agency, by a special agreement that must be made in writing, to sell such shares to a third party, in their name and on their behalf in accordance with the law that regulates insurance;
- 7) the trade in shares issued by the banks, when the trade is performed in the procedure of cashing of property of banks undergoing bankruptcy or liquidation, where the bankruptcy or liquidation administrator is the Deposit Insurance Agency;
- 8) the trade in shares of the central securities depository, stock exchange and other persons in the financial sector, when the lawful holder of such shares is the Republic;

9) the trade in shares of the central securities depository, stock exchange and other persons in the financial sector, when the lawful holders of such shares have empowered the Deposit Insurance Agency by a special agreement that must be made in writing, to sell such shares to a third party, in their name and on their behalf.

Outside a regulated market or a MTF, shares of public companies may be traded as follows:

- 1) shares transferred to the Share Fund or to its legal successor, in compliance with the Law, and the shares of individual shareholders offered for sale at the same time as such shares;
- 2) shares whose lawful holder is the Republic Fund for Pension and Disability Insurance of Employees;
- 3) shares whose lawful holder is the Republic Development Fund;
- 4) shares whose lawful holder is the Republic.

The Government shall regulate the detailed procedure and the methods of trading in securities referred to in paragraphs 2 and 3 of this Article.

The transaction carried out in accordance with the provisions of this Article shall be reported to the regulated market or MTF on which the shares are traded, by the seller.

### **Supervisory measures following admission of securities to a securities market**

#### **Article 49**

Following admission of securities to trading on a regulated market or MTF, the Commission shall be authorized to:

- 1) inspect business operations of the issuer, its controlling company and its subsidiaries in the Republic of Serbia, if this is necessary in order to inspect and determine whether the issuer acts in compliance with provisions of this Chapter;
- 2) in order to protect investors and the market as a whole, order the issuer of the financial instruments to disclose all important information that could affect the assessment of values of financial instruments;
- 3) suspend, or require the relevant regulated markets or MTF to suspend trading in a financial instrument, if it has reasonable grounds for believing that the provisions of this Law or Commission regulations have been infringed or if, in the Commission's opinion, a public company's situation is such that trading would be detrimental to investors' interests;
- 4) undertake additional measures and sanctions in accordance with the provisions of Chapter XIII of this Law.

The Commission may consult the market operator, when deciding on suspension or prohibition of trading on a regulated market or MTF.

## **V OBLIGATIONS OF PUBLIC COMPANIES**

### **Annual Reports**

## Article 50

A public company shall prepare and make its annual report public, communicate it to the Commission and the regulated market or MTF, if its securities are admitted to trading, at the latest four months after the end of each financial year and shall ensure that the annual financial report remains publicly available for at least five years after its has been made available to the public.

The annual report contains:

- 1) Annual financial statements including auditor's report;
- 2) Annual report of operations of the company;
- 3) Responsibility statements made by persons responsible for the making of the annual report, indicating their name and function in the public company, that to the best of their knowledge, the annual financial statements have been prepared in accordance with the applicable international financial reporting standards and that the statements give a true and fair review of the assets, liabilities, financial position and operations, profit and loss, cash flows and statement of changes in ownership equity of the public company, including companies included in the consolidation.

The annual report of operations of a company must contain:

- 1) a fair review of the development and performance of the business and especially the financial position of the company, as well as the information important for the assessment of the company's assets;
- 2) a description of the expected development of the company for the following period, changes in business policies and the principal risks and threats to the company operations;
- 3) all the significant business events that occurred after the end of the financial year for which the report is prepared;
- 4) all significant transactions with related parties;
- 5) company activities regarding research and development.

If in the meanwhile, after the date of the previous annual financial report the company has acquired its own shares, the annual report shall state the reasons for acquisition, number and nominal value of own shares, i.e. accounting value of acquired shares without the nominal value, the names of the persons from whom such shares were acquired, whether they were acquired without consideration or were paid for, the amount paid and the total number of its own shares the company holds.

The financial statements of a public company shall be drawn up in accordance with the law governing accounting and auditing.

Audits of financial statements shall be carried out in compliance with the law governing accounting and auditing, and auditor's reports signed off by the person responsible for audits of financial statements and shall be disclosed to the public in full, supporting the annual financial statement.

The provisions of this Article shall apply accordingly to public companies which are required to prepare consolidated financial statements.

The Commission shall regulate in further detail the contents and the methods used for making the annual financial statements available to the public.

## **Adoption of Annual Reports**

### **Article 51**

If annual financial reports are not adopted by the relevant body of the public company within the time period specified in Article 50, paragraph 1 of this Law, the public company shall make the annual report available to the public within the time period referred to in that paragraph, 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, the public company 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 report.

A public company shall also make available to the public the complete decision of the competent body on adoption of the annual report, together with the decision on distribution of profit or coverage of loss, if these decisions are not an integral part of the annual report.

## **Half-yearly financial reports**

### **Article 52**

Public companies whose securities are traded on the regulated market shall compile their half-yearly financial reports in accordance with the rules for the annual reports, as soon as possible and within two months following the completion of the first six-month period of the financial year, make it public and file it with the Commission and the regulated market where their securities are admitted to trading.

A public company shall ensure that the report referred to in paragraph 1 of this Article is available to the public for at least five years after its publication.

The half-yearly report which is made public and filed with the Commission must contain:

- 1) A condensed balance sheet with comparative information for the previous year;
- 2) A condensed profit and loss statement with comparative information for the comparable period for the previous year;
- 3) A condensed statement on changes in the capital with comparative information for the previous year;
- 4) A condensed cash flow report with comparative information for the same period of the previous year;
- 5) Explanatory notes on half-yearly reports must contain sufficient information in order to compare the half-yearly reports with the annual, as well as sufficient information and explanations to ensure proper understanding of any material changes in amounts and of any developments in the half-year period concerned, which are reflected in the balance sheet and the profit and loss account.
- 6) The half-yearly report on operations includes at least an indication of significant events that have occurred during the first six months of the financial year and their impact on the half-yearly financial reports, together with a description of the principal risks and uncertainties for the remaining

six months of the financial year, information about the significant related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the public company during that period, and any changes in the related party transactions described 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;

7) A statement made by the persons responsible for preparation of half-yearly reports, indicating their function and duties in the public company, that to the best of their knowledge, the half-yearly financial statement has been prepared in accordance with the applicable international financial reporting standards and that the statement gives a true and fair review of the assets, liabilities, financial position and profit or loss and operations of the public company, including companies included in the consolidation.

The condensed statements referred to in paragraph 3, points 1)-4) of this Article shall at maximum include all the chapters and subtotals included in the most recent annual financial report, while the additional line items shall be included only if, as a result of their omission, the half-yearly financial reports would give a misleading view of the assets, liabilities, financial position and profit or loss and operations of the issuer.

If the public company's financial statements in its annual report are required to be prepared on a consolidated basis, the financial statements prepared in any half-yearly report shall also be prepared on a consolidated basis and made available to the public as such.

If the half-yearly financial reports have been audited, the public company must also make available to the public the audit report, within the time period and in the manner specified in paragraphs 1 and 2 of this Article.

If the half-yearly financial reports referred to in paragraph 1 of this Article have not been audited, the public company shall make a statement thereof in its half-yearly report.

The Commission shall regulate in further detail the contents and the methods used for making the half-yearly reports available to the public.

## **Quarterly reports**

### **Article 53**

Public companies whose securities are listed on the regulated market are required to compile their quarterly reports, make them available to the public and file them with the Securities Commission and the market operator, within 45 days following the end of each of the first three quarters of the current financial year, and it shall ensure that the report remains available to the public for at least five years after its publication.

The provisions of Article 52, paragraph 3 of this Law shall apply accordingly to the quarterly reports.

The Commission shall regulate in further detail the contents and the methods used for making the quarterly financial reports available to the public.

## **Audit of public company financial reports**

### **Article 54**



A legal entity performing audits may conduct not more than 5 consecutive audits of annual financial statements of the same publicly traded company.

The auditor referred to in paragraph 1 of this Article may not audit financial statements of and provide consulting services to the company during the same year, and conduct an audit for the business year in which it provided the consulting services.

The auditor must have the highest professional degree in the field of audit, in compliance with the law governing auditing, and at least 3 years of professional experience in conducting audits, and must be independent of the publicly traded company it audits.

The person referred in paragraph 3 of this Article shall not be not considered independent of a publicly traded company, if the person or the audit company in which such person is engaged, or the manager of that company – in the current and two previous financial years, as well as during the audit:

- 1) has been closely associated with the company;
- 2) is the business partner of the publicly traded 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 who could have an adverse impact on their impartiality and independence.

The auditor referred in paragraph 1 of this Article shall prepare a report and provide an opinion as to whether the annual financial statements of the publicly traded company have been composed in compliance with the international financial reporting standards, or the international accounting standards, the law governing accounting and auditing and whether it provides true and objective overview of the financial position, business results and cash flows for the year regarding all issues of material importance.

The auditor referred to in paragraph 1 of this Article shall file with the Commission, the management and executive board, their opinion regarding the efficiency of functioning of the internal audit, the systems of risk management and internal control and to include its conclusions in the mandatory part of the letter to the management.

The Commission may request additional information from the auditor.

The auditor referred to in paragraph 1 of this Article shall notify the Commission, the management and executive board of the company, promptly after becoming aware of any fact which represents:

- 1) Violation of the laws and regulations specified in paragraph 5 of 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 in the public company's business operations.

The Commission may regulate in greater detail the conditions and methods for providing notifications referred to in paragraph 8 of this Article.

When irregularities in the operations of a public company are established in the auditor's report, the company shall eliminate those irregularities and inform the Commission thereof.

If the public company fails to remove the irregularities indicated under paragraph 10 of this Article, the Commission may undertake measures specified in this Law against the company.

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 public company.

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.

## **Additional information**

### **Article 55**

A public company shall without delay file with the Commission and the regulated market or MTF on which its equity securities are admitted to trading, any change in the rights attaching to the various classes of its equity securities, including changes in the rights attaching to derivative securities issued by the public company itself and giving access to the equity securities of that public company.

A public company that issues securities other than equity securities admitted to trading on the regulated market or MTF, files with the Commission and such market without delay any changes in the rights of holders of the securities, including changes in the terms and conditions of these securities that could indirectly affect those rights, resulting in particular from a change in loan terms or in interest rates.

Paragraph 2 of this Article shall not apply to changes in conditions resulting independently from the willingness of the issuer and are objectively determinable, such as the changes in LIBOR or EURIBOR, etc.

The Commission may regulate the obligation of submitting other reports and deadlines for their submission.

## **Exemptions**

### **Article 56**

The provisions of Articles 50-53 of this Law shall not apply to a public company that is exclusively an issuer of debt securities admitted to trading on a regulated market or MTF, the denomination per unit of which is at least EUR 50,000 in dinar equivalent.

## **Notification of major holdings**

### **Article 57**

Where a natural or legal person directly or indirectly 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

Commission, the company and the regulated market or MTF 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 changing the breakdown of voting rights comprising the issuer's core capital or a change in the number of votes from such shares.

The percentage of shares carrying voting rights is calculated relative to all shares issued as shares with voting rights, including own shares of the issuer and shares with respect to which exercising of voting rights is prohibited or restricted by law or a legal transaction, if such transaction is in accordance with the Law.

A public company whose shares are traded on the regulated market or MTF, and where a change in the number of voting shares occurred, must at the end of each calendar month, for the purpose of calculating the thresholds referred to in this Article, disclose to the public the information about the changes and the new total number of voting rights and the value of the core capital.

When a public company the issuer of voting shares, receives the notification referred to in paragraph 1 of this Article, it shall disclose the information contained in the notification to the public promptly immediately and no later than three working days following the date of its receipt.

The requirement referred to in paragraph 1 of this Article shall apply to a person who directly or indirectly holds 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 the behalf of another natural or legal person.

The notification requirements in this Article shall apply to a natural or legal person who holds, directly or indirectly, financial instruments that result in an entitlement to acquire, on such holder's own initiative alone or under a binding legal transaction, shares to which voting rights are attached and already issued, of a public company whose shares are admitted to trading on a regulated market or MTF.

## **Acquisition or disposal of major proportions of voting rights**

### **Article 58**

The notification requirement defined in Article 57 of the Law, applies to natural or legal persons when they acquire, dispose of or exercise voting rights in any of the following cases or a combination of them:

- 1) Voting rights held by a third party with whom that legal or natural has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the public company in question;
- 2) Voting rights held by a third party under an agreement concluded with that person providing for the temporary transfer for consideration of the voting rights in question, if such transaction is in accordance with the Law;
- 3) Voting rights transferred as a collateral to a natural or legal person, when the person controls the voting rights and declares their intention to exercise the rights, if such transaction is in accordance with the Law;
- 4) Voting rights attaching to shares in which that natural or legal person has the life interest;

- 5) Voting rights which are held or may be exercised in line with provisions of points 1) - 4) of this paragraph by a company controlled by the natural or legal person;
- 6) Voting rights attaching to shares deposited with that natural or legal person, which the person or can exercise at its discretion in the absence of specific instructions from the shareholders;
- 7) Voting rights attaching to shares held by a third party in its own name and on behalf of the natural or legal person;
- 8) Voting rights which the person may exercise as a proxy at its discretion in the absence of specific instructions from the shareholders.

## **Procedures on the notification and disclosure of major holdings**

### **Article 59**

The notification required under paragraph 57 of this Law shall include the following information:

- 1) The business name, registered office, and address of the public company, the issuer of shares;
- 2) Information about the natural or legal person that reached, exceeded or fell below the threshold specified in Article 57 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 57 of this Law;
- 5) Information about the document based on which and the method in 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 amount that has been reached, exceeded or fallen below;
- 8) 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, personal identification number, and place of residence for natural persons, and for legal persons the official company name, legal form, seat, address, identification number and details about the responsible persons in the legal person.

The Commission shall regulate in more details the contents and format of the notification form referred to in paragraph 1 of this Article, as well as the way how it is submitted.

The notification shall be made as soon as possible, but not later than four trading days, the first of which is the day after the date on which the person referred to in Articles 57 and 58 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) is informed about the latest changes in the core capital in accordance with the provisions of Article 57, paragraph 4 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.

By exception to paragraph 4 hereof, and in the case referred to in Article 58, paragraph 1, point 8) of this Law, a shareholder or proxy shall be required to file the notification pursuant to Article 57, paragraph 1 of this Law to the joint stock company and the Commission on the day of issuing or receiving the proxy authorization.

For the purpose of this Article, trading days shall be the days when trading is conducted on the regulated market or MTF, where the shares are admitted to trading.

When there is a notification requirement under this Article, as well as Articles 57 and 58 hereof, that applies to other persons with close links with a person acquiring voting shares, or where the duty to make a notification lies with more than one natural or legal person, the notification may be made by means of a single common notification, but the obligation shall be deemed fulfilled if any of the persons fulfills the obligation.

### **Exemptions from the obligation to disclose major holdings**

#### **Article 60**

The Articles 57 and 58 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.

A legal person is not required to provide notifications of major holdings, if such notification is made by the parent company or the parent company of such company.

### **Exemptions, calculating the percentage of voting rights**

#### **Article 61**

If a management company exercises its voting rights independently from the parent company, the parent company of the management company is not required to provide notifications under Articles 57 and 58 of this Law, regarding the holdings managed by the management company, under the conditions laid down in the law that regulates investment funds.

A parent company of an investment firm is not required to provide notifications under Articles 57 and 58 of the Law, regarding the holdings which such investment firm manages by providing portfolio management services, provided that:

- 1) the investment firm is authorized by the supervisory authority to provide such portfolio management services, in accordance with Article 2, point 8) 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, or it ensures that individual portfolio management services are provided independently of any other services in line with the stipulated procedures;
- 3) the investment firm exercises its voting rights independently from its parent company.

The provisions of Articles 57 and 58 of this Law apply where the management company or investment firm exercises the voting rights attaching to shares and financial instruments belonging to its parent company, or to another subsidiary of the parent company, and the management company or the investment firm may only exercise such voting rights under direct or indirect instructions from the parent or another controlled company of the parent company.

The Commission shall regulate in further detail how the notification and filing of the documents is carried out, for purposes of such exemptions stated in this Article.

### **Commission's authority to suspend voting rights**

#### **Article 62**

If any person required to provide notification under Articles 57-59 of the Law, fails to comply with such provisions, the Commission shall issue a decision suspending the voting rights attaching to voting shares held by such person, until such time as there is full compliance with the provisions.

The Commission shall inform the person affected by the order, the public company, the Central Securities Depository and the regulated market or MTF on which the voting shares are admitted to trading of the order referred to in paragraph 1 of this Article.

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.

### **Notification of acquisition of own shares**

#### **Article 63**

Where a public company acquires or disposes of its own voting shares, either itself or through a person acting in their own name, but on the public company's behalf, it must make public the proportion of its own shares, in absolute and relative amounts, as soon as possible, but not later than four trading days following such acquisition or disposal of the voting rights.

### **Treatment of shareholders**

#### **Article 64**

A public company, the issuer of equity securities admitted to trading on a regulated market or MTF, shall ensure equal treatment for all holders of the same class of equity securities.

Shareholders shall not be prevented from exercising their rights by proxy.

## **Other information requirements for public companies issuers of equity securities**

### **Article 65**

A public company, issuer of equity traded on a regulated market or MTF, shall ensure that all facilities and information necessary to enable shareholders to exercise their rights are available and that the integrity of data is preserved.

In particular, a public company referred to in paragraph 1 of this Article shall:

- 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, on paper or by electronic means, to each person entitled to vote at a shareholder meeting, together with the notice concerning the shareholder meeting or, on request, after an announcement of 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.

A public company referred to in paragraph 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 conditions:

- 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 58 of this Law;
- 2) identification arrangements shall be put in place so that the shareholders or natural or legal persons referred to in Article 57 of this Law are timely informed;
- 3) shareholders or in the cases of natural and legal persons referred to in Article 58, points 1) - 5) of this Law, shall be contacted in writing to request their consent for the use of electronic means for conveying information and, if they do not object within a reasonable period of time, 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 public company shall determine the apportionment of the costs entailed in the conveyance of such information by electronic means, in accordance with the principle of equal treatment laid down in paragraph 1 of this Article.

The public company referred to in paragraph 1 of this Article shall promptly file with the Commission and the regulated market or MTF on which its securities are admitted to trading, the proposal of amendments of the articles of association or incorporation (statute), not later than on the day when it has made public the invitation for the general meeting where it will be discussed.

## **Other information requirements for public companies - issuers of debt securities**

### **Article 66**

A public company issuer of debt securities shall ensure that all holders of debt securities ranking *pari passu* are given equal treatment in respect of all the rights attaching to those debt securities.

A public company that issues equity securities shall immediately inform the public about any new issue of debt securities, particularly about the insurance or a guarantee pertaining to such issue.

### **Access to regulated information**

#### **Article 67**

A public company and an issuer that has applied for admission of its securities to trading on a regulated market or MTF shall disclose regulated information set in this Chapter in a manner ensuring fast and easy access to such information on a non-discriminatory basis.

A public company and an issuer shall use such media as may reasonably be relied upon for the effective dissemination of information and in the prescribed contents to the public throughout the Republic, in the manner which, to the extent possible, prevents unauthorized access to such information.

The issuer or a public company may not charge investors for providing the regulated information.

A public company and an issuer shall publish regulated information on their websites.

A public company and an issuer shall also file with the Commission the regulated information, at the same time as their publishing, for purposes of publication in the official register of information.

A public company and an issuer, securities of which are admitted to trading on the regulated market or MTF, shall also file that regulated information to such market or MTF.

The Commission shall keep an official register of information, these mechanisms should comply with the minimum quality standards of security, certainty as to the information source, time recording and easy access by end users.

The Commission shall regulate in detail the contents and procedure in accordance with which the information is filed and disclosed, and the conditions for keeping and types of data in the register referred to in paragraph 7 of this Article.

### **Public companies that are foreign issuers**

#### **Article 68**

A public company that is a foreign issuer whose securities are traded on the regulated market or MTF in the Republic, shall comply with the provisions of this Chapter, with the exception of the provisions of Articles 56, 62 and 64 of this Law.

A public company that is a foreign issuer shall file with the Commission and make publicly available in the Republic any additional information that it is required to disclose to security holders under the laws of its home country or the regulations of financial market in its home country where its securities are admitted to trading.



The information required to be filed with the Commission or made publicly available in the Republic under paragraphs of this Article shall be filed or made available in Serbian, and they may be made publicly available in another language at the same time.

### **Responsibility for authenticity and completeness of information**

#### **Article 69**

The provisions of Article 19 of this Law regarding persons having responsibility for information in a prospectus used for a public offering or admission to trading of securities shall accordingly apply to the responsibility for authenticity and completeness of the information required to be filed with the Commission and market operator i.e. the regulated market and made publicly available by a public company under this Chapter, provided that for such purposes, the public company shall be deemed the equivalent of an issuer under Article 19, however the underwriter and agent referred to in point (4), paragraph 1 of Article 19 shall not be held responsible.

### **A public company ceasing to be public**

#### **Article 70**

A public company may cease to be a public company after submitting relevant evidence to the Securities Commission that:

- 1) following the close of any calendar year other than the year in which a successful public offering of its securities was completed, the public company has less than 100 holders of the class of debt securities that was publicly offered;
- 2) the company has acted in compliance with Article 123 of this Law and redeemed the shares from the dissenting shareholders.

By exception to paragraph 1 of this Article, an issuer shall cease to be a publicly traded company, if during any calendar year all of the securities issued through public offering:

- 1) have been acquired in a takeover bid;
- 2) have been redeemed in the procedure of a squeeze out or sell out, in accordance with the law governing companies;
- 3) have been canceled after a merger or another status change.

At the issuer's request, and with the relevant evidence submitted, the Commission shall strike off the public company from the register in accordance with the procedure specified by the provisions of this Article and the Commission regulation.

### **Commission supervision of public companies**

#### **Article 71**

The Commission shall supervise the enforcement of all the obligations specified by the provisions of this Chapter.

In carrying out supervisory activities, the Commission shall have the authority to:

- 1) require the filing of information, documents, evidence and statements by auditors, issuers, natural and legal persons referred to in Articles 56 and 57 of this Law;
- 2) require the filing of information, documents, evidence and statements by the companies that control or are controlled by natural and legal persons referred to in point 1) of this paragraph, and other natural and legal persons that the Commission believes they might have the information relevant for the supervision;
- 3) require the issuer to make the information, evidence and statements under points 1) and 2) hereof publicly available in the manner and within the time period determined 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 issuer's management, as well as natural and legal persons referred to in Articles 56 and 57 of this Law, to publicly disclose the regulated information, if it is not publicly available;
- 6) suspend or require from the regulated market or MTF where the issuer's securities are admitted to trading to suspend the trading in issuer's securities for up to ten days, if it reasonably suspects that the issuer is acting in violation of this Chapter;
- 7) prohibit the trading in the issuer's securities on the regulated market, and order the MTF operator to admit the securities to MTF, if it has been determined that the issuer is acting or there is reasonable doubt that the issuer is acting in violation of the provisions stipulating the obligation to publicly disclose information;
- 8) monitor the activities of the issuer with respect to the obligation to publicly disclose the regulated information within the set deadlines, ensuring equal access to the information 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) publicly disclose that the issuer, as well as natural and legal person referred to in Articles 56 and 57 hereof, have failed to comply with their obligations specified under this Chapter;
- 11) check whether the regulated information is made publicly available, with the content and form in line with this Law and the Commission regulations;
- 12) take appropriate measures, if the regulated information is not made publicly available, including the content and format specified by this Law;
- 13) perform on-site supervision of the compliance with this Chapter in the territory of the Republic.

The submission of information, documents, evidence and statements to the Commission by auditors in accordance with paragraph 2, point 1) of this Article shall not be considered violations of confidentiality and professional secrecy – to which auditors must adhere to 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 or MTF, 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 furnish the decision on the measures referred to in paragraph 2 of this Article with the issuer, shareholders or holders of debt securities, through the issuer, with regulated market or MTF on which the issuer's securities are admitted to trading, and to the relevant body of the regulated market or MTF on which the securities are admitted.

If the person fails to act 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 accordance with provisions of Chapter XIII of this Law.

## **Article 72**

The Securities Commission makes publicly available all the undertaken measures and sanctions imposed to remedy the identified illegalities and irregularities in respect of the disclosure obligations of regulated information of the issuer, except when such disclosure would jeopardize the financial market or cause disproportionate damages to the parties in the proceeding.

# **VI MARKET ABUSE**

## **Application**

### **Article 73**

The provisions of this Chapter (Articles 73-94) shall apply to any financial instrument admitted to trading on a regulated market or MTF in the Republic, or on a regulated market in a foreign country, or for which a request for admission to trading on such a market has been made, irrespective of whether or not the transaction itself actually takes place on that market.

The provision of paragraph 1 of this Article shall also apply to OTC transactions.

Articles 76–78 of this Law shall apply to any financial instrument not admitted to trading in the context of paragraph 1 of this Article, but whose value depends on a financial instrument from which it is derived.

Articles 79–83 of this Law shall not apply to issuers which are not public companies and which have not requested or obtained approval for admission of their financial instruments to trading on a regulated market or MTF in the Republic.

Article 83 of this Law shall not apply to issuers referred to in Article 2, point 38) subpoint (3) of this Law.

The provisions of this Chapter shall not apply to trading in own shares in buy-back programs, or to trading aimed at the stabilization of a financial instrument provided such trading is carried out in accordance with the Commission regulation governing trading in own shares in buy-back programs and the trading aimed at the stabilization of a financial instrument.

The provisions of this Chapter (Articles 73-94) shall also apply to:

- 1) spot commodity contracts, which are not contracts for trading products on the regulated market of electricity, natural gas, oil and oil derivatives, 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;
- 2) derivative contracts or derivative instruments for the transfer of credit risk, where the conclusion of the transaction, placing an order, bid or other 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 which has or is likely to have effect on benchmarks.

### **Scope of prohibitions**

#### **Article 74**

The Commission shall apply the prohibitions and requirements provided for in this Chapter to activities:

- 1) carried out in the Republic and concerning financial instruments that are admitted to trading on a regulated market or MTF, or for which a request for admission to trading on such market has been made;
- 2) carried out in the Republic concerning financial instruments that are admitted to trading on a regulated market in a foreign country that is a member of the International Organization of Securities Commission or for which a request for admission to trading on such market has been made.

### **Inside information**

#### **Article 75**

Inside information means 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.

Such a significant effect shall be deemed existing, if a reasonable investor would likely use such information as part of the basis for his investment decisions.

In relation to derivatives on commodities, 'inside information' shall mean information of a precise nature which has not been made public, relating, directly or indirectly, to one or more such derivatives and which users of markets on which such derivatives are traded would expect to receive in accordance with accepted market practices on those markets.

It shall be deemed that users of the markets, on which commodity derivatives are traded, expect to receive information if:

- 1) such information is readily available to users on such markets;
- 2) it is necessary to disclose information in compliance with the legislation, market rules, contracts or practices of the relevant market of goods or market of commodity derivatives.

The information, referred to in paragraph 1 of this Article, 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.

Accepted market practices shall be the practices that are reasonably expected on one or more financial markets in compliance with the stipulated procedure, and which the Commission shall regulate in detail.

For persons charged with the execution of orders concerning financial instruments, 'inside information' shall also mean information conveyed by a client and related to the client's pending orders, which is of a precise nature, which relates 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 or on the price of related derivative financial instruments.

### **Prohibition on misuse of inside information**

#### **Article 76**

It shall be unlawful for any person, who possesses inside information to use that information by acquiring or disposing of, or by trying to acquire or dispose of, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates.

Paragraph 1 of this Article shall apply to any person who possesses inside information:

- 1) by virtue of his membership of the management or supervisory bodies of an issuer or public company;
- 2) by virtue of his holding in the capital of the issuer;
- 3) by virtue of his having access to the information through the exercise of his employment, profession or duties;
- 4) by virtue of his criminal activities.

Where the person referred to in paragraph 2 of this Article is a legal person, the prohibition laid down in that paragraph shall also apply to the natural persons who take part in the decision to carry out the transaction for the account of the legal person concerned.

The provisions of this Article shall not apply to transactions conducted in the discharge of an obligation that has become due to acquire or dispose of financial instruments, where that obligation results from an agreement concluded before the person concerned possessed inside information.

### **Sharing inside information with others**

#### **Article 77**

It shall be unlawful for any person referred to in Article 76 of this Law to:

1) disclose inside information to any other person unless such disclosure is made in the normal course of the exercise of his employment, profession or duties;

2) recommend or induce another person, on the basis of insider information, to acquire or dispose of financial instruments to which that information relates.

### **Other persons subject to prohibition on misuse of inside information**

#### **Article 78**

Articles 76 and 77 of this Law shall also apply to any person possessing inside information while that person knows, or ought to have known, that it is inside information.

#### **Article 78a**

The mere fact that a legal person is or has been in possession of inside information shall not be deemed that the person has used the information in trading and that has traded on the basis of inside information, where the legal person has established, implemented and maintained adequate and effective internal arrangements and procedures which prevent the abuse of inside information.

The internal arrangements and procedures which prevent the abuse of inside information shall be such to ensure that neither the natural person who made the decision on behalf of the legal person to acquire or dispose of financial instruments to which the information relates, nor another natural person who may have had influence on the decision, was in possession of the inside information, and that 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.

### **Disclosure of inside information directly relating to issuers**

#### **Article 79**

An issuer of financial instruments shall inform the public as soon as possible of inside information which directly concerns the issuer.

An issuer shall not be allowed to make the information referred to in this Article public in a manner likely to be misleading.

The issuer shall make the information public in a manner which enables fast access and complete, correct and timely assessment of the information.

Issuers shall post on their websites all inside information that they are required to disclose publicly and to keep them publicly available for at least five years after their publication.

The Commission shall govern in detail which information is likely to be taken into consideration when making decision on disclosure of inside information.

#### **Article 80**

Any significant changes concerning already publicly disclosed information referred to in Article 79 of this Law shall be publicly disclosed promptly after these changes occur, in the same way as the the original information has been disclosed.

## **Article 81**

An issuer may under his own responsibility delay the public disclosure of inside information, as referred to in Article 79 of the Law, such as not to prejudice his legitimate interests provided that such delay would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

The issuer referred to in paragraph 1 of this Article shall without delay notify the Commission of its decision to delay the public disclosure of inside information.

The Commission shall govern the detailed circumstances which might indicate the existence of legitimate interests referred to in paragraph 1 of this Article, and measures and solutions an issuer is required to ensure in order to implement to secure confidentiality of inside information.

## **Article 82**

When an issuer or a person acting on his behalf or for his account, discloses any inside information to a third party in the normal exercise of his 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, unless such person owes a duty of confidentiality.

## **The list of insiders**

### **Article 83**

An issuer or persons acting on their behalf or for their account, shall draw up a list of those persons working for them, under a contract of employment or otherwise, who have regular or occasional access to inside information, which directly or indirectly concerns the issuer.

The issuer or the person acting on their behalf or for their account shall regularly update the list of persons who have access to inside information, and file it with the Commission whenever the Commission requests it, and keep it for at least five years after it has been compiled and updated.

The list of insiders shall state at the minimum: the name and surname, date of birth, permanent or temporary residence, reason why such person is on the list, date and time when the person gained access to the inside information and the date when such list has been prepared or updated.

The list of insiders must be updated immediately after a change of reasons, due to which a person is on the list, when a person should be added to the list, as well as when a person already in the list no longer has access to inside information.

The persons required to draw up a list of insiders shall take the necessary measures to ensure that any person on such a list that has access to inside information is acquainted with the regulations regarding their duties and is aware of the sanctions for the misuse or improper circulation of such information.

### **Article 84**

The person discharging managerial responsibilities within an issuer means a person who is:

1) is a member of a management or supervisory board of the issuer;

2) is a senior executive, who is not a member of the bodies referred to in point 1) of this paragraph, 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.

The person closely associated with a person discharging managerial responsibilities within an issuer shall mean the person who is:

- 1) the spouse of the person discharging managerial responsibilities, or any partner of that person considered by the law as equivalent to the spouse;
- 2) dependent persons of the person discharging managerial responsibilities;
- 3) other persons who have shared the same household as that person for at least one year on the date of the transaction concerned;
- 4) any legal person managed by the person discharging managerial responsibilities, or a person which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

The persons referred to in paragraphs 1 and 2 of this Article shall report to the Commission any acquisitions or disposals made by persons referred to in paragraph 1 for their own account, of shares of the issuer admitted to trading on a regulated market or MTF in the Republic and acquisitions and disposals of other financial instruments linked to shares, within five days following the day of the acquisition or disposal.

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.

The notification shall contain the following information:

- 1) Name of the person discharging managerial responsibilities within the issuer, or, where applicable, name of the person closely associated with such a person,
- 2) Reason for the notification,
- 3) Name of the issuer;
- 4) Description of the financial instrument;
- 5) Nature of the transaction (e.g. acquisition or disposal);
- 6) Date and place of the transaction;
- 7) Price and volume of the transaction;
- 7a) 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, as referred to in paragraphs 1 and 2 of this Article;
- 7b) 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, as referred to in paragraphs 1 and 2 of this Article, including where discretion is exercised;



8) Other information pertaining to the acquisition or disposal.

The Commission shall regulate in detail the contents and method of reporting information, referred to in paragraph 3 of this Article, and the value of executed acquisitions or disposals during the year for which notification is not required.

### **Closed trading period for the person discharging managerial responsibilities**

#### **Article 84a**

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 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 according to the provisions of Articles 50, 52 and 53 of this Law.

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 person during the closed period, if there are exceptional circumstances which require the immediate sale of shares or due to the significance of trading to the transactions related to employee share schemes or in similar cases.

The Commission shall regulate in detail the circumstances in which an issuer may permit trading during a closed period, including the circumstances that would be considered exceptional and types of transactions that would justify the permission for trading.

### **Market sounding**

#### **Article 84b)**

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 seller of a financial instrument on the secondary market 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 in on behalf or for the account of persons referred to in points 1) and 2) of this paragraph.

Market sounding shall also include disclosure of inside information by a person entitled to the securities intending to make a takeover bid for the securities or a merger with a company, provided that:

- 1) the information is necessary to enable the persons entitled to the securities to decide on their willingness to offer their securities for sale;
- 2) that the intention of persons to sell 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, it shall make and maintain written records thereof and it shall provide such written records to the Commission upon request.

This obligation shall apply to each disclosure of information throughout the course of the market sounding.

The disclosure of inside information when conducting market sounding shall not constitute market abuse, if the disclosing market participant, before making the disclosure:

- 1) obtains the consent of the person receiving the market sounding to receive inside information;
- 2) informs the person receiving the market sounding that they are prohibited from using that information, or attempting to use that information, by acquiring or disposing of, for their own account or for the account of a third party, directly or indirectly, financial instruments relating to that information;
- 3) informs the person receiving the market sounding that they are prohibited from using that information, or attempting to use that information, by canceling or amending an order which has already been placed concerning a financial instrument to which the information relates;
- 4) informs the person receiving the market sounding that they must keep the information confidential.

The disclosing market participant shall make and maintain a record of all information given to the person receiving the market sounding, including the identity of the potential investors to whom the information has been disclosed, and the legal and natural persons acting on behalf of the potential investor, and the date and time of each disclosure.

Where the 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 persons referred to in paragraph 6 accordingly, as soon as possible, and provide that record to the Commission.

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 regulate in detail the conditions and procedures for keeping the records for purposes of this Article.

## **Market Manipulation**

### **Article 85**

Market Manipulation means:

- (a) transactions or orders to trade:

(1) which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or a related spot commodity contract;

(2) which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments or a related spot commodity contract at an abnormal or artificial level, unless the person who entered into the transactions or issued the orders to trade establishes that his reasons for so doing are legitimate and that these transactions or orders to trade conform to accepted market practices on the market concerned;

2) transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;

3) dissemination of 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, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

4) giving false or misleading information or giving false or misleading basic information relative to the benchmark when the person who provided the information knew or must have known that the information is false or misleading, or any other procedure manipulating calculations of benchmarks.

In respect of journalists when they act in their professional capacity such dissemination of information is to be assessed, taking into account the rules governing their profession, unless those persons derive, directly or indirectly, an advantage or profits from the dissemination of the information in question.

In particular, the following instances are considered to be market manipulation, derived from provisions of paragraph 1 of this Article:

1) conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions,

2) the buying or selling of financial instruments at the close of the market with the effect of misleading investors, at the opening or closing of the market, which has or might have the effect of misleading the investors acting on the basis of the prices displayed, including the opening or closing prices,

3) taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument or indirectly about its issuer, while having previously taken positions on that financial instrument and profiting subsequently from the impact of the opinions voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

The Commission shall set forth in further detail the practices which might be considered market abuse and obligations of the Commission and market participants aimed at prevention and detection of such practices.

## **Prohibition on market manipulation**

### **Article 86**

Market manipulation shall be forbidden.

The persons who engage in market manipulation shall be jointly liable for the damage caused.

A market operator, regulated market and MTF shall be required to adopt and adhere to practices and measures aimed at detection and prevention of market manipulation on the market or MTF and to fully support the Commission in its implementation of supervision measures.

A market operator, i.e the regulated market and investment firms shall notify the Commission of the instances where, based on the information available to them, they reasonably suspect market manipulation.

## **Recommendation**

### **Article 87**

A recommendation means research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers of financial instruments, 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 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.

The Commission shall regulate what is considered to be an explicit or implicit recommendation.

Research or other information recommending or suggesting investment strategy shall mean information prepared by:

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

2) persons other than the persons referred to in point 1) of this paragraph which directly recommends 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 88**

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 89**

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.

The Commission shall regulate additional requirements regarding the contents of recommendations.

### **General standard for disclosure of interests and conflict of interest**

#### **Article 90**

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 legal 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.

The Commission shall provide additional obligations considering disclosure of interests or conflicts of interest.

## **Exemptions**

### **Article 91**

Paragraph 1 Article 88, paragraphs 1 and 3, Article 89 and paragraphs 1-4 of Article 90 of this Law shall not apply to journalists subject to appropriate regulations, achieving the same effects.

## **Dissemination of recommendations produced by third parties**

### **Article 92**

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.

The Commission shall regulate additional obligations whenever the disseminator of recommendations is an investment firm or a natural person working for such person under a contract of employment or otherwise disseminates recommendations produced by a third party.

Public institutions disseminating statistics in the Republic that are liable to have a significant effect on financial markets shall disseminate them in a fair and transparent way.

## **Supervisory measures**

### **Article 93**

The Commission shall supervise the compliance with provisions of this Chapter aimed at preventing and detecting activities representing market abuses and compliance with the obligations set by the provisions of this Chapter.

The Commission shall carry out supervision referred to in paragraph 1 of this Article:

- 1) by monitoring, collecting and checking the disclosed information, notifications and reports that market participants are required to file with the Commission pursuant to this Law or other Law;
- 2) by on-site supervision;
- 3) by imposing supervisory measures.

The Commission may request from a natural or legal person:

- 1) access to any document in any form whatsoever and to receive a copy of it;
- 2) require existing telephone and existing data traffic records.

The Commission may demand information from any natural or legal person it needs for the supervision of compliance with provisions of this Chapter, and if necessary, to summon and hear any such persons.

If the Commission in supervision finds violations of the provisions of this Chapter, it may impose the following supervisory measures:

- 1) require from any natural or legal person the cessation of any practice that is contrary to the provisions of this Chapter;
- 2) impose a public censure to a natural or legal person acting in contravention of the provisions;
- 3) require the market operator or an investment firm to suspend trading in a financial instrument, or to end a prior suspension, in the extent to which it is necessary to remove or avert the detrimental effects on the regulated market or MTF;
- 4) require the Central Securities Depository to suspend clearing and settlement;
- 5) propose to the competent authority to prohibit disposal of assets, the sequestration of assets and other measures, as applicable;
- 6) temporary prohibit performance of professional activity to supervised entities;
- 7) apply other measures and sanctions referred to in Chapter XIII of this Law.

If a person under obligation to report inside information does not act so, or incorrectly publishes or fails to publish the information as specified by the provisions of this Chapter, the Commission may publish such information at the expense of the person.

The Commission may take all necessary measures to ensure that the public is accurately and properly informed pursuant to Articles 77–82 and Articles 87–92 of this Law.

The measures regarding Articles 87–92 of this Law shall particularly apply to ordering a producer of recommendation to publish corrected recommendation in line with provisions of these articles, in the same manner in which original recommendation has been published.

Any action by a journalist contrary to the provisions of this Chapter, shall be promptly reported by the Commission to the appropriate professional journalist association.

The Commission may request from the preliminary proceedings judge to issue an order requiring existing recordings of telephone conversations, electronic communications or data traffic records held by investment firms, credit institutions or other persons supervised by the Commission, and for which there are grounds for suspicion that they have violated the provisions of this Law on the prohibition on market abuse.

#### **Article 94**

The Commission may impose a measure lasting for up to 60 days, referred to in Article 93, paragraph 5, point 4) of this Law, when there is reasonable doubt that the person has committed a criminal offense of using, disclosing and recommending inside information or of market manipulation.

The Commission shall cooperate with the competent authorities in detecting criminal acts referred to in paragraph 1 of this Article.

The Commission may impose the measure referred to in Article 93, paragraph 5, point 6 of this Law when there are reasonable grounds for suspicion the person committed the crime of using, disclosing and recommending inside information or of market manipulation, whereas the measure shall not last longer than the supervision proceeding of the Commission.

The Commission shall inform the public about the imposed supervisory measures in relation to infringements of the provisions of Chapter VI – MARKET ABUSE of this Law immediately after the person subject to that decision imposing a measure has been informed of that decision.

The Commission shall publish the information about the nature and type of the violation and it shall regulate the detailed conditions for publishing such information in a bylaw.

The decisions made public in accordance with this Article must remain available to the public on the Commission's website for a period of at least five years.

## **VII REGULATED MARKET AND MTF**

### **Market operator**

#### **Article 95**

Only a market operator headquartered in the Republic may operate a regulated market in the Republic (hereinafter: stock exchange), provided that it is licensed by the Commission, in compliance with this Law and the Commission regulations.

A market operator or a regulated market is a legal person incorporated as a joint stock company in compliance with the law governing companies, unless otherwise provided by this Law.

A broker-dealer company or a stock exchange authorized by the Commission, may perform activities of an MTF operator.

### **Stock Exchange Listing**

#### **Article 96**

A stock exchange shall operate a listing of securities, and at least one trading tier of the regulated market for trading in equity securities.



## **Activities on a regulated market or MTF**

### **Article 97**

Activities on a regulated market shall include:

- 1) bringing together or facilitating the bringing together of multiple third party buying and selling interests in financial instruments – on the market or in its trading 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;
- 2) keeping and making public information on the bid, offer, quotations and market prices of financial instruments, and other information significant for trading in financial instruments, both on a pre-trade and post-trade basis, in compliance with this Law and the Commission regulations;
- 3) subject to the Commission approval and regulations, establishing and implementing of:
  - (1) terms and conditions of investment firm membership in the regulated market;
  - (2) 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 VI 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 general enactments of the regulated market, i.e. market operator, 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;
- 4) performing other activities related to the regulated market, in line with this Law and the Commission regulations.

The provisions of paragraph 1, points 1), 2) and 3), sub-points (1)–(4) of this Article shall apply accordingly to MTFs.

Activities of a regulated market or 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 the activities referred to in paragraphs 1 and 2 of this Article.

## **Prohibited activities**

### **Article 98**

A regulated market and market operator shall not trade in financial instruments.

By exception to paragraph 1 of this Article, it shall be permitted to invest in financial instruments issued by the Republic, National Bank of Serbia, local government units or comparable foreign institutions.

Neither a regulated market, market operator nor any of their directors, managers or employees shall give advice regarding purchase and sale of financial instruments or the selection of an investment firm.

## **Minimum capital**

### **Article 99**

The minimum capital of a market operator shall not be lower than EUR 1,000,000 in dinar equivalent.

The minimum capital of an MTF operator shall not be lower than EUR 730,000 in dinar equivalent.

When a market operator is at the same time an MTF operator, the minimum capital requirement shall not be less than EUR 1,000,000 in dinar equivalent.

The capital indicated in paragraphs 1 and 2 hereof must be paid in full amount in cash, and the shares cannot be issued before the full amount is paid.

## **Qualifying holdings and control**

### **Article 100**

The shareholders of a market operator may be domestic and foreign persons.

When a natural or legal person or persons with close links excluding the Republic (hereinafter: proposed acquirer), with the exception of the Republic, who have taken a decision either to acquire, directly or indirectly or to increase a qualifying holding in a market operator, if in consequence the proportion of the voting rights or of the capital that the person holds would reach or exceed 10%, 20%, 33% or 50% of the share of capital of the market operator (hereinafter: 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.

The Commission shall not impose any prior conditions in respect of the amount or percentage of the holding acquired nor examine the proposed acquisition in terms of the economic needs of the market.

### **Article 101**

The Commission shall, promptly and in any event within two working days following receipt of the request required under paragraph 2 of Article 100 of this Law, and following any subsequent receipt of the information referred to in paragraphs 3-5 of this Article, acknowledge the receipt thereof in writing to the proposed acquirer.

The Commission shall have a maximum of 60 working days as from the date of the written acknowledgment of receipt of the request and all documents required to be attached (hereinafter: the assessment period), 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 decide upon the filed request for qualifying holding acquisition approval.

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, however 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.

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.

## **Article 102**

In assessing the request provided for in paragraph 2 of Article 100 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, 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 103**

Within 60 working days from the receipt of the acknowledgment or within the additional deadline set in Article 101 of this Law, the Commission shall adopt a decision granting approval for the acquisition of a qualifying holding, if it can be 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.

If the Commission does not oppose the proposed acquisition within the assessment period in writing, it shall be deemed to be approved.

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 102, 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 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 104**

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 the Article 100, paragraphs 2 and 3 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.

#### **Article 105**

Where a person acquires a qualifying holding in a market operator in violation of the provisions of Article 100, paragraph 2 of this Law, the Commission shall:

- 1) suspend the voting rights attaching to the acquired qualifying holding;

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 or the conditions set forth in Article 102 of this Law, and in such circumstances, the limitations and remedies in paragraph 1 of this Article shall apply.

The Commission shall regulate the greater detail the conditions and methods for submitting a request for approval for a qualifying holding and how the Commission should be informed of qualifying holdings.

## **Staff, organizational capacities and technical equipment**

### **Article 106**

A regulated market shall have at least three natural persons employed each of whom holds a license to provide the investment services and activities referred to in paragraph 1 of Article 95 of this Law.

A regulated market shall at the time of licensing and on an ongoing basis:

- 1) have arrangements to identify clearly and manage the 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 owners or its market operator and the sound functioning of the regulated market, and in particular where such conflicts of interest might prove prejudicial to the accomplishment of any functions delegated to the 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 non-discretionary 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 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.

The Commission shall pass regulations governing detailed requirements in relation to staff, organizational capacity and technical equipment particularly taking into consideration the particular circumstances of the market to be operated in terms of significant risks, potential conflicts of interest, financial resources and professional and technical capacity required in order to ensure fair, orderly and efficient operation of the market.

## **Requirements for selection and appointment of a general manager and members of the management board**

### **Article 107**

A market operator shall have a general meeting of shareholders, a management board and a general manager.

The term of office of a general manager and management board members shall be four years and the same persons can be reelected.

The management board shall have a chairperson and at least four members.

A general manager cannot be the chairperson of the management board.

The Commission shall regulate the content of a request for granting prior approval for selection or appointment of general managers and members of the management board of a market operator.

If a person is to serve as a general manager or a member of the management board of a market operator, such person cannot be:

- 1) the person who is subject to statutory disqualifications;
- 2) the person holding a management position or an employee of any government body, except in case when the Republic has an equity ownership (participation) in the market operator;
- 3) the person who is a general manager, member of the management board, employee or a person with a qualifying holding in another market operator licensed under this Law;
- 4) the person who is a general manager, member of the management board or employee of the CSD;
- 5) the person who is a general manager, member of the management board or an employee of a broker-dealer company, credit institution with an authorized bank, public company or investment fund whose securities are admitted to trading on the securities market, except if that person has participation in the market operator;
- 6) a person with close links with persons specified in points 1) and 5) of this paragraph.

The business reputation and experience of a general manager or a member of the management board of a market operator, must be sufficient to ensure sound and prudent management of the market operator or regulated market and MTF, and these persons must have at least three years of professional experience relevant to securities market operations.

A market operator shall have at least two persons representing the operator in compliance with general regulations of the market operator.

A general manager of the market operator must be a full-time employee of the market operator, and this person and at least one member of the management board must have Serbian language skills.

## **Commission procedures for granting, denying and revoking approval**

### **Article 108**

When the Commission determines that the requirements set in Article 107 of this Law have been met, it shall grant an approval within 30 days from the day of receipt of a complete application referred to in the same Article.

The Commission shall reject the application for approval specified in paragraph 107 of this Article, when it determines that the requirements set in this Article have not been met.

The Commission shall revoke its prior approval for the selection or appointment of a general manager or a management member of the 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 107 of this Law.

### **Application for a market operator license**

#### **Article 109**

The Commission shall prescribe the contents of an application and accompanying documents required for granting a market operator license.

The following shall be enclosed with the application referred to in paragraph 1 of this Article:

- 1) an instrument of incorporation, statute, rulebook on fees, including other relevant general enactments of the market operator i.e. regulated market;
- 2) information on each person acquiring a qualifying holding in the market operator i.e regulated market, 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 i.e. regulated market.
- 3) names and information regarding the qualifications, experience and business reputation of the proposed directors and managers of the market operator i.e. regulated market as required by Article 107 of this Law;
- 4) information regarding staff qualifications, organizational capacity and technical equipment of the market operator as required by Article 106 of this Law;
- 5) information regarding the applicant's proposed program of regulated market operations, including the types of business 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 99 of this Law;
- 7) application fees required by the Commission's rules on fees.

### **Decision on application for market operator license**

#### **Article 110**

The Commission shall decide on granting an operating license to a market operator within three months of the receipt of an application.

The Commission shall adopt a decision granting a license, when it establishes that:

- 1) the application and required accompanying documents specified in Article 107 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 i.e. regulated market, and 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 102 of this Law;
- 4) the directors and managers are deemed to be fit and proper.

The Commission shall refuse the application for obtaining a market operator license after finding that:

- 1) one or more of the conditions for the license referred to in paragraph 2 of this Article have not been met;
- 2) any of the information included as part of the application is materially false or misleading or the application omits information necessary to prevent the information provided from being materially misleading;
- 3) the persons who will effectively control or direct the business are not of sufficiently good repute or sufficiently experienced;
- 4) the ownership structure of the applicant for the license, including persons with close links to persons with qualifying holdings is such that it would prevent effective supervision of the applicant's activities.

### **Operating license in cases of status changes**

#### **Article 111**

Before applying for entry of a status change with the Company Register, a market operator i.e. regulated market must obtain an approval from the Commission for the acquisition, merger or division.

#### **An application for approval for any change in conditions for its operating license**

#### **Article 112**

A market operator i.e. regulated market shall file an application to the Commission for approval for changes in general enactments and changes in 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 adopt a decision referred to in paragraph 1 of this Article, within 30 days from the date of receipt of the application.



## **Public availability of licenses**

### **Article 113**

The Commission shall make publicly available the decisions on issuing licenses, and the approvals indicated in Article 112 of this Law, on its website.

## **Entry into the Company Register**

### **Article 114**

A market operator shall acquire a legal entity status once it is entered in the Company Register.

Within 30 days of the date of receipt of the Commission decisions granting a license and a prior consent for the selection or appointment of a general manager or management board member, a 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 certificate of entry from the Company Register, within seven days from the day of receipt of the decision on its entry into the register.

A market operator shall not initiate performing the activity for which it has obtained a license, prior to entry of this activity into the Company Register.

## **Market operator employees**

### **Article 115**

Employees of a market operator shall not be directors, members of management bodies or employees of the Central Securities Depository, investment firms or public companies whose financial instruments are admitted to trading on the regulated market or MTF managed by the market operator.

## **General enactments of a market operator i.e. regulated market**

### **Article 116**

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 rules and procedures shall regulate in more detail the activities prescribed by the provisions of Article 97, paragraph 1 of this Law.

A market operator shall not levy fees or other charges for the services and activities that it provides which exceed the maximum amounts set forth in the schedule of fees of the market operator on file with the Commission.

The general enactments of a market operator i.e. regulated market shall include a code of conduct for its directors, members of management and staff, which includes 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 Articles 254-256 of this Law.

The Commission shall grant prior approval for the enactments referred to in paragraph 1 of this Article, and their changes and it shall prescribe the contents of such enactments in more detail.

## **Member of regulated market**

### **Article 117**

The activities involving trading in financial instruments admitted to trading on the regulated market shall be carried out by investment firms who are admitted as members of that market, as well as by the Republic and the National Bank of Serbia.

The general enactments of a market operator shall contain transparent and non-discriminatory rules, based upon objective criteria for an investment firm becoming a member of the regulated market, and the conditions for termination of membership.

The general enactments shall set forth:

- 1) obligations of the members arising from other general enactments of the market operator;
- 2) professional standards imposed on the staff of the members that are operating on the market;
- 3) rules relating to transactions concluded on the regulated market;
- 4) rules that provide for the participation of members in market transactions.

An investment firm shall become a member of a regulated market on the basis of a submitted application, documentation and within the time period set by the general enactments of the market operator.

A market operator i.e. regulated market shall accept as member an investment firm that has been licensed by the Commission, if the investment firm fulfills the requirements for becoming a member as set forth in the general enactments of the market operator i.e. regulated market.

A market operator i.e. regulated market shall adopt a decision on the application referred to in paragraph 4 of this Article within 30 days from the day of receipt of the application, and it shall send a copy of the decision to the investment firm and to the Commission.

The process of adopting a decision on the application referred to in paragraph 6 of this Article shall be subject to the provisions of the law governing general administrative procedure.

The decision referred to in paragraph 6 of this Article shall be final, and administrative proceedings may be instituted against it.

## **Arbitration**

### **Article 118**

The enactments of a market operator may include arbitration rules.

## **Supervision by market operator**

### **Article 119**

A market operator controls transactions in financial instruments of its members, which are admitted to trading on a regulated market.

In effecting supervision referred to in paragraph 1 of this Article, a market operator shall have the right of on-site examination of any member and direct access to and the right to make copies of all books and records of the member.

In exercising supervision indicated in paragraph 1, the market operator shall perform the procedures and undertake measures against a member, in conformity with its enactments.

In exercising supervision, a market operator shall use fair process and to undertake the same measures against all regulated market members, who are in the same circumstances.

## **Rules regarding admission to trading**

### **Article 120**

A regulated market or MTF shall have clear and transparent rules regarding the admission of financial instruments to trading.

A regulated market shall:

- 1) ensure that any financial instruments admitted to trading are capable of being traded in a fair, orderly and efficient manner and that are freely negotiable between parties in trading;
- 2) have rules, in the case of derivative financial instruments, that ensure that the format of the derivative contract allows for its orderly pricing, and for the existence of an adequate settlement system.
- 3) establish and maintain effective arrangements to verify that issuers of financial instruments that are admitted to trading comply with their obligations under this Law and the Commission regulations in respect of initial, ongoing and ad hoc disclosure obligations;
- 4) establish arrangements which facilitate its members in obtaining access to information which has been made public under this Law or Commission regulations;
- 5) have established the necessary arrangements to review regularly the compliance with the admission requirements of the financial instruments which they admit to trading.

An MTF shall apply procedures set forth in paragraph 2, points 1) and 2) of this Article.

## **Admission to a regulated market or MTF**

### **Article 121**

A market operator shall admit financial instruments to trading on the regulated market, if the instruments meet the requirements stipulated by its enactments, and on the basis of the approved prospectus for admission to the regulated market.

When assessing whether shares of an issuer fulfill the requirements for admission to trading on a regulated market, a market operator shall take into account the distribution of shares to the public, financial information for the previous period, information about the issuer and operations of the issuer, in accordance with its enactment.

A market operator shall admit shares of the issuer which submitted an application to have its shares admitted to the listing of the regulated market, if the securities meet the conditions for admission on the regulated market and the additional conditions:

- 1) expected market capitalization of shares the trading of which is requested in the application shall amount to at least EUR 1,000,000, while if the expected market capitalization cannot be assessed, the company capital and reserves, including previous year profit and loss shall amount to at least EUR 1,000,000;
- 2) the issuer shall have its annual financial statements published or adopted for three financial years prior to submission of the application for admission to the listing of the regulated market;
- 3) at least 25% of shares is distributed to the public.

By exception to paragraph 3 of this Article, a market operator may approve admission of shares to the listing, of the issuer failing to meet the listed requirements, if the market operator assess that investors are provided with information necessary for the assessment of the issuer and shares for which the admission to the listing is sought and that it is in the interest of the issuer or the investors.

A market operator which is at the same time an MTF operator, shall admit financial instruments to MTF, if the instruments do not meet the requirements stipulated by the market operator enactments and this Law, and based on the approved prospectus for admission to the MTF.

### **Removal from trading on the regulated market or MTF**

#### **Article 122**

A regulated market shall remove a financial instrument from trading and admit it to the MTF, if:

- 1) if the trading in a financial instrument, has not been conducted for more than 180 days;
- 2) a public company no longer meets the conditions for admission to trading on a regulated market;
- 3) if there is non-compliance with the provisions of Chapters III and V of this Law.

A regulated market or MTF shall remove a financial instrument from trading, if:

- 1) the public company is undergoing the proceedings of bankruptcy or liquidation;
- 2) on request of a public company whose status of a public company has ended in compliance with provisions of Article 70 of this Law, and if the dissenting shareholders have been paid in compliance with the law governing companies.

The provisions of paragraphs 1 and 2 of this Article shall not apply to issuers referred to in Article 2, paragraph 1, point 38) subpoint (3) of this Law, whose debt securities are being removed from a regulated market or MTF in accordance with the market operator's enactments.

### **A decision on removal of shares from regulated market or MTF**

#### **Article 123**

The general meeting of a public company may adopt a decision on removal of shares from the regulated market or MTF by votes representing at least three quarters of the total number of shares

with voting rights, however, 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 six months preceding the day of the decision, the trading volume of shares being removed from the regulated market or MTF is less than 0.5% of the total number of issued shares;
- 3) at least in three months of the period referred to in point 2) of this paragraph, the monthly trading volume of the shares on the regulated market or MTF 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 regulated market or the MTF 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.

The Commission shall further regulate the payment procedure.

### **Pre-trade transparency**

#### **Article 124**

A market operator shall make public, for shares admitted to trading, the current bid and offer prices and the depth of trading interests at those prices which are advertised through its trading systems, and such information shall be made available to the public on reasonable commercial terms and on a continuous basis, during normal trading hours.

The obligation in paragraph 1 of this Article may be waived by rules of the regulated market based on the trading market model or the type and size of orders, and in particular, waiver may be applied in respect of transactions that are large in scale compared with normal market size for the share or type of share in question.

### **Post-trade transparency**

#### **Article 125**

A market operator shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading, and the details of all such transactions shall be made public on a reasonable commercial basis and as close to real-time as possible.

A market operator may 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 that are required to make public the details of their transactions in shares pursuant to Article 185 of this Law.

A market operator shall be able to waive the obligation to make public the post-trade information by its rules, based on the type and size of transactions, in particular in respect of transactions that are large in scale compared with normal market size compared with normal market size for the share or type of share in question.

Such arrangements for deferred trade publication shall require prior approval of the Commission and shall be clearly disclosed to market participants and investors.

### **Article 126**

The provisions of Articles 124 and 125 of this Law shall also apply to other financial instruments traded on the regulated market.

## **Suspension or removal of instruments from trading**

### **Article 127**

At the request of the Commission or on its own initiative, a market operator or an MTF may suspend the trading in a financial instrument admitted to trading, if it assesses that such action is necessary for the protection of investors or to ensure fair and orderly trading in the financial instrument.

The Commission may suspend transactions in financial instruments.

A market operator or an MTF may suspend or remove from trading a financial instrument, which no longer complies with the rules of the market operator or MTF.

The decision on suspension shall be published on the Commission's website and on the website of the regulated market or MTF on which the financial instruments are admitted to trading.

## **Market operator decisions**

### **Article 128**

A market operator or MTF shall adopt a decision on admission to trading, denying admission to trading or removal of a financial instrument from trading on the regulated market or MTF, in compliance with this Law, the Commission regulation and its enactment.

The decision referred to in paragraph 1 of this Article shall be final, and administrative proceedings may be instituted against it.

## **MTF operator**

### **Article 129**

A market operator shall adopt an enactment regulating the following activities:

1) provision of sufficient publicly available information to investors regarding the financial instruments traded on MTF to enable them to form investment judgments;

2) provision of information on financial instruments when they are admitted to trading and during trading with the financial instruments concerned;

3) compliance with any decision of the Commission to suspend or remove a financial instrument from trading.

Where financial instruments, which have been admitted to trading on a regulated market, are also traded on an MTF without the consent of the issuer, the issuer shall not be subject to any obligation relating to disclosure with regard to that MTF operator.

An MTF operator shall ensure fair and orderly trading and setting of prices, including reference prices, as well as efficient execution of orders, whereby the rules of trading and price setting must not allow the MTF operator to make discretionary estimates.

An MTF operator shall provide full assistance to the Commission in the supervision of market abuse occurring within its system.

For shares that are traded on an MTF and are concurrently admitted to trading on a regulated market, the MTF operator shall make public current bid and offer prices and the depth of trading interests in respect of such shares, and such information shall be available to the public on reasonable commercial terms and on a continuous basis during normal trading hours.

For shares admitted to trading on a regulated market, an MTF operator shall make public the price, volume and time of the transactions executed under its system, and make such details public on a reasonable commercial basis, as close to real-time as possible.

The Commission shall regulate:

1) the range of bid and offers, and the depth of trading interest at those prices, to be made public;

2) the size and type of orders for which pre-trade disclosure referred to in paragraph 5 of this Article may be waived;

3) the trading method for which pre-trade disclosure referred to in paragraph 5 of this Article may be waived, and in particular, the applicability of the obligation to the trading methods;

4) trading data which MTF operator is required to make public, as well as their content;

5) the conditions under which MTF operators may defer disclosures, and the criteria which MTF operators must observe in deciding which transactions are eligible for deferred disclosures given the size of transactions or the types of shares traded.

The provisions of Article 117 of this Law shall accordingly apply to the MTF users, which govern members of a regulated market and the provisions of Article 119 of this Law regulating the supervision by the market operator.

The provisions of Articles 131-133 of this Law in respect of supervision over the market operator activities and supervision measures, shall apply accordingly to the supervision over the operations of an MTF operator.

## **Record keeping and reporting obligations of the regulated market or MTF**

### **Article 130**

A market operator shall maintain such records concerning transactions in financial instruments admitted to trading and other operations of the regulated market or MTF 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 or MTF, 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 on request of the Commission.

The report referred to in paragraph 3, point 3) of this Article shall be made public on the website of the regulated market i.e. MTF.

The Commission shall prescribe the form and content of the report referred to in paragraph 3 of this Article.

## **Commission supervision over operations of market operator**

### **Article 131**

The competencies, authority and powers of the Commission regarding supervision set forth in Chapter XIII of this Law shall also apply accordingly to the Commission's supervision of a market operator, with a view to ensuring that the market operator conducts its activities in compliance with this Law, the Commission regulations and its enactments, and in a professional manner that promotes the integrity of the market, including fair, orderly and efficient trading consistent with the objectives of this Law.

The Commission's supervision of market operators shall be based upon a risk-based supervisory plan that includes on-site examinations with emphasis placed on those areas of operations and activities that pose the greatest systemic risk in terms of the volume and type of transactions and activities performed.

The Commission is required to conduct at least one, annual on-site examination referred to in paragraph 2 of this Article.

## **Supervision measures**

### **Article 132**

If the Commission in supervision of a market operator finds the existence of violations of the general enactments of the market operator, this Law or Commission regulations, that are not so substantial as to warrant the Commission taking any of the actions specified in Article 133 of this Law, it shall adopt



a decision instructing the market operator to eliminate the violations i.e. irregularities, within an adequate time limit and may undertake one or more of the following measures:

- 1) pronounce a public censure;
- 2) issue an order for suspension of all or particular activities, services or transactions for the period of maximum of ten working days;
- 3) issue an order temporarily or permanently removing from trading on the regulated market any financial instrument, and order MTF to admit them to MTF, if the current information about a public company or other issuer of financial instrument is not publicly available;
- 4) Issue an order for temporary prohibition on disposal of funds in the accounts of the regulated market, and on disposal of other assets of the market operator for a period of up to ten working days;
- 5) issue an order for suspension of the voting rights attached to the qualifying holding for a maximum of three successive sessions of the market operator's general meeting;
- 6) issue an order for amending or adopting a general enactment;
- 7) undertake other measures, other than suspension or revocation of license, pursuant to Chapter XIII of this Law.

The decision on the measures undertaken pursuant to paragraph 1 of this Article or pursuant to Article 133 of this Law shall be published by the Commission on its website.

The temporary removal of a financial instrument from trading, referred to in paragraph 1, point 3 of this Article shall cease to be in force when the Commission is furnished with the evidence that shows that the circumstances that caused the temporary removal no longer exist.

The Commission shall make public the decision on the temporary or permanent removal of a financial instrument from trading, without delay.

The Commission shall specify in further detail the conditions and methods of supervision, the procedure for issuing orders and imposing measures, and the time limits for execution of orders and the duration of measures.

### **Suspension or revocation of market operator's license and actions against certain persons**

#### **Article 133**

The Commission shall be authorized to suspend for a period of not more than two years or permanently revoke the license of a market operator, and to withdraw approval previously granted to any person with a qualifying holding in a market operator i.e. regulated market, or any person serving as a general manager and a member of a management board, excluding the Republic, if it finds that:

- 1) the market operator does not make use of its license within 12 months, expressly renounces the license, or has conducted no market operator activities within the preceding six months;
- 2) the market operator or a general manager of the market operator obtained the 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 market operator or the general manager of the market operator fails to continue to satisfy the conditions prescribed for obtaining the license;
- 4) the market operator or any person referred to in this paragraph has committed a material violation of any provision of the general enactments of the market operator i.e. regulated market, 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 Article 132 of this Law;
- 6) as a general manager or member of the management board 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 the general enactments of the market operator, this Law or Commission regulations, by the market operator or employee, and such violations could have been prevented if appropriate supervision had been exercised.

A market operator or any other person who is the subject of a proposed measure referred to in paragraph 1 of this Article shall be entitled to a hearing before such suspension or permanent revocation may be ordered by the Commission, in accordance with regulations that the Commission shall adopt for such purposes.

The Commission's authority to suspend or permanently revoke a license 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) licensed persons, pursuant to Chapter XIII of this Law;
- 2) a general manager, member of the management board and persons with a qualifying holding in the market operator i.e. regulated market, in compliance with this Law.

## VIII INVESTOR PROTECTION FUND

### **Objective, organization, management, membership, financing of supervision**

#### **Article 134**

An Investor Protection Fund (hereinafter – the Fund) shall perform activities for the purpose of protection of investors whose funds or financial instruments are at risk in the event of a bankruptcy of an investment firm, credit institution or a management company engaging in the services or activities referred to in Article 2, points 8) and 9), subpoint (1) of this Law.

The Fund shall not have the legal personality and shall be operated and managed by a legal person authorized by the Commission (hereinafter - the Fund Operator).

#### **Membership in the fund**

#### **Article 135**

Membership in the Fund shall be obligatory for any of the following companies with a registered office in the Republic, when providing any of the investment services and activities referred to in Article 134, paragraph 1 of this Law, within the Republic or in branch offices outside of the Republic (hereinafter – Fund Member):

- 1) an investment firm authorized to hold client funds or when providing the services referred to in Article 2, point 8) subpoint (4) and point 9) subpoint (1) of this Law;
- 2) a credit institution which provides additional services under Article 2, point 9), subpoint (1) of this Law;
- 3) a management company when carrying out activities laid down in Article 210, paragraph 1 of the Law, or when providing portfolio management services to clients other than investment funds and when authorized to hold client funds or financial instruments.

## **Contributions into the Fund**

### **Article 136**

The Fund members shall regularly calculate and pay in contributions to the Fund, determined according to the percentage of revenues from the activities and services referred to in Article 135 of this Law, a fixed fee, or a combination of these two bases, pursuant to the Commission regulation and rules of the Fund Operator approved by the Commission.

If a Fund Member fails to pay in the contribution provided for in paragraph 1 of this Article, the Fund Operator shall calculate default interest on the amount of contribution, and the Fund Operator shall inform the Commission thereof without delay, while the Commission shall take the measures against the Fund member referred to in Articles 145 and 146, and Chapter XIII hereof.

If there is need to undertake measures against a member of the Fund - credit institution, referred to in Article 134, point 2) of this Law, the Commission shall submit to the National Bank of Serbia a copy of the report on conducted supervision with the proposal of measures.

The initial contribution of a member of the Fund shall amount to EUR 5,000 in dinar equivalent.

The contributions paid into the Fund and the other income referred to in Article 137 of this Law shall be kept in a separate account opened with the National Bank of Serbia.

## **The Fund assets**

### **Article 137**

The Fund assets 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.

The Fund assets may be invested in:

- 1) financial instruments issued by the Republic or the National Bank of Serbia;
- 2) debt securities guaranteed by the Republic;
- 3) other income producing financial instruments subject to approval of the Commission.

The Fund assets shall be used by the Fund Operator to pay off the clients' claims for the purposes set forth in this Chapter, and cannot be used for other purposes, neither can they be subject of claims against the Fund Member or the Fund Operator.

The Commission shall regulate how the Fund assets are managed, recorded and reported to the Commission.

## **Fees**

### **Article 138**

The Fund Operator shall charge a fee for managing the Fund and the fee and terms and conditions of its payment shall be set by the Fund Operator rules, which shall be subject to the Commission approval.

The fee referred to in paragraph 1 of this Article shall be used by the Fund Operator in a way prescribed by the Commission regulation.

## **Coverage, claims and claim administration**

### **Article 139**

The Commission regulation and rules of the Fund Operator approved by the Commission shall regulate coverage and the procedures for accepting and paying client claims from a Fund Member when:

- 1) bankruptcy proceedings have been initiated against a Fund member;
- 2) the Commission determines that a Fund member is unable to meet its obligations towards clients as they become due, including funds it owes to the clients and financial instruments held on behalf of clients, and there are no prospects that it will be able to do so in the near future.

Claims by clients referred to in the provisions of paragraph 1 of this Article shall be:

- 1) monetary claims in dinars owed by a Fund Member to a client or belonging to a client, which arise from provision of one or more of the investment services and activities referred to in Article 134, paragraph 1 of this Law;
- 2) claims for return of financial instruments belonging to a client of a Fund Member and held by, administered or managed by the Fund Member on behalf of the client in connection with the provisions of one or more of the investment services and activities referred to in Article 134, paragraph 1 of this Law.

The amount of a claim shall be calculated as of the date of instituting a court proceeding referred to in paragraph 1, point 1) of this Article, or as of the date when the Commission determines the circumstances referred to in paragraph 1, point 2), and the claims shall be determined in accordance with the Commission regulation, while any legal and contractual conditions, in particular those concerning counterclaims, shall be taken into consideration in assessing a claim.

The value of a financial instrument or the amount of the money paid in lieu of return of a financial instrument which the Fund Member is unable to repay or return shall, where possible, be determined by reference to the market value of the financial instrument.

The provisions of this Chapter shall not apply to funds of clients of credit institutions – claims covered by the law governing protection of deposits in credit institutions for the purpose of protection of depositors in case of unavailability of deposits.

The provisions of this Chapter shall not apply to claims of clients of Fund members arising from transactions in connection with which clients have been sentenced for a criminal offense, economic offense or infraction in relation to money laundering and financing of terrorism by a final court ruling.

If there is a suspicion that a client claim arises from a transaction in connection with money laundering and terrorism financing, the Fund may suspend any payment pending the judgment of the court.

### **Article 140**

Claims of clients referred to in this Article shall be covered up to the maximum of EUR 20,000 in dinar equivalent per client of a Fund Member.

A client of a Fund Member shall be any natural or legal person whose claims satisfy the requirements of Article 139, paragraph 2 of this Law, except that the following shall not be regarded as clients, regardless of the country where their registered offices are located:

- 1) investment firms;
- 2) credit institutions;
- 3) financial institutions and other persons as defined in Article 172, paragraph 1, points 1) and 3) of this Law;
- 4) insurance companies;
- 5) collective investment undertakings;
- 6) investment fund management companies, investment funds, pension fund management companies and pension funds;
- 7) supranational institutions, government and central administrative authorities, and provincial, regional and municipal authorities;
- 8) a legal or a natural person holding more than 5 % of voting shares or capital of a Fund member which is unable to meet its obligations, or 5% or more of the voting shares or capital of a company which is closely linked to such Fund member;
- 9) management board and supervisory board members of a Fund member who is unable to meet its obligations, if such persons are occupying the abovementioned positions or employed by a Fund member when bankruptcy proceedings are initiated over a Fund member or on the date of disclosure of the Commission's decision determining the claim, or were in these positions or employed during the current or previous financial year;
- 10) family members and third parties acting on behalf of the persons referred to in points 8) and 9) of this Article;
- 11) clients, auditors, or employees of a Fund Member who have a responsibility for or who have taken advantage of certain facts relating to the Fund Member which gave rise to the Member's financial difficulties or contributed to the deterioration of its financial situation.

## **Article 141**

The coverage provided for in Article 140, paragraph 1 shall apply to a client's aggregate claim on the same Fund Member, irrespective of the number and location of accounts, provided that recovery shall be limited to funds in dinars and to financial instruments.

The Fund Operator shall take appropriate measures to inform clients of Fund Members of the court ruling or Commission determination referred to in paragraph 1) of this Article, and if they are entitled to be compensated, to compensate them as soon as possible.

The Fund Operator may fix a period during which clients shall be required to submit their claims, but that period may not exceed five months from the date of the ruling or the determination of circumstances referred to in Article 139, paragraph 1 of this Law, or from the date on which that determination or ruling is made public.

By exception to paragraph 3 of this Article, if a client was prevented to submit a claim within defined time period for reasons beyond their control, the deadline shall be extended for one year.

The Fund shall be in a position to pay a claim as soon as possible and at the latest within three months of the establishment of the eligibility and the amount of the claim.

Notwithstanding paragraph 5 of this Article, the Fund may apply to the Commission for an extension of the time period referred to in this paragraph, but no such extension may exceed three months.

## **Article 142**

If the Fund makes payments or reimbursements in order to compensate clients of a Fund Member, the Fund shall have the right of subrogation to the rights of those clients in bankruptcy or liquidation proceedings for amounts equal to the value of the payments and reimbursements.

## **Reporting**

### **Article 143**

The Fund operator shall submit an annual report to the Commission not later than four months after the close of its financial year.

The annual report shall be made publicly available on the Commission's website and shall include financial statements for the preceding year audited and prepared by an independent auditor in accordance with the law governing accounting and auditing and accompanied by an auditor's report and a report prepared by the Fund Operator on the Fund's operations during the year.

The Fund Operator shall conduct supervision over fulfillment of obligations by the Fund members.

The Fund Operator shall inform the Commission without delay about any identified violations or irregularities.

## **Information about the Fund**

### **Article 144**

The Fund members shall take appropriate measures to make available to actual and potential clients the information about the Fund, in a readily comprehensible manner and at the time that client

contracts are entered into, and the information about the Fund shall also be published on the Commission's website.

The Commission shall adopt regulations limiting the use in advertising of the information referred to in paragraph 1 of this Article in order to prevent such use from affecting the stability of the financial system or investor confidence, and such regulations may, in particular, restrict such advertising for the purpose of the Fund promotion.

### **Supervision over fulfillment of obligations by Fund members**

#### **Article 145**

The Fund Operator shall conduct supervision over fulfillment of obligations by the Fund members referred to in this Chapter.

The Fund Operator shall inform the Commission without delay about any identified violations or irregularities.

### **Supervision over Fund management**

#### **Article 146**

The Commission shall carry out supervision of how the Fund is managed.

The Commission shall have the authority and shall undertake other measures and sanctions over the Fund Operator, in compliance with the provisions of Chapter XIII of this Law.

## **IX INVESTMENT FIRMS**

### **License requirements; establishment**

#### **Article 147**

Investment services and activities listed in Article 2, point 8 herein, relating to any of the financial instruments defined in Article 2, point 1) of this Law shall not be carried out without an investment firm license issued by the Commission.

The broker-dealer company that provides one or more of the investment services and activities listed in paragraph 1 of this Article must be organized as joint stock company and the provisions of the law regulating companies shall apply, unless otherwise specified in this Law.

A credit institution that provides one or more of the investment services and activities listed in paragraph 1 of this Article shall be required to comply with the provisions of this Chapter, and the provisions of Chapter X of this Law governing authorized banks.

### **Services and activities of an investment firm**

#### **Article 148**

An investment firm may perform the services and activities listed in Article 147 paragraph 1, of the Law provided it is licensed by the Securities Commission for the concrete investment firm activities.

The license issued to the investment firm shall specify the investment services and activities referred to in Article 2, item 8) of the Law, which the investment firm is authorized to provide, and the investment firm license may also cover one or more of the ancillary services set out in Article 2, item 9) of the Law, provided, however, than none of the ancillary services may be provided unless the investment firm is licensed to provide at least one of the investment services or activities listed in Article 2, item 8) of the Law.

Considering the provision of the ancillary services considering foreign exchange operations referred to in Article 2, item 9) subitem (4) of the Law, an investment firm shall obtain a license in compliance with the law regulating the foreign exchange transactions.

## **Minimum capital**

### **Article 149**

The minimum capital of an investment firm shall be set and calculated in accordance with the Commission regulation and shall not be less than:

- 1) EUR 125,000 in dinar equivalent 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 for the provision of services and performance of activities referred to in Article 2, point 8) subpoint (3) of this Law;
- 3) EUR 730,000 in dinar equivalent for the provision of services and performance of activities referred to in Article 2, point 8) subpoint (6) of this Law;
- 4) EUR 730,000 in dinar equivalent for the provision of services and performance of activities referred to in Article 2, point 8) 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, where the broker-dealer company 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, point 8) subpoints (1) and (2) of this Law.

A broker-dealer company 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.

## **Qualifying holdings and control**

### **Article 150**

The provisions about qualifying holdings and control, referred to in Chapter VII of this Law, shall accordingly apply to broker-dealer companies.

In determining the level of a qualifying holding, the Commission shall not take into account the percentage of voting shares which investment firms may hold as a result of providing the underwriting of financial instruments or placing of financial instruments on a firm commitment basis, provided that those rights are not exercised or otherwise used to intervene in the management of the issuer and disposed of within one year of acquisition.



## **Staff, organizational capacities and technical equipment**

### **Article 151**

An investment firm may perform the investment services and activities referred to in Article 2, item 8), subpoints (1)-(7) of this Law, if it meets the requirements of the Commission regulation regarding staff, organizational capacities and technical equipment, including information processing systems and it ensures continuity and regularity in the performance of such services and activities.

An investment firm shall permanently employ at least two persons for an indefinite period, with the license issued by the Commission to provide services and activities referred to in Article 153, paragraph 1 of this Law.

An investment firm shall establish adequate policies and procedures sufficient to ensure compliance of the firm, including its managers and employees, with its obligations under this Law and Commission regulations, as well as appropriate rules governing personal transactions by such persons.

If an investment firm performs services and activities referred to in Article 2, point 8), subpoints (4) and (5) of this Law, at least one natural person, who may be one of the two persons referred to in paragraph 2 of this Article, must have a license from the Commission to provide investment advice and perform portfolio management.

If an investment firm outsources to another person activities pertaining to promotion of its services, receipt and sending clients' orders or providing investment recommendations, it shall undertake all reasonable measures in order to avoid unnecessary additional business risks.

The outsourcing of activities to other persons may not be undertaken in such a way as to impair materially the quality of its internal control and the ability of the supervisor to monitor the firm's compliance with this Law.

An investment firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

The investment services and activities referred to in Article 2, point 8), subpoints (1), (2), (3), (6) and (7) of this Law shall only be performed by natural persons employed by the investment firm who hold valid licenses for providing such investment services and activities.

The investment services and activities referred to in Article 2, point 8), subpoints (4) and (5) of this Law shall only be performed by natural persons employed by the investment firm, who hold valid licenses for portfolio managers and investment advisers.

## **Provision of services through another investment firm**

### **Article 152**

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 second investment firm shall be permitted to rely on client information transmitted by the first investment firm.

The investment firm that transmits the client instructions will remain responsible for the completeness and accuracy of the client information transmitted.

The investment firm that receives an instruction to undertake services on behalf of a client in this 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 the first investment firm.

The first investment firm, which transmits the instructions, will remain responsible for the recommendations or advice provided to the client.

The second investment firm, which receives client instructions or orders through the medium of the first investment firm, shall remain responsible for concluding the service or transaction, based on any such information or recommendations, in accordance with the relevant provisions of this Chapter.

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 second investment firm.

## **Licenses for natural persons performing investment services and activities**

### **Article 153**

The classes and examination for obtaining a title of a broker, investment adviser and a portfolio manager shall be organized by the Commission.

The Commission shall grant licenses for the services and activities referred to in paragraph 1 of this Article, if the applicant for the license 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 a license, for conducting activities of investment adviser or portfolio manager, shall have at least three years of professional experience with securities transactions and hold a university degree.

The Commission shall regulate the recognition of licenses or authorizations for performing such activities acquired abroad.

## **Conditions for General Managers and Members of Board**

### **Article 154**

A broker-dealer company shall have bodies in compliance with the law regulating companies.

The following persons may be a member of board of directors, supervisory board or executive board of a broker-dealer company:

- 1) the person who is not subject to statutory disqualifications.
- 2) the person not holding a management position or who is not an employee of any government body, agencies or organizations founded by the Republic;
- 3) the person is not a director, member of management or supervisory board or employee with a qualifying holding in another broker-dealer company, credit institution with an authorized bank, investment fund management company or voluntary pension fund management company;
- 4) the person who is not a general manager, member of the management board or employee of a market operator or the CSD;
- 5) a person who has no close links with persons specified in points 1) to 4) of this paragraph.

The business reputation and experience of a general manager or a member of the supervisory or executive board of a broker-dealer company, must be sufficient to ensure sound and prudent management of the broker-dealer company, and these persons must have adequate business reputation and at least three years of professional experience relevant to securities market operations.

A general manager of a broker-dealer company must be a full-time employee of the company, and this person and at least one member of the supervisory board must have Serbian language skills.

An investment firm shall have at least two members representing the company.

## **Commission procedures for granting, denying and revoking approval**

### **Article 155**

The Commission shall prescribe in further detail the contents of a request for granting prior approval to election or appointment of general managers or members of the board of an investment firm that is a broker-dealer company, and managers of an investment firm that is an authorized bank.

When it determines that all requirements referred to in provisions of Article 154 of this Law have been met, the Commission shall give its approval within seven working days from the day of receipt of a complete request referred to in paragraph 1 of this Article.

When the request for approval specified in paragraph 1 of this Article is submitted with an application for a license to carry out the activities of an investment firm, the Commission shall conduct a unified procedure.

The Commission shall reject the request for approval specified in paragraph 1 of this Article, when it determines that the requirements specified in Article 154 of this Law have not been met.

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 systemic to cause the person no longer to be deemed fit and proper to serve as a member of the management or a manager.

## **Application for a license to carry out activities of an investment firm**

### **Article 156**

The Commission shall prescribe the contents of an application and accompanying documents required for granting a license to an investment firm to perform the investment services and activities referred to in Article 147 of this Law.

The application referred to in paragraph 1 of this Article shall specify the investment services and activities proposed to be performed by the investment firm.

In addition to the request referred to in paragraph 1 hereof, the following documents shall be submitted:

- 1) governing instruments of a broker-dealer company applicant;
- 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 broker-dealer company applicant;
- 3) names and information regarding the qualifications, experience and business reputation of the current and proposed managers and members of the board of directors, supervisory board or executive board of the applicant that is a broker-dealer company or an authorized bank in compliance with provisions of Article 154 of this Law;
- 4) information regarding staff qualifications, organizational capacity and technical equipment of the applicant as required by Article 151 of this Law;
- 5) rules on fees indicating the fees and other charges of the applicant for the investment services and activities for which a license is requested;
- 6) a proof of membership in the Investor Protection Fund;
- 7) 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;
- 8) a document attesting to the payment of the initial capital;
- 9) a document attesting to the payment of the application fees required by the Commission's rulebook on fees.

If the application referred to in paragraph 1 of this Article is submitted for the purpose of licensing an investment firm that is already licensed or authorized by the competent authority of a foreign country, the following documentation shall be submitted in addition to the documents referred to in paragraph 3 of this Article:

- 1) a statement from the business register or a license issued by the competent authority of a foreign country, an instrument of incorporation, statute or other document establishing the investment firm or persons with close links with the firm, under the laws of such foreign state, both the original and a certified translation;
- 2) a certificate from the Company Register for legal persons – shareholders of the investment firm that is a legal entity or the persons with close links with it, and an original and a certified translation of the certificate from the foreign Company Register for foreign legal persons;
- 3) a document attesting that the competent authorities of the investment firm’s or its affiliate’s home country have granted approval for licensing the investment firm or its affiliate in the Republic or that such approval is not required according to the law and regulations of such country.

### **Decision granting license to carry out activities of an investment firm**

#### **Article 157**

The Commission shall decide on the application for an operating license of an investment firm, within 60 working days following the receipt of a request.

The Commission shall adopt a decision granting a license, if all the requirements under this Chapter and the Commission regulations have been met.

The Commission’s decision on approval of the application shall indicate whether the investment firm that is a broker-dealer company is authorized to hold funds and/or financial instruments of its clients.

The Commission shall refuse the application for obtaining an operating license after finding:

- 1) one or more of the conditions for granting the license referred to in this Chapter and in the case of an applicant that is an authorized bank under Chapter X has not been met;
- 2) that the persons who will control or direct the business are not of sufficiently good repute or sufficiently experienced;
- 3) the ownership structure of the applicant for the license, including affiliates and persons with close links to persons with qualifying holdings is such that it would prevent effective supervision of the applicant’s activities.
- 4) any of the information included as part of the application is false or misleading or the application omits information necessary to prevent the information provided from being misleading.

### **Branch offices of an investment firm**

#### **Article 158**

An investment firm wishing to establish a branch is required to obtain prior approval from the Commission for establishing a branch in another state.

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.

An investment firm may also perform activities within the units of the firm which have no legal personality, but have certain powers in legal transactions, separate accounting of business results and a separate sub-account – provided that such units meet the conditions for performing the activities of an investment firm.

The provisions of this Law regarding the granting of license for performing the activities of an investment firm, shall apply accordingly to the granting of licenses for performing such activities for branches of these companies.

### **Authorization of status changes**

#### **Article 159**

An investment firm that is a broker-dealer company shall obtain a license from the Commission before applying to be entered into the Company Register with respect to any merger, acquisition or division.

#### **A change in conditions on the basis of which an investment firm operating license has been granted**

#### **Article 160**

An investment firm shall file an application for approval for any change in conditions on the basis of which it has been granted an investment firm operating license, within five working days following the day when the competent authority has adopted the relevant decisions.

The Commission's approval shall be required if the change pertains to any additional investment services and activities defined in Article 2, points 8) and 9) of this Law, which were not included in an initial license application.

### **Public availability of licenses**

#### **Article 161**

An investment firm's operating licenses granted by the Commission and any amendments to such licenses shall be made publicly available on the Commission's website.

### **Entry into Company Register**

#### **Article 162**

An investment firm shall file an application to be entered into the Company Register, within 30 days from the day of the receipt of the investment firm license and the decision granting prior approval to the election or appointment of a director, member of the supervisory or executive board of the company.

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 license 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 initiate the activity for which it has obtained the license, prior to the entry of this activity into the Company Register.

### **General enactments of an investment firm**

#### **Article 163**

The general enactments of an investment firm shall be the instrument of incorporation, statute, rules and procedures of operations and the rulebook on fees.

An investment firm shall not levy fees for the services and activities that it provides which exceed the maximum amounts set forth in the rulebook on fees, on file with the Commission prior to its application.

The Commission shall grant prior approval for the enactments referred to in paragraph 1 of this Article and their amendments, except for the rules on fees, and it shall prescribe the contents of such enactments in more detail.

### **Principles of safe and sound business operations of an investment firm**

#### **Article 164**

When providing investment services to clients, an investment firm shall place the interests of its clients before the interests of the investment firm and 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 the provisions of the Law.

All information, including marketing communications, addressed by an investment firm to clients or potential clients shall be true, clear and not misleading, and the marketing communications shall be clearly identifiable as such.

In order for the clients to be 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, an investment firm shall provide in an understandable manner appropriate information to clients or potential client on the following:

- 1) the investment firm and its services;
- 2) financial instruments and proposed investment strategies, including appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies;
- 3) transaction execution venues;
- 4) costs and charges.

The information referred to in paragraph 3 of this Article may be provided in a standardized format.

#### **Article 165**

When providing investment advice or portfolio management services, an investment firm is required to obtain the necessary information regarding a client's or potential client's knowledge and experience in the investment field, financial situation and investment objectives relevant to the specific type of

financial instrument or service, 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.

When providing investment services other than those referred to in paragraph 1 of this Article, the investment firm shall request from the client or potential client the information regarding their 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 case the investment firm considers, on the basis of the information received under paragraph 2 of this Article that the financial instrument or service is not appropriate to the client or potential client, the firm shall warn the client or potential client and this warning may be provided in a standardized format.

In cases where the client or potential client elects not to provide the information referred to under paragraph 2 of this Article, or where he provides insufficient information regarding his knowledge and experience, the investment firm shall warn the client or potential client that such a decision will not allow the firm to determine whether the financial instrument or service envisaged is appropriate for him, and this warning may be provided in a standardized format.

By exception to paragraphs 1-3 of this Article, an investment firm, when providing investment services that only consist of execution and/or the reception and transmission of client orders without ancillary services, shall be permitted to provide such investment services to its clients without the need to obtain the information provided for in those paragraphs, provided that the following conditions have been met:

- 1) The listed services relate to shares admitted to trading on a regulated market or MTF or an equivalent third country market which meets the conditions under Chapter VII of this Law, money market instruments, bonds or other forms of securitized debt, units in collective investment undertakings and other similar financial instruments, excluding bonds and securitized debt instruments that embed a derivative financial instrument;
- 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 broker-dealer company is not required to assess the suitability of the financial instrument or service provided or offered and that therefore the client does not benefit from the corresponding protection of the conduct of business rules, and this warning may be provided in a standardized format;
- 4) the investment firm complies with its statutory obligations under Article 170 of this Law regarding prevention of conflicts of interest between an investment firm and its clients.

## **Article 166**

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 that is a broker-dealer company, and the managers and employees of an investment firm that is an authorized bank 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, CSD 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.

### **Article 167**

When holding financial instruments belonging to clients, an investment firm is required to make adequate arrangements so as to safeguard clients' ownership rights, to prevent the use of a client's instruments on own account or for the account of other clients except with the client's express consent.

An investment firm shall not:

- 1) Pledge or dispose of financial instruments owned by a client without the client's prior written authorization;
- 2) Execute client orders in the manner contrary to the Law, Commission regulations, or the enactments of any regulated market or MTF of which the investment firm is a member or participant;
- 3) Purchase, sell or borrow for its own account financial instruments that are the subject of client's order, prior to acting according to the client's order;
- 4) Purchase, sell or borrow financial instruments on the grounds of a contract for managing financial instruments for the sole purpose of collecting a commission or other compensation;
- 5) Encourage clients to make frequent transactions for the sole purpose of collecting commissions.

### **Article 168**

In order to safeguard client rights, investment firms licensed by the Commission to keep financial instruments and funds of clients, must comply with the following requirements:

- 1) They must keep records and accounts as are necessary to enable them at any time and without delay to distinguish assets held for one client from assets held for any other client, and from their own assets;
- 2) They must maintain their records and accounts in a way that ensures their accuracy, and their correspondence to the financial instruments and funds held on accounts for clients;
- 3) They must conduct, on a regular basis, reconciliations between their internal accounts and records and those of any third parties by whom those assets are held;
- 4) They must take the necessary steps to ensure that any client financial instruments registered with the Central Securities Depository are identifiable separately from the financial instruments belonging to the investment firm;

5) They must take the necessary steps to ensure that all the client funds deposited in a credit institution which is a member of the Central Securities Depository are held in an account or accounts identified separately from any accounts used to hold funds belonging to the investment firm;

6) They must introduce adequate measures to minimize the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

The Commission shall regulate in detail the content and form of records to be kept by the investment firm provided with the license by the Commission to hold cash assets i.e. financial instruments of clients.

## **Obligation of best execution**

### **Article 169**

An investment firm is required to take all reasonable steps to obtain, when executing orders, the best possible result for its clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order, nevertheless, whenever there is a specific instruction from a client in relation to the transaction, the investment firm shall execute the order following the specific instruction.

An investment firm shall establish and implement effective arrangements for complying with paragraph 1 of this Article, and in particular, the client order execution policy.

The order execution policy referred to in paragraph 2 of this Article shall include, in respect of each class of financial instruments, information on the different venues where the investment firm is permitted to execute its client orders and the factors affecting the choice of execution venue.

An investment firm shall provide appropriate information to its clients on its order execution policy and shall obtain the prior written consent of its clients to the execution policy and the information and consent can be the constituent part of the client agreement.

Where the investment firm's order execution procedure provides for the possibility that client orders may be executed outside a regulated market or outside the MTF, in accordance with the provisions of this Law or Commission regulations, the investment firm shall, in particular, inform its clients about this possibility and shall obtain the prior express consent of its clients before proceeding to execute their orders, the consent may be either in the form of a general agreement or in respect of individual transactions.

Investment firms shall:

1) Monitor the effectiveness of their order execution policy in order to identify and 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 it needs to make changes to its execution arrangements;

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 firm's execution policy.

## **Collision of Interests**

### **Article 170**

Investment firms shall organize their business operations in such a way that potential conflicts of interest that arise are reduced to the minimum extent possible, the conflicts being between themselves and their clients, shareholders, managers, members of the board of directors, supervisory or executive board and employees of the firm.

An investment firm shall undertake proper measures to reveal conflicts of interest including the conflict of interest of persons referred to in paragraph 1 of this Article and all persons with close links on the one hand and interest of its clients on the other hand, and mutual conflict of interest of individual clients generated in provision of investment services.

Before undertaking business on behalf of a client, an investment firm shall inform a client about a possible conflict of the client's interests with the interests of that of the investment firm, or interests of other clients of the investment firm, including the general nature or sources of such conflicts.

## **Client contract and client reports**

### **Article 171**

An investment firm is required to conclude with a client a written contract that includes the documents agreed between the 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 obligations of the parties to the contract may be incorporated by reference to legal and other documents available to the client.

The contract referred to in paragraph 1 of this Article must include a representation from the client that the rules of operations and the schedule of fees of the investment firm have been made available to the client prior to concluding the contract.

An investment firm shall make available to its clients any amendments of its rules and schedule of fees not later than seven days prior to their effective date.

## **Professional clients**

### **Article 172**

The following shall be regarded as professional clients in all investment services and activities and financial instruments:

1) Persons licensed and supervised by the relevant supervisory authority for their operations on the financial market, including: Credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, collective investment undertakings and their management companies, pension funds and their management companies, commodity dealers and other persons supervised by the competent authority;

2) Legal persons who meet at least two of the following criteria:

(1) The total assets amounting to at least EUR 20,000,000;

(2) The annual business revenue amount to minimum EUR 40,000,000;

(3) Own funds amount to minimum 2,000,000 EUR;

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.

An investment firm may agree to provide to the person indicated in paragraph 1 of this Article a higher level of protection, at their request, or may treat them as other clients that are not deemed to be 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, and will be treated as such.

An investment firm must also inform the professional client that the client can request a variation of the terms of the agreement in order to secure a higher level of protection, however, it is the responsibility of the client, considered to be a professional 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 client who is considered to be a professional client enters into a written agreement with the investment firm to the effect that it shall not be treated as a professional client, and such agreement must specify whether this applies to one or more particular services or transactions, or to one or more types of financial instruments or transactions.

### **Article 173**

An investment firm may treat other clients as professional clients, at their request, when it assesses that a client possesses sufficient experience, knowledge and expertise to make their own investment decisions and properly assess the risks entailed, based on the type of transaction or service.

The assessment shall include the verification whether a professional client meets at least two requirements set forth for the qualified investors in Article 14, paragraph 2, point 2) of this Law.

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 financial instrument;
- 2) the investment firm must give a clear written warning to the professional client, of the protections and investor compensation rights from the Investor Protection Fund 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 level of protection.

Before deciding to accept any request for waiver of a higher level of protection, an investment firm must perform certain activities in order to ascertain that the client requesting professional client treatment meets the relevant requirements.

### **Article 174**

An investment firm shall adopt and implement its internal rules and procedures to categorize clients.

Professional clients are responsible for keeping the investment firm, whose services they are using, timely informed about any change, which could affect their current client categorization with the investment firm.

If an investment firm becomes aware that a client no longer belongs to an originally established category of professional clients, it shall take appropriate actions.

The Commission shall regulate in further detail how the investment firms provide services to their professional and other clients.

### **Transactions executed with certain professional clients**

#### **Article 175**

An investment firm authorized to execute orders on behalf of clients, to deal on own account and/or to receive and transmit orders, may bring about or enter into transactions with certain professional clients without having to comply with the obligations under Articles 164, 165 and 169, Article 171, paragraph 1 and Article 176 of this Law, in respect of those transactions or in respect of any ancillary service directly related to those transactions.

For the purposes of this Article, certain professional clients shall be the persons referred to in Article 172, paragraph 1, points 1) and 3) of this Law.

The classification under paragraph 2 of this Article shall be without prejudice to the right of such persons to request, either generally or on a trade-by-trade basis, treatment as clients whose business with the investment firm is not subject to paragraph 1 of this Article.

The Commission shall regulate in more detail the obligations of investment firms related to the provision of services to clients.

### **Client order handling rules**

#### **Article 176**

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 or of the investment firm.

Such 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 MTF, that is not immediately executed or executable under prevailing market conditions, and unless the client expressly instructs otherwise, an 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.

An investment firm shall be deemed to comply with this obligation by transmitting the client limit order to the regulated market or MTF, provided, however, that the obligation to make public a limit shall not apply to an order that is large in scale compared with normal market size as determined under the rules of the regulated market or MTF.

For purposes of paragraph 4 of this Article, an investment firm shall be considered to have disclosed client limit orders that are not immediately executable if it transmits the order to the regulated market or MTF that operates an order book trading system, or ensures that the order is made public and can be easily executed as soon as market conditions allow it.

An investment firm shall provide their clients with reports on the services provided, these reports shall include the costs associated with the transactions and services undertaken on behalf of the client, the contents and form of which shall be determined by the Commission.

## **The venue and methods of receiving client orders**

### **Article 177**

Investment firms shall:

- 1) Keep a book of orders by electronic means, which shall record clients' orders for purchase or sale of securities and cancellations of such orders in the manner whereby such orders are time stamped immediately upon receipt and which prevents any subsequent alteration of the order that has not been authorized by the client;
- 2) Accept clients' orders on its business premises.

An investment firm may contractually authorize another investment firm to receive client orders on the other investment firm's business premises on behalf and for the account of the first investment firm, provided that the conditions regulating provision of services through other investment firm referred to in Article 152 of this Law have been fulfilled.

The legal persons headquartered in the Republic that only perform the reception and transmission of orders indicated in Article 2, point 8), sub-point (1) of this Law, can perform the reception and transmission of orders related to transferable securities and investment units, but during the performance of the service, they can transmit the orders only to:

- 1) investment firms;
- 2) collective investment undertakings and management companies subject to the requirements of the law governing investment funds.

An investment firm may elect to receive client orders by any means of telecommunication or by other electronic means, provided that such means are authorized in its contract with the client and the investment firm employs appropriate safeguards, such as recording devices, to ensure the accuracy and integrity of such orders in the investment firm's records.

## **Refusal to execute a purchase and sale order**

### **Article 178**

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 179**

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 confirmation be sent to another person representing the client.

### **Money accounts**

#### **Article 180**

A broker-dealer company that is permitted under its license issued by the Commission to hold money on a money account for its clients with a credit institution, shall open such account with a credit institution - member of the Central Securities Depository, separate from the broker-dealer company's own money account, and a separate client consent or authorization shall not be required to open a money account.

The investment firm may use one or more accounts for client monies and it shall continuously maintain accurate records of each client's monies that are included in the omnibus account.

A client shall use the services of opening and managing the money account either directly through a credit institution – that is a member of the Central Securities Depository, or through a broker-dealer company licensed by the Commission to manage clients' money accounts.

However, an investment firm may use funds from its clients' money accounts only to pay for client obligations in connection with the investment services and activities and ancillary services that the investment firm provides for its clients, the funds cannot be used for payment of liabilities of another client.

The funds in client money accounts, including funds in transit, shall not be the assets or other property of the broker-dealer company, nor may they be used for payment of liabilities to creditors of the broker-dealer company and cannot be subject of enforced collection.

In the case of an authorized bank, funds of clients cannot be included in the liquidation or bankruptcy estate of the investment firm or the credit institution of which the authorized bank is a part, and cannot be used for payment of liabilities of the investment firm or such credit institution.

The investment firm shall provide that there are sufficient funds on the clients' cash account on the settlement day.

## **Financial instrument accounts**

### **Article 181**

The contract referred to in Article 171 of this Law shall oblige an investment firm to open a financial instrument account on behalf of the client with the Central Securities Depository, either directly or through the services of a credit institution - member of the Central Securities Depository, for persons referred to in Article 175 of this Law for whom a client contract is not required, the account shall be opened based upon the instructions of such persons and in accordance with the rules of the Central Securities Depository.

Investment firms shall use the financial instruments from their client accounts only based on a client order.

An investment firm is required to maintain its own proprietary financial instrument account in the Central Securities Depository, separately from the financial instruments accounts of its clients.

Financial instruments of an investment firm's clients shall not be the assets or other property of the investment firm and cannot be used for payment of liabilities of the investment firm to creditors.

In the case of an investment firm that is an authorized bank, financial instruments of clients cannot be included in the liquidation or bankruptcy estate of the investment firm or the credit institution of which the authorized bank is a part, and cannot be used for payment of liabilities of the investment firm or such credit institution.

The investment firm shall provide that there are sufficient financial instruments on the client account on the settlement day.

## **Portfolio management services**

### **Article 182**

A contract for portfolio management of financial instruments may be concluded between an investment firm that meets the requirements of this Law and Commission regulations for the performance of portfolio management services and a client that is not an investment fund subject to the law regulating investment funds.



The contract referred to in paragraph 1 of this Article may authorize the investment firm to manage or invest the client's funds in financial instruments and to sell the client's financial instruments, without the client's consent.

The contract referred to in paragraph 1 of this Article shall provide that the investment firm shall be entitled to charge fees and commissions for providing portfolio management services, and the contract shall include at least:

- 1) A description of the investment policy of the investment firm;
- 2) Any other limitations on the discretions given to the investment firm;
- 3) Fee and commission amounts;
- 4) The right of the client to revoke the contract at any time, subject to settlement of any obligations then pending between the investment firm and the client.

An investment firm providing portfolio management services to a client may invest the client's funds in accordance with the contract.

### **Lending and borrowing of financial instruments**

#### **Article 183**

The lending and borrowing of financial instruments, including repurchase agreements and other similar transactions, shall take place through a member of the Central Securities Depository.

An investment firm shall be required to include information regarding such transactions in the monthly reports required to be filed with the Commission.

Any income earned on the lending of a client's financial instruments shall inure to the benefit of the client, provided that an investment firm may charge a fee, as prescribed in its rules on fees, for arranging of such lending.

An investment firm may lend client's financial instruments to another client, another investment firm or a credit institution - member of the Central Securities Depository, if the client contract referred to in Article 171 of this Law or other written authorization from the client authorizes the investment firm to do so.

An investment firm may lend financial instruments from its own account to persons referred to in paragraph 4 of this Article, and the income generated by lending of financial instruments shall inure to the benefit of the investment firm.

### **Record-keeping and reporting to the Commission on executed transactions**

#### **Article 184**

An investment firm that executes transactions in financial instruments shall report details of such transactions to the Commission as quickly as possible, and not later than the close of the following working day of the day of transaction, as set forth by the Commission regulation.

An investment firm shall keep in electronic form, for at least five years, and shall enable to the Commission the access to information in respect of all transactions in financial instruments which the

investment firm has carried out, whether on own account or on behalf of a client, and when the transactions have been 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 prevention of money laundering and terrorism financing.

The report referred to in paragraph 1 of this Article shall, in particular, include details of the names and numbers of the financial instruments bought or sold, the quantity, the dates and times of order execution and the transaction prices and means of identifying the investment firms which executed the transaction.

The report referred to in paragraph 1 of this Article may be filed to the Commission by an investment firm or market operator of the market where the transaction was completed, as stipulated by the Commission's regulation.

## **Disclosure of trading information**

### **Article 185**

Investment firms which, either on own account or on behalf of clients, conclude transactions in shares admitted to trading on a regulated market or MTF shall make public the volume and price of those transactions and the time at which they are concluded, on a reasonable commercial basis, and in a manner which is easily accessible to other market participants.

The information referred to in paragraph 1 of this Article shall be made available to the public as close to real-time as possible, regardless of whether the transaction is concluded on the regulated market, MTF or off market.

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 indicated in Article 125 of this Law, taking into consideration any deferred reporting of transactions in certain categories of equity securities taking place on a regulated market or MTF, which shall apply to those transactions when undertaken outside of a regulated market or MTF.

The information is considered to be made public or available to the public, if it is made generally available to investors, through the website of the market operator or of the investment firm.

## **Capital Adequacy**

### **Article 186**

A broker-dealer company shall ensure that its capital remains at the minimum level which is not below the minimal capital prescribed by Article 149 of this Law.

When the capital of a broker-dealer company, referred to in paragraph 1 of this Article, falls below the minimal capital prescribed by Article 149 of this Law, the Commission shall order such a broker-dealer company to remove deficiencies within a specified time period, and/or impose a supervisory measure prescribed by the provisions of this Law.

The capital of a broker-dealer company shall be the sum of core capital, supplementary capital I and supplementary capital II, and other types of capital reduced by deductible items in compliance with the Commission regulation.

The Commission shall prescribe a method for calculating capital and capital adequacy of a broker-dealer company, and what portions of capital are used for covering specific types of risks.

## **Risk management**

### **Article 187**

The capital of a broker-dealer company must always be sufficient to cover its obligations and possible losses and risks to which the broker–dealer company is exposed, without causing any loss to clients or counterparties to transactions with the broker-dealer company.

A broker-dealer company 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 a broker-dealer company is exposed to or could be exposed to in its operations.

A broker-dealer company shall identify, measure and assess risks it is exposed to in its operations and manage such risks.

A broker-dealer company 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 broker-dealer company;
- 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 broker-dealer company related to risk management;
- 5) Procedures for regular reporting to the management of a broker-dealer company and the Commission on risk management.

A broker-dealer company 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 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 188**

A broker-dealer's enactments specified in Article 187 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 189**

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.

A broker-dealer company 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 190**

Credit risk shall mean risk of a loss arising from failure of a person to meet their financial liabilities towards the broker-dealer company.

A broker-dealer company shall identify, measure, and assess credit risk according to the creditworthiness of a client and their timeliness in fulfillment of obligations to the broker-dealer company, and according to the quality of collateral instruments for the company's receivables.

A broker-dealer company shall develop and apply relevant policies and procedures designed for credit risk management.

A broker-dealer company 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 191**

Liquidity risk means the possibility of arising of negative effects on financial result and capital of the broker-dealer company, caused by incapability of such company to settle its liabilities due for payment.

A broker-dealer company 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 192**

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.

A broker-dealer company shall 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.

A broker-dealer company shall adopt a contingency plan and operation continuity and loss limitation plan in cases of significant disruption or interruption of business operations.

## **Exposure risk of a broker-dealer company**

### **Article 193**

A broker-dealer company'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 a broker-dealer company 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.

A broker-dealer company'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 a broker-dealer company to one person and/or several mutually related persons must not exceed 25% of capital of the broker-dealer company.

#### **Article 194**

If a broker-dealer company's exposure exceeds the limit referred to in Article 193 of this Law, the broker-dealer company shall promptly inform the Commission of the level of the exposure, in compliance with Article 199 of this Law.

Having completed the assessment, the Commission may allow the broker-dealer company a limited amount of time to comply with the limit.

The overall risk exposure of a broker-dealer company to persons referred to in Article 170 of this Law must not exceed 50% of capital of the broker-dealer company.

The sum of overall risk exposure of a broker-dealer company must not exceed 800% of capital of the broker-dealer company.

#### **A trading book and book of positions not subject to trading**

##### **Article 195**

A trading book shall contain positions in financial instruments that a broker-dealer company 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 196**

In addition to meeting organizational requirements for purposes of consistent implementation of risk management policies and strategies, a broker-dealer company 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, and;
- 2) for determining and monitoring large exposures, changes in large exposures and reviewing compliance of large exposures with broker-dealer company's policies regarding such type of exposure.

### **Solvency and liquidity principle**

#### **Article 197**

A broker-dealer company 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 198**

The capital of a broker-dealer company must always be higher or equal to the sum of capital requirements for market, credit and operational risks.

The capital of a broker-dealer company 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 a broker-dealer company.

### **Procedures to ensure compliance with capital adequacy requirements**

#### **Article 199**

Pursuant to the Commission regulation, a broker-dealer company shall file with the Commission a report at any time the capital of the broker-dealer company falls below an amount or percentage specified by Articles 149 and 186 of this Law, and such a report shall indicate the specific facts and circumstances that have caused the broker-dealer company's capital to fall below the specified thresholds.

The thresholds of capital specified paragraph 1 of this Article, shall not exceed 120% of the capital requirements applicable to the broker-dealer company under Articles 149 and 186 of this Law or the Commission regulation.

The Commission may require a broker-dealer company 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 a broker-dealer company with respect to which the broker-dealer company fails to satisfy such capital requirements and it may require the broker-dealer company to:

- 1) immediately undertake measures to raise its capital above the thresholds required by paragraphs 1 and 2 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 broker-dealer's capital requirements, until such thresholds are reached or exceeded.

### **Investment firm record-keeping**

#### **Article 200**

An investment firm is required to keep records of all executed transactions and services to enable the Securities Commission to monitor its compliance with the provision of the Law and the Commission regulations.

An investment firm shall be required in relation to every order received from a client, and in relation to every decision taken in providing the service of portfolio management, immediately make a record of the following details:

- 1) designation of the client;
- 2) the name or other designation of any relevant person acting on behalf of the client;
- 3) the buy/sell indicator, financial instrument identification code, unit price and quantity notation;
- 4) the nature of the order if other than buy or sell;
- 5) type of order;
- 6) any other details, conditions and particular instructions from the client that specify how the order must be carried out;
- 7) the date and exact time of receipt of the order, or of the decision to deal, by the investment firm.

Immediately after executing a client order, or, in the case of an investment firm that transmits orders to another investment firm for execution, immediately after receiving confirmation that an order has been executed, the investment firm shall record the following details of the transaction in question:

- 1) designation of the client;
- 2) the trading day, trading time, buy/sell indicator, financial instrument identification code, unit price, price notation, quantity, quantity notation, counterparty and venue identification;
- 3) the total value, being the product of the unit price and the quantity;
- 4) the nature of the transaction, if other than buy or sell;
- 5) the authorized person who executed the transaction or who is responsible for its execution.

If an investment firm transmits an order to another investment firm for execution, the investment firm shall immediately record the following details after making the transmission:

- 1) the designation of the client whose order has been transmitted;
- 2) the name or other designation of the investment firm to which the order has been transmitted;
- 3) the terms of the order transmitted;



4) the date and exact time of transmission.

## **Broker-dealer company reporting**

### **Article 201**

The Commission shall prescribe in detail the form and content of monthly financial reports that a broker-dealer company 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 1 of this Article shall be required to show the broker-dealer company's compliance with the capital adequacy requirements of Articles 149 and 186 of this Law and the Commission regulation, including the broker-dealer company'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 law on accounting and auditing, that a broker-dealer company 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, a broker-dealer company 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 broker-dealer'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.

## **Obligations regarding audits of a broker-dealer company**

### **Article 202**

The person carrying audits of financial statements of a broker-dealer company must immediately notify the Commission about any fact or decision concerning that audit of which that person has become aware while carrying out that task and which is liable to:

- 1) constitute a material breach of this Law, Commission regulations or the general enactments of a market operator or the Central Securities Depository, which lay down the conditions governing licensing or authorization or which specifically govern the pursuit of activities of an investment firm;
- 2) affect the continuous functioning of the investment firm;
- 3) result in refusal of approval of audit report or in expressing doubt about the validity of such reports of the investment firm.

The person referred to in paragraph 1 of this Article shall also have a duty to report any facts and decisions of which the person becomes aware in the course of the audit, considering the firm with close links with the audited investment firm.

The disclosure in good faith to the Commission by such person of any fact or decision referred to in paragraph 1 of 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.

## **Commission supervision of operations of investment firms and licensed persons**

## **Article 203**

The Commission shall have the authority to impose on the investment firm or a licensed natural person all the measures and sanctions provided for in this Law in order to be able to implement all its legal powers, particularly with a view to ensuring lawful and orderly trading in financial instruments, protection of the investors' interest, fair, efficient and transparent capital market, and to reduce the systemic risk on the capital market, and in addition, in the events of established irregularities or instances of illegal activities, it shall file adequate reports or requests.

The Commission's supervision of investment firms shall be based upon a risk-based supervisory plan that includes on-site examinations with emphasis placed on those investment firms that pose the greatest systemic risk in terms of the volume and type of investment services and activities performed, provided that the Commission shall conduct at least one, annual on-site examination of all licensed investment firms.

The Commission shall also have the authority to supervise other persons that perform investment services and investment activities in violation of Articles 147 and 148 of this Law.

### **Measures for elimination of established irregularities and illegalities**

## **Article 204**

When the Commission in the process of supervision establishes illegalities and irregularities, it shall adopt a decision instructing their elimination or cessation of activities and imposes supervision measures.

The Commission shall state the time periods in which the investment firm is to eliminate the illegalities and irregularities, in the decision referred to in paragraph 1 of this Article, which shall not exceed six months.

When necessary, the Commission shall notify the market operator, Central Securities Depository, National Bank of Serbia, MTF operator and the credit institution of the adopted decision referred to in paragraph 1 of this Article.

Pursuant to the Commission decision, the persons referred to in paragraph 3 of this Article shall prevent the investment firm to participate in and to exercise the rights of members i.e. users of the regulated market i.e. MTF.

When the Commission finds irregularities and illegalities in respect of the keeping of business books and other business records an investment firm is required to keep in line with the law or the Commission regulations, it may instruct the investment firm to accompany the report on the removal of irregularities and illegalities with the opinion of an independent authorized auditor showing that the irregularities and illegalities have been removed.

### **Supervision measures**

## **Article 205**

If the Commission, in conducting supervision procedure of an investment firm finds the existence of violations of this Law, Commission regulations or general enactments of a market operator or the Central Securities Depository that are not so substantial as to warrant the Commission taking any of the actions specified in Article 206 of this Law, it shall adopt a decision instructing the investment

firm and/or any licensed natural persons who are the cause of the violations to eliminate the violations within an adequate time limit and may undertake one or more of the following measures:

- 1) pronounce a public censure;
- 2) suspension of all or particular activities of the investment firm, and their related ancillary (auxiliary) activities and/or of such licensed persons for the period of maximum of 60 working days;
- 3) forbid acceptance of client orders on the investment firm's business premises by the investment firm and/or such licensed persons;
- 4) order suspension of disposition rights over the funds on accounts, securities or other assets for a period of up to three months;
- 5) order suspension of holding and managing client financial instruments and money to investment firms;
- 6) undertake other measures and sanctions other than suspension or revocation of a license, which are authorized against licensed persons pursuant to the Law.

### **Article 206**

Where a person acquires a qualifying holding in a broker-dealer company in violation of the provisions of Article 150 of this Law, the Commission shall:

- 1) remove the voting rights attaching to the acquired qualifying holding or otherwise prevent the control over the broker-dealer company;
- 2) order that the qualifying holding be sold.

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 150 for approval of a qualifying holding are no longer met, in such circumstances, the remedies in Article 205 of this Law shall apply.

The decision on the measures undertaken pursuant to paragraph 1 of this Article or pursuant to Article 207 of this Law shall be published by the Commission on its website.

The Commission shall prescribe in more detail the conditions and manner of carrying out supervision, the procedure for issuing orders and undertaking measures, and the time limits for execution of orders and the duration of measures.

### **Suspension or revocation of licenses of investment firms and natural persons**

#### **Article 207**

The Commission shall be authorized to suspend for a period of not more than two years or to revoke the license of an investment firm and any natural person licensed to perform investment services and activities for the investment firm pursuant to Article 153 of the Law, if the Commission finds that:

- 1) an investment firm does not make use of its license within 12 months, expressly renounces the license, or has provided none of investment services or activities within the preceding six months;

- 2) the investment firm or natural person obtained the license on the grounds of materially false or incomplete information or by other irregular means;
- 3) the investment firm or the natural person fails to continue to satisfy the conditions prescribed for obtaining the license;
- 4) the investment firm or the natural person has committed a material violation of any provision of the Law or Commission regulations, and in the case of a license revocation, such material violations have been serious and systemic;
- 5) the investment firm or the natural person has failed to comply within the prescribed time period and in the prescribed manner with a Commission decision issued pursuant to Article 205 of this Law;
- 6) the investment firm fails 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 who is licensed pursuant to provisions of Article 151 of this Law fails to exercise reasonable supervision over any licensed natural person or other 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 the Central Securities Depository by the investment firm and/or such licensed natural person or other employee, and such violations could have been prevented if reasonable supervision had been exercised.

When the investment firm does not meet the organizational, staffing or other requirements for the provision of investment services and performance of investment activities set forth in this Law, the Commission may, instead of revoking the operation license, adopt a decision prohibiting only the provision of those investment services or performance of those investment activities for which the investment firm does not meet the requirements envisaged by the Law or Commission regulations.

The Commission may instruct, by the decision referred to in paragraph 2 of this Article, that the non-executed orders and other documentation of the clients of the investment firm whose license is revoked by the Commission are transferred to another investment firm, with the clients' consent.

From the date of effectiveness of the decision on license revocation, the investment firm shall not contract, commence or perform investment services or activities for which the license has been revoked.

## **Article 208**

An investment firm and any licensed natural person who is the subject of a proposed suspension or revocation of a license pursuant to Article 210 shall be entitled to a hearing, before such suspension or revocation may be ordered by the Commission, in accordance with regulation that the Commission shall adopt for such purposes.

The Commission's authority to suspend or permanently revoke a license pursuant to this Article shall not exclude the possibility to apply measures that the Commission is authorized to undertake with respect to:

- 1) licensed 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 the ownership of an investment firm that is a broker-dealer company i.e. an authorized bank.

If an investment firm or a licensed natural person file a request to the Commission to withdraw the investment firm's or such natural person's license on the grounds of no longer performing the activities that require a license 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 revoking the license and striking it off the register of licenses of the Commission.

The management 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.

However, the Commission, in its discretion, may decline to order a withdrawal of a license held by an investment firm or natural person against whom there is a pending investigation or charges regarding violations of this Law, Commission regulations or general enactments of a market operator or the Central Securities Depository until such matters have been fully resolved.

### **Special rules regarding investment firms whose licenses are suspended or revoked**

#### **Article 209**

In cases where a license for activities of an investment firm has been suspended or revoked 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 licensed investment firm.

If a license of a broker-dealer company 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 a client of an investment firm shall not be included into liquidation, i.e. bankruptcy estate of the firm.

The notice to clients required by paragraph 1 of this Article shall be given at the investment firm's expense.

### **Provisions applicable to management companies**

#### **Article 210**

If an investment fund management company provides the portfolio management services as defined in Article 2, point 8), subpoint (4) of this Law to clients other than investment funds governed by the law regulating investment funds, the management company also shall be permitted to provide the

investment advice services as defined in Article 2, point 8), subpoint (5) of this Law and the ancillary services of keeping and managing financial instruments on behalf of clients, indicated in Article 2, point 9), subpoint (1) of this Law.

The provisions of Article 2, points 10) and 16), Article 4, points 2), 3) and 4), Article 151, Articles 164-171, Articles 176, 179, 182 and 200, and Article 201 paragraph 5 of this Law shall accordingly apply to the management company referred to in paragraph 1 of this Article.

## **X AUTHORIZED BANKS**

### **Licenses for investment services and activities**

#### **Article 211**

A credit institution shall not be authorized to provide any of the investment services and activities listed in Article 2, points 8) and 9) of this Law relating to any of the financial instruments listed in Article 2, point 1) of this Law, without an investment firm license which the Commission issues for an authorized bank - organizational unit of the credit institution.

An authorized bank, referred to in paragraph 1 of this Article, shall be authorized to provide regulated services through the facilities of the authorized bank or through other facilities of the credit institution, or through a combination of such facilities.

A credit institution without a license referred to in paragraph 1 of this Article, shall be authorized to provide ancillary services referred to in Article 2, point 9) of this Law, without a license issued by the Commission.

An authorized bank referred to in paragraph 1 of this Article shall not be authorized to perform the activities of a market operator.

### **Conditions for performing authorized bank activities**

#### **Article 212**

An authorized bank shall:

- 1) Have a separate organizational unit solely intended for purposes of carrying out the activities referred to in Article 211 of this Law;
- 2) Keep separate business records and information on business operations of such organizational unit;
- 3) Comply with all provisions of Chapter IX of this Law, except for the provisions from which it is specifically exempted.

### **Applicability of this Law and Commission regulations**

#### **Article 213**

The following provisions shall not apply to authorized banks:

- 1) Article 150 of this Law governing qualifying holdings;

2) Articles 149, 162 and 186–199 of this Law, governing capital levels, capital adequacy and risk management and the entry into the Register of Companies.

The National Bank of Serbia shall share with the Commission any reports or information it collects regarding the capital adequacy and risk exposures of the authorized bank, regardless of whether such reports and information are separate or part of reports and information collected with respect to the credit institution of which the authorized bank is a part.

The reports and information referred to in paragraph 2 of this Article shall constitute inside information and shall be subject to the Commission's regulations on professional secrecy.

### **Commission supervision measures**

#### **Article 214**

The Commission shall carry out supervision of authorized banks in accordance with this Law.

In performing supervision referred to in paragraph 1 of this Article, supervisory measures and sanctions shall be applied in addition to the measures of termination of activities regulated by this Law for the investment firms.

Any information obtained by the Commission in supervisory activities shall be inside information which shall be shared with the National Bank of Serbia, together with the measures undertaken with respect to the authorized bank.

The information, referred to in paragraph 3 of this Article, shall be treated as professional secret by the National Bank of Serbia in accordance with the provisions of this Law and its regulations.

## **XI CENTRAL SECURITIES DEPOSITORY**

### **Organization of Central Securities Depository (CSD)**

#### **Article 215**

The Central Securities Depository 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 216**

The Central Securities Depository shall carry out the following activities:

- 1) Managing the register of financial instruments;
- 2) Keeping records of financial instruments in issuers' accounts;

- 3) Managing and recording of accounts of CSD members and their clients;
- 4) Recording third party rights in financial instruments;
- 5) Safekeeping of electronic records relating to financial instruments and safekeeping of physical securities;
- 6) Managing money accounts of members of the CSD, including activities related to payments and other returns from financial instruments;
- 7) Recording of ownership of materialized securities in a dematerialized form;
- 8) Clearing and settlement of liabilities and claims expressed in financial instruments and money, arising on the grounds of concluded transactions, and determining of liabilities and claims of members of the CSD and their clients after the settlement of their mutual liabilities and claims;
- 9) Transfer of financial instruments in the accounts of the members of the CSD;
- 10) Defining and assigning a unique identification number for financial instruments;
- 11) Keeping the codebook for kinds of financial instruments;
- 12) Transactions related to corporate actions of issuers of financial instruments;
- 13) Activities related to the depositing of shares in connection to takeovers of joint stock companies;
- 14) Calculation of any taxes relating to transfers of financial instruments, in accordance with the Law;
- 15) Participation in and cooperation with international organizations dealing with registration, clearing and settlement of financial instruments;
- 16) Other activities in connection with financial instruments, including activities that are necessary to discharge the above activities.

The Central Securities Depository shall not be permitted to outsource any of its activities without the prior written approval of the Commission.

In administrative matters, the Central Securities Depository shall apply the provisions of the law governing general administrative procedure.

The decisions of the Central Securities Depository shall be finally binding and administrative proceedings may be instituted against them.

### **Minimum capital and acquisition of qualifying holdings in the CSD capital**

#### **Article 217**

The minimum capital of the Central Securities Depository shall not be lower than EUR 750,000 in dinar equivalent.

The funds for the operations of the Central Securities Depository shall be provided from the fees charged for the services provided in accordance with the rulebook on fees of the Central Securities Depository, 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 Central Securities Depository.

The provisions of paragraph 3 of this Article shall not apply when a qualifying holding is acquired by the Republic.

## **Bodies of the Central Securities Depository**

### **Article 218**

A Central Securities Depository shall have a general meeting of shareholders, a management board and a general manager.

The competencies of the general meeting shall be preformed 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: 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 management board members shall be four years and the same persons can be reelected.

The management board shall have a chairperson and four members.

A general manager cannot be the chairperson of the management 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 Central Securities Depository.

### **Approval for the appointment of a General Manager and members of the management board and employees**

### **Article 219**

The Central Securities Depository shall obtain from the Commission prior approval for the appointment of the general manager and members of the management 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 107 and 108 of this Law governing requirements for the appointment of a general manager and members of the management board of the market operator.

Employees of the Central Securities Depository shall not be directors, members of management bodies or employees of market operators, investment firms, with the members of the Central Securities Depository, or public companies whose financial instruments are cleared and settled at the Central Securities Depository or for which the Central Securities Depository maintains a register of such financial instruments.

The general regulations governing labor relations shall apply to rights and obligations of employees in the Central Securities Depository.

## **General enactments; Commission approval**

### **Article 220**

The general enactments of the CSD shall be the articles of association (statute), rules of operation, rulebook on fees and other general enactments which govern the operations of the CSD.

The Commission shall grant prior approval for the general enactments of the Central Securities Depository 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 Central Securities Depository 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 Central Securities Depository and to direct the Central Securities Depository to adopt general enactments.

If the Central Securities Depository 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 Central Securities Depository immediately following the Commission approval or adoption.

The general enactments shall include a code of conduct for its general manager, members of the management board and staff, which includes 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 Articles 254–256 of this Law.

## **Rules of operations**

### **Article 221**

The rules of operations of the CSD shall govern:

- 1) How the register is managed;
- 2) Opening and management of accounts for financial instruments;
- 3) Opening and management of money accounts;
- 4) Safekeeping of financial instruments;
- 5) Performing the clearing and settlement of liabilities and claims on the grounds of concluded transactions;
- 6) Transfer of financial instruments and rights arising from them, and the contents of orders for transfer (hereinafter: transfer orders) and orders for recording the third party rights in financial instruments (hereinafter: recording orders);

7) Establishment and use of a guarantee fund and other procedures for minimizing risk in case a member of the CSD fails to meet its obligations;

8) Other significant issues for the operation of the CSD.

## **Rulebook on fees**

### **Article 222**

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 its clients (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 223**

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 admission to CSD membership shall be effected on the grounds of an application and documentation as prescribed by the CSD 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 request/application specified in paragraph 2 of this Article.

The decision referred to in paragraph 3 of this Article shall be finally binding, and administrative proceedings may be instituted against it.

The Central Securities Depository 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.

## **Rights and obligations regarding members**

### **Article 224**

The rights and obligations of the Central Securities Depository towards a member of the CSD, and the rights and obligations of that member, shall be governed by the general enactments of the Central Securities Depository.

## **Central Securities Depository control activities**

### **Article 225**

The Central Securities Depository shall oversee its members considering the activities falling within its remit.

In exercising the control, the Central Securities Depository shall have the right of direct access to the documentation related to the transactions referred to in paragraph 1 of this Article.

Whenever the Central Securities Depository finds illegalities or irregularities representing a violation of provisions of this Law, Commission regulation and CSD regulation, it shall instruct the member in a decision to eliminate those irregularities within an adequate time period.

The CSD shall inform the Commission and the market operator without delay and as governed by the Commission regulation of any significant violation of the provisions of the Law or the Commission enactment, or the CSD enactment committed by a member of the Central Securities Depository.

## **Termination of Membership**

### **Article 226**

Membership of a member in the Central Securities Depository shall be terminated:

- 1) If the member's operating license is revoked;
- 2) If the member no longer meets membership conditions of the CSD;
- 3) If the member significantly or systemically fails to fulfill its obligations towards the Central Securities Depository, or violates general enactments of the CSD;
- 4) In other cases stipulated by the CSD enactment.

The Central Securities Depository shall have the authority to suspend the membership in keeping with its rules of operations.

## **Accounts**

### **Article 227**

The accounts of the CSD members shall be opened and kept with the Central Securities Depository with the following financial instruments sub-accounts:

- 1) Depot accounts;
- 2) Issue accounts;
- 3) Proprietary accounts;
- 4) Management accounts;
- 5) Omnibus, i.e. custody accounts.

The following money accounts shall be opened and kept with the Central Securities Depository:

- 1) Accounts of members of the Central Securities Depository;
- 2) Accounts of the guarantee fund.

Within the money account of the Republic with the Central Securities Depository, a Share Fund 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 Central Securities Depository enactments may provide for the opening of other accounts and sub-accounts, as well.

The money accounts of the Central Securities Depository shall be opened and kept by the National Bank of Serbia.

The financial instruments and funds of members of the Central Securities Depository on accounts kept by the CSD shall not be included in the property of the Central Securities Depository, or in its bankruptcy or liquidation estate, and shall not be subject to enforcement of claims.

## **Commencement and transfer of rights in financial instruments**

### **Article 228**

A lawful holder of a financial instrument (hereinafter - lawful holder) who must be registered with the Central Securities Depository shall be the person in whose name the securities account is opened with the Central Securities Depository in which the financial instrument is kept.

The rights of lawful holders of financial instruments may be exercised as of the moment of the registration of the financial instrument on their accounts kept with the Central Securities Depository.

By exception to paragraphs 1 and 2 of this Article, when an investment firm or a credit institution keeps an account with the Central Securities Depository for clients to whom they render ancillary services referred to in Article 2, point 9) of this Law, the lawful holders of the financial instrument in the account shall be the persons for whom the ancillary services are provided.

## **Transfer of rights arising from securities and entry of third party rights**

### **Article 229**

The transfer of rights arising from financial instruments shall be performed on the basis of the transfer order given by a member of the Central Securities Depository, and on the basis of the appropriate legal transaction, in accordance with the Central Securities Depository rules.

The transfer of rights arising out of financial instruments shall be performed on the basis of the final court decision or a decision of the competent authority.

The transfer of rights arising out of financial instruments effected on the grounds of a gift contract or an assignment contract without a compensation charged, shall be performed on the basis of the contract concluded in writing and certified by a competent agency, however, the certification by the competent agency shall not be required when the giver or the receiver of the gift is the Republic.

Filing the third party rights in financial instruments shall be performed by the Central Securities Depository on the grounds of a filing order made by a member of the CSD on behalf of a lawful holder of the financial instruments, the person authorized by the lawful holder or a legal proxy, or on the basis of a court ruling.

## **Clearing and settlement obligations**

## **Article 230**

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

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 Central Securities Depository shall meet their monetary liabilities arising from concluded transactions through the money accounts kept with the Central Securities Depository.

## **Obligations and responsibilities of the CSD**

### **Article 231**

The Central Securities Depository 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 Central Securities Depository shall permanently keep the documentation and information recorded by means of electronic media.

The Central Securities Depository 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 on a separate power grid from the location of the primary information system of the Central Securities Depository.

The information kept by the Central Securities Depository 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 Central Securities Depository shall allow a member of the CSD to inspect a part of the database of the Central Securities Depository, relating to that member and its clients, and it shall issue a transcript with that information in conformity with the CSD enactment.

The Central Securities Depository 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 all risks to which the Central Securities Depository 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 Central Securities Depository member.

## **Right of access to information**

## **Article 232**

Pursuant to Article 231, paragraphs 1 and 2 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 and documents of the CSD.

The Central Securities Depository shall have the right to compensation for the costs of preparation and delivery of the information referred to in paragraphs 1) and 2) of this Article in accordance with its rulebook on fees.

## **Publicity of information**

### **Article 233**

The data from the central records of shareholders of issuers shall be public information and it shall be published on the website of the Central Securities Depository as prescribed by the enactments of the Central Securities Depository.

The Central Securities Depository shall make publicly available and update the following information, regularly, on its website:

- 1) Information about issuing, re-registration, deregistration (cancellation) of a financial instrument;
- 2) Corporate actions performed by the Central Securities Depository with respect to such financial instruments;
- 3) Information about shareholders from the register it keeps, including the amounts and percentages of classes of financial instruments in the total volume of the instrument.

The Commission may prescribe the content of the information referred to in paragraph 2 of this Article.

## **Liability for information in the Central Securities Depository**

### **Article 234**

The Central Securities Depository 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.

A member of the Central Securities Depository or an issuer to whom that member provides services shall be liable for actual damages caused to the acquirers or transferees of financial instruments or rights arising therefrom, if the member or the issuer caused false or illegal entries to be recorded in the Central Central Securities Depository relating to such financial instruments.

A member or an issuer shall not be liable for damages caused by malfunctions in the processing systems of the Central Securities Depository, if such malfunctions are not caused by themselves.

## **Reporting of the Central Securities Depository**

### **Article 235**

Within four months after the close of its financial year, the Central Securities Depository shall submit an annual report on operations to the National Assembly, 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 Central Securities Depository shall make public its annual financial reports prepared in accordance with the law regulating accounting and auditing, and shall submit such financial reports to the Government and the Commission, together with an independent auditor's report, observing the time line indicated in paragraph 1 hereof.

## **Powers of the National Bank of Serbia**

### **Article 236**

The National Bank of Serbia shall issue regulations governing payment operations through money accounts with the Central Securities Depository.

The National Bank of Serbia shall supervise compliance of operations of the Central Securities Depository and its members in the part concerning payment operations through money accounts with the Central Securities Depository.

In the course of supervision and control, the Commission and the National Bank of Serbia shall exchange information accordingly applying provisions of Article 213, paragraph 2 and Article 214 paragraph 3 of this Law.

## **Commission supervision of Central Securities Depository**

### **Article 237**

The Commission shall perform supervision over the operations of the Central Securities Depository.

The competencies, authority and powers of the Commission regarding supervision set forth in Chapter XIII of this Law shall apply accordingly to the Commission's supervision of the Central Securities Depository, to ensure that the CSD conducts its operations and activities in an honest, fair and professional manner that promotes the integrity of the capital market in the Republic, including fair, orderly 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-based supervisory plan that includes on-site examinations with emphasis placed on those areas of operations and activities that pose the greatest systemic 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 Central Securities Depository.

## **Supervision measures**

### **Article 238**

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 that are not so substantial as to warrant the Commission taking any of the actions 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 XIII of this Law.

The Commission shall be authorized to bar 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 general manager or a member of the management 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 time lines for following up on the orders, and the duration of the measures shall be prescribed by the Commission.

## **XII SECURITIES COMMISSION**

### **Commission status**

#### **Article 239**

The Commission shall be a legal entity that is an independent and autonomous organization of the Republic of Serbia, accountable to the National Assembly of the Republic of Serbia.

The head office of the Commission shall be in Belgrade.

## **Commission Statute**

### **Article 240**

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 in the scope of this jurisdiction, rights, obligations and responsibilities of Commissioners, Chairperson and Secretary General of the Commission, rights and responsibilities of other employees, 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 the National Assembly of the Republic of Serbia.

## **Secondary legislation and other documents**

### **Article 241**

For purposes of carrying out and performing activities specified by this Law and other Laws, the Commission shall adopt rulebooks, instructions and other documents.

## **Application of the law governing general administrative procedure**

### **Article 242**

In administrative matters, the Commission shall apply the provisions of the law governing general administrative procedure.

The decisions the Commission adopts are finally binding and administrative proceedings may be instituted against them.

## **Public statements, opinions and interpretative releases**

### **Article 243**

The Commission may issue opinions and other forms of public statements, when necessary for the implementation and execution of provisions of this Law or Commission regulations.

## **Publication requirements**

### **Article 244**

The Commission shall publish the Statute and regulations on its website.

## **Commissioners**

### **Article 245**

The Commission shall have five Commissioners, including the Chairman of the Commission.

The Chairman and the Commissioners shall be elected and released from duty by the National Assembly of the Republic of Serbia, at the proposal of the working body in charge of financial affairs of the National Assembly of the Republic of Serbia.

The Commission shall be represented by its Chairman, who manages it.

The Chairman and Commissioners of the Commission shall be appointed for a five-year period and entitled to serve until they have relieved from duty, in accordance with paragraph 2 of this Article.

If the Chairman's function or the function of a Commissioner ceases, 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 ceased.

The Chairman of the Commission and Commissioners can be reelected.

The Chairman and the Commissioners shall be full-time employees of the Commission.

## **Qualifications**

### **Article 246**

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.

## **Disqualification from service**

### **Article 247**

The Chairman, Commissioner or an employee of the Commission shall not be a person who:

- 1) Is subject to statutory disqualifications;
- 2) Is related or married to another Commissioner;
- 3) Is performing another function in a state agency or organization on the grounds of election or appointment.

The Chairman, Commissioners and employees of the Commission shall not be allowed to have a holding in ownership of or participation in the management of legal persons licensed by the Commission and they cannot represent the interests of these persons before the Commission, state bodies or other bodies.

The Chairman, Commissioners and employees of the Commission 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 and termination of employment**

### **Article 248**

The Chairman, Commissioners and employees of the Commission shall be relieved of their functions i.e. their employment shall be terminated:

- 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, money laundering and terrorism financing, public law order and legal transactions, and line of duty;
- 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 in an unprofessionally;
- 4) If the existence of one or more circumstances from Article 247 of this Law is established.

### **Competent body for removal from office and termination of employment**

#### **Article 249**

The working body in charge of financial affairs of the National Assembly of the Republic of Serbia shall determine the fulfillment of conditions for termination of the function or dismissal of the Chairman and Commissioners, by initiating the procedure before the National Assembly, within 60 days from the day of ascertaining these conditions.

The National Assembly shall enact a decision on the termination of function or release from duty of a Commissioner, specifying the day of the termination of function i.e. release from duty.

The Commission shall be responsible for the termination of employment of any other employee of the Commission.

### **Labor relations**

#### **Article 250**

The general regulations governing the labor relations shall apply to the rights and obligations of employees in the Commission.

### **Qualified immunity; indemnification**

#### **Article 251**

No Commissioner, employee or a contractor of the Commission shall 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 against any legal costs, including damages or fines incurred, provided that the person is not convicted of a crime arising out of the activities.

### **Decision-Making and Quorum**

#### **Article 252**

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.

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 is decisive.

The Chairman and Commissioners shall be exempted from voting when deciding on requests of legal persons in which they have a share in capital.

## **Principle of work**

### **Article 253**

The Chairman, Commissioners and other employees of the Commission shall act with expertise, conscientiously and impartially in performing their duties.

The Chairman, Commissioners and other employees of the Commission 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 other than the right of such person, agency or organization to appear and be heard by the Commission in accordance with the Commission's regulations.

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 and advice, and using Commission position for private gain**

### **Article 254**

The Chairman, Commissioners and other employees of the Commission shall not engage in activities involving financial instruments trading or providing advice regarding investments in financial instruments.

The persons referred to in paragraph 1 of this Article shall not use their employment in the Commission for the advancement of their own interests or the interest of other persons.

## **Personal transactions in securities**

### **Article 255**

The Chairman, Commissioners and other employees of the Commission 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 that paragraph.

The information on securities holdings referred to in paragraphs 1 and 2 of this Article shall be accessible to general public.

## **Obligation of confidentiality**

### **Article 256**

The previous and current Chairman and the other Commissioners and employees of the Commission and persons delegated with activities from the remit of the Commission shall keep safe the information on issuers of securities, entities that are licensed or supervised by the Commission, and other information on facts and circumstances made available to them in their functions or work, except for the information accessible to general public, and they shall not use such information for personal purposes, disclose such information to third parties or enable third parties to use them.

The information referred to in paragraph 1 of this Article, except for the information available to general public, shall be considered professional secrets.

The information considered a professional secret may be disclosed and provided for inspection based on the order of a court or the Commission order.

The Commission may disclose and provide for inspection the information referred to in paragraph 2 of this Article to:

- 1) Competent authorities within the Republic;
- 2) Competent authorities within other countries, the Commission is authorized to obtain from or share with the information for supervisory, regulatory, investigatory or enforcement purposes under the provisions of this Law.

## **IT System**

### **Article 257**

The Commission shall establish a secure information system using electronic means that enables it to communicate with the Central Securities Depository, market operator, regulated market, investment firms, management companies and investment funds and other capital market participants.

The Commission shall prescribe the criteria for secure communication and protection of information submitted to the Commission, including technical compatibility of equipment and information systems of the Commission and 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 258**

The Commission shall adopt a Rulebook on Fees determining the amount of fees charged for its activities.

The Rulebook on Fees referred to in paragraph 1 of this Article shall be published at the Commission's website.

## **Commission funding**

## **Article 259**

Funds for operations of the Commission are provided from fees charged for activities within its competence in accordance with the Rulebook on fees and from other sources in compliance with the law.

From its realized revenues, the Commission shall allocate an amount for its reserves.

The Commission shall cover the excess of expenditures over revenues from its own reserves, and - if that is insufficient - from the budget of the Republic.

The Commission shall pay the surplus of annual revenues over expenditures into the budget of the Republic.

## **Financial statement; financial plan; submission of reports**

### **Article 260**

The Commission shall submit an annual report to the National Assembly of the Republic of Serbia not later than four months after the close 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 and the audit of the annual financial statements of the Commission shall be conducted pursuant to the provisions of the law governing accounting and auditing.

The Commission appoints an auditor who shall conduct the audit referred to in paragraph 2 of this Article.

The Commission prepares a financial plan for the following year by November 30th of the current year and forwards it to the National Assembly for approval.

## **Reports to the Government**

### **Article 261**

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 and other documents and releases referred to in Articles 241 and 243 of this Law, which were issued during the reporting period.
- 5) Other documents on carrying out the tasks within the jurisdiction of the Commission.

# XIII COMMISSION AUTHORITY AND COMPETENCIES

## Competencies of the Commission

### Article 262

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 admission to trading of financial instruments;
- 3) Approve those exempt offerings and exempt admissions to trading of financial instruments for which Commission approval is authorized under Chapter III of the Law;
- 4) Approve legal and natural persons as qualified investors;
- 5) Grant licenses to investment firms, license the market operator, deny, revoke and suspend licenses;
- 6) License the Investor Protection Fund operator; approve general enactments of the Fund and amendments to the enactments;
- 7) Approve amendments to general enactments, acquisition of qualifying holdings, grant prior approval to the appointment of management members of the market operator, investment firms and the Central Securities Depository;
- 8) Organize classes and exams and license brokers, portfolio managers and investment advisers;
- 9) Regulate, supervise and monitor:
  - (1) The activities of issuers and public companies;
  - (2) Fulfillment of reporting requirements of issuers and participants on the regulated market and MTF;
  - (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) Operations of the Central Securities Depository, persons with qualifying holdings and employees of the Central Securities Depository;
  - (5) Secondary trading in financial instruments in the Republic, regardless of whether such trading occurs on or off the regulated market or MTF;
  - (6) Operations of the Investor Protection Fund, the Fund Operator and Fund Members;
- 10) Monitor compliance with provisions and violations of the law, regulations of the Commission referred to in Article 241 of this Law and general enactments of the market operator, investment firms and the Central Securities Depository;



- 11) Organize, impose and control implementation of measures and sanctions that ensure the fair, orderly and efficient functioning of the regulated market and MTF, with a view to minimizing market disturbances and ensuring protection of investors;
- 12) Keep registers;
- 13) Perform other duties within its general and special authorities defined in more detail in Articles 264 and 267 of this Law;
- 14) 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;
- 15) Prepare reports and information on the regulated market and MTF;
- 16) Promote investor education;
- 17) License and adopt secondary legislation relating to the licensing, regulation and supervision of credit rating agencies in the Republic;
- 18) 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 and the law regulating prevention of money laundering and terrorism financing;
- 19) 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), 17) and 18) 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 refers a proposal i.e. request for charges against the person to the state authority responsible for investigating and prosecuting economic violations and criminal offenses.

## **Commission supervision**

### **Article 263**

The Commission shall exercise the supervision procedure of supervised entities in accordance with this Law and the regulations adopted under this Law.

The provisions of this Chapter shall apply to the procedures conducted by the Commission within its competencies, unless otherwise stipulated by this Law.

The entities supervised by the Commission shall be the persons set as such pursuant to the provisions of this Law.

## **Method of Supervision**

## **Article 264**

The Commission exercises supervision:

- 1) 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;
- 2) Ongoing (continued) – by analysis of reports which the supervised entities are required to submit to the Commission within the set deadlines, by monitoring, collection and reviewing documentation, notifications and information obtained on special request of the Commission, and by data validation and research;
- 3) In collaboration with other authorities or with the capital market legal persons;
- 4) By delegation of activities to those authorities or the capital market legal persons, without releasing the Commission from its responsibility;
- 5) By application to the competent judicial authorities.

On-site supervision referred to in paragraph 1, point 1) of this Article may be regular and extraordinary.

The supervision of persons that in contravention of the Law provide investment services and perform investment activities shall be carried out either on the Commission's own initiative, pursuant to a complaint/filing and whenever the Commission obtains information indicating that there are reasons to instigate a supervision proceeding.

## **Supervision order**

### **Article 265**

Supervision shall start with a supervision order being issued and transmitted to the supervised entity, in writing, and containing: Subject matter of the supervision, information on authorized supervising persons, specification of business premises where the supervision will be conducted and other information of importance for supervision.

The Commission may supplement the subject matter of supervision in the course of supervision.

The provisions of paragraph 1 of this Article shall apply accordingly to the supplement of the order referred to in paragraph 2 of this Article.

## **Delivery of a supervision order**

### **Article 266**

A supervision order shall be submitted to the supervised entity at least eight days prior to the beginning of supervision.

By exception to paragraph 1 of this Article, a supervision order can be submitted within the shorter time period not to compromise the purpose of the on-site supervision, of which the Commission shall pass the decision.

In the case referred to in paragraph 2 of this Article, the Commission's authorized persons shall provide a supervision order to the supervised entity immediately before the supervision.

## **General competencies of the Commission in conducting supervision**

### **Article 267**

The Commission may request filing of information and documents from:

- 1) Auditors, directors and managers;
- 2) Issuers and public companies;
- 3) Offerors or persons asking for admission to trading on a regulated market or MTF;
- 4) Investment firms and intermediaries carrying out activities in connection with public offers or with admission of financial instruments to trading;
- 5) A regulated market or MTF;
- 6) Central Securities Depository;
- 7) Fund operator;
- 8) Credit institutions;
- 9) Persons that control any of the above persons or are controlled by them;
- 10) Any other persons who can provide statements, data and information regarding the purpose and subject matter of the supervision.

The Commission shall carry out supervision by on-site examination and review of general enactments, business books, account statements, correspondence and other documents including electronic media and other information supervised entities are required to keep and submit to the Commission, it shall analyze such information and request statements from persons in charge and other employees of the supervised entity and from other persons who can provide information of importance for the supervision.

The supervision referred to in paragraph 2 of this Article shall be conducted by the authorized persons of the Commission – examiners (supervision officers), by direct supervision on the premises of the supervised entity or of the person with which the supervised entity has close links.

In order to establish the veracity of information of importance for the supervision, the Commission may permit auditors and specialized experts to check the information.

The supervision referred to in paragraph 2 of this Article may be exercised on the business premises of the Commission in the presence of the person in charge and authorized person of the supervised entity.

Supervised entities shall provide access to authorized persons of the Commission to their business premises and organizational units, provide requested documents for review and otherwise facilitate unhindered supervision.

Supervised entities are required to submit to the Commission's authorized persons requested business documents, phone records and other forms of correspondence.

The detailed conditions and manner of exercising supervision are regulated by the Commission.

### **Conditions for supervision**

#### **Article 268**

The supervised entity shall provide to the Commission's authorized persons appropriate premises where unobstructed conduct of supervision of operations shall be possible, without 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 it shall facilitate supervision in its headquarters.

In addition, at request of an authorized person of the Commission, the supervised entity shall ensure other conditions necessary for the conduct of supervision.

The supervision, referred to in paragraphs 1 and 2 of this Article, 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 Commission may temporarily take away original documentation, money or objects which might serve as evidence in the criminal proceedings, economic offense proceedings or offense proceedings and it shall issue a certificate on seized items, however only to the instigation of the procedures, when the Commission must submit them to competent authorities.

### **Completing supervision procedure**

#### **Article 269**

A report/minutes containing a detailed narrative of the factual state shall be made in the course of the supervision and delivered to the supervised entity.

Prior to closing the minutes, the person in charge or the authorized person of the supervised entity may submit their objections to the factual state stated in the minutes.

If the minutes are made after the on-site supervision has been carried out, the minutes shall be delivered to the supervised entity and it shall have the right to object thereto within eight days following the day of their receipt.

By exception to paragraph 3 of this Article, the Commission may define a shorter deadline, when it is necessary for prevention of any significant detrimental consequences.

### **Reasons for objections**

#### **Article 270**

An objection to the factual state stated in the minutes shall be allowed, if the factual state in the minutes is inaccurate or incomplete.

## **Content of the objection**

### **Article 271**

An objection must contain: A reference to the report/minutes to which the objection is made, the reasons for the objection and other information that a filing must contain in line with the law regulating general administrative procedure.

If the supervised entity, in its statement, refers to documents, it shall attach them to the objection as evidence.

If the supervised entity fails to enclose all the documents referred to, when adopting a decision the Commission shall take into account only evidence attached to the objection.

After the expiry of the time period provided for objections/complaints, a supervised entity shall not have the right to raise new facts and evidence.

If the supervised entity fails to justifiably dispute the findings contained in the minutes/report, a supplements to the minutes will be drawn up and submitted to the supervised entity within 15 days of the day of filed objection.

If the Commission fails to submit a supplement to the report to the supervised entity, the complaint shall be considered to be deemed unfounded.

## **Imposing supervisory measures**

### **Article 272**

Unlawful elements/illegalities within the meaning of this Law shall be the circumstances and procedures non-compliant with this Law, Commission regulations and other laws and bylaws, international regulations granting the Commission the authority to apply, enforce or supervise application of the law.

The irregularities in the context of this Law shall be the circumstances and activities where adopted policies, measures, procedures are not applied consistently, jeopardizing operations of the supervised entity.

On the basis of the performed supervision, the Commission may impose supervisory measures and sanctions set forth in this Law on the supervised entity, for the purpose of lawful, fair, just and professional business operation that promotes the market integrity.

When the Commission establishes a reasonable doubt regarding the committed criminal offense, economic violation or infraction, it shall submit to the competent authority the related report and/or application.

## **Ongoing supervision**

### **Article 273**

An authorized person of the Commission in the course of the ongoing supervision of the supervised entity shall determine:

Whether the required reports, notifications and other information have been submitted with the set time period and in the form required;

Whether the information contained in reports, notifications and other requested documentation are true and credible.

If in the course of supervision carried out on an ongoing basis, irregular or unlawful elements in operations of a supervised entity have been perceived, the Commission may order on-site supervision or based on facts made known to the Commission it may pass a relevant decision instructing them to eliminate the irregularities and illegalities.

### **Imposing measures in a shortened procedure**

#### **Article 274**

If the adoption of the 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 providing that the facts on which the measure is based have been ascertained or indisputable, the Commission may decide to impose such measures in a shortened procedure.

### **General supervisory measures and sanctions**

#### **Article 275**

Supervision measures shall order illegalities and irregularities to be removed, and the taking of activities for their removal.

In cases of observed illegalities and irregularities the Commission shall adopt a decision instructing measures and activities to be undertaken in order to restore legal compliance and orderly operations of the supervised entity.

The Commission's decision referred to in paragraph 2 of this Article shall set a time period for acting in compliance with the decision and instruct the supervised entity to furnish the Commission with evidence of eliminated illegalities and irregularities.

The Commission, independent of the other measures imposed under the Law shall impose a fine on the supervised entity and a member of management which cannot be less than 1% or higher than 5% of the minimum capital, i.e. the supervised entity's capital, according to the last financial statement, i.e. it cannot be lower than one salary or higher than the total of twelve salaries the general manager or a member of management received in the period of twelve months preceding the day of adoption of the decision.

If the supervised entity is a natural person who violated the provisions of Chapter VI – MARKET ABUSE, when deliberating on the fine referred to in paragraph 4 of this Article, the Commission shall also take into consideration the value of the executed transaction, the value of the proprietary gain and ceasing gain incurred due to the established violations, however, the maximum fine shall not be higher than the gain acquired by market abuse.

The revenue obtained on the basis of collected fines referred to in paragraph 4 of this Article shall be the revenue of the budget of the Republic.

The decision on imposing a fine referred to in paragraph 4 of this Article, once delivered to a supervised entity shall represent a legally enforceable document.

Any person to whom the Commission issues a license or a prior approval shall be entitled to a hearing before the Commission imposes a measure to the person, in accordance with Commission regulation.

If the commission determines that the illegalities and irregularities are not eliminated, the Commission can pronounce a new measure.

When the Commission determines frequent violations of the provisions of the law and regulations passed based on the law, the Commission can impose a public censure.

When necessary, the Commission shall notify the regulated market or MTF, Central Securities Depository and the National Bank of Serbia and the credit institution of the decision referred to in paragraph 2 of this Article.

The Commission shall prescribe in detail the conditions and method of conducting supervision, the procedure for issuing orders and imposing measures and sanctions, including the time limits for complying with the orders, duration of measures and criteria for imposing sanctions.

### **Written warning**

#### **Article 276**

When the Commission in performed supervision establishes illegalities or irregularities representing violations of provisions of this Law and Commission regulations and other laws referred to in Article 262 of this Law and their implementing regulations, where the nature and scope of identified illegal and irregular elements have no significant effect and consequences, the Commission may issue a written warning to the supervised entity.

The written warning may contain an order for the supervised entity to remedy the perceived irregular or unlawful elements in operations specifying a time period to comply with.

If the supervised entity fails to remedy the identified irregular or unlawful elements within the time period set in paragraph 2 of this Article, the Commission shall adopt a decision instructing the remedy of detected illegalities and irregularities.

### **A report on elimination of irregularities and illegalities**

#### **Article 277**

In compliance with the Commission decision, a supervised entity shall remedy the identified unlawful and irregular elements in its operations and it shall submit a report to the Commission stating the remedying measures and actions undertaken 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 the unlawful and irregular elements 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 unlawful and irregular elements in operations 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.

### **Article 278**

Before considering the report referred to in Article 277 of this Law, the Commission shall be authorized to conduct supervision of the supervised entity in the scope and to the extent necessary to determine whether the identified irregularities and illegalities have been removed in the appropriate manner and in the appropriate scope.

## **Registers kept within the Official Register of Information**

### **Article 279**

The Commission shall be required to maintain the following public registers, and to publish on the website of the Commission:

- 1) A register of issuers that have had a prospectus approved by the Commission for public offering of securities;
- 2) A register of issuers whose financial instruments are admitted to trading on a regulated market or MTF in the Republic;
- 3) A 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) A register of 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 are delinquent in their 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) A register of legal and natural persons who have been granted the title of a qualified investor;
- 5) The register of issued and revoked licenses including sub-registers: Approvals for general enactments, members of management, acquisition of the qualifying holdings in capital, imposed measures and sanctions;
- 6) A register of persons licensed to perform the activities of a broker, portfolio manager or an investment adviser and the persons whose licenses have been revoked;
- 7) A register kept pursuant to the law governing investment funds including the sub-registers: Register of issued and revoked licenses for investment fund management companies and funds entered into the register of investment funds, approvals for general enactments, members of management, acquisition of qualifying holdings in capital, imposed measures and sanctions;



8) A register kept pursuant to the law governing takeovers of joint stock companies.

The Commission shall prescribe the detailed content, the method used for keeping the registers specified in this Article.

## **IOSCO Multilateral Memorandum of Understanding**

### **Article 280**

The Securities Commission as a signatory to the 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) contemporaneous records sufficient to reconstruct all financial instruments transactions, including records of all funds and assets transferred into and out of credit institution and brokerage accounts relating to these transactions;

(2) records about beneficial ownership and control;

(3) information about any transaction, account holders, buy and sell prices, transaction times, prices and the person, credit institution or investment firm which conducted the transaction;

2) statements from the persons, given under criminal and financial liability and considering the issues which are the subject of cooperation.

The information to be shared or assistance to be provided referred to in paragraph 1 of this Article shall be provided subject to an appropriate showing by the requesting authority of why the requesting authority requires the information or assistance, and to appropriate assurances of confidentiality.

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.

## **XIV SANCTIONS**

### **1. Criminal offenses**

#### *Prohibition from engaging in market manipulation*

### **Article 281**

Any person engaging in market manipulation and earning financial benefits for themselves or for any other person and causes 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,

will be punished to imprisonment of six months to five years and fined.

If the acts referred to in paragraph 1 of this Article have caused 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.

### *The use, disclosure and recommendation of inside information*

## **Article 282**

Whoever uses inside information with the intention to acquire themselves or other persons financial benefits or causes damages 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 resulted in acquiring financial benefits or caused damages to a third party exceeding RSD 1,500,000,

the perpetrator shall be punished by imprisonment lasting to three years and fined.

If a person having inside information by virtue of their membership of the management or supervisory bodies of the issuer or publicly traded company, by virtue of their holding in the capital of the issuer or publicly traded company, by virtue of their having access to the information through the exercise of their employment, profession or other duties or by virtue of their criminal activities, commits an act referred to in paragraph 1,

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 resulted in acquiring material gain or caused damages to a third party exceeding RSD 1,500,000,

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 283**

The unauthorized provision of investment services with the intention to secure a 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 resulted in acquiring material gain or caused damages to a third party exceeding RSD 1,500,000,

the perpetrator shall be punished by imprisonment lasting to three years and fined.

## **2. Economic offenses**

### **Article 284**

An issuer, public company and offeror shall be fined RSD 500,000 to 3,000,000 for an economic offense, if they:

- 1) Act in contravention of Article 11 and 25 of this Law, in relation to prospectus publication requirements;
- 2) Permit securities issued in reliance upon the exemptions set forth in Article 12 of this Law to be resold;
- 3) Violate Article 19, paragraph 5 of this Law by representing, directly or indirectly, that the Commission has approved or endorsed the authenticity and completeness of the information stated in the prospectus or in any part of a prospectus for public offering or admission to trading;
- 4) Fail to submit and publish information on the final offer price and the volume of securities to be publicly offered, and in line with the provisions of Article 21, paragraph 2 of this Law;
- 5) Publish or otherwise use a prospectus, base prospectus or registration document, or any part of such documents to offer or sell securities after expiration of the applicable time periods specified in Article 22 of this Law;
- 6) Fail to act pursuant to provisions of Article 33 of this Law, with regard to the supplement to a prospectus;
- 7) Act in contravention of the provisions of Article 34 of this Law, in relation to the beginning of the public offer and the period for subscription and payment;
- 8) Fail to publish the report on the outcome of the public offer as specified in Article 36 of this Law;
- 9) Fail to submit to the market operator a request to be admitted to trading pursuant to Article 38 of this Law;
- 10) The issuer of securities for which there is no obligation to make a prospectus public, acts contrary to the provisions of Article 41, paragraphs 1 and 4, of this Law;
- 11) Fail to submit a request to admit its equity securities to trading, pursuant to Article 46, paragraph 1 of this Law;

- 12) Act contrary to provisions of Articles 57, 58, 59 and 61 of this Law, regulating acquisitions of qualifying holdings;
- 13) Act in contravention of Article 64, paragraph 1 or Article 66 of this Law on equal treatment;
- 14) They do not allow authorized persons from the Commission to conduct supervision pursuant to Article 71 and 264 of this Law;
- 15) fail to report in relation to inside information contrary to provisions of Articles 79, 80, 81, 82 and 83 of this Law.

In addition, a person responsible (in charge) in the issuer, public company or offeror of securities shall be punished for an economic offense for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 50,000 to 200,000.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **Article 285**

A market operator or MTF operator shall be fined from RSD 500,000 to 3,000,000 for an economic offense should it:

- 1) Perform activities of a market operator or MTF operator without a license provided by the Commission and contrary to provisions of Article 95 of this Law;
- 2) Act contrary to provisions of Article 104 of this Law, regulating acquisitions of qualifying holdings;
- 3) Violate the provisions of Articles 111 and 112 of this Law regarding an amendment to the original license application.
- 4) Not allow authorized persons from the Commission to conduct supervision pursuant to Articles 131 or 264 of this Law;
- 5) The general manager and members of the management board perform duties without the approval from the Commission and contrary to the provisions of Articles 154 and 155 of this Law;

The person responsible with the market operator or MTF operator also shall be fined RSD 50,000 to 200,000 for an economic offense, for the activities specified in paragraph 1 of this Article.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **Article 286**

The Investor Protection Fund or a Fund member shall be punished for an economic offense by a fine ranging from RSD 500,000 to 3,000,000 should it fail to enable persons authorized by the Commission to perform supervision in compliance with Articles 145, 146 and 264 of this Law.

The person in charge of the Fund operator shall be punished for committing an economic offense by a fine ranging from RSD 50,000 to 200,000.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **Article 287**

An investment firm or an authorized bank shall be punished for an economic offense by a fine ranging from RSD 750,000 to 3,000,000, should it:

- 1) Intermediate a transaction that permits securities issued in reliance upon the exemptions set forth in Article 12 of this Law to be resold without compliance with the restrictions on resale;
- 2) Perform activities of a market operator or MTF operator without a license provided by the Commission and contrary to provisions of Article 95 of this Law;
- 3) Perform activities for which it has not been authorized by the Commission as referred to in Article 147, paragraph 1 and Article 211 of this Law;
- 4) Provide services or perform activities contrary to provisions of Article 148 of this Law;
- 5) Act contrary to provisions of Article 150 of this Law, regulating acquisitions of qualifying holdings;
- 6) Provide services to another investment firm or through another investment firm contrary to provisions of Article 152 of this Law;
- 7) Permit that persons without a license issued by the Commission pursuant to provisions of Article 153 of this Law provide investment services and perform investment activities;
- 8) The general manager and members of the management board perform duties without the approval from the Commission and contrary to the provisions of Articles 154 and 155 of this Law;
- 9) Perform activities in branch offices contrary to provisions of Article 158, of this Law;
- 10) Fail to act in compliance with Articles 159 and 160 of this Law regarding an amendment to the original license application to the Commission.
- 11) Perform activities without the contract concluded with a client, contrary to provisions of Article 171 of this Law;
- 12) Fail to enable persons authorized by the Commission to perform supervision in compliance with Articles 203–208 of this Law;

A person in charge of the investment firm or the authorized bank shall be also punished for committing an economic offense referred to in paragraph 1 of this Article by a fine ranging from RSD 50,000 to 200,000.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the

responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **Article 288**

The Central Securities Depository or a member of the Central Securities Depository shall be punished for an economic offense by a fine ranging from RSD 500,000 to 3,000,000, should:

- 1) It limit or prohibit the transfer of a financial instrument or rights arising from such financial instrument contrary to provisions of Articles 5 and 9 of this Law;
- 2) It fail to apply an order of the Commission in relation to suspension of the voting right as specified in Articles 62, 105 and 206 of this Law;
- 3) It outsource any of its activities without prior approval from the Commission in violation of Article 216, paragraph 2 of this Law;
- 4) The general manager and members of the management board perform duties without the approval from the Commission and contrary to the provisions of Articles 219 of this Law;
- 5) It fail to to notify the Commission in compliance with provisions of Article 225 of this Law, considering the control it performs;
- 6) It transfer rights from securities and register rights of third parties contrary to the provisions of Article 229 of this Law;
- 7) It fail in any material respect to discharge the obligations and responsibilities set forth in Article 231 of this Law;
- 8) It fail to enable the supervision in compliance with Articles 236 and 237 of this Law;

For activities referred to in paragraph 1 of this Article the person in charge with the Central Securities Depository shall be punished for committing an economic offense by a fine ranging from RSD 50,000 to 200,000.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **Article 289**

A fine of RSD 500,000 to 3,000,000 shall be imposed for an economic offense on a legal person who:

- 1) If the auditor fails to inform the Commission and the public company of any observed violations of the laws, regulations, significant changes in circumstances, in compliance with the Article 54 of this Law;
- 2) Failing to meet the obligations in respect of major holdings, referred to in Articles 57, 58 and 59 of this Law;

3) Failing to enable persons authorized by the Commission to perform supervision in compliance with Articles 93, 94 and 264 of this Law;

4) Acquire and increase without the approval of the Commission a qualifying holding in the market operator or the regulated market, investment firm or the CSD contrary to provisions of Articles 100, 150 and 217 of this Law;

The person in charge with the legal entity shall also be punished for committing an economic offense referred to in paragraph 1 of this Article by a fine ranging from RSD 50,000 to 200,000.

In addition to the punishment for economic offenses referred to in paragraphs 1 and 2 of this Article, there may be pronouncement of a protective measure of prohibition to execute specific duties for the responsible person for a period of from one to five years and the protective measure of public announcement of the sentence.

### **3. Infractions**

#### **Article 290**

An issuer, public company or offeror shall be fined for an infraction by a fine ranging from RSD 100,000 to 2 000,000 should:

- 1) It issue financial instruments contrary to provisions of Article 8 of this Law;
- 2) The issuer fail to meet its obligations in relation to the registration document prescribed by provisions of Article 23 of this Law;
- 3) It fail to act in compliance with provisions of Article 31 and 32 of this Law with respect to publication and advertising provisions;
- 4) Perform subscription and payment of securities in violation of the provisions of Article 35 of this Law;
- 5) It fail to notify the CSD as prescribed in the provisions of Article 37 of this Law;
- 6) It fail to submit on time or fail to publish financial statements in compliance with provisions of Articles 50, 52 and 53 of this Law;
- 7) It fail to meet its obligations in relation to disclosures in compliance with provisions of Article 55 of this Law;
- 8) It fail to make public the information as specified in provisions of Article 63 of this Law.
- 9) It fail to meet its obligations set by the provisions of Article 67 of this Law with respect to the access to regulated information;
- 10) (deleted)
- 11) It fail to report in a way envisaged by provisions of Article 84 of this Law.

The person in charge employed with the legal entity shall also be punished for committing an infraction referred to in paragraph 1 of this Article by a fine ranging from 5,000 to 150,000 dinars.

### **Article 290a**

The person referred to in Article 84, paragraph 1 and paragraph 2 shall be fined by RSD 5,000 to 150,000 for an infraction if the person fails to provide information as stipulated by provisions of Article 84 of this Law.

### **Article 291**

A market operator or MTF operator shall be fined from RSD 100,000 to 2 000,000 for an infraction should it:

- 1) Fail to meet the reporting requirements set out in Article 38, paragraph 2 of this Law;
- 2) Permit a person who is not a licensed investment firm to engage in trading in violation of Article 45 paragraph 1 of this Law;
- 3) Violate the provisions of Articles 75, 76, 77 and 78 of this Law on prohibition of misuse of inside information.
- 4) Fail to meet the provisions of Article 86 paragraph 4 of this Law on the notification obligation to the Commission;
- 5) Perform activities contrary to provisions of Articles 97, 98 and 129 of this Law;
- 6) Commence conducting the activity for which it obtained the license, prior to filing such activity in the company register, in violation of Article 114 of this Law;
- 7) Employ persons in breach of the restrictions stipulated by Article 115 of this Law;
- 8) It admit new members contrary to provisions of Article 117 of this Law;
- 9) It fail to meet its obligations in relation to supervision provided by Article 119 of this Law;
- 10) It fail to act in compliance with rules and procedures for admission to and removal from trading of a financial instruments in compliance with Articles 120–123 of this Law;
- 11) It fail to comply with requirements of Articles 124–126 of this Law in respect with pre- and post-trade transparency;
- 12) Fail to keep records and report pursuant to provisions of Article 130 of this Law.

The person in charge employed with the legal entity shall also be punished for committing an infraction for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 5,000 to 150,000.

### **Article 292**

A Fund operator or a Fund member shall be fined from RSD 100,000 to 2 000,000 for an infraction should:

- 1) It fail to pay in its mandatory contribution to the Fund, fail to calculate the penalty interest and fail to inform the Commission or fail to keep the assets on the account in compliance with Article 136 of this Law;



- 2) It fail to act in compliance with the provisions of Article 137 on the managing, recording and reporting Fund assets to the Commission;
- 3) It set the amount of fee and conditions for its payment contrary to provisions of Article 138 of this Law;
- 4) The Fund operator act in violation of the provisions of Articles 139-141 of this Law with respect to coverage, claims and procedures for accepting and paying client claims against a Fund Member;
- 5) The Fund operator fail to report pursuant to provisions of Article 143 of this Law.

The person in charge with the legal entity shall also be punished for committing an infraction for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 5,000 to 150,000.

### **Article 293**

An investment firm i.e. an authorized bank shall be punished for an infraction by a fine ranging from RSD 100,000 to 2,000,000 should:

- 1) It trade on the regulated market or MTF, where it is not a member or a participant contrary to provisions of Article 45 of this Law;
- 2) It fail to timely report information regarding conducted transactions in violation of provisions of Articles 47 or 185 of this Law;
- 3) It fail to act in compliance with provisions of Articles 75, 76, 77, 78, 82 and 83 of this Law on prohibition of misuse of inside information;
- 4) It start performing the activity for which it has obtained the license, prior to filing such activity in the company register, in violation of Article 162 of this Law;
- 5) It charge fees in contravention of Article 163 of this Law;
- 6) It fail to act in accordance with the best interests of clients and fail to comply with the principles of safe and sound conduct of business set by the provisions of Articles 164-168 of this Law;
- 7) It fail to comply with the provisions of Articles 169 and 176-178 of this Law with respect to the client order handling rules;
- 8) It fail to comply with the provisions of Article 170 of this Law in order to prevent conflicts of interest;
- 9) It fail to act in compliance with provisions of Articles 172–175 of this Law in relation to professional clients;
- 10) It fail to comply with provisions of Articles 179 and 180 of this Law considering confirmation of execution of client orders, money accounts, and financial instrument accounts;
- 11) It engage in portfolio management services without complying with the provisions of Article 182 of this Law;
- 12) It engage in lending of financial instruments without complying with the provisions of Article 183 of this Law;

- 13) It fail to timely comply with the record keeping and reporting requirements of Article 184;
- 14) It fail to comply with the provisions of Article 185 of this Law with respect to disclosure of trading information;
- 15) It fail to keep the capital at the required level and fail to manage risks in compliance with the provisions of Articles 186 and 187 of this Law;
- 16) It fail to develop or fail to implement procedures and risk management rules, contrary to provisions of Articles 189–192 of this Law;
- 17) It exceed allowed levels of risk exposure contrary to provisions of Articles 193 and 194 of this Law;
- 18) It fail to comply with the provisions of Article 199 of this Law with respect to compliance with capital adequacy requirements;
- 19) It fail to keep records and report pursuant to provisions of Articles 200 and 201 of this Law;
- 20) It fail to comply with the requirements of Article 209 of this Law regarding revocation of licenses.

The person in charge with the legal entity shall also be punished for committing an infraction for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 5,000 to 150,000.

#### **Article 294**

The Central Securities Depository or a member of the Central Securities Depository shall be punished for an infraction by a fine ranging from RSD 100,000 to 2,000,000, should:

- 1) It act contrary to provisions of Article 37 of this Law on registration and transfer of securities to accounts of their lawful holders;
- 2) It fail to act in compliance with provisions of Articles 75–77 of this Law on inside information;
- 3) It charge fees in contravention of Article 217, paragraph 2 of this Law;
- 4) The Central Securities Depository act in violation of Articles 223 and 226 of this Law about the admission to and termination of CSD membership;
- 5) It perform obligations concerning clearing and settlement in violation of Article 230 of this Law;
- 6) It incorrectly or illegally perform an entry into the CSD in violation with the provisions of Article 234 of this Law;
- 7) The Central Securities Depository act in violation of Article 235 regarding filing and making public its annual reports.

The person in charge with the legal entity shall also be punished for committing an infraction for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 5,000 to 150,000.

#### **Article 295**

A legal entity shall be fined with RSD 100,000 to 2,000,000 for an infraction if such legal entity:

1) Acts in contravention of Articles 75, 76, 77 and 78 of this Law on prohibition of misuse of inside information;

2) Produces recommendations in contravention of provisions in Articles 87-92 of this Law;

The person in charge with the legal entity shall also be punished for committing an infraction for activities referred to in paragraph 1 of this Article by a fine ranging from RSD 5,000 to 150,000.

### **Article 296**

A natural person shall be punished by a fine ranging from RSD 5,000 to 150,000 for the activities referred to in Article 289 of this Law.

An entrepreneur shall be fined by RSD 10,000 to 500,000 for an infraction referred to in Article 289 of this Law.

## **XV TRANSITIONAL AND CONCLUDING PROVISIONS**

### **Securities Commission**

#### **Article 297**

The Commission that conducts activities in keeping with the Law on Market of Securities and Other Financial Instruments (Official Gazette RS, No 47/06) 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 following the day of coming into force of this Law.

Licenses, decisions, measures approvals and other decisions enacted by the Commission in compliance with the Law on the Market of Securities and other Financial Instruments (Official Gazette RS, No 47/06) shall continue in effect after the effective date of this Law.

The proceedings initiated before the Commission before the day this Law comes into effect shall be finalized in compliance with the Law on the Market of Securities and other Financial Instruments (Official Gazette RS, No 47/06).

The Commissioners appointed according to regulations valid prior to the effective date of this Law shall continue to discharge their functions in accordance with their terms of office until new Commissioners have been elected pursuant to provisions of this Law.

On the first appointment of the Chairman and Commissioners in the context of paragraph 5 of this Article, the Chairman shall be appointed for the period of five years, one Commissioner for the period of four years, one Commissioner for three years, one Commissioner for two and one Commissioner for a one year-term.

### **Central Securities Depository**

#### **Article 298**

The Central Securities Depository performing activities in keeping with the Law on Market of Securities and Other Financial Instruments (Official Gazette RS, No 47/06) 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.

Decisions, measures and other decisions enacted by the Central Securities Depository in compliance with the Law on the Market of Securities and other Financial Instruments (Official Gazette RS, No 47/06) shall continue in effect after the effective date of this Law.

## **Stock exchange**

### **Article 299**

The stock exchange performing activities in keeping with the Law on Market of Securities and Other Financial Instruments (Official Gazette RS, No 47/06) 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.

The decisions, measures and other decisions enacted by the stock exchange in compliance with the Law on the Market of Securities and other Financial Instruments (Official Gazette RS, No 47/06) shall continue in effect after the effective date of this Law.

The securities admitted to the stock exchange market in the context of the Law on Market of Securities and Other Financial Instruments (Official Gazette RS, No 47/06) after the effective date of this Law shall be deemed admitted to the regulated market, i.e. to the tier of the regulated market - the listing, in compliance with the regulations of the market operator and the provisions of Article 121 of this Law.

The securities admitted to the off-the-stock-exchange market in the context of the Law on Market of Securities and Other Financial Instruments (Official Gazette RS, No 47/06) after the effective date of this Law shall be admitted to the MTF by the market operator, i.e. to the tier of the regulated market which is not the listing, in compliance with the regulations of the market operator and the provisions of Article 121 of this Law.

## **Broker-dealer companies and authorized banks**

### **Article 300**

Broker-dealer companies and authorized banks 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.

## **Custody banks**

### **Article 301**

From the day this Law has come into effect, organizational units of credit institutions licensed by the Commission to perform custody bank activities in accordance with the Law on the Market of Securities and Other Financial Instruments (Official Gazette of RS, No 47/06) shall not be considered licensed persons in the context of this Law.

From the day this Law has come into effect, the custody banks referred to in paragraph 1 of this Article shall be considered licensed persons in the context of the Law governing Investment Funds and they shall continue to operate in compliance with that Law.

## **Investor Protection Fund**

### **Article 302**

The Deposit Insurance Agency established in compliance with the Law on Deposit Insurance Agency (Official Gazette of RS, No 61/05, 116/08 and 91/10), shall set up its organization and file an application to the Commission to obtain a license for the Fund operator, within nine months from the effective date of this Law.

### **Repeal of prior law**

### **Article 303**

As of the day this Law comes into effect, the Law on the Market of Securities and other Financial Instruments (Official Gazette of RS, No 47/06) shall no longer be effective.

### **Timeframe for adoption of regulations**

### **Article 304**

The regulations envisioned to be adopted by this Law shall be adopted within six months from the day of entry into force of this Law.

By exception to paragraph 1 of this Article, the regulations referred to in Article 73, paragraph 5, Article 186, paragraphs 3 and 4, Article 187, paragraph 2, Article 195, paragraph 3, Article 198, paragraph 3, Article 199, paragraphs 1 and 2 and Article 279, paragraph 2 of this Law shall be enacted within one year following the effective date of the Law.

To the beginning of application of regulations referred to in paragraphs 1 and 2 of this Article, the regulations implementing the Law on the Market of Securities and other Financial Instruments (Official Gazette of RS, No 47/06) shall accordingly apply, unless in breach of this Law.

### **Entry into force**

### **Article 305**

This Law shall come into force on the eighth day following its publication in the RS Official Gazette, and it shall become applicable six months 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 law, which shall become applicable from the effective date of this Law.

## ***Independent Articles of the Law on Amendments to the Law on the Capital Market***

*(Official Gazette of RS, No 112/2015)*

### **Article 7**

The Securities Commission and the market operator, in the context of the Law on the Capital Market (Official Gazette of RS, No 31/11), shall comply with this Law within 30 days of the day of coming into force of this Law.

### **Article 8**

This Law shall come into force on the eighth day following the day of its publication in the Official Gazette of the Republic of Serbia.

### ***Independent Articles of the Law on Amendments to the Law on the Capital Market***

*(Official Gazette of RS, No 108/2016)*

### **Article 19**

The procedures already instituted with the Commission before the day of coming into force of this Law shall be finalized in compliance with the Law on the Capital Market (Official Gazette of RS, No 31/11 and 112/15).

### **Article 20**

The Commission shall harmonize its regulations with this Law within 30 days from its entry into force.

### **Article 21**

This Law shall come into force on the eighth day following the day of its publication in the Official Gazette of the Republic of Serbia.

*Please note that the translation may read differently from the original writing. It is provided for information purposes only. The original Serbian text of the Law is binding in all respects.*

*Comments are more than welcome and can be addressed at [office@sec.gov.rs](mailto:office@sec.gov.rs).*