

("Official Gazette of the FRY", No. 65/2002 and "Official Gazette of the RS", No. 57/2003 and 55/2004)

## **LAW ON THE MARKET OF SECURITIES AND OTHER FINANCIAL INSTRUMENTS**

### I GENERAL PROVISIONS

#### Subject Matter and Purpose of the Law

##### Article 1

The present Law shall regulate the following:

- 1) conditions and procedure of public offer of securities and other financial instruments for the purpose of their distribution and trade in the organised market;
- 2) rights and obligations, as well as the conditions for establishing and activity of authorised participants in the organised market;
- 3) organisation and jurisdiction of the Securities Commission.

The purpose of the present Law is to provide an open, public, equal, efficient and cost-effective securities market and to protect investors, other beneficiaries of financial services and the rest of the participants in the securities market.

#### Implementation of the Law

##### Article 2

The present Law shall apply to the following financial instruments:

- 1) securities issued in series (hereinafter: securities);
- 2) warrants for purchase of shares or bonds and other securities that grant the right to purchase shares or bonds;
- 3) standardised financial derivatives (hereinafter: financial derivatives);
- 4) depositary receipts and other types of financial instruments specified by the Securities Commission as securities, and/or financial instruments tradeable in the organised market.

##### Article 3

The present Law shall not apply to:

- 1) insurance policies of insurance companies;
- 2) securities issued in relation to the trade of goods and services, such as a bill of exchange, check, written order (assignation), bill of lading, waybill, warehouse warrant, as well as other securities whose issuance and circulation are regulated by a separate law;
- 3) other documents relating to debt, money deposit or savings that do not have properties of securities in conformity with this Law;

4) derived and other financial instruments that are not standardised and that are not specified as financial instruments by the Securities Commission;

5) equity participation of closed companies;

6) investment coupons of open investment funds.

This Law shall not apply to public offer of debt securities issued by the Federal Republic of Yugoslavia, member republics or the National Bank of Yugoslavia, unless otherwise specified by the present Law or some other law.

#### Article 4

Securities Commission shall supervise the implementation of the present Law and shall perform other duties in conformity with this Law, as well as the law regulating the activity of the company for the management of funds and of the investment funds, and to the other law governing the trade of securities in the organised market.

#### Meaning of Certain Terms

#### Article 5

In terms of the present Law, certain terms shall be understood as follows:

##### (1) Public offer of securities

Public offer of securities shall be an offer addressed to an unspecified number of persons (entities) for the purpose of subscribing to and pay for securities during their distribution, and/or any offer for purchase or sale of securities made during the trade of securities in the organised market.

##### (2) Distribution of securities

Distribution of securities shall be a sale of securities effected by:

1) an issuer in the process of issuing securities by a public offer, unless otherwise specified by this Law;

2) an underwriter who, on the ground of a contract of rendering services of organising distribution of securities with the obligation to purchase them from the issuer, has bought these securities from the issuer with the intention to resell them by a public offer.

##### (3) Prospectus

Prospectus shall be a written public document containing information providing an investor with the overview of legal status and financial situation of the issuer of securities, his business possibilities, including rights and liabilities stemming from the securities, as well as of other facts essential in reaching a decision about investment.

##### (4) Trade of securities

Trade of securities shall be any sale and purchase of securities effected after their issuance.

(5) Organised market

Organised market shall be a market where the trade of securities and other financial instruments issued in conformity with this Law is conducted in the manner and under the conditions specified by that Law, by the acts of the Securities Commission and the rules of operation of the authorised participants in the organised market, supervised by the Securities Commission.

(6) Securities

Securities shall be simultaneously issued, transferable, electronic personal documents of the issuer that generate equal rights and liabilities for legal owners in conformity with this Law and issuer's decision on the distribution of securities.

(7) Financial derivatives

Financial derivatives shall be financial instruments whose value depends on the price of the subject matter of the contract, whose kind, quantity, quality and other properties are standardised. The following can be the subject matter of the contract: shares, bonds, foreign currency, certain kinds of goods, stock exchange indexes and other.

(8) Foreign securities

Foreign securities shall be securities whose issuance is approved by the agency in charge of foreign securities. Securities and other financial instruments issued by domestic legal entities abroad shall also be considered as foreign securities.

(9) Issuer

An issuer shall be a person (entity) intending to announce, and/or announcing a public offer at the moment of issuance of securities or other financial instruments, as well as person that has issued securities or other financial instruments.

(10) Investor

An investor shall be a person (entity) who purchases securities and other financial instruments, except for the underwriter of issuance who purchases securities from the issuer in order to redistribute them by public offer.

(11) Professional investor

A professional investor shall be a legal entity which, due to the kind of its business activity, is apt to estimate the importance of future investment into securities or other financial instruments. In terms of the present Law, professional investors shall be:

- 1) banks founded according to provisions of the law which governs the founding and business operation of banks;
- 2) insurance companies founded according to provisions of the law which governs the life and property insurance;
- 3) companies for managing open investment funds and the closed investment funds;
- 4) pension funds founded according to provisions of the law which governs pension funds;
- 5) broker-dealer companies founded in conformity with this Law, that have a licence to engage in business activities specified in Article 84, paragraph 1, sub-paragraphs 2, 3, 4, 5 and 6 of that Law.

#### (12) Public company

Public company shall be a legal entity that has issued securities through a public offer and whose operations involving securities are supervised by the Securities Commission, and which is obliged to continuously inform the general public on its business operation in conformity with the present Law.

#### (13) Closed company

Closed company shall be a legal entity that has not issued securities through a public offer on the ground of securities distribution prospectus, and/or whose securities were issued but have all been withdrawn or their maturity date has expired.

#### (14) Privileged information

Privileged information shall be any information not available to the general public but important in determining the price of securities.

#### (15) Stock exchange

Stock exchange shall be a legal entity with a licence granted by the Securities Commission to organize trade of securities and financial derivatives, as well as to perform other operations in conformity with the present Law.

#### (16) Broker-dealer company

Broker-dealer company shall be a legal entity with a licence granted by the Securities Commission to perform broker-dealer company operations in conformity with the present Law.

#### (17) Authorized bank

Authorized bank shall be a bank with a licence granted by the Securities Commission to perform a broker-dealer company operations in conformity with the present Law.

#### (18) Custody bank

Custody bank shall be a bank with a licence granted by the Securities Commission to perform transactions of keeping the securities accounts on behalf of clients and to act upon clients' orders, as well as to perform other transactions in conformity with the present Law; the National Bank of Yugoslavia can also operate as a custody bank without the licence of the Securities Commission - in the matters of securities issued by the Federal Republic of Yugoslavia, member republics and units of territorial autonomy and local self-government.

#### (19) Central Registry, Depository and Clearing of Securities

Central Registry, Depository and Clearing of Securities (hereinafter: Central Registry of Securities) shall be a joint-stock company that keeps the central records of legal possessors of securities and other financial instruments and of the rights arising from these securities and/or instruments, as well as of the third party rights to these securities and other financial instruments and of these entities, and shall conduct the clearing and balancing of accounts of securities and balancing of accounts of financial assets and liabilities arising on the ground of business transactions involving securities, including the performance of other operations in conformity with the present Law.

#### (20) Clearing

Clearing shall be the determination of respective liabilities and assets on the ground of securities and money funds between the participants in the organised market relative to securities transactions.

#### (21) Balancing of Accounts

Balancing of accounts shall be the carrying out of obligations between participants in the organised market by transferring securities and money assets on the ground of transactions involving securities.

## II SECURITIES

### GENERAL CHARACTERISTICS OF SECURITIES

#### Form and Elements of Securities

#### Article 6

In terms of this Law, securities shall be issued, transferred and recorded in the form of electronic record in the information system of Central Registry of Securities.

## Article 7

Securities shall especially include:

- 1) indication of the kind of securities,
- 2) indication of the class and/or series of securities, if the issuer has issued several classes and/or series of the same kind of securities,
- 3) name, head office and identification number of the issuer of securities,
- 4) name, head office and identification number of the legal entity, and/or name, surname, address and citizen's uniform registry number of the natural person on whose name the securities are registered,
- 5) nominal value of the entire issue of securities,
- 6) nominal value of securities,
- 7) description of rights and liabilities included in the securities and the manner of their realisation,
- 8) date of issuance, and/or date of registering the given security in the Central Registry of Securities.

Securities Commission shall prescribe special elements for certain kinds of securities and the uniform identification of securities.

## Issuers of Securities

### Article 8

The issuers of securities may be: domestic legal entities, the Federal State, member republics, autonomous regions, local self-government units and the National Bank of Yugoslavia.

Foreign legal entities may issue securities in the territory of the Federal Republic of Yugoslavia in conformity with the present Law and the federal law regulating the foreign exchange transactions.

## Currency

### Article 9

Securities issued and sold in the Federal Republic of Yugoslavia shall be denominated in dinars.

Debt securities may be denominated in foreign currency.

Prior to issuing securities denominated in foreign currency, the issuer shall be obliged to obtain an approval from the National Bank of Yugoslavia, in conformity with the regulations of the National Bank of Yugoslavia.

The issuer shall be bound to honour the commitments arising from the securities in the currency of their denomination.

## RIGHTS AND RESTRICTIONS OF RIGHTS ARISING FROM SECURITIES

### Acquisition of Rights

## Article 10

Rights arising from securities and rights to securities may be acquired and disposed of by all domestic and foreign natural persons and legal entities, unless otherwise specified by a special law.

### Origin and Transfer of Rights

## Article 11

Securities shall be personal (registered) documents.

Lawful possessors of securities shall acquire the pertaining rights by entering the securities into their account held with the Central Registry of Securities.

The owner of the securities account held with the Central Registry of Securities shall be considered a lawful possessor of securities (hereinafter: lawful possessor).

By exception to paragraph 3 of the present Article, when a custody bank keeps securities accounts with the Central Registry of Securities on its own behalf and for the account of lawful possessors who are the clients of the custody bank, and/or on behalf of its clients that are not lawful possessors, but for the account of the lawful possessors - a lawful possessor of these securities shall be the person for whose account the custody bank keeps the securities accounts.

Transfer of rights pertaining to securities shall be conducted by transferring the securities into the account of a new owner in the Central Registry of Securities.

Third party rights arising from securities shall be acquired and transferred by entering such rights and their beneficiaries into lawful possessors' securities account held with the Central Registry of Securities.

### Restriction of Rights and Legal Succession

## Article 12

Rights arising from securities shall have unlimited transferability in legal circulation, unless otherwise by the present Law.

By exception to paragraph 1 of the present Article, management of securities may be restricted:

- 1) if the lawful possessor waives the right to dispose of certain or all rights arising from securities;
- 2) if a competent court makes a decision on prohibiting the disposal of securities in order to collect claims.

Rights arising from securities may be acquired also on the ground of legal succession, following a finally binding court ruling which ended inheritance, bankruptcy or liquidation proceedings.

## KINDS OF SECURITIES

### Basic Kinds of Securities

## Article 13

The following securities may be the subject of a public offer in the organised market:

- 1) shares - securities issued in series for a portion of the capital stock of a joint-stock company;
- 2) debt securities - bonds and other securities issued in series entitling the owner to collect the nominal value or the nominal value with interest, and giving him other rights;
- 3) warrants for the purchase of shares or bonds - securities giving the owner the right to purchase future issues of shares and/or bonds of the warrant issuer, on a specific day and/or in a specific period, at previously determined or determinable price;
- 4) depositary receipts - securities issued by domestic banks that possess foreign shares or bonds deposited with a bank abroad which represent domestic equivalent to foreign shares or bonds, and/or contain the same rights and liabilities as the foreign securities they relate to.

Other securities, as well, that are specified by the Securities Commission may also be the subject of a public offer in the organised market.

### Debt Securities

## Article 14

Liabilities arising from debt securities shall not become due prior to the expiry of 30 days following the day of their issuance.

By exception to paragraph 1 of the present Article, liabilities arising from debt securities issued by the Federal Republic of Yugoslavia, member republics or the National Bank of Yugoslavia may become due before the time limit specified in that paragraph.

Debt securities may be short-term or long-term ones.

Liabilities arising from short-term securities shall become due within 365 days from the day of their issuance.

Debts securities giving owners the right to exchange securities for shares shall not be exchanged prior to the expiry of six months from the day of their issuance.

## III OTHER FINANCIAL INSTRUMENTS

### Financial Derivatives as the Subject of Public Offer

## Article 15

Financial derivatives can be the subject of a public offer if accordingly specified by a stock exchange decision approved by the Securities Commission.

### Kinds of Financial Derivatives

## Article 16

Financial derivatives shall be futures contracts and options contracts.



Futures contract may be:

1) futures contract with the delivery of the subject matter of contract - transferable standardised contract binding the buyer to pay the price on the maturity date stipulated by the contract, whereat the maturity term must allow for at least three days following the day the contract was concluded, and/or binding the seller to deliver the subject matter of contract on that day;

2) futures contract without the delivery of the subject matter of contract - transferable standardised contract binding contracting parties to pay, on the maturity date stipulated by the contract - whereat the maturity term must allow for at least three days following the day the contract was concluded, the difference between the agreed price of the subject matter of contract and its price on the maturity date.

Options contract shall be a transferable standardised contract entitling the buyer to purchase or sell the subject matter of contract, with the obligation to pay the stipulated premium, at a stipulated price on the stipulated day - whereat the maturity term must allow for at least three days following the day the contract was concluded, and binding the seller to sell or purchase the subject matter of contracted commitment on that day.

Other financial instruments with the subject matter of contract whose kind, quantity, quality and other properties have been standardised and whose market price determines the value of the respective financial instrument, can also be the subject of a public offer at the stock exchange, if so stipulated by a decision of stock exchange.

The Securities Commission shall be in charge to render an approval on the decision referred to in paragraph 4 of the present Article.

Standardised financial instruments may be the subject of trade only in the stock exchange, under the terms and conditions specified by the present Law and regulations of stock exchange, unless otherwise specified by the present Law.

## IV PUBLIC OFFER OF SECURITIES

### SECURITIES DISTRIBUTION

#### Securities Distribution Prospectus

#### Article 17

Securities may be distributed only through public offer, coupled with making public the securities distribution prospectus and announcing a public invitation to subscribe to and pay for securities, unless otherwise specified by the present Law.

A person (entity) intending to distribute securities shall be obliged to prepare a corresponding securities distribution prospectus and to submit the following to the Securities Commission:

- 1) request for the approval of securities distribution prospectus,
- 2) decision of the issuer on securities distribution,
- 3) copy of the securities distribution prospectus,
- 4) copy of the summary of the securities distribution prospectus (hereinafter: prospectus summary),
- 5) invitation to subscribe to and pay for securities,

6) document on founding, and/or articles of association of the issuer,  
7) certificate on the entry into the court registry of legal entities,  
8) balance sheet and profit and loss account,  
9) report on performed audit of accounting statements by a certified auditor,  
10) bank certificate relating to issuer's account position for the 60 days preceding the day of submitting documents,  
11) approval of the competent agency, should this or other law prescribe that the issuance of securities shall be allowed only with the previous approval of that agency. In the event of establishing of a legal entity - joint-stock company which intends to distribute shares, the founders of such company shall be obliged to prepare a corresponding securities distribution prospectus and submit to the Securities Commission the documents specified in paragraph 2, sub-paragraphs 1 through 6 of the present Article.

When a underwriter performs the distribution of securities on the ground of contract on the purchase of issue concluded with the issuer, the issuer shall be obliged to prepare the securities distribution prospectus.

Public offer of securities shall be effected only after obtaining a ruling on approval by the Securities Commission of the securities distribution prospectus.

The Securities Commission shall keep a registry of rulings of approval of securities distribution prospectus.

Form and Contents of Securities Distribution Prospectus and the Summary Prospectus, including the Request for Prospectus Approval

#### Article 18

The Securities Commission shall prescribe the form and the contents of securities distribution prospectus and the form and the contents of the summary prospectus. When the Securities Commission finds it necessary to protect the investor, it may require from the issuer to emphasise certain information in the prospectus in the appropriate manner.

#### Article 19

The Securities Commission shall prescribe the form and the contents of the request for approval of securities distribution prospectus.

Responsibility for Authenticity and Completeness of Data

#### Article 20

The data stated in the securities distribution prospectus and in the summary prospectus must be authentic and must entirely present the financial status and business results of the issuer.

Securities distribution prospectus and summary prospectus shall contain all the data indispensable to objectively estimate the value of securities to be distributed.

Persons who participated in the preparation of the securities distribution prospectus and the summary prospectus, the organizer of the securities distribution, the auditor and the issuer, shall be jointly and severally liable for the authenticity and completeness of the data made public in them, and/or for damage thereof, if they knew and/or had to know that the data were false or incomplete.

The Securities Commission shall not be responsible for the authenticity and completeness of the data published in the securities distribution prospectus or the summary prospectus.

## Ruling on the Approval of Securities Distribution

### Article 21

The Securities Commission shall render a ruling on the approval of the securities distribution prospectus after determining that the prospectus contains all the data prescribed by the present Law and by the act of the Securities Commission, and that all the prescribed documentation has been enclosed.

The Securities Commission shall render a ruling on denying the request for the approval of the securities distribution prospectus if:

- 1) the contents of the prospectus are contrary to, and/or prospectus form is not in conformity with the provisions of the present Law and with the acts rendered on the ground of that Law;
- 2) the prospectus does not contain all the required data or the prescribed documentation are not enclosed;
- 3) the data in the prospectus are not in conformity with issuer's decision on the distribution of securities, and/or do not match the data in the enclosed documentation;
- 4) the issuer is undergoing the proceedings of bankruptcy or liquidation;
- 5) this is required to protect the investor.

## Deadline for Rendering a Ruling on the Approval of the Securities Distribution Prospectus

### Article 22

The Securities Commission shall render a ruling on the approval of the securities distribution prospectus within 20 days from the day of the receipt of the request for the approval.

Should the Securities Commission fail to render the ruling within the time limit specified in paragraph 1 of the present Article, or fail to address the applicant, in written, requiring to amend or change the contents of prospectus or documentation - the securities distribution prospectus shall be considered approved.

## Preliminary Securities Distribution Prospectus

### Article 23

The issuer may also submit to the Securities Commission a request for obtaining the approval of a preliminary prospectus for the distribution of securities (hereinafter: preliminary prospectus).

The preliminary prospectus must contain all the data to be made public in the subsequent securities distribution prospectus, except for the data relating to the price of securities, the amount of interest rate and the underwriters of the issue.

The Securities Commission shall prescribe the conditions for making public the preliminary prospectus.

The provisions of the present Law regarding the securities distribution prospectus shall apply accordingly to the contents of the request for the approval of preliminary prospectus, the responsibility for authenticity of data, the ruling on approval and/or the deadline for its rendering.

## Distribution of Preliminary Prospectus

### Article 24

Public distribution of preliminary prospectus shall be permitted from the day of the approval of preliminary prospectus until the day of the approval of securities distribution prospectus, but it shall not be permitted to subscribe to or pay for the securities this prospectus relates to.

The preliminary prospectus may be publicly distributed for a maximum of six months from the day of its being approved.

Issuer and broker-dealer company authorised by the issuer shall be obliged to provide any interested person, upon his request, with a copy of preliminary prospectus and to keep records of persons being provided with the preliminary prospectus.

## Shelf Securities Distribution Prospectus

### Article 25

The issuer may submit to the Securities Commission a request for the approval of a shelf prospectus for the distribution of securities (hereinafter: shelf prospectus).

The shelf prospectus must contain the same data as the securities distribution prospectus, except for the data relating to the price of securities, and/or the amount of interest rate.

From the day of the approval of shelf prospectus until the day of the approval of securities distribution prospectus, it shall not be allowed to subscribe to and pay for the securities that the shelf prospectus relates to.

The issuer may postpone the beginning of subscription to and payment for the securities for six months, at the maximum, since the day of the approval of shelf prospectus.

The Securities Commission shall prescribe the conditions for making public the shelf prospectus.

The provisions of the present Law regarding the securities distribution prospectus shall accordingly apply to the contents of the request for the approval of shelf prospectus, the

responsibility for authenticity of data, the approval ruling and the deadline for its rendering.

## AMENDMENTS TO PROSPECTUS

### Article 26

If from the day of submitting the request for the approval of securities distribution prospectus, preliminary or shelf prospectus, until the day of the expiry of the term for the subscription to and payment for securities, such circumstances occur that may affect the assessment of the value of the securities which are to be distributed, the issuer shall be obliged to submit to the Securities Commission the request for the approval of the prospectus amendment, within 10 days from the day such circumstances occur.

The amendment to prospectus shall be an integral part of the prospectus, but it may not alter the data in the prospectus that are not influenced by new circumstances, but new data may be added if important for the public offer of securities.

The provisions of the present Law regarding the securities distribution prospectus shall accordingly apply to the contents of the request for the approval of prospectus amendment, the responsibility for authenticity of data, the approval ruling and the deadline for its rendering.

### Special Rule for Preliminary and Shelf Prospectuses

### Article 27

After the approval of the preliminary and/or shelf prospectus, the issuer shall be obliged to furnish the Securities Commission with the amendments to prospectus that contain information not made public in the preliminary and/or shelf prospectus, with the request for the approval of securities distribution prospectus.

A copy of amendments to prospectus specified in paragraph 1 of the present Article shall also be forwarded to all entities (persons) entered in the records maintained by the issuer and/or broker-dealer company referred to in Article 24, paragraph 3 of the present Law.

## PROSPECTUS FOR SHORT-TERM SECURITIES

### Form and Contents of Prospectus

### Article 28

The Securities Commission shall prescribe the form and the contents of the prospectus for distribution of short-term securities.

Provisions of articles 23 through 25 and Article 27 of the present Law shall not apply to the distribution of short-term securities.

## DISTRIBUTION OF SECURITIES OF FOREIGN LEGAL ENTITY AND OF FOREIGN SECURITIES

### Distribution of Securities

#### Article 29

Distribution and circulation of securities of a foreign legal entity and of foreign securities in the territory of the Federal Republic of Yugoslavia shall be effected in accordance with the provisions of the present Law on public offer of securities, unless otherwise specified by the present Law.

Distribution and circulation of securities referred to in paragraph 1 of the present Article may be organised only by a broker-dealer company and/or authorised bank if:

- 1) it has a permission issued by the Securities Commission in accordance with the provisions of the present Law to engage in activities of organising the distribution of securities;
- 2) it concluded a contract on organising the distribution of securities with a foreign legal entity that is the issuer of securities;
- 3) it previously obtained the consent from the National Bank of Yugoslavia to distribute securities of a foreign legal entity in the territory of the Federal Republic of Yugoslavia.

### Approval of Prospectus for the Distribution of Securities of a Foreign Legal Entity

#### Article 30

A public offer of securities of a foreign legal entity may be effected if such a legal entity has its business seat in the territory of the country which has concluded with the Federal Republic of Yugoslavia a treaty covering the cooperation of the respective competent agencies charged with supervision of the securities market.

The public offer of securities of a foreign legal entity shall not be effected without a prior ruling on the approval of the prospectus for the distribution of securities of a foreign legal entity, to be rendered by the Securities Commission.

The provisions regarding the securities distribution prospectus of the present Law shall accordingly apply to the prospectus for the distribution of the securities of a foreign legal entity.

The following shall be enclosed to the request for the approval of the prospectus for the distribution of securities of a foreign legal entity:

- 1) contract on organising the distribution of securities, concluded between a foreign legal entity in its capacity of issuer of the securities and a broker-dealer company and/or authorised bank;
- 2) approval of the National Bank of Yugoslavia regarding the distribution of securities of a foreign legal entity;
- 3) an original and a certified translation of the remaining documentation to be submitted together with the request for the approval of securities distribution prospectus.

The National Bank of Yugoslavia shall prescribe more detailed conditions relating to the manner of rendering the approval referred to in paragraph 4, sub-paragraph 2 of the present Article.

## Registration of Prospectus

### Article 31

By exception to Article 30 of the present Law, a public offer of foreign securities may be effected with a prior registration of the that has been prospectus approved by the agency specified in paragraph 1 of that Article.

The ruling on registering the prospectus referred to in paragraph 1 of the present Article shall be made by the Securities Commission, which shall also keep a registry of such rulings.

The following shall be enclosed to the request for the registration of prospectus referred to in paragraph 1 of the present Article:

- 1) documentation referred to in Article 30, paragraph 4 of the present Law;
- 2) an original and a certified translation of complete prospectus approved by the agency specified in Article 30, paragraph 1 of the present Law;
- 3) an original and a certified translation of periodical reports that the foreign issuer is obliged to submit to the agency specified in Article 30, paragraph 1 of the present Law, which reports shall not be older than six months since the day of submitting the request;
- 4) other data and documents prescribed by the general acts of the Securities Commission.

## Depositary Receipts

### Article 32

A public offer of foreign securities may be effected in the form of depositary receipts, if securities distribution prospectus - based on which those depositary receipts have been issued - was approved by the agency referred to in Article 30, paragraph 1 of the present Law.

Only an authorised bank can be the issuer of depositary receipts, if:

- 1) it previously obtained the approval of the National Bank of Yugoslavia on issuing depositary receipts, and
- 2) it concluded a contract with the issuer of foreign securities.

The contract referred to in paragraph 2 of the present Article, sub-paragraph 2, must provide for all the conditions for the issuance of depositary receipts and the manner of their inclusion in the organised market of securities.

The authorised bank shall not carry out the public offer of depositary receipts without prior registration of the prospectus specified in paragraph 1 of the present Article, approved by the agency referred to in Article 30, paragraph 1 of the present Law.

The ruling on the prospectus registration referred to in paragraph 1 of the present Article shall be rendered by the Securities Commission.

Together with the request for the registration of the prospectus specified in paragraph 1 of the present Article, the following shall be submitted:

- 1) approval of the National Bank of Yugoslavia on issuing depositary receipts,
- 2) contract concluded by the bank with the issuer of foreign securities,
- 3) documentation referred to in Article 30, paragraph 4, sub-paragraph 3 and in Article 31, paragraph 3, sub-paragraphs 2, 3 and 4 of the present Law.

The National Bank of Yugoslavia shall prescribe the details of conditions relating to the manner of granting approval prescribed in paragraph 2, sub-paragraph 1 of the present Article.

Appropriate Application

Article 33

The provisions of the present Law regarding the securities distribution prospectus shall accordingly apply to the contents of the request for the approval and/or registration of the prospectus specified in Article 32 of the present Law, and/or to the accountability for the authenticity of data made public in that prospectus, and/or the prospectus approved by the agency referred to in Article 30, paragraph 1 of the present Law, to the reasons for not giving the approval, and/or for the rejection or refusal of the request for the registration of prospectus, including the deadline for rendering the ruling on the approval and/or registration of the prospectus which was approved by the agency specified in that Article.

## PROCEDURE OF DISTRIBUTION OF SECURITIES

Procedure of Distribution of Securities and Addressing a Public Invitation for Subscription

Article 34

Distribution of securities shall begin by addressing an invitation for subscription and payment of securities and by allowing public inspection of the securities distribution prospectus.

The public invitation for subscription specified in paragraph 1 of the present Article shall contain:

- 1) the information about the starting date for the subscription and payment, and about the deadline thereof;
- 2) information about the location for effecting the subscription and payment and/or inspection of securities distribution prospectus or for obtaining a copy of it;
- 3) most important data concerning the offered securities and their issuer.

The Securities Commission shall prescribe in more details the contents of the public invitation for subscription and payment of securities, the manner of its making public and the contents of the subscription form.



The issuer shall be obliged to address public invitation for subscription and payment of securities within 30 days upon the receipt of the ruling on the approval of securities distribution prospectus.

#### Making Public the Securities Distribution Prospectus

##### Article 35

The securities distribution prospectus shall be made available for inspection at the same time as the invitation for subscription and payment of securities.

Securities distribution prospectus and the summary of prospectus shall be at the disposal to all the interested persons at the locations specified for the subscription and payment of these securities.

The issuer and the broker-dealer company authorised by the issuer shall be obliged to furnish every interested person, upon his request, with a copy of securities distribution prospectus or a copy of the summary of prospectus.

#### Abandoning the Subscription

##### Article 36

The person who subscribed to securities on the basis of a public invitation, prior to being allowed to have access to the securities distribution prospectus, with the exception of a professional investor, may abandon the subscription by a written statement, within two days after having inspected the prospectus.

#### Location of Subscription to and Payment of Securities and Time Limit for Subscription and Payment

##### Article 37

Subscription to and payment of securities shall be effected in a bank or an authorised bank - member of the Central Registry of Securities with which the issuer has concluded the contract.

##### Article 38

The deadline for the subscription to and payment of securities shall not exceed three months following the day indicated in the public invitation as the commencement day for the subscription and payment procedure.

The Securities Commission, upon issuer's request, shall extend the deadline for subscription to and payment of securities up to 45 days.

The subscription and payment on the ground of a public invitation shall be effected within the time limit and under the conditions specified in the public invitation for the subscription and payment, and in the securities distribution prospectus.

The provisions of the Law regulating the enterprises shall apply to the time limit for subscription to and payment of securities and to the success of the subscription, unless otherwise specified by the present Law.

#### Termination and Suspension of Securities Distribution Procedure

##### Article 39

Should the Securities Commission discover certain irregularities in course of the distribution of securities effected on the ground of public invitation, it shall order the issuer to eliminate the irregularities within a specified time limit.

Should the issuer fail to eliminate the irregularities referred to in paragraph 1 of the present Article within the specified time limit, or should it be impossible to eliminate them, the Securities Commission may decide to terminate or suspend the distribution of securities, and/or render a ruling on the cancellation of the procedure, should this be necessary for investor's protection.

Should the distribution of securities be suspended or cancelled, the issuer shall be obliged to refund the paid amounts with interest to the subscribed entities within seven days from the day of the expiry of the time limit for subscription and payment, and to compensate any damage caused.

#### Ruling on the Approval of Issuance of Securities

##### Article 40

The issuer shall be obliged to provide the Securities Commission, within seven days following the expiry of the time limit for subscription and payment of securities, with evidence on the number of subscribed and paid securities, and to submit a request for the approval of issuance of securities.

The Securities Commission shall render a ruling on the approval of issuance of securities if the subscription to and payment of securities have been effected in accordance with the public invitation for subscription and payment and with the securities distribution prospectus.

#### Opening of an Issuing Account and Entering of Securities in the Central Registry of Securities

##### Article 41

The issuer shall be obliged, within seven days following the day of the receipt of the ruling on approval of the issuance of securities, to submit to the Central Registry of Securities a request to open an issuing account and to enter the securities into that registry.

The following shall be enclosed with the request stated in the paragraph 1 of the present Article:

1) ruling on the approval of the issuance of securities,

2) other documentation stipulated by the act of the Central Registry of Securities. Securities shall be issued by being transferred from the issuing accounts to the accounts which are opened and held with the Central Registry of Securities, in conformity with the present Law.

Inclusion of Securities into the Organised Market

#### Article 42

The issuer of securities that are issued by public offer shall be obliged, within three days from the day of registering the securities with the Central Registry of Securities and from the opening an issue account, to submit a request to be accepted on the stock exchange listing, or a request to be accepted on the open stock exchange market. Should the issuer referred to in paragraph 1 of the present Article fulfill the conditions for the acceptance to stock exchange listing prescribed by the regulations on stock exchange listing and quotation, the stock exchange shall be obliged to accept the issuer's securities to the listing within seven days from the day of receipt of the request for the acceptance to stock exchange listing.

Should the issuer referred to in paragraph 1 of the present Article fail to fulfill the conditions for the acceptance to stock exchange listing prescribed by the regulations on stock exchange listing and quotation or should the issuer submit a request for entering into the open stock exchange market, the stock exchange shall be obliged to enter issuer's securities into the open stock exchange market within seven days from the day of the receipt of the request for entering the securities into the open stock exchange market.

#### EXCEPTIONS TO THE OBLIGATION TO PROVIDE THE APPROVAL FOR A PUBLIC OFFER PROSPECTUS

Exceptions as to the Kind of Securities and as to the Issuer

#### Article 43

The approval of a securities distribution prospectus shall not be mandatory in the following cases:

- 1) where a public enterprise distributes shares in course of privatisation procedure, and/or where shares are distributed during privatisation of state-owned capital;
- 2) where a socially-owned enterprise distributes shares in course of privatization procedure, and/or where shares are distributed during privatisation of socially-owned capital.

The provisions of the present Law relating to prospectus and distribution of securities procedure shall accordingly apply to the securities specified in paragraph 1 of the present Article, unless otherwise specified by a special law.

Securities referred to in paragraph 1 of the present Article may be tradeable in the organized market only if the prospectus, based on which the public offer of securities is

to be effected, contains all the information prescribed for securities distribution prospectus by the act of the Securities Commission.

#### Exceptions as to the Kind of Investor

##### Article 44

Approval of securities distribution prospectus shall not be mandatory in where the offer and the distribution of the complete issue of securities of a public company are effected without public announcement to the Federal Republic of Yugoslavia, member republics, the National Bank of Yugoslavia or to previously identified professional investors, whose number may not exceed 50.

#### Distribution Procedure

##### Article 45

The issuer of securities referred to in Article 44 of the present Law shall be obliged, prior to the beginning of subscription to and payment for securities, to furnish the Securities Commission with the following:

- 1) information about the distribution of securities without a public offer, with the data on buyers;
- 2) decision on the distribution of securities without a public offer;
- 3) other necessary documentation.

The Securities Commission shall prescribe the contents of the decision on selling the securities without public offer, as well as the other necessary documentation.

The Securities Commission shall keep the record of securities issued without securities distribution prospectus.

#### Appropriate Application

##### Article 46

The provisions of the present Law regarding the securities distribution prospectus shall be accordingly applied to the termination and suspension of subscription to and payment of securities issued in conformity with Article 44 of the present Law, to the ruling on the approval of issuance of these securities and to their entering into the Central Registry.

#### Restriction of Trade

##### Article 47

Securities issued in conformity with Article 44 of the present Law shall not be the subject of public offer in the organised market for at least 12 months from the day of issuance.

By exception to paragraph 1 of the present Article, securities issued in accordance with Article 44 of the present Law may be tradeable in the organised market prior to the expiry of the time limit specified in that paragraph if the issuer of securities obtains the approval for securities distribution prospectus.

Contract with the Issuance Underwriter

Article 48

By exception to Article 43 of the present Law, the approval for securities distribution prospectus shall be obligatory if the issuer, in the procedure of issuing of securities, sells the issue without a public announcement to the underwriter on the ground of contract on organizing distribution of securities with the obligation to buy them up from the issuer for further sale by public offer.

Exceptions as to the Reason for Issuance of Securities

Article 49

Approval of securities distribution prospectus shall not be obligatory when distributing:

- 1) shares in order to convert reserves and unallocated profit into fixed capital according to provisions of the Law regulating enterprises;
- 2) warrants for purchase of shares or bonds;
- 3) ordinary shares during the exchange of bonds or preference shares for ordinary shares;
- 4) shares in order to convert the debt of a joint-stock company into the fixed capita;
- 5) shares in order to exchange existing shares due to the change of their nominal value;
- 6) securities in order to exchange the existing securities in course of status changes effected in the company in conformity with the provisions of the Law governing enterprises.

Distribution Procedure

Article 50

The issuer of securities referred to in Article 49 of the present Law shall be obliged to furnish the Securities Commission, prior to the commencement of subscription to and payment for securities, with the following:

- 1) information about the distribution of securities without a public offer;
- 2) decision on the distribution of securities without a public offer;
- 3) other necessary documentation.

The Securities Commission shall prescribe the contents of the decision on selling the securities without the public offer, as well as the other necessary documentation.

The Securities Commission shall keep the registry of securities issued without securities distribution prospectus.

Appropriate Application

Article 51

The provisions of the present Law regarding securities distribution shall be accordingly applied to the decision on approval of securities issued in conformity with Article 49 of the present Law and to their entering into the Central Registry of Securities.

## TRADE IN SECURITIES IN THE ORGANISED MARKET

Trade in Securities

Article 52

Securities shall be traded only through a public offer in the organised market, unless otherwise specified by the present Law.

Only broker-dealer companies and authorised banks that are members of the stock exchange may trade in securities in the organised market, while other persons may trade only through the mediation of stock exchange members.

Securities of the same class of the same issuer, traded in one organised market the Federal Republic of Yugoslavia, shall not be traded in another organised market.

Exceptions to the Obligation to Trade in Stock Exchange

Article 53

By exception to Article 52 of the present Law, debt securities may be traded outside the stock exchange:

- 1) if the offer for purchase and/or sale is effected without a public announcement;
- 2) if parties to the contract are the Federal Republic of Yugoslavia, a member republic or professional investors;
- 3) if the purchase and/or sale of securities is carried out by the National Bank of Yugoslavia.

The seller shall be obliged, within two days from the day of the conclusion of the contract on trade in debt securities outside of stock exchange, to inform the stock exchange where these securities were accepted into the listing, or the open stock exchange market.

The manner of forwarding the information specified in paragraph 2 of the present Article and its contents shall be prescribed by the Securities Commission.

## V INFORMING THE GENERAL PUBLIC AND PRIVILEGED INFORMATION

### REPORTING DUTY OF PUBLIC COMPANIES

The Entity with Reporting Duty

## Article 54

A public company shall be obliged to inform the general public on its business in the manner prescribed by the present Law and the acts of the Securities Commission. The Securities Commission shall keep a registry of public companies referred to in paragraph 1 of the present Article.

The duty of informing the general public shall cease, when, on the ground of a request of public company, the Securities Commission renders a ruling on striking off the company from the registry of public companies.

## Reporting on Important Events

### Article 55

Should circumstances take place that may have significant influence on the business of a public company and on the price of its securities, and should they not include commonly known circumstances, the public company shall be obliged to make a public report on such circumstances as soon as possible, within 10 days at the latest from the day such circumstances did take place (report on important events).

The public company shall also be obliged to forward a copy of the report referred to in paragraph 1 of the present Article to the Securities Commission and to the exchange market in which the securities of public company making the report are traded.

The Securities Commission shall prescribe the manner of making the report referred to in paragraph 1 of the present Article.

The public company shall not be obliged to make the report specified in paragraph 1 of the present Article if there exists a justified reason that such a public statement would significantly undermine important business interests of the public company.

## PERIODICAL REPORTING

### Accounting Reports and Audit Reports

#### Article 56

The public company shall be obliged to provide the Securities Commission with the following:

- 1) annual financial statement, and/or consolidated annual financial statement according to the Law governing accounting, by March 30 of the current year for the previous business year at latest;
- 2) report on the audit of the annual financial statement, by July 15 of the current year for the previous business year at the latest;
- 3) semi-annual financial statement, by August 30 of the current year at the latest.

Should the responsible body of the issuer refuse to adopt the annual financial statement or auditor's report, the issuer shall be obliged to notify thereof the Securities Commission and the exchange market in which the securities of the public company are traded on the following business day at the latest, and to submit a certified copy of

minutes from the meeting at which the annual financial statement and auditor's report were considered.

#### Publishing the Summary of Annual Financial Statement

##### Article 57

The public company shall be obliged to publish a summary of the annual financial statement within eight days from the expiry of the time limit for submitting the report on the annual financial statement audit:

- 1) summary of the annual financial statements, and the audit report specified in Article 56 of the present Law;
- 2) data on the changes of legal and financial status of the public company;
- 3) information as to where the complete annual financial statement and auditor's report may be inspected;
- 4) other data.

The Securities Commission shall prescribe the contents and manner of making public the summary of annual financial statement.

#### Making Public of Annual Business Report

##### Article 58

A joint-stock company with shares listed at the stock exchange shall be obliged to make the annual business report, within 30 days at the latest from the expiry of the time limit for the submission of the report on the effected audit of the annual financial statement. The Securities Commission shall prescribe the contents and manner of making public the business report.

#### REPORTING ON POSSESSION OF VOTING SHARES AND RESPONSIBILITY FOR THE AUTHENTICITY OF DATA

##### Article 59

A person who acquires shares on the ground of which he exercises the voting right so that his portion in the fixed capital of a joint stock company reaches, exceeds or drops below the limit of 10%, 20%, 33%, 50% and 66% of the total number of votes in the assembly of that company, shall be obliged to inform thereof the issuer, the Securities Commission and the federal agency in charge of the prevention of monopoly, within seven days from the day the change has taken place.

The Securities Commission shall prescribe the contents and the manner of making public the information referred to in paragraph 1 of the present Article.

The person specified in paragraph 1 of the present Article who has acted contrary to the duty referred to in that paragraph, shall lose the voting right gained on the ground of its portion in the fixed capital of the joint stock company.



## Article 60

The provisions of the present Law on responsibility for the authenticity and completeness of data in the securities distribution prospectus shall accordingly apply to the responsibility for authenticity and completeness of data in the reports on important events, annual and semiannual financial statements, summary of the annual financial statement, annual business report, notification on the possession of voting shares and reports of participants in the organised market.

## Supervision of Reporting of Public Companies

### Article 61

The Securities Commission shall supervise the reporting of public companies. Should the Securities Commission find, while performing the supervision referred to in paragraph 1 of the present Article, that a public company has violated the provisions of this Law, it shall order such public company to eliminate the discovered irregularities within the specified time limit and to provide the evidence thereof. Should the public company fail to comply with the order specified in paragraph 2 of the present Article, the Securities Commission shall render a ruling stating that the public company has violated the reporting duty and shall forward such ruling to the exchange market or shall make it public.

## PRIVILEGED INFORMATION

### Ban on Using Privileged Information

#### Article 62

No one shall acquire, purchase, sell or in any other way manage securities by using privileged information.

The ban on using privileged information shall particularly apply to individuals who obtained knowledge of privileged information by managing their affairs, engaging in their profession or due to their function, such as:

- 1) issuer's employees,
- 2) members of management and issuer's supervisory board,
- 3) auditor, portfolio manager, investment advisor, broker, financial analyst, accountant, bookkeeper, practicing lawyer, actuary, appraiser, court expert, or judge.

The ban on using privileged information shall also apply to:

- 1) all persons (entities) possessing 10% or more shares in issuer's capital which gives them voting right,
- 2) dependent company of the issuer,
- 3) all persons who have knowledge of the privileged information, and know or could have known that they have acquired it from persons listed in the present Article.

### Ban on Disclosing Privileged Information

## Article 63

A person referred to in Article 62 of the present Law having access to privileged information must not disclose it to other persons, nor recommend to other persons how to acquire, purchase, sell or in any other way manage such securities.

## Duty to Notify

## Article 64

The person referred to in Article 62 of the present Law shall be obliged to inform the issuer, the Securities Commission and the stock exchange where the trade of such securities connected with the privileged information is effected, about any intended purchase or sale of such securities.

The Securities Commission shall prescribe the contents and manner of notifying specified in paragraph 1 of the present Article.

## Supervision

## Article 65

In order to prevent misuse of privileged information, the Securities Commission may require from all the individuals having the access to privileged information to give appropriate information and data.

Should, on the ground of facts and circumstances discovered during the supervision, the Securities Commission find that privileged information has been misused, it shall institute the proceedings with the competent government agency.

## Reporting on Offer for Giving a Proxy Statement

## Article 66

A joint stock company shall be obliged to forward to the shareholders with voting right, together with the summoning for a shareholder assembly, the information on their right to appoint a proxy for that assembly, and the form for proxy statement, except where a joint stock company has less than 15 shareholders, or where the founding document or articles of association exclude the making of such a statement.

The proxies of the shareholders with voting rights shall be acknowledged by the assembly of the joint stock company - at the suggestion of the management of that company or its shareholders.

The Securities Commission shall prescribe the form and the contents of the proxy statement referred to in this Article and shall render the ruling on the approval of that statement.

## VI TAKE-OVER BID

## Article 67

The person (entity) intending to purchase voting shares of a given joint stock company by which to acquire a minimum of 25% of voting shares of that company, shall be obliged to act in conformity with the present Law.

The person (entity) referred to in paragraph 1 of the present Article who has purchased shares acquiring thus the minimum of 25% of voting shares of that company, but who failed to act in conformity with the provisions of this Law relating to take-over bid, shall not exercise the voting right on the ground of shares acquired in such a way.

The provisions specified in paragraphs 1 and 2 of the present Article shall not apply where the Federal Republic of Yugoslavia, or the member republics, purchase voting shares referred to in these paragraphs.

## Voting Shares

### Article 68

Voting shares in terms of Article 67 of the present Law shall include:

- 1) all voting shares of a particular joint stock company already owned by a person (entity) intending to purchase the shares;
- 2) all shares of a particular joint stock company owned by a dependent enterprise in which the entity intending to purchase shares has majority of capital;
- 3) other securities owned by this entity entitling it to exchange them for shares of a particular joint stock company in the period not exceeding 60 days from the day of the take-over bid.

## Approving the Take-Over Bid

### Article 69

The purchase of voting shares of a particular joint stock company on the ground of which minimum 25% of voting shares of that joint stock company is acquired, may only be effected by a take-over bid.

The take-over bid referred to in paragraph 1 of the present Article shall not be effected without previously obtaining the ruling on its approval, to be rendered by the Securities Commission.

The Securities Commission shall prescribe the contents of the request for approving the take-over bid specified in the present Article, as well as other documentation to be submitted with the request.

The Securities Commission shall keep the registry of approvals of take-over bids.

## Contents of Take-Over Bid

### Article 70

The bidder shall be obliged to forward the bid referred to in Article 69 of the present Law to all lawful possessors of shares on a special form.

The Securities Commission shall prescribe the contents of the form referred to in paragraph 1 of the present Article, and the manner of forwarding the bid specified in that paragraph.

## Change of Circumstances

### Article 71

Should, within the validity period of the bid or after its expiry, but before the expiry of the period allowing the shareholders to desist from the bid they already accepted, such circumstances take place that would significantly influence shareholders' decision to accept or reject the bid, the bidder shall be obliged to notify all shareholders, the Securities Commission and the joint stock company whose shares the bidder is purchasing, about such circumstances.

The notification referred to in paragraph 1 of the present Article must contain instructions to shareholders who deposited shares that they may desist from the bid they have already accepted.

The Securities Commission shall prescribe the contents and the manner of forwarding the notification referred to in paragraph 1 of the present Article.

## Opinion of the Joint-Stock Company Managing Board on Take-Over Bid

### Article 72

The managing board of a joint stock company whose shares are purchased may forward a special notification to its shareholders expressing its opinion on the take-over bid, within 10 days from the day the take-over bid has been made at the latest. Should the managing board forward the opinion referred to in paragraph 1 of the present Article to the shareholders, it shall be obliged to furnish the Securities Commission with it as well.

In the notification referred to in paragraph 1 of the present Article, the managing board may also give its recommendation to shareholders as regard the acceptance or rejection of the take-over bid.

Should the managing board of the joint stock company send the notification referred to in paragraph 1 of the present Article without recommendation, it shall be obliged to provide a reason for not doing so.

Should the bidder send the notification to shareholders on the change of circumstances referred to in Article 71 of the present Law, the managing board of the joint stock company may supplement or amend the notification referred to in paragraph 1 of the present Article.

The Securities Commission shall prescribe the contents and the manner of the notification referred to in paragraph 1 of the present Article.

## Ban on Acquiring Shares in any Manner other than Pursuant to Conditions of the Bid

### Article 73

During the validity period of the bid, the bidder shall not acquire shares that are the subject of the bid in any other manner, or under any conditions other than those specified in the take-over bid.

### Sameness of Bid Conditions

### Article 74

The bidder shall be obliged to offer the take-over bid under the same conditions to all shareholders the bid relates to.

The bidder who, within 30 days from the day the take-over bid was made, has acquired shares that are the subject of the bid, under the conditions that are more favourable for shareholders than the ones specified in the bid, shall be obliged to offer equally favourable conditions to all shareholders.

### Ban on Selling Shares

### Article 75

During the validity period of the bid, the bidder may not sell the shares of the same joint stock company the bid relates to.

### Conditions for Acquiring Shares after the Expiry of a Bid

### Article 76

In the period of minimum 20 days after the expiry of the bid, the bidder may not acquire shares under the conditions other than those specified in the take-over bid, regardless of the outcome of the bid.

### Change in the Price of Shares

### Article 77

During the validity period of the take-over bid, the bidder may increase the price of the shares that are the subject of the bid.

### Securing Funds for the Purchase of Shares

### Article 78

Before the beginning of validity period of the take-over bid, the bidder shall be obliged to deposit financial funds with a bank, i.e. authorised bank - member of the Central

Registry of Securities, in the amount sufficient to purchase all the shares that are the subject of the bid, or to provide a bank guarantee issued for that amount.

#### Proportional Reduction of the Number of Shares

##### Article 79

Should the number of shares deposited at a separate securities account held with the Central Registry of Securities on the basis of the take-over bid (hereinafter: deposited securities account) be higher than the one specified in the bid, or than the one the bidder is ready to accept, the bidder shall be obliged to proportionally reduce the number of all the deposited shares he/she takes over.

#### Validity Period of the Bid

##### Article 80

The period stipulated in the take-over bid shall not be shorter than 21 days. On the first day of the take-over bid, the shareholders must be enabled to deposit their shares at the deposited securities account - in the manner stipulated in the take-over bid.

The take-over bid shall be considered accepted when the shareholders deposit their shares.

The shares that are the subject of the take-over bid shall not be deposited after the expiry of the time limit specified in the bid.

During the validity period of the take-over bid, the joint stock company shall not start the distribution of new voting shares.

##### Article 81

By issuing a written order, the shareholders may withdraw the shares deposited on the deposited securities account every working day during the validity period of the bid.

#### Take-Over of Shares and Payment

##### Article 82

The bidder shall be obliged to take over all the shares and to pay for them as soon as possible, and at the latest on the third day from their take-over.

A bidder who extends the validity period of the bid shall be obliged, before such extension, to take-over and pay for all the shares deposited until the expiry date of the offer stipulated in the bid.

A bidder who increases the price of shares, that are the subject of the bid within its validity period, shall be obliged to pay to all the shareholders the best price for the shares taken over.

## Notification on the Outcome of the Take-Over Bid

### Article 83

Within 20 days following the expiry date of the bid, the bidder shall be obliged to provide the Securities Commission with the information on the outcome of the take-over bid, and if the take-over bid has been successfully completed, also with the information on the total number of shares taken-over.

## VII AUTHORIZED PARTICIPANTS IN THE ORGANISED MARKET OF SECURITIES BROKER-DEALER COMPANY

### Broker-Dealer Company

#### Article 84

A broker- dealer company shall be a legal entity, organised as a joint stock company or a limited liability company, engaged in activities in the organised market of securities, in accordance with the present Law.

The provisions of the Law governing enterprises shall apply to a broker-dealer company, unless otherwise specified by the present Law.

Activities of the broker-dealer company shall not be carried out without a license, issued by the Securities Commission, for engaging in these activities in the organised market of securities.

The Securities Commission shall keep a registry of the licenses issued for carrying out the activities of a broker-dealer company.

### Activities of a Broker-Dealer Company

#### Article 85

A broker-dealer company may carry out the following activities:

- 1) mediation in purchase and sale of securities, and purchase and sale of securities on its own behalf, but for account of the issuer of the order, and/or on behalf and for the account of the issuer of the order (broker transactions);
- 2) purchase and sale of securities on its own behalf and for its own account for the purpose of making the difference in price (dealer activities);
- 3) obligatory purchase and sale of securities on its own behalf and for its own account at the price which the broker-dealer company announces in advance (market-maker transactions);
- 4) managing securities on behalf of and for account of the issuer of the order (portfolio manager transactions);
- 5) organising distribution of securities without a duty to purchase unsold securities and/or organising the inclusion of securities in the organized market (issuance agent transactions);

6) organising distribution of securities with the obligation to purchase them from the issuer for further sale, or with the obligation to purchase unsold securities from the issuer (issuance underwriter transactions);

7) providing consulting services concerning securities business (investment consultant transactions).

Within activities referred to in paragraph 1 of the present Article, a broker-dealer company may carry out also the transactions referred to in Article 142, paragraph 1 of the present Law, except for the transactions referred to in sub-paragraph 2 of that paragraph.

A broker-dealer company shall not perform transactions of investment consultant as a sole activity.

The provisions relating to the activities of a broker-dealer company shall also apply to activities involving financial derivatives.

By exception to paragraph 3 of the present Article, a broker-dealer company may also be engaged in activities involving trade of other financial instruments, if accordingly specified by another law.

#### Exceptions to the Obligation to Obtain License for Performing Activities

##### Article 86

License for performing transactions of investment consultant shall not be obligatory when such transactions are performed:

1) in relation to providing consultancy services as part of the basic activity of a practicing lawyer, tax consultant, accountant or auditor - if the individual providing consultancy services does not charge any additional fee but the fee for performing the basic activity;

2) within a basic activity of legal entities founded according to the provisions of a separate law -- if providing the consultancy services in connection with dealing with securities is specified by that Law as a basic activity.

##### Fixed Capital

##### Article 87

Pecuniary part of the fixed capital of a broker-dealer company shall not be in an amount lower than:

1) EUR 50,000 in dinar equivalent at the exchange rate valid on the day of payment for performing activities referred to in Article 85, paragraph 1, sub-paragraphs 1 and 7 of the present Law;

2) EUR 100,000 in dinar equivalent at the exchange rate valid on the day of payment for performing activity referred to Article 85, paragraph 1, sub-paragraph 2;

3) EUR 200,000 in dinar equivalent at the exchange rate valid on the day of payment for performing activities referred to in Article 85, paragraph 1, sub-paragraphs 3, 4 and 5 of the present Law;



4) EUR 300,000 in dinar equivalent at the exchange rate valid on the day of payment for performing activities referred to in Article 85, paragraph 1, sub-paragraph 6 of the present Law.

The fixed capital referred to in paragraph 1 of the present Article shall entirely be paid prior to entering the broker-dealer company into the court registry, and/or prior to entering the activities of the broker-dealer company into the court registry.

## Staff and Organisational Capacities and Technical Equipment

### Article 88

A broker-dealer company may perform activities referred to in Article 85, paragraph 1 of the present Law if it meets the requirements regarding staff and organizational capacities and technical equipment, in conformity with the present Law and the act of the Securities Commission.

Staff capacity of the broker-dealer company in terms of paragraph 1 of the present Article, shall be at least one person permanently employed with the broker-dealer company, with the professional broker examination taken.

The broker-dealer company may perform activities referred to in Article 85, paragraph 1, sub-paragraph 4 of the present Law, if it meets the requirements specified in paragraph 1 of the present Article, and permanently employs at least one person with the professional portfolio manager examination taken.

The broker-dealer company may perform activities referred to in Article 85, paragraph 1, sub-paragraph 7 of the present Law, if it permanently employs at least one person, with professional investment consultant examination taken.

The Securities Commission shall prescribe the requirements for performing activities of a broker-dealer company regarding its organisational capacity and technical equipment.

## Licence for Performing Transactions of Broker, Investment Consultant and Portfolio Manager

### Article 89

Transactions of broker, investment consultant and portfolio manager shall only be performed by natural persons holding a valid licence for engaging in such transactions. The Securities Commission shall organise the curriculum and the manner of taking the test for obtaining the title of broker, investment consultant and portfolio manager, and shall grant the licence for performing such transactions, as well as keep a registry of persons possessing the licence for performing these transactions.

The Securities Commission shall grant the licence for performing transactions of a broker, if the applicant for obtaining the licence meets the following requirements:

- 1) a successfully taken test for obtaining the title of broker;
- 2) fulfilling the conditions referred to in Article 98, sub-paragraph 3 of the present Law;
- 3) not previously having his/her licence for performing such transactions revoked.

The Securities Commission shall grant the licence for performing the transactions of an investment consultant or portfolio manager, if the applicant for obtaining that licence meets the following requirements:

- 1) successfully taken test for obtaining the title of investment consultant or portfolio manager;
- 2) fulfilling the conditions referred to in Article 98, sub-paragraph 3 of the present Law;
- 3) not previously having his/her license for performing such transactions revoked;
- 4) possession of a university degree;
- 5) at least three years of experience with securities transactions.

The Securities Commission shall revoke the license granted for performing broker, investment consultant and/or portfolio manager transactions, if the person being granted the license:

- 1) is sentenced by a finally binding court decision for the criminal offence specified in Article 98, sub-paragraph 3 of the present Law;
- 2) has violated the obligation to keep confidential data, the duty of ban on manipulative practice, or of the ban on the use and disclosure of privileged information.

## LICENCE FOR PERFORMING THE ACTIVITY OF BROKER-DEALER COMPANY

### Contents of Request and Documentation

#### Article 90

The Securities Commission shall prescribe the contents of the request for granting the licence for performing transactions of a broker-dealer company.

Together with the request referred to in paragraph 1 of the present Article, the following shall be enclosed:

- 1) articles of association of the broker-dealer company;
- 2) business rules of the broker-dealer company;
- 3) data about members and/or shareholders of the broker-dealer company and the degree of participation of these persons in the fixed capital of the broker-dealer company, indicated both in amount and percentages;
- 4) proof of staff qualifications, organisational capacity and technical equipment of the broker-dealer company;
- 5) tariff for performing the transactions of the broker-dealer company.

Should the request referred to in paragraph 1 of the present Article be submitted for the purpose of establishing a broker-dealer company, the following documentation shall be submitted, in addition to the one referred to in paragraph 2 of the present Article:

- 1) contract of establishing the broker-dealer company;
- 2) court registry transcript for legal entities that are members and/or shareholders of the broker-dealer company, as well as a certified translation of the court registry transcript for foreign legal entities;
- 3) data about the members of management and supervisory board of the broker-dealer company;

4) proof that the broker-dealer company shall permanently employ at least one person with the appropriate professional examination taken, in conformity with Article 88, paragraphs 2, 3 and 4 of the present Law.

#### Decision on Granting the Licence for Performing the Activity

##### Article 91

The Securities Commission shall render a ruling on granting the licence for performing the activity of a broker-dealer company, after finding that the conditions prescribed by the present Law have been met, and that the prescribed documentation has been enclosed.

The Securities Commission shall reject the request for granting the licence for performing the activity of the broker-dealer company after finding:

- 1) that the broker-dealer company fails to meet the conditions for performing the activity of the broker-dealer company prescribed by the present Law;
- 2) that members of the broker-dealer company management fail to meet the conditions referred to in Article 98 of the present Law.

#### Deadline for Rendering the Ruling

##### Article 92

The Securities Commission shall render the ruling on granting the licence for performing the activity of a broker-dealer company within 30 days from the day of the receipt of the request.

#### Working Licence in Case of Status Changes

##### Article 93

In case of status changes, a broker-dealer company shall be obliged, before applying to be entered into the court registry, to obtain the permission from the Securities Commission for joining, merging or separation.

#### Units of a Broker-Dealer Company

##### Article 94

A broker-dealer company may also perform activities within the units of the broker-dealer company that do not have the legal entity status, but have certain powers in legal transactions, separate accounting of business results and a separate sub-account -- if these units meet the conditions for performing the transactions of a broker-dealer company.

The provisions of the present Law regarding the granting of licence for performing the activities of a broker-dealer company, shall accordingly apply to the granting of licence for performing such activities within the units of a broker-dealer company.

## GENERAL ACTS OF A BROKER-DEALER COMPANY

### General Acts

#### Article 95

General acts of a broker-dealer company shall be the articles of association, business rules and other general acts.

Business rules of the broker-dealer company shall particularly regulate:

- 1) kinds of transactions performed by the broker-dealer company and the terms and manner of their carrying out;
- 2) kinds of client's orders, manner and sequence of their execution;
- 3) mutual rights and obligations of the broker-dealer company and its clients;
- 4) other matters regarding the operations of the broker-dealer company.

The Securities Commission shall prescribe in more detail the contents and the manner of making public the business rules of the broker-dealer company.

The broker-dealer company shall be obliged to charge for its services according to the maximum amount of the tariff which the company, prior to its usage, shall submit to the Securities Commission.

After effecting the change of the maximum amount of the tariff, the broker-dealer company shall be obliged, prior to implementation to forward that tariff to the Securities Commission.

### Consent to the Amendment to General Acts

#### Article 96

The broker-dealer company shall be obliged to obtain consent from the Securities Commission prior to amending its articles of association and business rules.

## MANAGEMENT OF BROKER-DEALER COMPANY

#### Article 97

The Securities Commission shall be in charge of granting consent to the decision on the election and/or appointing of a member of the management of the broker-dealer company.

### Requirements for Election and/or Appointment of the Members of Management

#### Article 98

The following persons may be members of the management of a broker-dealer company:

- 1) persons with appropriate professional skills;
- 2) persons with the minimum of three years of experience in managing transactions in the sphere of broker-dealer company's activities;
- 3) persons who have not been sentenced by a finally binding court decision for criminal offences against violation and unity of the Yugoslav market, labour relations, economy, property, administration of justice, public order and legal transactions and the line of duty, as well as for other criminal offences specified by the present Law, threatened with the minimum punishment of one year imprisonment.

## Contents of the Request and Documentation

### Article 99

The Securities Commission shall prescribe the contents of the request for granting the consent to the decision on election and/or appointment of a member of the management of the broker-dealer company.

The following shall be enclosed to the request referred to in paragraph 1 of the present Article:

- 1) proof that the person, for whose election and/or appointment to the management, the consent is required for the decision, meets the conditions referred to in Article 98 of the present Law;
- 2) organisational and management plan for the transactions of the broker-dealer company, to be prepared by a person for whom the consent is required for the decision on appointing the director of the broker-dealer company.

## Decision on Granting Consent

### Article 100

The Securities Commission shall render a decision on granting the consent to the decision on election and/or appointment of the member of the broker-dealer company management, after concluding that the conditions prescribed by the law and acts of the broker-dealer company have been met, and that the prescribed documentation has been enclosed.

When the request for obtaining the consent to the decision on the election and/or appointment of the member of broker-dealer company management has been submitted, together with the request for obtaining the license to perform the activities of a broker-dealer company, for the purpose of establishing the broker-dealer company, the Securities Commission shall institute and conduct a single procedure.

The Securities Commission shall reject the request for obtaining the consent to the decision on election and/or appointment of a member of the broker-dealer company management, after concluding that the conditions specified in Article 98 of the present Law have not been met.

## Revocation of Consent

### Article 101

The Securities Commission shall revoke the consent to the decision on the election and/or appointment of a member of the broker-dealer company management after concluding:

- 1) that the decision on granting the consent has been made on the ground of false data;
- 2) that the person for whom the consent was granted is sentenced by a finally binding court decision for a criminal offence referred to in Article 98, sub-paragraph 3 of the present Law;
- 3) that the person for whom the consent was granted has committed a serious violation of provisions of the present Law relating to the rules of safe and fair dealing operation of a broker-dealer company, on the ban on usage and disclosure of privileged information, and/or ban on manipulative practice, and that in such a way the solvency and/or liquidity of the broker-dealer company has been jeopardized and that damage has been caused to the clients of the broker-dealer company.

## RECORDING IN THE COURT REGISTER

### Article 102

A broker-dealer company shall be obliged to submit an application to be recorded in the court registry, within 30 days from the day of the receipt of the decision on granting the licence for performing the activities of the broker-dealer company and/or the decision on granting the consent to the decision on election and/or appointment of a member of the broker-dealer company management.

The broker-dealer company shall be obliged to furnish the Securities Commission with a transcript from the court registry, within seven days from the day of receipt of the decision on recording in the court registry.

The broker-dealer company must not begin with the performance of the activity for which it has obtained the working licence, before recording that activity in the court registry.

## Change of Form, Name, Head Office and Address

### Article 103

Prior to submitting the application for recording in the court registry of a change of the form, name, head office or address of the enterprise, the broker-dealer company shall be obliged to inform the Securities Commission of the change to be effected.

The broker-dealer company shall submit, together with the information specified in paragraph 1 of the present Article, the evidence as to its meeting the requirements relating to technical equipment.

## Ban on Usage of Name

#### Article 104

A legal entity which has not obtained the licence for performing the activities of a broker-dealer company in conformity with the present Law, or an entrepreneur, shall not be recorded in the court registry and can not use in legal transactions the words: broker-dealer company, broker, investment consultant or portfolio manager, nor use the derived words, unless otherwise specified by a separate law.

#### RISK PROTECTION OF PERFORMING BROKER-DEALER COMPANY ACTIVITIES

##### Capital Adequacy and Capital Adequacy Computing

#### Article 105

The capital of a broker-dealer company must always correspond to the amount of capital necessary to cover possible losses, due to risks involving broker-dealer company business, because of the kind of activity and the value of transactions performed by it.

#### Article 106

The capital of a broker-dealer company necessary for performing the activities referred to in Article 85, paragraph 1 of the present Law, shall be computed according to the mode prescribed by the Securities Commission.

The Securities Commission shall also prescribe the methodology for risk measurement and computing of the required capital.

##### Risk Exposure

#### Article 107

The exposure of a broker-dealer company to one person and/or several mutually related persons shall be a sum of all the claims and contingent claims from such a person and/or persons, the value of investment into securities of such person, and the value of equity participation of broker-dealer company in such person.

#### Article 108

Risk exposure 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.

By exception to paragraph 1 of the present Article, risk exposure of a broker-dealer company to a person related to such broker-dealer company as direct or indirect parent company, or to which the broker-dealer company relates as direct or indirect parent company, and/or to the person having the same parent company as the broker-dealer company, shall not exceed 20% of capital of the broker-dealer company.

Should the broker-dealer company exceed the highest permitted exposure referred to in paragraph 1 and/or 2 of the present Article due to merging of two legal entities, and/or due to other reasons outside its influence, it shall be obliged to immediately notify the Securities Commission thereof.

Together with the notification specified in paragraph 3 of the present Article, the broker-dealer company shall enclose the description of measures to be undertaken for the purpose of bringing into accord with paragraph 1 and/or 2 of that Article, as well as the deadlines for undertaking them.

#### Article 109

Considerable risk exposure of a broker-dealer company shall be the exposure of the broker-dealer company to one person (entity), and/or several mutually related entities that exceeds the amount of 10% of capital of the broker-dealer company.

The amount of all the exposures of broker - dealer company must not exceed 800% of the capital of the broker-dealer company.

#### Article 110

The Securities Commission shall prescribe the details of the manner of evaluation and inclusion of particular items into the computation of exposure of the broker-dealer company, as well as detailed criteria for the persons referred to in Article 108 of the present Law.

#### Reserves for Common Risks and Special Reserves

#### Article 111

A broker-dealer company may create reserves for common risks set apart to cover possible losses, due to the risk involved in the entirety of its business operations.

Should the broker-dealer company create reserves for common risks referred to in Paragraph 1 of the present Article, it must separately present revenues and expenditures related to the increase and/or decrease of such reserves in the profit and loss account.

#### Article 112

A broker-dealer company shall be obliged to create special reserves, because of special risks arising from certain transactions, and/or kinds of transactions it performs.

As special reserves referred to in paragraph 1 of the present Article shall also be considered the reserves created by the broker-dealer company because of special risk in collecting of claims on the ground of a guarantee for clients' claims in case of bankruptcy of another broker-dealer company.

The minimum size and mode of computing the special reserves referred to in paragraphs 1 and 2 of the present Article shall be prescribed by the Securities Commission.



## Liquidity

### Article 113

With the aim to provide protection against liquidity risk, a broker-dealer company shall be obliged to determine and execute a proper liquidity management policy that includes:

- 1) planning of expected identified and expected monetary outflows and sufficient money inflow;
- 2) regular monitoring of liquidity;
- 3) undertaking appropriate measures for the prevention and/or elimination of causes of non-liquidity.

## RISK CONTROL

### Article 114

A broker-dealer company shall be obliged to compute the funds liquidity ratio on a daily basis.

The Securities Commission shall prescribe the mode of computing of funds liquidity ratio and the minimum volume of liquidity that the broker-dealer company must provide.

### Article 115

A broker-dealer company shall be obliged to immediately notify the Securities Commission of the inability of settling the due pecuniary liability.

### Article 116

A broker-dealer company shall be obliged to monthly compute and prescribe, on the basis of the balance on the last day of the month:

- 1) capital amount;
- 2) capital amount necessary to perform particular transactions;
- 3) capital adequacy;
- 4) risk exposure.

### Article 117

A broker-dealer company shall be obliged to furnish the Securities Commission with monthly reports indicating data on the capital, risk exposure and liquidity.

### Article 118

The Securities Commission shall prescribe the contents of the report referred to in Articles 115 and 117 of the present Law, as well as the time limits and mode of reporting.

## MEASURES FOR SECURING CAPITAL ADEQUACY AND LIQUIDITY

### Article 119

A broker-dealer company shall make no decisions on the payment of profit either in the form of dividend, or as a payment based on the portion in the profit of the management and supervisory board of the company and/or employees, in the following cases:

- 1) if its capital is lower than the minimum amount prescribed in conformity with Articles 105 and 106 of the present Law;
- 2) if its capital, due to the payment of profit, would decrease to a degree that it could not reach the minimum amount of capital prescribed in conformity with articles 105 and 106 of the present Law;
- 3) if it fails to provide the minimum liquidity volume in conformity with articles 113 and 114 of the present Law;
- 4) if, due to the payment of profit, it would not be able to provide the minimum liquidity volume in conformity with articles 113 and 114 of the present Law.

A decision made by the assembly of the broker-dealer company which is contrary to paragraph 1 of the present Article shall have no legal effect.

### Article 120

Should the capital of a broker-dealer company, due to increased capital requirements or other causes, fail to reach the minimum amount of capital as referred to in articles 105 and 106 of the present Law, the management of the broker-dealer company must immediately undertake measures in its own jurisdiction to provide the minimum amount of capital, and/or create a proposal for measures that are within jurisdiction of other bodies of the broker-dealer company.

Management of the broker-dealer company shall be obliged to notify the Securities Commission about the measures and/or proposal of measures referred to in paragraph 1 of the present Article, in the monthly report specified in Article 117 of the present Law.

### Article 121

Should the Securities Commission, in effecting supervision, find that a broker-dealer company fails to reach the minimum amount of capital as prescribed in articles 105 and 106 of the present Law, and/or that it is not capable of settling the due pecuniary commitments, the Securities Commission may temporarily prohibit the performing of all or some transactions involving securities, up to the maximum of three months.

## RULES OF SECURE AND FAIR DEALING

### Principles of Business Operation of a Broker-Dealer Company

### Article 122

A broker-dealer company shall be obliged in its business operation to pursue the principle of equality of clients.

In performing its transactions, the broker-dealer company shall be obliged to follow only the interests of its clients, particularly taking into account the best price and the best way to execute the order.

The broker-dealer company shall be obliged to allow the access to its business rules in the premises where it deals with clients.

Employees and members of the broker-dealer company management and supervisory board shall be obliged to keep as business secret the information about balance and turnover in the securities accounts of company's clients, as well as other information which they learned of while performing business operations, and they must not disclose the information to third parties, use the information, or allow third parties to use them. By exception to paragraph 4 of the present Article, the data referred to in that paragraph may be disclosed and made available to third parties only:

- 1) on the ground of client's written approval;
- 2) in effecting supervision of the legality of its business operations by a person authorised by the Securities Commission;
- 3) on the ground of a court order and/or order of a competent governmental agency.

The broker-dealer company shall not perform securities transactions that would undermine the stability of the organised market, and in particular it shall not;

- 1) give false information on the price of securities to investors;
- 2) spread false information for the purpose of changing the price of securities;
- 3) dispose of securities owned by the client without his written approval;
- 4) execute client's orders in the manner contrary to the present Law and other acts regulating the mode of execution of orders of the broker-dealer company clients;
- 5) purchase, sell or borrow for its own account the securities that are the subject of client's order, prior to acting according to client's order;
- 6) purchase, sell, or borrow securities on the ground of a contract on managing securities for the sole purpose of collecting commission;
- 7) encourage clients to make frequent transactions for the sole purpose of collecting commission.

## Collision of Interests

### Article 123

A broker-dealer company shall not give priority to its own interests over the interests of clients.

The broker-dealer company shall be obliged to inform the client about possible collision of client's interests with the interests of that company, and/or interests of other clients of the broker-dealer company.

The broker-dealer company shall be obliged to organise its business operation in such a way that possible collisions between client's interest, interest of the broker-dealer company and interests of the broker-dealer company employees be reduced to a least possible degree.

## Conclusion of Contract

### Article 124

A broker-dealer company shall be obliged to conclude with a client a written contract that governs mutual rights and duties concerning the performance of activity of the broker-dealer company.

The contract referred to in paragraph 1 of the present Article shall obligatorily contain a provision stating that business rules of the broker-dealer company make an integral part of the contract, which applies also to client's statement that the business rules have been made available to him prior to concluding the contract and that he has been acquainted with their contents.

The broker-dealer company shall be obliged to notify the clients about the amendments of business rules prior to their becoming effective.

## Client's Orders for Purchase and Sale of Securities

### Article 125

A broker-dealer company shall be obliged:

- 1) to execute clients' orders exactly as written and immediately upon arranging favourable conditions for their execution;
- 2) to keep a separate book of orders which shall record clients' orders for purchase or sale of securities and cancellations of such orders;
- 3) to accept clients' orders only in business premises of its head office and/or only in business premises of its organisational unit where the operations are performed, as well as in business premises of the legal entity that accepts clients' orders on the ground of the concluded contract, on its behalf and for its account;
- 4) to execute clients' orders for purchase and/or sale of securities in the sequence stipulated in the business rules of the broker-dealer company;
- 5) to issue the receipt of order to the client, the next working day upon receiving it, at the latest;
- 6) to issue, upon client's request, a certified transcript from the book of orders on all activities related to executed orders of clients.

The broker-dealer company shall execute clients' orders for purchase and/or sale of securities in the organised market by entering the contents of the order into the central data base of the stock exchange information system.

The book of orders shall be kept in the manner that prevents any subsequent alternation of the entered data.

The Securities Commission shall prescribe the contents and the mode of keeping the book of orders.

## Refusal Orders for Purchase and Sale

### Article 126

A broker-dealer company shall be obliged to refuse:

- 1) an order for purchase when it concludes that the funds in client's account are not sufficient to settle his liabilities that would arise upon the execution of the purchase order;
- 2) an order for sale when it concludes that there are not enough securities that are the subject of the order in client's securities account.

## Notifying the Clients

### Article 127

A broker-dealer company shall be obliged to notify the client on each business transaction concluded upon his order, on the working day following the day of purchase or sale of securities, at the latest.

The client may not waive the right to obtain information referred to in paragraph 1 of the present Article.

## Money Accounts of Broker-Dealer Company and Clients

### Article 128

A broker-dealer company shall be obliged to open a separate money accounts for the clients and its money account with an authorised bank, and/or bank -- member of the Central Registry of Securities or with the Central Registry of Securities.

The broker-dealer company may use funds from clients' money account only to pay for the liabilities on the ground of clients' orders.

Funds in clients' money account shall not be the property of the broker-dealer company and shall not be considered the assets of the broker-dealer company, nor they can be included into the liquidation or bankrupt's estate, or be used for payment of liabilities of the broker-dealer company to third parties.

The broker-dealer company shall be obliged to see to it that there is enough funds on clients' money account on the day of balancing.

## Keeping of Securities Account

### Article 129

A contract on keeping of securities account shall bind the broker-dealer company to open securities account with the Central Registry of Securities on behalf of the client (hereinafter: owner's account), and it shall, on behalf of and for the account of the clients, keep the balance of securities on such account and execute orders for transfer of rights arising from securities between the accounts of owners held at Central Registry of Securities, wherefore the client accepts to pay the commission.

The broker-dealer company can use the securities on owner's account only on the ground of client's order.

The broker-dealer company shall be obliged to keep its own securities accounts (the account of a member of the Central Registry of Securities) separately from securities accounts of its clients.

Securities on owner's account of the broker-dealer company's client shall not be the property of the broker-dealer company and are not to be included in the assets of the broker-dealer company, nor can they be included into the liquidation or bankrupt's estate, or be used for payment of liabilities of the broker-dealer company to third parties. The broker-dealer company shall be obliged to see to it that there is enough funds on owner's account of the client on the day of balancing.

## Management of Securities

### Article 130

A contract on management of securities shall bind the broker-dealer company, on its behalf and for the account of the client, to invest client's funds into securities, and/or receive client's securities for the purpose of managing them, wherefore the client shall be obliged to pay the commission.

The broker-dealer company that concludes the contract on management of securities with a client shall be obliged to open and manage for the client (hereinafter: management account) a separate account with the Central Registry of Securities.

Contract on management of securities shall particularly stipulate:

- 1) the amount of funds, and/or kind and quantity of securities which the client places at the disposal of the broker-dealer company for purchase and/or sale of securities;
- 2) the business policy of investment into securities;
- 3) the conditions under which the client shall entrust securities to be managed to a broker-dealer company;
- 4) the amount of commission and basis for calculation and collection of commission;
- 5) other mutual rights and obligations.

The investment policy referred to in paragraph 3, sub-paragraph 2 of the present Article shall particularly include the kind of securities to be purchased with client's funds, characteristics of the issuer of securities, to the maximum permissible amount to be invested into securities of one issuer and of persons related to it, as well as other circumstances relevant in determining the amount of investment risk.

The broker-dealer company may invest client's funds into securities only in accordance with the contract concluded with the client.

## Lending Securities

### Article 131

A broker-dealer company may lend securities to another broker-dealer company, after securing a written consent of the lawful possessor of securities.

Lent securities may only be sold at the same or higher price than the price at which such securities were traded in the organised market immediately prior to the sale of lent securities.

The broker-dealer company shall be obliged to provide the Securities Commission with monthly reports on sale of lent securities

The Securities Commission shall prescribe in detail the requirements for lending and sale of lent securities.

## REPORTING BY BROKER-DEALER COMPANY

### Article 132

A broker-dealer company shall be obliged to provide the Securities Commission with:

- 1) annual financial statement with auditor's report and annual business report, until July 15th of the current year for the preceding year, at the latest,
- 2) monthly business reports, until the 15th of the month for the preceding month, at the latest,
- 3) data on any change of conditions prescribed for performance of the business activity, for which the licence was obtained - within eight days from the day of the change.
- 4) other data and information, upon a request of the Securities Commission.

The Securities Commission shall prescribe the contents of the data referred to in paragraph 1 of the present Article.

## SUPERVISION OVER BUSINESS ACTIVITY OF BROKER-DEALER COMPANY

### Supervision

#### Article 133

The Securities Commission shall, at least twice a year, supervise the legality of business activity of the broker-dealer company.

A person authorised by the Securities Commission may, in conducting the supervision:

- 1) inspect official papers, business books, account statements and other documents of a broker-dealer company;
- 2) require information on particular matters important for business activity of the broker-dealer company.

Minutes shall be taken on the supervision of legality of the broker-dealer company's business activity.

### Supervision Measures

#### Article 134

Should the Securities Commission in conducting supervision over a broker-dealer company find the existence of illegalities and/or irregularities in business activity, it shall render a ruling to the broker-dealer company to eliminate the found irregularities within an adequate time limit and shall undertake one or more following measures:

- 1) shall revoke the approval to the appointment of the director and the management board members, and shall make an order for appointment of new persons to these positions;
- 2) shall make an order for temporary prohibition on performing all or particular transactions specified in the working licence, for the period of maximum 3 months;
- 3) shall make an order for temporary prohibition on management of funds in the money and securities accounts and management of other assets for the period of maximum 3 months;
- 4) shall make an order for temporary prohibition on payment to members of the management bodies and employees of the share of profit and/or remuneration belonging to shareholders;
- 5) shall pronounce a public reprimand;
- 6) shall revoke the working licence for performing the business activity;
- 7) shall undertake additional measures in conformity with the present Law and the act to be rendered by it.

The Securities Commission shall prescribe by its act detailed requirements and the mode of performing supervision, procedure for making of orders and undertaking measures, as well as the time limits for carrying out the orders, and duration of measures.

## TERMINATION OF PERFORMING THE ACTIVITY OF BROKER-DEALER COMPANY

### Revocation of Licence for Performing the Activity of Broker-Dealer Company

#### Article 135

The Securities Commission shall revoke the licence for performing the activity to a broker-dealer company:

- 1) if it fails to perform the activity for which it was granted the licence for a period longer than 3 months;
- 2) if the licence for performing the activity was obtained on the ground of false data;
- 3) if it fails to perform transactions involving securities in conformity with the present Law;
- 4) if it ceases to meet the conditions prescribed for obtaining the licence to perform the activity;
- 5) if it violates the prohibition on manipulative practice;
- 6) if it fails to meet the conditions for performing transactions in conformity with the provisions of the present Law on risk elimination;
- 7) if it fails to comply with a decision on temporary prohibition on performing the activity;
- 8) if it fails to act pursuant to an order for elimination of the illegalities and/or irregularities that have been found, within the time limit specified by the act of the Securities Commission.

If the broker-dealer company notifies the Securities Commission about the termination of performance of activity of the company, and submits a request to be stricken off the registry of licences granted for conducting such activity, the Securities Commission shall



revoke the licence for the performance of the activity to that company, only if this company has met all the liabilities to its clients.

## Special Bankruptcy Procedure Rules

### Article 136

In case of revoking the working licence to a broker-dealer company, the Securities Commission shall, in line of duty, institute a liquidation and/or bankruptcy proceedings in accordance with the law, unless otherwise specified by the present Law.

On the day of rendering the ruling on revoking the working license to the broker-dealer company, the Securities Commission shall make an order to the bank, with which the accounts of the broker-dealer company are held, to block these accounts.

From the day of instituting the bankruptcy proceedings against a broker-dealer company, no compulsory settlement may be concluded.

During the bankruptcy proceedings against the broker-dealer company, the receiver may not desist from the contracts on purchase and sale of securities that such company has concluded.

Claims of the clients of the broker-dealer company shall be set aside from the bankruptcy estate of that company on the ground of investments into securities, as well as claims of the federal state, member republics and the National Bank of Yugoslavia on that ground.

The decision on instituting the liquidation proceedings and/or bankruptcy proceedings against the broker-dealer company shall be forwarded to the Securities Commission.

## AUTHORISED BANKS

### Authorisation to Perform Activities of a Broker-Dealer Company

#### Article 137

A bank may perform activities of a broker-dealer company with a previously obtained approval from the National Bank of Yugoslavia and a licence from the Securities Commission to perform these activities (hereinafter: authorised bank).

The National Bank of Yugoslavia shall prescribe in detail the conditions for granting approval referred to in paragraph 1 of the present Article.

### Conditions for Performing Broker-Dealer Company Activities

#### Article 138

An authorised bank shall perform a broker-dealer company activities under the following conditions:

- 1) that it has a separate organisational unit for that purpose;
- 2) that it has a separate business account;

3) that it keeps separate records and data on business operations of such organisational unit in business books;

4) that it meets the conditions regarding staff qualification, organizational capacity and technical equipment for performing these activities.

The authorised bank shall enact rules of operations with securities for the organisational unit referred to in paragraph 1 of the present Article, which are to be approved by the Securities Commission.

## Supervision Measures

### Article 139

Should the Securities Commission in conducting supervision procedure finds the existence of illegalities and/or irregularities in the operations of the authorised bank, it shall furnish the National Bank of Yugoslavia with the ruling on the measures undertaken.

## Appropriate Application

### Article 140

The provisions of the present Law on the activities of a broker-dealer company, conditions and licence for performance of such activities, protection from risk when performing such operations, providing of data, rules of a secure and fair dealing, reporting, supervision of activities, supervision measures and termination of the activity, prescribed by the present Law for a broker-dealer company, shall accordingly apply to the authorised bank.

## CUSTODY BANK

### Authorisation to Perform the Activity of a Custody Bank

#### Article 141

A bank may perform the activity of a custody bank if it obtains licence for performing such activity from the Securities Commission, which is to be granted after the previous approval of the National Bank of Yugoslavia (hereinafter: custody bank).

The Securities Commission shall keep a registry of licences granted for performing the activity of a custody bank.

The National Bank of Yugoslavia shall prescribe in detail the conditions for granting the approval referred to in the paragraph 1 of the present Article.

The National Bank of Yugoslavia may perform transactions of a custody bank without a licence of the Securities Commission - for securities issued by the Federal Republic of Yugoslavia, member republics and units of territorial autonomy and local self-government.

## Activity of Custody Bank

### Article 142

Within the framework of its activity, a custody bank shall perform the following transactions:

- 1) opening and managing securities accounts kept with the Central Registry of Securities on behalf and for the account of lawful possessors of securities - its clients (owner's securities account);
- 2) opening and managing securities accounts kept with the Central Registry of Securities on behalf of the custody bank, and for account of lawful possessors of securities -- its clients, and/or on behalf of its clients who are not lawful possessors of securities and for the account of lawful possessors (summary custody account);
- 3) executing orders for transfer of rights arising from securities and orders for recording third party rights on securities, and taking care of transfer of rights arising from these securities;
- 4) collecting claims from issuers on the ground of matured securities, interests and dividends on behalf of lawful possessors of securities, and taking care of exercising other rights belonging to lawful possessors of securities who are its clients;
- 5) providing services of lending securities;
- 6) notifying shareholders on annual assemblies of stock companies, and representing shareholders at these assemblies;
- 7) attending to the meeting of tax liabilities of lawful possessors of securities who are its clients;
- 8) performing other transactions in accordance with the present Law and the rules of operation of the custody bank.

A custody bank may also perform transactions relating to financial derivatives.

In conducting transactions referred to in paragraph 1, sub-paragraph 2 of the present Article, the custody bank shall be obliged to keep separate records on securities and persons (entities) on whose behalf it conducts such transactions, and to keep the data from these records as a business secret as well as to protect them from unauthorised use, amendments and losses.

The custody bank shall perform its activity if it is a member of the Central Registry of Securities and if it has separate organisational unit with technical and staff capacities to perform transactions of a custody bank.

The organisational unit of the bank that performs the activity of a custody bank, shall not perform activities of a broker-dealer company referred to in the Article 85, paragraph 1 of the present Law.

Securities kept on owner's securities account and on summary custody account shall not be the property of the custody bank and shall not be considered as its assets, nor can they be included in the liquidation or bankruptcy estate or be used for payment of liabilities of the custody bank to third parties.

The custody bank may use the securities kept on the custody account only on the ground of client's order.

Upon client's request, the custody bank shall be obliged to present a balance statement of funds in the client's custody account, immediately and within three days at the latest, from the day the request has been submitted at latest.

The provisions of the present Law relating to securities lent by a broker-dealer company shall accordingly apply to securities lent by the custody bank.

## Licence for Conducting Transactions of a Custody Bank

### Article 143

The Securities Commission shall prescribe the contents of the request for obtaining the licence for conducting activities of a custody bank.

Together with the request referred to in paragraph 1 of the present Article, the following shall be enclosed:

- 1) bank's articles of association;
- 2) evidence that the bank is a member of the Central Registry of Securities;
- 3) rules of operation of the custody bank;
- 4) evidence that the bank has a separate organisational unit for conducting activities of a custody bank;
- 5) evidence that the custody bank meets the requirements as to the staff and organisational capacities for performing transactions of a custody bank;
- 6) evidence that custody bank meets technical equipment requirements for performing transactions of a custody bank, and/or has adequate informatics system for performing these transactions.

The Securities Commission shall render approval of the decision made by the authorized bank body on the appointment of person who shall manage the transactions of the custody bank.

Requirements as to staff and organisational capacities and technical equipment for performing the activity of a custody bank shall be prescribed by the Securities Commission.

The legal entity which has not obtained the licence for performing activities of a custody bank in accordance with the present Law, as well as an entrepreneur, shall not be filed in the court registry, nor can they use the title custody bank in legal transactions, and/or words with derived meaning, unless otherwise specified by another law.

## Business Rules of Custody Bank and Conclusion of Contract

### Article 144

A custody bank shall enact business rules to deal with securities of the organisational unit referred to in Article 143, paragraph 2, sub-paragraph 4 of the present Law, whereto the Securities Commission shall give consent.

The custody bank business rules shall particularly regulate:

- 1) the kind of transactions conducted by custody bank;
- 2) the kind of client's orders and the mode of their execution;
- 3) the manner of handling client's securities and funds;

4) the rights and obligations of custody bank and of its clients.

The Securities Commission shall prescribe in detail the contents and the mode of making public the business rules specified in paragraph 1 of the present Article.

The custody bank shall be obliged to conclude a contract in written with the client, regulating mutual rights and duties in conducting transactions of the custody bank, in conformity with the present Law and the rules specified in paragraph 1 of the present Article.

Employees and members of the management and the supervisory board of the bank that performs the transactions of custody bank shall be obliged to keep as business secret the data about statement of account and turnover in the securities accounts of company's clients, as well as other data which they learned of in performing transactions of custody bank, and they must not disclose them to third parties, or use or allowing third parties to use them.

By exception to paragraph 5 of the present Article, the data referred to in that paragraph may be disclosed and made available to third parties only:

- 1) on the ground of client's approval in written;
- 2) in the supervision over the legality of its operating, effected by an authorised official of the Securities Commission;
- 3) on the ground of a court order and/or an order of a competent administrative agency.

Appropriate Application

Article 145

The provisions of the present Law on the issuance of licence for performing the activity, on the ruling on filing in the court register and on the deadline for rendering such ruling on reporting, supervision of activities, supervision measures and termination of performing the activities, that are prescribed for a broker-dealer company, shall accordingly apply to custody bank.

STOCK EXCHANGE

Stock Exchange

Article 146

A stock exchange shall be a legal entity, organised as a joint-stock company or limited liability company which, in conformity with the present Law, conducts activities of organising trade in securities and financial derivatives.

The stock exchange shall be subject to provisions of the law governing enterprises, unless otherwise specified by the present Law.

The stock exchange may be founded by the federal state, member republics, as well as legal entities that hold the licence for performing activities of a broker-dealer company.

The activity of organising trade in securities and financial derivatives shall not be performed without a stock exchange working licence.

A ruling on granting the stock exchange working licence shall be issued by the Securities Commission, which shall keep a registry of granted stock exchange working licences.

## Stock Exchange Activities

### Article 147

Activities of organising securities trade shall include the following transactions:

- 1) organising public offers of securities and matching supply and demand of securities;
- 2) making public the information on demand, supply, market price of securities, and other data significant for trade in securities;
- 3) determining and making public exchange rates of securities;
- 4) performing other transactions in conformity with the present Law.

The provisions relating to stock exchange activity shall also apply to business operation involving financial derivatives.

## Prohibited Transactions

### Article 148

A stock exchange shall not trade in securities, or give advice regarding purchase and sale of securities or the choice of a broker-dealer company or authorised bank, or conduct transactions specified by the present Law as activities of a broker-dealer company, and shall not conduct transactions other than transactions referred to in Article 147 of the present Law.

## Stock Exchange Trade Transactions

### Article 149

Transactions involving stock exchange trade in securities shall be conducted by members of stock exchange.

By exception to paragraph 1 of the present Article, the trade in securities at stock exchange may also be performed by the federal state, a member republic and the National Bank of Yugoslavia.

## Fixed Capital and Shares

### Article 150

Pecuniary part of fixed capital of the stock exchange shall not be lower than EUR 500,000 in dinar equivalent at the exchange rate valid on the payment day.

## Staff and Organisational Capacities and Technical Equipment of Stock Exchange

## Article 151

A stock exchange may perform transactions referred to in Article 147 of the present Law if permanently employing a minimum of five persons, with a broker examination taken, and with the minimum of three year work experience in securities transactions, and if meeting other requirements regarding staff and organisational capacities and technical equipment, in accordance with the present Law and the act of the Securities Commission.

## Stock Exchange Information System

### Article 152

Stock exchange shall be obliged to organise an information system providing:

- 1) that all the participants in trade of securities may at the same time, on an equal basis, and under equal conditions give and receive orders for purchase and sale of securities at the stock exchange;
- 2) that all the participants in trade of securities at stock exchange have an equal and simultaneous access to information on traded securities.

## Arbitration Tribunal

### Article 153

Stock exchange shall form an arbitration tribunal to settle disputes among participants in the stock exchange regarding transactions concluded at the stock exchange.

The stock exchange arbitration tribunal shall have a list of arbitrators to be prescribed by the stock exchange assembly.

Members of the managing and supervisory boards and the director of the stock exchange shall not be members of the stock exchange arbitration tribunal.

The stock exchange arbitration tribunal shall enact a rulebook that governs the manner of conducting affairs of the arbitration tribunal.

The arbitration tribunal decision shall be finally binding.

## Listing and Quotation of Securities Commission

### Article 154

The stock exchange shall have a listing and quotation of securities commission.

The stock exchange managing board shall nominate the members of the commission specified in paragraph 1 of the present Article.

## Stock Exchange Working Licence

### Article 155

The Securities Commission shall prescribe the contents of request for obtaining a stock exchange working licence.

The following shall be enclosed to the request referred to in paragraph 1 of the present Article:

- 1) contract of establishing the stock exchange;
- 2) articles of association of the stock exchange;
- 3) business rules of the stock exchange;
- 4) data on shareholders of the stock exchange, in the amount and percentage of equity participation of such persons (entities) in the fixed capital of the stock exchange;
- 5) evidence as to staff and organisational capacities and technical equipment of the stock exchange;
- 6) tariff booklet of the stock exchange;
- 7) transcript from the court registry for shareholders of the stock exchange, as well as a certified translation of such transcript for foreign legal entities;
- 8) data on members of the stock exchange managing and supervisory boards;
- 9) evidence that stock exchange shall have a minimum of five permanently employed persons, with broker examination taken, and a minimum of three year work experience with securities transactions.

The Securities Commission shall prescribe the contents of the request and the list of documentation referred to in the present Article.

#### Ruling on Granting a Licence for Work of the Stock Exchange

##### Article 156

The Securities Commission shall render a ruling on granting a working license to stock exchange after finding that requirements prescribed by the Law have been fulfilled, and that the prescribed documentation has been enclosed.

The Securities Commission shall deny the request for granting the working licence to stock exchange after finding:

- 1) that requirements for work of the stock exchange, as prescribed by the present Law, are not fulfilled;
- 2) that members of the stock exchange management and the supervisory board do not meet the conditions specified in Article 97 of the present Law.

##### Article 157

The Securities Commission shall render a ruling on granting the licence for work of the stock exchange within 60 days from the day of submission of a proper request.

#### Working License in Case of Status Changes of Stock Exchange

##### Article 158

The provisions of the present Law regarding the status changes of a broker-dealer company shall accordingly apply to status changes of the stock exchange.



## Stock Exchange Management and Supervisory Board

### Article 159

The provisions of the present Law regarding the management of a broker-dealer company shall accordingly apply to members of management and supervisory board of the stock exchange.

## General Acts of Stock Exchange

### Article 160

General acts of a stock exchange shall be the articles of association, business rules, tariff booklet, listing and quotation rulebook and other general acts.

Business rules of stock exchange shall particularly govern:

- 1) kinds of transactions, conditions and manner of their performance;
- 2) conditions and manner of performing the transactions of stock exchange members;
- 3) kinds and conditions of trade in securities;
- 4) conditions and manner of acceptance of securities to the stock exchange listing, withdrawal and deleting from the listing;
- 5) conditions and manner of issuance, withdrawal and deleting of financial derivatives;
- 6) manner of determining and making public the interest rates and/or price of securities and financial derivatives traded at the stock exchange;
- 7) manner of performance of accounting transactions concluded at the stock exchange;
- 8) mutual rights and obligations of stock exchange and stock exchange members;
- 9) other matters regarding the work of stock exchange.

The Securities Commission shall be in charge of giving approval for the articles of association, business rules and tariff booklet, which shall be published in the "Official Gazette of the FRY".

Listing and quotation rulebook shall particularly regulate conditions and procedure for acceptance to listing and/or quotation of securities, as well as deleting from listing and/or quotation, detailed rules of procedure and those on participants in the trade in securities at stock exchange, as well as on other matters important for listing and quotation.

### Article 161

Stock exchange shall be obliged to obtain approval of the Securities Commission prior to the amendments of:

- business rules,
- listing and quotation rulebook,
- tariff booklet.

The Securities Commission shall prescribe the contents of the request and of the documentation specified in paragraph 1 of the present Article.

## Filing in Court Registry

## Article 162

A stock exchange shall acquire the status of a legal entity by being filed in the court registry.

The stock exchange shall be obliged to apply for filing in the court registry within 30 days from the day of receipt of the ruling of the Securities Commission on granting the licence for work, and the ruling on granting approval of a decision on election and/or appointment of a member of stock exchange management.

The stock exchange shall furnish the Securities Commission with a transcript from the court registry, within seven days from the day of the receipt of the ruling on the filing.

The stock exchange shall not begin the activity for which it has obtained the working licence prior to having this activity filed in the court registry.

## Article 163

The stock exchange shall be obliged to notify the Securities Commission about the change of name, head office or address, prior to submitting the application to be filed in the court registry.

Together with the notification regarding the change of its head office and/or address, the stock exchange shall submit the evidence on fulfillment of requirements regarding technical equipment.

## Article 164

A legal entity which has not obtained the licence for work of the stock exchange in conformity with the present Law, as well as an entrepreneur, shall not be filed in the court registry and shall not use the title of stock exchange in legal transactions, including derived words, unless specified otherwise by another law.

## Stock Exchange Member

## Article 165

Stock exchange articles of association shall prescribe the conditions to acquire the status of a stock exchange member, supervision conducted by the stock exchange over business operations of the stock exchange member as well as conditions for expelling a member and termination of membership.

Stock exchange members shall be broker-dealer companies and authorised banks.

Acceptance to stock exchange membership shall be effected on the ground of a request and documentation as prescribed by the stock exchange acts.

The stock exchange shall be obliged to accept as member a broker-dealer company and/or an authorised bank, if they fulfill the requirements for acquiring the status of a stock exchange member as specified by the articles of association of the stock exchange.

The stock exchange shall be obliged to render the ruling on the request specified in paragraph 3 of the present Article, within 15 days from the day of receipt of that request,

and to forward it to the broker-dealer company and/or authorised bank and to the Securities Commission. This ruling shall be finally binding and administrative proceedings may be instituted before a competent court against it.

#### Article 166

The stock exchange must not violate the principle of equality of stock exchange members.

A stock exchange member shall particularly be obliged:

- 1) to comply with all the acts of the stock exchange;
- 2) to conduct transactions at stock exchange in good faith;
- 3) not to misuse the information which is not available to all the participants in the stock exchange;
- 4) to immediately notify the stock exchange on the receipt of client's order or on his own order;
- 5) to postpone execution of the order referred to in sub-paragraph 4 of the present Article until the expiry of the time limit specified by its business rules;
- 6) to notify the stock exchange in writing about any change of his powers, rights, obligations and responsibilities in legal transactions, and especially on the changes relating to conditions of his becoming a stock exchange member;
- 7) to pay membership fee, commission for transactions involving securities concluded at the stock exchange, and other fees as specified by the stock exchange tariff booklet.

#### Article 167

The stock exchange shall supervise stock exchange members in connection with transactions concluded at the stock exchange.

In effecting supervision referred to in paragraph 1 of the present Article, the stock exchange shall have the right of direct access to the book of orders of a stock exchange member, sales agreement slips and other documentation relating to transactions concluded at the stock exchange.

Stock exchange shall notify the Securities Commission of the measures undertaken against members of stock exchange.

#### Stock Exchange Market

#### Article 168

Only the securities accepted to stock exchange listing can be traded at the stock exchange market.

The stock exchange shall prescribe conditions for listing and quotation of securities at the stock exchange by enacting a listing and quotation rulebook.

The stock exchange shall include securities in the stock exchange market upon issuer's request and if conditions for acceptance to the stock exchange listing specified by the listing and quotation rulebook have been met.

The stock exchange shall publicly announce the list of issuers and the kind of securities covered by its ruling on the acceptance to the stock exchange listing, within two days from the day of rendering the ruling.

#### Article 169

By exception to the provisions of Article 168 of the present Law, the debt securities issued by the federal state, member republics and the National Bank of Yugoslavia may be traded at stock exchange market without meeting special conditions prescribed by the stock exchange and applicable to other issuers of securities.

#### Article 170

Foreign securities and/or securities issued by foreign legal entities may be accepted to listing and quoted at the stock exchange under the conditions prescribed by the present Law and the acts of the stock exchange.

#### Open Stock Exchange Market

#### Article 171

Securities that do not meet the conditions for listing and quotation of securities at the stock exchange, and that are paid in total and are apt to be the subject of public offer at the organised market, may be included in the open stock exchange market.

The stock exchange shall decide on admitting securities into the open stock exchange market upon issuer's request or in line of duty - when the conditions thereof, specified by the present Law on admitting securities into the organized market, have been met.

The stock exchange shall publicly announce a list of issuers and the kind of securities covered by the ruling on inclusion in the open stock exchange market, within two days from the day of rendering the ruling.

#### Commencement of Trade at the Stock Exchange and Exchange Rate

#### Article 172

Trade in securities at the stock exchange may commence upon making public the ruling on acceptance of securities to the listing.

#### Article 173

The stock exchange shall determine the exchange rate of securities traded at the stock exchange.

The exchange rate referred to in paragraph 1 of the present Article shall be forwarded daily to the Securities Commission.

#### Article 174

The stock exchange shall be obliged to publish daily the exchange rate of securities traded at the stock exchange, in at least two daily newspapers sold in the entire territory of the Federal Republic of Yugoslavia, and in the stock exchange premises.

## Temporary Suspension of Trade in Securities and Exclusion of Securities

### Article 175

A stock exchange shall temporarily suspend the trade of particular securities traded at the stock exchange in case that the trade of such securities should cause market disturbance, and/or if this should be necessary to protect the investors.

The temporary suspension of the trade referred to in the paragraph 1 of the present Article shall last until the conditions for continuing the trade have been met, and for a period not exceeding six months from the day the stock exchange has rendered the ruling on temporary suspension of trade.

The stock exchange shall prescribe conditions and manner of temporary suspension of trade in securities at the stock exchange in its listing and quotation rulebook.

### Article 176

A stock exchange may exclude securities of a particular issuer and/or securities of a particular class or series of the same issuer from the listing:

- 1) if the trade in securities is not conducted for a period exceeding six 6 months;
- 2) if the issuer has submitted a request to be excluded from the stock exchange listing;
- 3) if the issuer no longer meets the conditions for the stock exchange listing,
- 4) if the issuer withdraws the securities or if their maturity date has expired;
- 5) if the legal entity that issued the securities is involved in bankruptcy or liquidation proceedings.

The stock exchange may exclude securities of a particular issuer and/or securities of a particular class or series of the same issuer from the open stock exchange market:

- 1) if the issuer submits a request to be excluded from the open stock exchange market;
- 2) if the issuer withdraws the securities or if their maturity date has expired;
- 3) if the legal entity that issued the securities is involved in bankruptcy or liquidation proceedings.

### Article 177

A stock exchange shall render a ruling on temporary suspension of trade in securities and exclusion of securities from the listing and/or exclusion of securities from the open stock exchange market, which shall be finally binding and against which administrative proceedings may be instituted with the competent court.

The stock exchange shall be obliged to forward to the issuer and the Securities Commission the ruling referred to in paragraph 1 of the present Article, within three days from the day of rendering the ruling.

## Prohibition of Manipulative Practice

## Article 178

It shall be prohibited to create a false picture of the securities market, and in particular:

- 1) to influence the market price of securities by purchase, sale or lending of securities, by which the change is not effected of the actual owner of securities;
- 2) to give orders to an authorised participant in the securities market to purchase and/or sell particular securities, and at the same time to give orders to the same or different authorised participant in the securities market to sell and/or purchase the same securities in the same amount and at the same price, when it is known that other person has given or shall give order to purchase and/or sell the same securities in the same amount and at the same price to the same or different authorized participant in the securities market, on the ground of previous agreement with the authorised participant in the securities market - if such action is undertaken in order to influence the prices at the securities market on the basis of which the issuer of orders or other entities may materialise property benefit.

It shall be prohibited to undertake activities in the organised market purely in order to:

- 1) increase the price of particular securities and motivate other investors to purchase those securities;
- 2) decrease prices of particular securities and motivate other investors to sell those securities;
- 3) create an illusion as to the volume of turnover of securities.

Persons involved in the manipulative practice referred to in paragraphs 1 and 2 of the present Article shall be severally and jointly liable for the damage caused.

## Prohibition on Spreading False Information

## Article 179

It shall be prohibited to spread information that create illusion about the facts and circumstances that influence or could influence the price of securities, participants, situation or trends in the securities market with the intention to motivate one or more persons to conclude or not conclude contracts on trade of securities, and to exercise or desist from exercising the rights regarding securities.

Persons spreading false information referred to in paragraph 1 of the present Article shall be severally and jointly liable for the damage caused.

## Stock Exchange Employees and Members of Management

## Article 180

Stock exchange employees shall not be members of management bodies, or employees of a broker-dealer company, bank or the issuers of securities traded at the stock exchange.

Prohibition referred to in paragraph 1 of the present Article shall last six months at the maximum, after the day of termination of employment or employment on a contractual basis, if so stipulated by the employment contract.

## Article 181

Employees and members of management and of the supervisory board of the stock exchange:

- 1) shall be obliged to keep as business secret the information on turnover of securities not being made public, as well as other information available to them through the execution of their duties or in any other way, and they must not disclose them to third parties, use them or make it possible for third parties to use them;
- 2) must not give advice regarding the trade in securities and investment into securities, nor give opinion on favourableness or unfavourableness arising from trade of securities;
- 3) must not give advice in regards to selection of broker-dealer companies and authorised banks.

By exception to paragraph 1 of the present Article, the data referred to in that paragraph may be disclosed and made available to third parties only during supervision of legality of business operation - conducted by an authorised individual of the Securities Commission, or on the ground of a court order and/or order of a competent governmental agency.

## Supervision over Stock Exchange Operations

### Article 182

The Securities Commission shall at least twice a year supervise the legality of operations of the stock exchange.

An authorised person from the Securities Commission may during the supervision process:

- 1) inspect the acts, business books, account transcripts and other documents of the stock exchange;
- 2) request information on particular matters of importance for the activities of stock exchange.

Minutes shall be taken on the effected supervision of legality of operation of stock exchange.

### Article 183

Should the Securities Commission, while performing the supervision, find the existence of illegalities and/or irregularities in the operation of the stock exchange, it shall render a decision to the stock exchange to eliminate the irregularities found, within the specified time limit, and shall undertake one or more of the following measures:

- 1) shall revoke the consent to the election and/or appointment of the director and members of the managing and supervisory boards of the stock exchange, and give an order for appointment of new persons;
- 2) shall give an order to the stock exchange for temporary suspension of trade of certain securities, and/or exclude certain securities from listing;
- 3) shall issue an order to the stock exchange to temporarily termination of operation for a period of up to three months;

- 4) shall issue an order for temporary prohibition on disposal of funds in the accounts of the stock exchange, and on disposal of other stock exchange assets for a period of up to three months;
- 5) shall issue an order for temporary prohibition on payment of profit portion belonging to stock exchange shareholder, and/or on payment of fees to members of management bodies and employees of stock exchange;
- 6) shall pronounce a public reprimand to the stock exchange;
- 7) shall revoke the working licence of the stock exchange;
- 8) shall undertake additional measures in accordance with the present Law and with its own acts.

The Securities Commission shall prescribe in detail the conditions and manner of effecting supervision, the procedure for issuing orders and undertaking measures, as well as for the duration of measures.

## Termination of Work of the Stock Exchange

### Article 184

The Securities Commission shall revoke the working licence of a stock exchange:

- 1) if it fails to perform its activity for a period exceeding three months;
- 2) if the working licence was obtained on the ground of false data;
- 3) if it fails to perform transactions with securities in conformity with the present Law;
- 4) if it ceases to meet the conditions prescribed for obtaining a working licence;
- 5) if it violates the duty of prohibition on manipulative practice;
- 6) if it fails to act pursuant to an order of that Commission to eliminate illegalities and/or irregularities found, within the time limit specified by the act of the Commission;
- 7) if it notifies the Securities Commission about the termination of business operation and submits a request to be deleted from the registry of licences granted for work of stock exchanges.

Upon revoking the working licence to the stock exchange, the Securities Commission shall institute liquidation and/or bankruptcy proceedings according to the law.

As of the day of instituting the bankruptcy proceedings against the stock exchange, no compulsory settlement shall be concluded.

The ruling on instituting the liquidation and/or bankruptcy proceedings against the stock exchange shall be forwarded to the Securities Commission.

## Reporting of Stock Exchange

### Article 185

A stock exchange shall be obliged to furnish the Securities Commission with:

- 1) daily information on trade in securities, at the end of each working day;
- 2) data on admittance to membership, rejection of membership and termination of membership, within three days from the day of admittance, rejection or termination of membership;



3) data on acceptance to stock exchange listing, rejection of the stock exchange listing and exclusion from stock exchange listing, within three days from the day of acceptance, rejection or exclusion from stock exchange listing;  
4) annual financial statement with an auditor's report and annual business report, until July 15th of current year for the preceding year;  
5) monthly business reports, until the 15th of the month for the preceding month;  
6) data on any change relative to fulfillment of the prescribed conditions for performing the activity, for which the licence was obtained, within eight days from the day the change has occurred;  
7) other data and information upon request of the Securities Commission.  
The Securities Commission shall prescribe the contents of the data referred to in paragraph 1 of the present Article.

## Trade in Financial Derivatives and Guarantee Deposit

### Article 186

Trade in financial derivatives shall be effected at a separate organisational unit of the stock exchange.

Financial derivatives can be the subject of trade from the day of their issuance until the maturity date of the contract.

The Securities Commission shall prescribe conditions for the introduction of financial derivatives into the trade at the stock exchange, conditions for trading in financial derivatives and the manner of settling obligations deriving from arrangements entered into in the trade in financial derivatives.

The stock exchange shall prescribe standardised rights and obligations of contracting parties and the starting day for trade in financial derivatives.

The stock exchange can include into trade only financial derivatives that provide the exercising of economic interests of commercial entities and other organisations and persons, and if that is not contrary to public interest.

The stock exchange shall be obliged to notify the Securities Commission about the intent to include particular financial derivatives into trade, within at least 30 days prior to commencement of trade of a given financial derivative.

If needed for the sake of protection of investors, the Securities Commission shall prohibit the introduction in trade of a financial derivative, and/or prohibit the continued trade of the financial derivative already traded at the stock exchange.

### Article 187

By exception to Article 186 of the present Law, financial derivatives may be traded outside the stock exchange:

- if the offer for purchase and/or sale is effected without public announcement;
- if the parties to the contract are the federal state, a member republic or professional investors;
- if the financial derivative can be traded outside the stock exchange, due to the type it belongs to.

## Article 188

Futures contracts and options contracts shall be concluded through members of stock exchange.

Contracting parties to futures contract and seller of options contract shall be obliged to place a guarantee deposits at a separate account held with the organisational unit of the stock exchange conducting the clearing transactions and balancing at the stock exchange.

In case of failing to meet the obligations referred to in paragraph 2 of the present Article - the stock exchange shall regulate the amount of the guarantee deposit, time and mode of depositing, as well as the use and the responsibility.

The guarantee deposit referred to in paragraph 3 of the present Article shall amount to one third of the value of futures contract and/or options contract.

The Securities Commission shall be in charge of giving consent to the act referred to in paragraph 3 of the present Article.

Persons referred to in paragraph 2 of the present Article shall be obliged to maintain the amount of guarantee deposit referred to in paragraph 3 of the present Article.

## Article 189

The provisions of the present Law regarding the securities trade and settlement of obligations arising from the trade in securities shall accordingly apply to the trade in financial derivatives, prohibition on misuse of confidential data and settlement of obligations arising from transactions entered into in the trade of those interments. Clearing and balancing of financial derivatives trade shall be performed at the stock exchange.

## VIII CENTRAL REGISTRY OF SECURITIES

### Establishing

## Article 190

The Central Registry of Securities shall be a joint stock company.

Provisions of the law governing enterprises shall apply to the Central Registry of Securities, unless otherwise stipulated by the present Law.

The share of state-owned capital in the Central Registry of Securities shall not be under 51%.

### Head Office

## Article 191

The head office of the Central Registry of Securities shall be in Belgrade.

The Central Registry of Securities may have organisational units outside the head office as well, which they shall not have the status of a legal entity.

## Activities

### Article 192

The Central Registry of Securities shall perform the following activities:

- 1) managing the registry of securities;
- 2) keeping records of securities on issuers' accounts;
- 3) managing and recording of securities accounts of the Central Registry members and of their clients;
- 4) recording the third party rights on securities;
- 5) safekeeping of materialised securities;
- 6) managing money accounts of members of the Central Registry of Securities;
- 7) booking of entries of materialised securities in dematerialised form;
- 8) clearing and balancing of liabilities and claims expressed in securities and money, arising on the ground of concluded transactions with securities, and determining of liabilities and claims of members of the Central Registry of Securities and their clients after the settlement of their mutual liabilities and claims, and within the time limit specified by the business rules of the Central Registry of Securities;
- 9) transfer and rebooking of securities on the accounts of the members of the Central Registry of Securities and of the owners of these securities,
- 10) other activities in the matters of securities.

## Accounts

### Article 193

Following accounts shall be opened and kept with the Central Registry of Securities:

- 1) securities accounts of members of the Central Registry of Securities;
- 2) accounts of deposited securities;
- 3) issuance accounts.

Within the accounts referred to in paragraph 1, sub-paragraph 1 of the present Article the following sub-accounts shall be kept:

- owner's securities accounts,
- management accounts,
- a summary custody account.

Following money accounts shall be opened and kept with the Central Registry of Securities:

- money accounts of members of the Central Registry of Securities;
- accounts of guarantee funds of members of the Central Registry of Securities.

The money accounts of the Central Registry of Securities shall be opened and kept by the National Bank of Yugoslavia.

## Fixed Capital and Shares

### Article 194

Pecuniary part of the fixed capital of the Central Registry of Securities shall not be less than EUR 50,000 in dinar equivalent, at the exchange rate valid on the payment day.

## General Acts

### Article 195

General acts of the Central Registry of Securities shall be the articles of association, business rules, tariff booklet and other general acts.

The Securities Commission shall give consent to the articles of association, business rules and tariff booklet of the Central Registry of Securities.

The acts referred to in paragraph 2 of the present Article shall be published in the "Official Gazette of the FRY" within eight days from the day of granting the consent specified in that paragraph.

### Article 196

The articles of association of the Central Registry of Securities shall especially govern:

- conditions for admittance to the Central Registry of Securities;
- rights and obligations of members of the Central Registry of Securities;
- termination of membership in the Central Registry of Securities;
- other matters in conformity with the present Law and the law governing enterprises.

### Article 197

Business rules of the Central Registry of Securities shall particularly govern:

- manner of management of the Central Registry of Securities;
- manner of management of securities accounts;
- manner of management of money accounts;
- manner of safekeeping of securities;
- manner of effecting the clearing and balancing of liabilities and claims on the ground of concluded transactions with securities;
- manner of the transfer of rights arising from securities and of rebooking of securities, as well as the contents of the order for transfer of rights arising from securities (hereinafter: transfer order) and order for recording the third party rights on securities (hereinafter: recording order);
- manner of forming and using a guarantee fund and other manners of eliminating the risk in case a member of the Central Registry of Securities fails to meet the liabilities;
- other matters concerning the work of the Central Registry of Securities.

### Article 198

The Central Registry of Securities shall prescribe detailed conditions for implementing of business rules.

### Article 199

Membership fee and other fees charged by the Central Registry of Securities for rendering its services shall be stipulated in the tariff booklet of the Central Registry of Securities.

#### Filing in the Court Registry

##### Article 200

The Central Registry of Securities shall acquire the status of a legal entity by being filed in the court registry.

The Central Registry of Securities shall be obliged to provide the Securities Commission with a transcript of the entry in the court registry, within seven days from the day of the receipt of the ruling on filing in the court registry, as well as the acts relating to the bodies of the Central Registry of Securities.

The Central Registry of Securities must not commence the performance of the activity for which it has obtained the working licence before filing that activity in the court registry.

#### Members of the Central Registry of Securities and Their Rights and Obligations

##### Article 201

Members of the Central Registry of Securities may be the federal state, member republics, the National Bank of Yugoslavia, broker-dealer companies, authorized banks, custody banks, banks, stock exchanges, companies for management of funds, and foreign legal entities that perform activities of clearing and balancing of securities.

Admittance to membership of the Central Registry of Securities shall be effected on the ground of an appropriately submitted application and the documentation prescribed in the general acts of the Central Registry of Securities.

The Central Registry of Securities shall be obliged to render a decision on the admittance to the membership of the Central Registry of Securities, within 30 days from the day of the receipt of the request specified in paragraph 2 of the present Article.

The decision referred to in paragraph 3 of the present Article shall be finally binding, and administrative proceedings may be instituted against it before a competent court.

##### Article 202

Rights and obligations of the Central Registry of Securities towards a member of the Central Registry of Securities, as well as the rights and obligations of that member, shall be prescribed by the acts of the Central Registry of Securities published in the "Official Gazette of the FRY".

##### Article 203

Liable for damage caused by giving unlawful and incorrect orders, for recording the rights that are subject to filing in the Central Registry of Securities, shall be the

members of the Central Registry of Securities as far as owners of these rights are concerned.

#### Article 204

The Central Registry of Securities shall effect control over his member in the part of transactions that are in charge of the Central Registry of Securities.

In effecting the control specified in paragraph 1 of the present Article, the Central Registry of Securities shall have the right of direct access to the documentation related to the transactions referred to in that paragraph.

The Central Registry of Securities shall notify the Securities Commission and the National Bank of Yugoslavia on findings of the completed control referred to in paragraphs 1 and 2 of the present Article.

#### Termination of Membership

#### Article 205

Membership of a member of the Central Registry of Securities shall be terminated:

- 1) should his working licence and/or licence for performing the activities of a broker-dealer company be revoked;
- 2) should he no longer meet the condition on the ground of which the membership to the Central Registry of Securities has been granted;
- 3) should he fail to fulfill the obligations towards the Central Registry of Securities;
- 4) should he fail to conform to the general acts of the Central Registry of Securities;
- 5) in other cases stipulated by the articles of association of the Central Registry of Securities.

#### Meeting the Liabilities

#### Article 206

The liabilities arising from the transactions concluded on the securities market can be met only through the Central Registry of Securities.

Meeting the liability of transfer of rights arising from securities on the ground of issuance of such securities and of the contract on their sale shall be effected only for the purchased securities that are at the same time paid for.

Members of the Central Registry of Securities shall meet their pecuniary liabilities arising from the concluded transactions involving securities through the money accounts kept with the Central Registry of Securities.

#### Transfer of Rights Arising from Securities and Filing of Third Party Rights

#### Article 207

The transfer of rights arising from securities on the ground of issuance, sale contract and loan agreement shall be performed on the basis of a transfer order given by a member of the Central Registry of Securities.

The transfer of rights arising from securities on the ground of legal succession shall be effected on the ground of a finally binding court decision.

The transfer of rights arising from securities on the ground of a gift agreement shall be effected on the ground of a gift agreement concluded in written and certified by a competent agency.

#### Article 208

Filing the third party rights on securities shall be effected by the Central Registry of Securities on the ground of a filing order of a lawful possessor of securities and/or the person authorised by the lawful possessor or a legal proxy.

#### Obligation and Responsibilities of the Central Registry of Securities

#### Article 209

The Central Registry of Securities shall be obliged to protect the information system and the data at its disposal from unauthorised use, changes and losses.

The Central Registry of Securities shall be obliged to permanently keep the documentation and information recorded by means of electronic media, unless otherwise specified by another law.

The Central Registry of Securities shall be obliged to provide a continuous functioning of information system by creating secondary database and secondary computer system that would secure continuous operation in case of flood, fire and similar events, and which must be located at a certain distance from the location of the primary information system of the Central Registry of Securities.

The data in the Central Registry of Securities shall be disclosed only under the terms and conditions prescribed by the present Law.

The Central Registry of Securities shall be obliged to let its member inspect a part of the database of the Central Registry of Securities, relating to that member and its clients, in conformity with the business rules of the Central Registry of Securities.

#### Article 210

The Central Registry of Securities shall be responsible to the issuer of securities, owner and/or lawful possessor of the rights that are the subject of recording with the Central Registry of Securities, for damage caused by default, and/or improper execution of a transfer order, and/or by violation of other obligations specified by the present Law, as well as for the damage caused by incorrectness or loss of data in the process of replacing materialised securities with dematerialised ones.

#### Granting Approval

## Article 211

The Central Registry of Securities shall be obliged to obtain approval from the Securities Commission for the articles of association, business rules and tariff booklet of the Central Registry of Securities and for their amendments, as well as for the appointment of the director and members of the managing and supervisory boards.

## Supervision and Measures

### Article 212

The Securities Commission shall supervise legality of activities of the Central Registry of Securities.

In proceeding as specified in paragraph 1 of the present Article, the Securities Commission may inspect acts, business books and other documents of the Central Registry of Securities.

### Article 213

Should the Securities Commission while effecting supervision referred to in Article 212 of the present Law find the existence of illegalities and/or irregularities, it shall give orders for their elimination and shall undertake one or more of the following measures:

- 1) withdraw consent to the appointment of director and members of managing and supervisory boards, and give order for the appointment of new persons;
- 2) undertake other measures pursuant to its acts.

The Securities Commission shall render a ruling on undertaking the measures specified in paragraph 1 of the present Article.

The Securities Commission shall prescribe the manner of carrying out the supervision, the procedure of giving orders and undertaking of measures referred to in this Article, as well as the time limits for the execution of orders and duration of measures.

## Submission of Report

### Article 214

The Central Registry of Securities shall submit a report to the Securities Commission on registration, clearing and balancing of securities, as well as on other facts relevant to the organised securities market.

The Securities Commission shall prescribe the contents and manner of submission of report referred to in paragraph 1 of the present Article.

The Central Registry of Securities shall publish its annual financial statement, in accordance with the act of the Securities Commission, and shall forward it to the Securities Commission.

## Appropriate Application



## Article 215

The provisions of the present Law relative to stock exchange employees, keeping of business secret by the employees, the management and the supervisory board, and on the prohibited transactions at the stock exchange, shall accordingly apply to the Central Registry of Securities.

## Powers of the National Bank of Yugoslavia

## Article 216

The National Bank of Yugoslavia shall issue regulations that govern the manner of performing of payment operations through money accounts.  
The National Bank of Yugoslavia shall supervise the legality of business operation of the Central Registry of Securities and its members in the part that relates to performance of payment operations through money accounts.

## IX SECURITIES COMMISSION

### Status of the Securities Commission

## Article 217

The Securities Commission shall be an organisation of the Federal Republic of Yugoslavia.  
The Securities Commission shall be accountable to the Federal Assembly for performing activities that fall within its competence.  
The Securities Commission shall be a legal entity.  
The head office of the Securities Commission shall be in Belgrade.

### Competencies of the Securities Commission

## Article 218

Within the scope of its competencies, the Securities Commission shall:

- 1) issue acts in order to implement the provisions of the present Law;
- 2) grant licences and consents in accordance with the present Law and with provisions of the federal laws governing the establishment and operations of investment funds;
- 3) grant licences for performance of activities of broker-dealer companies in conformity with the present Law;
- 4) supervise the business operation of broker-dealer companies, stock exchanges, management companies, investment funds and the Central Registry of Securities, authorised banks, custody banks, issuers of securities, investors in securities and other entities - in the part of operations they conduct on the securities market;
- 5) organise, undertake and control the implementation of measures providing efficient functioning of securities market and the protection of investors;

- 6) determine detailed contents of mandatory items of information that are to be submitted to it and to be made public;
- 7) set the standards for registration of stock exchange trade transactions;
- 8) set the compulsory criteria of the information system of the authorised participants involved in securities business, the Central Registry of Securities and stock exchange;
- 9) keep the registry of rulings rendered in conformity with the present Law and the federal law governing the establishment and operation of investment funds;
- 10) determine the manner of keeping safe the documentation for authorised participants dealing with securities, the Central Registry of Securities and stock exchanges;
- 11) file a charge to the authorised state agency against authorised participants in the securities business, Central Registry of Securities and stock exchanges, if the elements of criminal act, commercial violation and/or infraction have been discovered while supervising them;
- 12) monitor the situation and the trends in the securities market and undertake measures for eliminating disturbances in that market;
- 13) define unique securities identification number (USIN) in conformity with the appropriate standards, as well as define the codebook for kinds of securities;
- 14) cooperate with international organisations;
- 15) cooperate and conclude agreements with the agency specified in Article 30, paragraph 1 of the present Law, in order to provide legal assistance, exchange of information and in other cases;
- 16) render information on securities market;
- 17) perform other tasks specified by the present Law and by other laws.

The Securities Commission may institute and conduct court proceedings in order to protect the interests of investors in securities and of other entities for which it determines that certain right of theirs, or their interest arising from that right, have been violated, in connection with transactions involving securities and other financial instruments.

## Acts of the Securities Commission

### Article 219

The Securities Commission shall enact articles of association in conformity with the present Law, regulate matters of its jurisdiction, as well as the organisation and manner of performing activities in the scope of this jurisdiction, rights, obligations and responsibilities of members, president and secretary of the Securities Commission, rights and obligations of other employees, manner of providing operating assets, the mode of enacting general and single acts, including other matters significant for the work of the Securities Commission.

### Article 220

For the purpose of implementation and execution of operations specified by the present Law and other laws, the Securities Commission shall enact rule books, orders, instructions and other general acts, as well as rules.

#### Article 221

The Securities Commission shall apply the provisions of the Law on General Administrative Procedure in deciding in administrative matters, unless otherwise specified by the present Law.

The rulings of the Securities Commission shall be finally binding and administrative proceedings may be instituted against them.

#### Article 222

The Securities Commission may issue standpoints and opinions and other forms of public statements, when necessary for the implementation and execution of certain provisions of the present Law.

#### Article 223

The articles of association, other general acts and rulings of the Securities Commission on granting approval and/or registration of prospectus, declaring public offers void, granting and revoking of the licence for conducting activities of broker-dealer companies, or licence for work, termination of work of the stock exchange and the Central Registry of Securities, as well as views and opinions of the Securities Commission shall be published in the "Official Gazette of the Federal Republic of Yugoslavia" and the Bulletin of the Securities Commission.

#### Members of the Securities Commission

#### Article 224

The Securities Commission shall have five members, including the president of the Commission.

The president and the members of the Securities Commission shall be elected and released from duty by the Federal Assembly, at the proposal of the Federal Government.

The Securities Commission shall be represented and acted on behalf of by the president, who manages it.

#### Article 225

The president and the members of the Securities Commission shall be appointed for a five-year period.

The president and members of the Securities Commission can be reelected and/or reappointed.

#### Article 226

Elected for president and a member of the Securities Commission may be a Yugoslav citizen, possessing general work ability, university degree, appropriate practical skills and theoretical knowledge for conducting operations performed by the Commission.

#### Article 227

The president and a member of the Securities Commission shall not be:

- 1) a person sentenced for the criminal offence of violation of unity of the Yugoslav market, labour relations, commerce, property, judicial system, public law and order and legal transactions and the line of duty;
- 2) a person related or married to other member of the Securities Commission;
- 3) a person who is a member of a governmental agency;
- 4) a persons who is member of a political party.

The president and the members of the Securities Commission shall be permanent employees of the Securities Commission.

The president and members of the Securities Commission shall have no equity participation in legal entities (persons) for which the Securities Commission grants licences for conducting activities of a broker-dealer company and /or working licence.

The president and members of the Securities Commission shall not perform other duties that could influence their independence, impartiality and public image as well as the public image of the Securities Commission.

#### Article 228

The president and a member of the Commission shall have their function terminated, even prior to the expiration of the term of office, if they so require, or if their employment is terminated due to fulfillment of the conditions for retirement.

#### Article 229

The president and the member of the Securities Commission shall be dismissed from the position:

- 1) should they be sentenced for a criminal offence to unconditional imprisonment for a minimum of six months, or for a criminal offence against the unity of the Yugoslav market, labour relations, commerce, property, judicial system, public law order and legal transactions, and line of duty;
- 2) should on the ground of findings and opinions of the competent health care institution be determined that they have permanently lost the capacity of performing their function;
- 3) should it be determined that they perform their tasks in an unprofessional and unconscientious manner;
- 4) should it be determined that they fail to meet the conditions for appointment referred to in Article 226 of the present Law.

#### Article 230

The Federal Government shall determine the fulfilment of conditions for termination of the function and/or dismissal of the president and the member of the Securities Commission, by initiating the proceedings before the Federal Assembly, within 60 days from the day of ascertaining these conditions.

The Federal Assembly shall enact a decision on the termination of function and/or release from duty of a member of the Securities Commission, specifying the day of the termination of function.

#### Article 231

The federal law governing the status and rights of employees in federal agencies shall apply to the rights and obligations of employees in the Securities Commission.

#### Decision-Making and Quorum

#### Article 232

The Securities Commission shall decide in sessions headed by the president or a member of the Securities Commission authorised by the president.

The quorum shall comprise of three members of the Securities Commission.

The Securities Commission shall decide by a majority vote of all the members, including the president.

The president and the members of the Securities Commission shall be exempt from voting on deciding on requests of legal entities in which they have equity participation.

#### Principle of Work

#### Article 233

The president and the members of the Securities Commission shall not jeopardise the autonomy in enacting their decisions, as well as the autonomy of the Securities Commission.

#### Article 234

The president and the members as well as employees of the Securities Commission shall not engage in activities involving securities trade and counseling on these securities.

Persons referred to in paragraph 1 of the present Article shall not use their employment in the Securities Commission for the realisation of their own interests.

#### Article 235

The president and the members, as well as employees of the Securities Commission shall be obliged to keep safe the information on issuers of securities, entities that are supervised by the Securities Commission, and other information on facts and

circumstances made available to them due to performing of the functions and/or work, except for the information accessible to general public, and they shall not disclose such information to third parties, use them 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 official secret.

By exception to paragraph 1 of the present Article, such information can be disclosed and made available only on the ground of a court order and/or order of the competent administrative agency.

By exception to paragraph 1 of the present Article, the Securities Commission may disclose the data referred to in that paragraph and make them available to the authorised persons from the agency specified in Article 30, paragraph 1 of the present Law - for the purpose of exchange of information and data, as well as for effecting supervision.

#### Article 236

The president and the members as well as employees of the Securities Commission shall be obliged to provide the Securities Commission with the information on securities they have at their disposal, as well as the data on any change of balance with respect to those securities.

The obligation referred to in paragraph 1 of the present Article shall also apply to the immediate family members of person referred to in that paragraph.

The persons referred to in paragraph 1 of the present Article may not be members of stock exchange agencies, broker-dealer company, authorised bank, company for fund management, investment funds, issuers of securities traded in the organised market of securities, nor can they represent the interests of these participants before the Securities Commission.

#### Article 237

The registries kept by the Securities Commission shall be public.

Prospectus, summary of the prospectus, annual report containing the opinion of the auditor, semi-annual report and summaries of semi-annual and annual reports, as well as the report on important business events and legal facts about the issuer, shall also be an integral part of the registries referred to in paragraph 1 of the present Article.

The Securities Commission shall prescribe the contents, the methods and manner of exercising the right to access to registries specified in this Article.

#### Article 238

Authorised persons involved in business with securities shall be obliged to submit data they make public according to provisions of the present Law to the Securities Commission prior to the publishing.

The Securities Commission may demand submission of other data, of particular interest for investors in securities and authorised participants involved in the securities business.

Data referred to in paragraphs 1 and 2 of the present Article shall be submitted to the Securities Commission in written form.

The Securities Commission shall prescribe which information is to be submitted by means of electronic, magnetic or other similar media.

#### Article 239

The Securities Commission shall be obliged to establish an information system that enables it to communicate with the Central Registry of Securities, stock exchanges, broker-dealer companies, authorised banks, companies for management of funds and investment funds, as well as to provide the protection of information.

The Securities Commission shall prescribe the implementation of ISSO standards, criteria for safety of communication and protection of available data, as well as the fulfillment of the following conditions:

- 1) technical compatibility with equipment and information programme of the Securities Commission;
- 2) using identification numbers according to ISSO standards;
- 3) using telecommunication system to receive information.

Information received through the information system and telecommunication system, in accordance to characteristics and under the conditions prescribed by the Securities Commission, shall be considered original document.

#### Tariff Booklet and Funding Sources

#### Article 240

The Securities Commission shall issue the tariff booklet that determines the amount of fees for its scope of activities.

The tariff booklet referred to in paragraph 1 of the present Article shall be published in the "Official Gazette of the FRY".

#### Article 241

Funds for the operations of the Securities Commission shall be provided from fees collected for performing affairs falling within its scope of activities in accordance to the tariff booklet, and also from other revenues collected through operations of the Securities Commission.

The Securities Commission shall allocate from the revenues that are realised, the amount for reserves, in accordance with the financial plan.

The Securities Commission shall finance the excess of expenditures over revenues from its own reserves, and - should that be insufficient - from the federal budget funds.

The Securities Commission shall pay the surplus of revenues over expenditures into the federal budget.

The Federal Assembly shall approve the financial plan and the annual financial statement of the Securities Commission.

## Supervision over the Securities Commission Operations

### Article 242

The Securities Commission shall submit an annual financial statement for the preceding year, with business report and certified auditor's report enclosed, to the Federal Assembly for approval before April 30th of the current year.

The audit of the annual financial statement of the Securities Commission shall be conducted according to provisions of the federal law governing the audit of accounting reports.

The Securities Commission shall appoint an auditor who shall conduct the audit referred to in the paragraph 2 of this Article.

The Securities Commission shall prepare a financial plan for the following year by November 30th of the current year and forward it to the Federal Assembly for approval. The Securities Commission shall be obliged to submit a report on its operations to the Federal Assembly, at least once a year, as well as the report on trends in the securities market in the Federal Republic of Yugoslavia.

### Article 243

The Securities Commission shall be obliged to provide quarterly to the Federal Assembly a report on operations and trends in the financial market, with attached documentation containing information related to:

- 1) issued and revoked working licences and licences on conducting activities of broker-dealer company, according to the provisions of the present Law and provisions of the federal law governing establishment and operations of investment funds;
- 2) report on accomplishment of the supervisory function of the Securities Commission with undertaken supervision measures;
- 3) realisation of the Securities Commission financial plan for the current year;
- 4) standpoints and opinions of the Securities Commission;
- 5) other documents in carrying out the tasks within the jurisdiction of the Securities Commission.

## X PENAL PROVISIONS

### Criminal Offences

#### Article 244

Whoever acquires, purchases, sells or in any other way manages securities or other financial instruments tradeable or traded in the organised market of securities, by using privileged information, shall be sentenced to imprisonment for a period of from three months to three years.

Whoever discloses privileged information to another with the intent to collect illegal benefit to himself, or - based on such information - recommends to another to acquire, purchase, sell or in any other way manage securities or other financial instruments



tradeable or traded in the organised market of securities, shall be sentenced to imprisonment for a period of from three months to three years.

Whoever commits the offence referred to in paragraph 2 of this Article due to negligence, shall be punished by imprisonment of up to one year, or a fine.

Should there be disturbance of the organised market due to the offences referred to in paragraphs 1 and 2 of this Article, the perpetrator shall be sentenced to imprisonment for a period of from one to five years.

#### Article 245

Whoever with intent to mislead an investor, in the organised market of securities, in the prospectus for distribution of securities, a summary prospectus, preliminary prospectus, shelf prospectus, amendments to prospectus, short-term securities prospectus, prospectus approved by the body referred to in Article 30 of the present Law in charge of securities dealt with abroad, offer for taking over the voting shares, report on important events, annual and semi-annual report and annual business report, summary of these reports, makes public an incorrect information about legal and financial status of an issuer or about his business capabilities, or other incorrect information relevant for reaching the investment decision, or whoever fails to publish complete information about such facts - shall be punished by a fine or imprisonment of up to three years.

Whoever with intent to mislead an investor in the organised market of securities fails to publish amendments to prospectus or report on important events within ten days from the occurrence of circumstances that may significantly influence the price of securities, shall be punished by a fine or imprisonment of up to three years.

Should there be a disturbance of the organised market of securities due to offences referred to in paragraphs 1 and 2 of this Article, the perpetrator shall be sentenced to imprisonment for a period of from one to five years.

#### Commercial Violations

#### Article 246

The issuer of securities shall be punished for a commercial violation by a fine ranging from 60,000 to 600,000 dinars:

- 1) should the securities distribution prospectus not be published at the same time as the public announcement for subscription and payment of securities (Article 35, paragraph 1);
- 2) should the securities distribution prospectus and the summary of prospectus not be at the disposal of all the interested persons (entities) at the locations designated for subscription and payment of securities (Article 35, paragraph 2);
- 3) should it not provide any interested person (entity), upon request, with a copy of securities distribution prospectus or summary of prospectus (Article 35, paragraph 3);
- 4) should it not conduct subscription and payment of securities in the authorised bank and the bank that is a member of the Central Registry of Securities with which it has concluded a contract (Article 37);

5) should it not effect subscription and payment of securities within the time limit specified in Article 38 of the present Law(Article 38);  
6) should it not provide the Securities Commission with evidence on the number of subscribed and paid securities and fail to submit a request for approval of issuance of securities within the time limit specified in Article 40 of the present Law (Article 40, paragraph 1);  
7) should it not submit a request for recording securities and opening of issuance account with the Central Registry within the time limit and in the manner specified in Article 41 of the present Law (Article 41);  
8) should, upon request, it fails to submit a request for acceptance to stock exchange listing or request for admittance to the open stock exchange market within the term and in the manner specified in Article 42 of the present Law (Article 42, paragraph 1);  
9) should it not inform the general public about its business in the manner specified by the present Law and by the acts of the Securities Commission (Article 54, paragraph 1);  
10) should it, in the notification to its shareholders whereby it expresses opinion on take-over bid, not include a reason for failing to do so (Article 72, paragraph 4);  
11) should it not allow to authorised persons from the Securities Commission to conduct supervision of issuer's operations (Article 218, paragraph 1, sub-paragraph 4).  
The person in charge employed with the issuer of securities shall also be punished for committing a commercial violation referred to in paragraph 1 of this Article by a fine ranging from 10,000 to 100,000 dinars.

#### Article 247

A broker-dealer company and/or authorised bank shall be punished for a commercial violation by a fine ranging from 60,000 to 600,000 dinars:

- 1) should it conduct activities of broker-dealer company for which it does not have a licence (Article 84, paragraph 3);
- 2) should it conduct another commercial activity, besides the activities of a broker-dealer company (Article 85, paragraph 4);
- 3) should it perform the operations of investment counselor as its sole activity (Article 85, paragraph 3);
- 4) should it conduct activities within a unit of a broker-dealer company which does not have a license for conducting such activities (Article 94);
- 5) should it not furnish the Securities Commission with the maximum amount of tariff, and/or change of such tariff, and should it not charge for its services in conformity with that tariff (Article 95, paragraphs 4 and 5);
- 6) should it amend articles of association or business rules without previously obtaining approval from the Securities Commission (Article 96);
- 7) should it not act in the manner and within the time limit prescribed by Article 102 of the present Law, and should it commence performing an operation for which it obtained the licence, before filing that operation with the court registry (Article 102);
- 8) should it not inform the Securities Commission on changes of form, name, head office or address of enterprise, and should it not attach evidence on fulfillment of conditions in regards to technical equipment (Article 103);

9) should its risk exposure towards certain person (entity) and several persons (entities) mutually related, exceed 25% of its capital (Article 108, paragraph 1);

10) should it exceed the greatest permitted exposure due to reasons specified in Article 108, paragraph 3 of the present Law, without immediately informing the Securities Commission thereof (Article 108, paragraph 3);

11) should the total amount of all large exposures exceed the amount of 800% of its capital (Article 109, paragraph 2);

12) should it not observe the principle of equality of clients when performing operations (Article 122, paragraph 1);

13) should it not allow clients to have access to business rules (Article 122, paragraph 3);

14) should it conduct activities involving securities that jeopardise the stability of organised market (Article 122, paragraph 6);

15) should it place its own interests before the interests of clients or should it not inform the client on possible collision of its interests with interests of broker-dealer company or interests of other clients (Article 123, paragraphs 1 and 2);

16) should it not conclude a written contract with the client under the terms specified in Article 124 of the present Law (Article 124);

17) should it not act according to Article 125 of the present Law (Article 125);

18) should it not reject the order in conformity with Article 126 of the present Law (Article 126);

19) should it fail to notify the client on each transaction concluded upon the order of the client on the workday following the day of purchase and sale of securities (Article 127, paragraph 1);

20) should it not act according to Article 128 of the present Law (Article 128);

21) should it fail to conclude a contract with the client on managing securities account and fail to manage securities account according to Article 129 of the present Law (Article 129);

22) should it fail to conclude a contract with the client on managing securities and fail to conduct activities of portfolio manager according to Article 130 of the present Law (Article 130);

23) should it lend securities without written consent granted by the lawful possessor of securities (Article 131, paragraph 1);

24) should it not sell the lent securities under terms specified in Article 131, paragraph 2 of the present Law (Article 131, paragraph 2);

25) should it not provide the Securities Commission with reports according to Article 132 of the present Law (Article 132);

26) should it not allow the authorised individual from the Securities Commission to conduct supervision of operations under the terms specified in Article 133 of the present Law (Article 133);

The person in charge employed with the broker-dealer company shall also be punished for committing the commercial violation referred to in paragraph 1 of this Article by a fine ranging from 10,000 to 100,000 dinars.

Article 248

A bank conducting custody bank operations shall be punished for a commercial violation by a fine ranging from 60,000 to 600,000 dinars:

- 1) should it not keep records on entities on whose behalf it opens and keeps securities accounts (Article 142, paragraph 3);
- 2) should the activities of broker-dealer company be conducted within the organisational unit where the activities of custody bank are conducted (Article 142, Paragraph 5);
- 3) should it use securities kept on custody account without or not according to client's order (Article 142, paragraph 7);
- 4) should it not issue a balance statement of the funds on the clients custody account upon clients request, within three days from the day the request was submitted (article 142, paragraph 8);
- 5) should it not obtain consent from the Securities Commission to business rules relating to operations with securities (Article 144, paragraph 1);
- 6) should it fail to conclude a written contract with the client (Article 144, paragraph 4);
- 7) should it commence the activity of a custody bank for which it obtained the licence, prior to filing this activity in the court registry (Article 145);
- 8) should it not provide the Securities Commission with business reports on its operations (Article 145);
- 9) should it not allow the authorised individual from the Securities Commission to supervise its operations (Article 145).

The person in charge employed with the bank conducting custody bank operations shall also be punished for committing commercial violation referred to in paragraph 1 of this Article by a fine ranging from 10,000 to 100,000 dinars.

#### Article 249

A stock exchange shall be punished for a commercial violation by a fine ranging from 60,000 to 600,000 dinars:

- 1) should it not accept to listing the securities of the issuer that fulfils admittance conditions within seven days from the day of receipt of the request for admittance to the stock exchange listing (Article 42, paragraph 2);
- 2) should it not include securities of the issuer to open stock exchange market within seven days from the day of receipt of the request, or should it not include securities of the issuer that does not fulfill conditions for admittance to listing to open stock exchange market within seven days from the day of receipt of the request for admittance to stock exchange listing (Article 42, paragraph 3);
- 3) should it trade in securities, provide advice in regards to purchase and sale of securities, provide advice in regards to selection of broker-dealer company or authorised bank, conduct other activities specified by the present Law as activities of a broker-dealer company or other activities except for the ones referred to in Article 147 of the present Law (Article 148);
- 4) should it not organise the information system according to Article 152 of the present Law (Article 152);
- 5) should a member of the management or the supervisory board be appointed or elected without the consent given by the Securities Commission to appointment of that individual (Article 159);

6) should it change the articles of association, business rules, quotation and listing rulebook or tariff booklet without previously obtaining the consent from the Securities Commission (Article 161);  
7) should it commence conducting the activity for which it obtained the licence, prior to filing such activity in the court registry (Article 162);  
8) should it fail to act in the manner and within the terms specified by Article 165, paragraphs 4 and 5 of the present Law;  
9) should it violate the principle of equality of stock exchange members (Article 166);  
10) should it not determine the exchange rate of the securities traded at the stock exchange and should it fail to deliver it to the Securities Commission daily (Article 173);  
11) should it not publish the exchange rate according to Article 174 of the present Law (Article 174);  
12) should it not allow the authorised individual from the Securities Commission to supervise its operations (Article 182);  
13) should it not furnish the Securities Commission with the business report, according to Article 185 of the present Law (Article 185).  
The person in charge employed with the stock exchange shall also be punished for committing commercial violation referred to in paragraph 1 of the present Article by a fine ranging from 10,000 to 100,000 dinars.

#### Article 250

The Central Registry of Securities shall be punished for commercial violation by a fine ranging from 60,000 to 600,000 dinars:

1) should it conduct activities other than the ones referred to in Article 192 of the present Law;  
2) should it commence conducting an activity for which it obtained the licence, prior to filing such activity in the court registry (Article 200);  
3) should it not act in the manner and within the terms specified in Article 201, paragraph 3 of the (Article 201, paragraph 3);  
4) should it fail to protect the information system and available data according to article 209 of the present Law (Article 209);  
5) should it appoint or elect a member of the management or the supervision board without the consent of the Securities Commission to that election, or should it change the articles of association, business rules or tariff booklet of the Central Registry of Securities without prior consent of the Securities Commission (Article 211);  
6) should it not allow the authorised individual from the Securities Commission to supervise operations of the Central Registry of Securities (Article 212);  
7) should it fail to furnish the Securities Commission with business reports, and should it fail to publish annual business report in conformity with the decision of the Securities Commission (Article 214).

The person in charge employed with the Central Registry of Securities shall also be punished for committing commercial violation referred to in paragraph 1 of the present Article by a fine ranging from 10,000 to 100,000 dinars.

#### Article 251

A legal entity shall be punished for a commercial violation by a fine ranging from 60,000 to 600,000 dinars:

- 1) should it publicly announce an offer for sale of securities, other financial instruments, debt documents, money deposit or savings or equity participation of closed companies referred to in Article 3, paragraph 1, sub-paragraphs 1 through 5 of the present Law;
  - 2) should it conduct activities of a broker-dealer company without a licence for conducting such activities (Article 84, paragraph 3);
  - 3) should it use the name broker-dealer company, broker, investment consultant or portfolio manager, or words with derived meaning, in legal transactions contrary to Article 104 of the present Law (Article 104);
  - 4) should it conduct activities of a custody bank without a licence for conducting custody bank activities (Article 141, paragraph 1);
  - 5) should it use the name custody bank in legal transactions contrary to Article 143, paragraph 5 of the present Law (Article 143, paragraph 5);
  - 6) should it organise trade of securities and financial derivatives without a license for stock exchange operations (Article 146, paragraph 4);
  - 7) should it use the name stock exchange in legal transactions contrary to Article 163 of the present Law (Article 164);
  - 8) should it act contrary to the provisions of the present Law on prohibition of manipulative practice (Article 180);
  - 9) should it act contrary to the provisions of this Law on prohibition of spreading false information (Article 181);
  - 10) should it contrary to the provisions of this Law, perform operations referred to in Article 192, paragraph 1 of the present Law (Article 192, paragraph 1);
  - 11) should it not allow the authorised individual from the Securities Commission to supervise its operations (Article 218, paragraph 1, sub-paragraph 4).
- The person in charge employed with the legal entity shall also be punished for committing commercial violation referred to in paragraph 1 of this Article by a fine ranging from 10,000 to 100,000 dinars.

#### Article 252

An entrepreneur and/or a natural person shall be punished by a fine ranging from 200 to 21,000 dinars for the acts referred to in Article 251 of the present Law.

### XI TRANSITIONAL AND CONCLUDING PROVISIONS

#### Article 253

The Federal Commission for Securities and Financial Market conducting activities according to the Law on Securities ("Official Gazette of the FRY", Nos. 26/95 and 59/98) shall continue to conduct activities according to the provisions of the present Law. The members of Securities Commission appointed according to regulations valid until the coming into effect of the present Law shall continue doing their tasks until new members are elected, which election shall be effected within ten months from the day of coming into effect of this Law.

The Securities Commission shall be obliged to organise and make compatible its general acts with the provisions of the present Law, within ten months from the day of its coming into effect.

#### Article 254

The Securities Commission established by the present Law shall take over - as legal successor - the rights and obligations of the Federal Commission for Securities and Financial Market, on the day this Law comes into effect.

The Securities Committee established by the present Law shall take over funds, archive, documentation and employees of the Federal Commission for Securities and Financial Markets.

#### Article 255

Proceedings already instituted with the Federal Commission for Securities and Financial Markets until the day of implementation of this Law, shall be completed pursuant to the Law on Securities ("Official Gazette of the FRY", Nos. 26/95 and 59/98), and the Law on Stock Exchanges, Stock Exchange Operations and Stock Exchange Intermediaries ("Official Gazette of the FRY", No. 90/94).

#### Article 256

The stock exchange founded pursuant to the Law on Stock Exchanges, Stock Exchange Operations and Stock Exchange Intermediaries ("Official Gazette of the FRY", No. 90/94) shall continue to operate in conformity with the present Law, and shall be obliged to organise itself, and adjust the amount of its fixed capital, its general acts and business activities to that Law, within ten months from the day of its coming into effect, at the latest.

The Securities Commission shall revoke the working license to and start liquidation process of a stock exchange that does not act in the manner prescribed by paragraph 1 of the present Article.

#### Article 257

Stock exchange intermediaries established pursuant to the Law on Stock Exchanges, Stock Exchange Operations and Stock Exchange Intermediaries ("Official Gazette of the FRY", No. 90/94) shall continue to operate in conformity with this Law, and shall be obliged to adjust its organisation, general acts and activities according to the provisions of that Law, within ten months from the day of its coming into effect, at the latest.

Stock exchange intermediaries referred to in paragraph 1 of this Article shall be obliged to adjust the amount of fixed capital to the provisions of the present Law, within nine months from the day of its coming into effect, at the latest.

The Securities Commission shall revoke the working license for conducting broker-dealer company operations, to a stock exchange intermediary that fails to act as

prescribed in paragraph 1 of this Article, and shall institute the proceedings of its liquidation.

#### Article 258

The Securities Commission shall file persons that became brokers pursuant to the Rulebook on Providing Conditions for Financial Market Functioning ("Official Gazette of the FRY", Nos. 2/96, 8/98 and 63/98) in the registry of individuals holding the licence to conduct broker activities.

#### Article 259

Authorised banks engaged in trading in securities in conformity with the Law on Stock Exchanges, Stock Exchange Operations and Stock Exchange Intermediaries ("Official Gazette of FRY", No. 90/94), shall continue to perform such transactions in conformity with the present Law, and shall be obliged to organise and coordinate their general acts and affairs according to the provisions of that Law, within ten months from the day of its coming into effect, at the latest.

Authorised banks that fail to act in the manner prescribed by paragraph 1 of this Article shall not be engaged in securities trade pursuant to this Law.

#### Article 260

According to the provisions of the present Law, the Central Registry of Securities shall be founded as a joint-stock company before January 1, 2004.

Until the establishment of the Central Registry of Securities referred to in paragraph 1 of this Article, the National Bank of Yugoslavia shall conduct all operations regarding registration, depositing, clearing and balancing of securities prescribed by this Law.

All legal entities, agencies and organisations keeping books or registries of securities on their own, shall be obliged to provide the National Bank of Yugoslavia with data regarding the lawful possessors of securities, within 60 days from the day this Law comes into effect.

The Central Registry of Securities established hereby shall take over, as of the day of its establishment, the securities registry and depot as well as documentation related to registration, depositing, clearing and balancing of securities and equipment and the information system of the National Bank of Yugoslavia, as well as the employees of the National Bank of Yugoslavia performing such activities until the day of the establishment of that Registry.

#### Article 261

Issuers that have issued securities prior to the day of coming into effect of this Law shall meet their liabilities arising from such securities according to the decision on their issuance.

Shares issued prior to the day of implementation of this Law shall be considered as shares issued by public offer.



A joint-stock company that has issued the shares specified in paragraph 2 of the present Article shall be obliged to coordinate its business operation with the present Law, within one year from the day of its coming into effect.

#### Article 262

The issuer shall be obliged to dematerialise materialised securities issued prior to the day this Law comes into effect, within two years from the day of establishing the Central Registry of Securities according to the provisions of this Law, and to cancel and declare void the issued materialised securities and/or certificates that are being dematerialised. The decision on dematerialisation of securities shall be rendered by the body of a legal entity in charge thereof, and this decision shall be forwarded to the Central Registry of Securities.

The issuer shall publish the decision referred to in paragraph 2 of this Article in at least two daily newspapers sold in the entire territory of the Federal Republic of Yugoslavia, within 15 days from its enactment, at the latest.

The issuer shall be obliged to invite all the owners of materialised securities to hand them in to the Central Registry of Securities by the decision referred to in Paragraph 2 of this Article, for the purpose of exchanging them for dematerialised securities, and shall specify the time limit for such exchange, which shall neither be shorter than 30 days nor exceeding 90 days from the day the decision has been made public.

On the day the decision referred to in paragraph 2 of this Article was published, securities that decision applies to shall no longer be valid as securities and shall become identification documents serving to exercise the right to exchange.

The Central Registry of Securities shall prescribe in detail the procedure of exchanging materialised securities for dematerialised ones in its business rules.

#### Article 262a

Provisions of the present Law on trading of securities at the organised market and on offers for taking over of shares shall not apply:

1) to the transfer of ownership without consideration, issued by banks, from the State Union Serbia and Montenegro to the Republic of Serbia on the ground of the Law on Regulating the Relations between the Federal Republic of Yugoslavia and entities and banks from the territory of the Federal Republic of Yugoslavia that are original debtors or guarantors to the Paris and London Clubs creditors ("Official Gazette of the FRY", Nos. 36/2002 and 7/2003);

2) to the trade of shares issued by banks where legal possessor of such shares is the Republic of Serbia, on the ground of the Law on Regulating the Relations between the Federal Republic of Yugoslavia and entities and banks that are original debtors or guarantors to the Paris and London Clubs creditors ("Official Gazette of the FRY", Nos. 36/2002 and 7/2003), and the Law on Regulating the Public Debt of the Federal Republic of Yugoslavia on the ground of the foreign currency savings of citizens ("Official Gazette of the FRY", No. 36/2002);

3) to the trade of shares issued by banks, where the possessor of such shares is the Republic of Serbia on the ground of conversion of claims into capital assets;

4) to the trade of shares issued by banks where such trade is effected within the procedure of converting into money of the property of bankrupt and/or wound-up banks, in which the function of official receiver is performed by the Agency for the Security of Deposits, Financial Rehabilitation, and Winding-up of Banks.

The Government of the Republic of Serbia shall regulate details of the procedure and the way of trading of securities referred to in paragraph 1 of the present Article.

#### Article 263

Regulations for the implementation of the present Law shall be enacted within ten months from the day of its coming into effect.

#### Article 264

As of the day the present Law comes into effect, the Law on Securities ("Official Gazette of the FRY", Nos. 26/95 and 59/98), and the Law on Stock Exchanges, Stock Exchange Operations and Stock Exchange Intermediaries ("Official Gazette of the FRY", No. 90/94) shall no longer be effective.

#### Article 265

The present Law shall come into effect on the eighth day from the day of its publishing in the "Official Gazette of the FRY", and shall be applied after the expiry of ten months following the day of its coming into effect.

Independent Article of the Law on Amending the  
Law on the Market of Securities and other Financial Instrument

("Official Herald of the RS", No. 57/2003)

#### Article 2

The present Law shall come into effect on the day following the day of publishing in the "Official Herald of the Republic of Serbia".

Independent Article of the Law on Amending the  
Law on the Market of Securities and other Financial Instrument

("Official Herald of the RS", No. 55/2004)

#### Article 2

The present Law shall come into effect on the eighth day from the day of publishing in the "Official Herald of the Republic of Serbia".

