

## **INFORMATION FOR THE CLIENTS**

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on investment and additional services of the Authorized Bank

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## 1. DATA ABOUT THE AUTHORIZED BANK

Authorized Bank Komercijalna banka AD Belgrade registration number: 07737068, tax identification number: 100001931, has a permit for provision of investment and additional services on the basis of the Decision of the Securities Commission No. 5/0-46-2006/5-12 of 27.09.2012.

Investment services are carried out in the Authorized Bank's headquarters and in the branches in the branch network of Komercijalna banka AD Belgrade authorized to perform the operations that involve securities (hereinafter: Authorized Branches).

Address of the Authorized Bank's headquarters: Trg Politika 1, 11000 Belgrade,  
Webpage: [www.kombank.com](http://www.kombank.com),  
Telephone: +381 11 333-90-31, 333-90-33, 333-90-57,  
E-mail: [brokeri@kombank.com](mailto:brokeri@kombank.com).

Internal documents of the Authorized Bank, telephone numbers and a list of Authorized branches are posted on the Bank's webpage ([www.kombank.com](http://www.kombank.com)) in the section Securities → broker-dealer operations, in Serbian and English.

Authorized Bank is a member of:

Belgrade Stock Exchange,  
Address: Omladinskih brigada 1, 11070 Novi Belgrade,  
Webpage [www.belex.rs](http://www.belex.rs),  
Telephone: +381 11 311-72-97,  
E-mail: [info@belex.rs](mailto:info@belex.rs);

Central Securities Depository and Clearing House (hereinafter: SDCH),  
Address: Trg Republike 5, 11000 Belgrade,  
Webpage: [www.crhov.rs](http://www.crhov.rs),  
Telephone: +381 11 333-13-80,  
E-mail: [office@crhov.rs](mailto:office@crhov.rs);

Deposit Insurance Agency – Investor Protection Fund,  
Address: Knez Mihajlova 2-4, 11000 Belgrade,  
Webpage: [www.aod.rs](http://www.aod.rs),  
Telephone: +381 11 207-51-00,  
E-mail: [info@aod.rs](mailto:info@aod.rs);

Body authorized to grant a license for provision of investment and additional services is the Securities Commission (hereinafter: SC),

Address: Omladinskih brigada 1, 11070 Novi Belgrade,  
Webpage: [www.sec.gov.rs](http://www.sec.gov.rs),  
Telephone: +381 11 311-51-18, 260-37-74,  
E-mail: [office@sec.gov.rs](mailto:office@sec.gov.rs)

## 2. INFORMATION ABOUT THE SERVICES THAT THE AUTHORIZED BANK PROVIDES

Types of tasks that the Authorized Bank performs on the basis of the SC's license for provision of investment services and activities include:

- receipt and transfer of orders that relate to the sale and purchase of financial instruments or recall of an order;
- executing the order for the client's behalf;
- trading for one's own account;
- Sponsorship services regarding the offer and sale of financial instruments with the obligation of a repurchase;
- Services regarding the offer and sale of financial instruments without the obligation of a repurchase.

Authorized Bank performs these investment services in the local and foreign markets. When providing services of execution of orders for the client's account in foreign markets, the Authorized Bank transfers the orders for execution to the foreign partner with whom it has signed a special contract.

Authorized Bank provides also additional services that relate to:

- storing and administering financial instruments for the client's account, including the storing of instruments and services related to that, such as administering funds and collaterals;
- approving loans to investors so that they could perform transactions using a single or more financial instruments when the lending institution is involved in the transaction;
- advice to institutions regarding the capital structure, business strategy, merging and purchase of an institution, etc.;
- foreign exchange operation services related to the provision of investment services;
- research and financial analysis in the area of investment or other forms of general recommendations regarding the financial instruments transactions;
- services related to sponsorship;
- investment services and activities, as well as supplementary services that relate to the grounds for the derivative financial instrument (options, futures, swaps, interest forwards and other derivatives in accordance with the LCM), with relation to the provision of investment services and activities, as well as supplementary services.

### **3. COMMUNICATION WITH THE CLIENT**

Authorized Bank communicates with the clients verbally and in writing, in the Serbian language.

In case the client requests communication in English, the relevant documentation that the client exchanges with the Authorized Bank is prepared bilingually. In case of discrepancy in the provisions of the contract in Serbian and English, contract provisions in the Serbian language will prevail.

Communication is carried out in the manner most convenient for the client and notifications are delivered in the manner the client has chosen when establishing a business association. The client may always, in writing, request a change in the contact data or previously selected manner of communication.

Authorized Bank may record or note communication with the client in another manner, which the client must be particularly warned of.

Written communication is maintained via post, fax, email, internet application or in another appropriate electronic form.

Clients are obliged to inform the Authorized Bank of each change in the data important for unhindered operation of the established form of communication or the change in the manner of communicating.

Authorized Bank publishes the contacts on the Bank's webpage, [www.kombank.com](http://www.kombank.com).

All information, including marketing information, that the Authorized Bank sends to its known and/or potential clients must be true and clear and all marketing material must be clearly marked so that the clients can understand the nature and risks of investment services and the type of financial instrument that is offered so that they may pass an adequate decision about the investment.

### **4. MANNER OF ISSUING THE ORDER**

Authorized Bank may receive the client's orders issued:

- in writing (directly);
- Through the platform for issuing electronic orders – application Kombank Trader;
- Email or fax (submitting a copy of signed order with the obligatory delivery of the original);
- telephone;
- Other electronically protected services (SWIFT, Bloomberg, Reuters ...).

Client issues an order in writing directly in the Authorized Bank's headquarters and the Authorized Branches. The order is issued by signing the form. Authorized Bank receives the issued and signed order, on condition that the data about the client in the order are identical to the data provided in the process of previous identification. If the data provided in the order differ from the available ones, the Authorized Bank will not accept the order until the client provides the

documentation on the basis of which the real identity will be established, in accordance with the changes that have occurred.

In the case of receiving the order electronically, the client is obliged to adhere to the Use Manual for orders that are issued via the Kombank Trader application, available on the Bank's webpage [www.kombank.com](http://www.kombank.com).

For orders issued by fax or email, originals must be submitted within the shortest possible period.

Telephone number for issuing the order by telephone can be found on the Bank's website [www.kombank.com](http://www.kombank.com).

For receipt of order by telephone, the Authorized Bank ensures:

- reliable and safe recording and storage of recorded telephone calls/conversations;
- identification of the exact time the order was received (date, hour and minute);
- identification of the telephone number the order is issued from;
- correct identification of the client issuing the order.

User manual for issuing the order by telephone can be found on the Bank's website [www.kombank.com](http://www.kombank.com).

In case an order is issued by the authorized person or a representative, that person must prove their authorization for issuing such an order.

Authorized Bank does not bear any responsibility for cases where there is a possibility of potential abuse of authorization, regardless of the above listed manner of issuing an order.

## 5. PROTECTION OF THE CLIENT'S ASSETS

Client's assets – financial instruments and cash are maintained separately from the Bank's assets, in special accounts.

These assets are not the Bank's property, are not included in its property or liquidation or bankruptcy estate and may not be subject to execution regarding the receivables from the Bank.

The bank maintains the records and accounts in the manner that allows for the assets that it holds for a single client to be separated, without delay, from the assets of other clients and the Bank's property.

The Bank holds the client's financial instruments on the CSDCH's account and may hold them at third parties also – on its own behalf but for the client's behalf.

Authorized Bank is responsible only for actions or omissions of its employees and is not responsible to the client for actions or omissions of third parties that are involved in the process of executing the transaction.

In order to protect its clients' assets, the Authorized Bank:

- maintains precise and accurate records of the client's accounts, assets and transactions;
- regularly brings the records it maintains into compliance with the records, accounts and account balances of third parties that hold the client's assets;
- maintains records and accounts in a manner that allows for the assets it holds for one client to be separated, without delay and at any moment, from the other clients' assets and from the Bank's property;
- the account of the Bank's financial instruments at the SCDCH is maintained separately from the financial instruments accounts of its clients;
- implements measures that reduce to the lowest possible level the operational risk of loss or decrease in the client's assets or the rights related to those assets.

Authorized Bank may not:

- pledge or alienate financial instruments owned by the client, without the client's prior written authorization;
- use the client's financial instruments to pay its liabilities or other clients' liabilities;
- incite the clients to frequently perform the transactions exclusively for the purpose of collecting the commission.

When selecting a foreign depository in whose accounts the client's financial instruments and cash will be held, the Authorized Bank is obliged to:

- pay special attention about the depository's competence and reputation in the market;
- check the regulations that apply to the depository which regulate, in the depository's country, the holding of financial instruments for another person's behalf;

- periodically revises the selection of a depository and the agreed arrangements for holding and keeping the client's financial instruments.

Exceptionally, the Authorized Bank may deposit the clients' financial instruments at a depository in a country where holding and keeping financial instruments for another person's behalf are not specially regulated, only if the nature of the financial instrument or investment service related to this instruments requires depositing at a depository in that country.

## 6. INVESTOR PROTECTION FUND

Investor Protection Fund, that the Bank is a member of, performs an activity for the purpose of protecting the clients of Authorized Bank whose funds or financial instruments are exposed to risk in case the Bank is subject to bankruptcy proceedings or when the SC identifies that the bank is not in a position to meet its due liabilities to the clients, including the cash it owes to clients and financial instruments it keeps for the client's behalf and it is not likely that the circumstance will significantly change in foreseeable future.

Investor Protection Fund secures the investor's receivables, the receivables of the clients of the Authorized Bank who entrusted their money and/or financial instruments for the purpose of providing certain investment or additional services.

Authorized Bank's clients' receivables secured by the Investor Protection Fund relate to:

- cash receivables in dinars that the Authorized Bank owes to the client or that belong to the client, generated as the result of performing investment and/or additional services;
- receivables for returning the financial instruments that belong to the Authorized Bank's client and that the Bank keeps for the client's behalf.

Receivables are insured up to the amount of 20,000 euros in dinar equivalent per a bank's client.

The amount of receivables is calculated on the day the bankruptcy proceedings are initiated i.e. on the date the decision of the SC is passed which establishes the circumstances that the Bank is not in a position to meet its liabilities to the clients, including the cash funds it owes to clients and the financial instruments that it keeps for the client's behalf. However, all the legal and contractual provisions are taken into consideration, particularly the counter receivables.

Value of the financial instrument or the amount paid in lieu of the return on the financial instrument that the Bank is not in a position to repay or return is established, where possible, by reference to the market value of the financial instrument.

Authorized Bank, as an entity whose membership of the Fund is obligatory, does not consider the following entities to be clients whose receivables are protected by this protection system, regardless of the country of headquarters:

- investment companies;
- credit institutions;
- other financial institutions whose operation has been approved or is supervised by the appropriate supervisory body (insurance companies, collective investment institutions and their management companies, pension funds and their management companies, commodity exchange dealers, as well as other persons supervised by the competent body);
- republic, autonomous provinces and local self-governance units, as well as other states or national and regional bodies, NBS and central banks of other countries, international and supranational institutions, such as the IMF, European Central Bank, European Investment Bank and other similar international organizations;
- legal entity or private individual that owns more than 5% of voting shares or equity of the Bank, that is unable to meet its obligations, 5% or more voting shares or equity of the company that is closely related to the Bank, as well as their family members or third parties that act for their behalf;
- members of the Bank's Board of Directors who are unable to meet their obligations, if they are in that position on the day bankruptcy proceedings against the Bank have been initiated i.e. on the date the decision of the Commission on establishing the receivables is released or during the current or previous financial year, as well as their family members or third parties that act for their behalf;
- clients, auditors and employees of the Bank responsible for the occurrence of the receivables that resulted in financial difficulties.

The right to receivables does not relate to the funds of the Banks' clients:

- secured by the law that regulates the protection of deposits in credit institutions for the purpose of protecting

those persons in case the deposit is unavailable;

- derives from the transactions with reference to which the client has been convicted with a final court decision for a criminal offence, commercial misdemeanor or a misdemeanor of money laundering and terrorism financing;

In case there is doubt that the client's receivables derive from a transaction related to money laundering and terrorism financing, the Fund may terminate all payments until a court decision is passed.

## **7. BRIEF DESCRIPTION OF MEASURES FRO MANAGING THE CONFLICT OF INTEREST**

Rules of Operation define the forms of the conflict of interest and specify the measures aimed at preventing the conflict of interest.

Conflict of interest may arise between:

- the Bank's interest and/or the interest of the relevant person i.e. persons directly or indirectly related to them, on the one hand and the client's interest on another;
- mutually different interests between the Authorized Bank's clients.

When identifying the conflict of interest, as a relevant circumstance, a situation is taken into consideration where the Bank and/or the relevant person or persons related to them:

- may have a financial gain or avoid a loss to the detriment of the client by using insider information or disclosing it to third parties;
- trade for and on their own behalf by using insider information;
- have an interest in the outcome of the task performed for the client or the transaction executed for the client's behalf which are different from the client's interests;
- have financial or some other motive to favor the interests of another client or a group of clients, to the detriment of other clients' interests;
- as well as situations where:
  - a) the business activity of the Bank and/or relevant person or persons related to them is the same as the client's business activity;
  - b) there is a link in ownership between the Bank and the relevant person and persons related to them with the persons who are the client's market competitors;
  - c) the Bank and/or the relevant person receive or will receive an additional fee or incentive in the form of money, commodity or services for the task performed by the client, other than the usual commission or fee for that task;
  - d) Authorized Bank provides services of investment consulting and/ or portfolio management and also recommends investment and/or invests into financial instruments issued by the Bank;
  - e) execution of personal transactions is not in line with the Rules i.e. they are executed contrary to the legal bans intended for execution of personal transactions.

In cases when the provisions of the Rules of Operation that regulate the management of the conflict of interest are not sufficient in order to reasonably ensure the prevention of the conflict of interest with a risk for the client, the Authorized Bank is obliged to inform the client about the type and source of the conflict of interest before the task is executed or the transaction is performed on their behalf.

Notification from the previous paragraph must contain enough information on the basis of which the client will be in a position to pass a decision regarding service within which the conflict of interest arises.

In case the client assesses that the possibility of occurrence of the conflict of interest is probable and that it may damage their financial interest, they may stipe a business association at any moment, in accordance with the contract.

## **8. FINANCIAL INSTRUMENTS**

Financial instruments include:

- negotiable securities;
- money market instruments;
- units of collective investment institutions
- derivative financial instruments.

### **Negotiable securities**

are those financial instruments that may be traded in the capital market, except for the payment instruments and include in particular:

- shares;
- bonds;
- deposits certificates that relate to shares or bonds;
- derivative financial instruments – financial derivatives;
- other financial instruments specified in the regulations.

### **Shares**

are dematerialized proprietary securities issued by a joint-stock company. A joint-stock company is a company whose fixed capital is divided into shares held by one or more shareholders and which do not have a maturity date. Shares may be:

- ordinary,
- preferred.

### **Bonds**

are debt, negotiable and dematerialized financial instruments issued by governments, municipalities, banks and companies. With the issue of bonds the issuer is obliged to pay to the owner or the holder of the bonds a certain amount (interest and principal) in the manner and in accordance with the terms under which the bond was issued.

Distribution of bonds may be done on different criteria and characteristics and they are most often divided in the following manner:

- 1) According to the issuer:
  - Government – issuer is the government i.e. the ministry or the treasury;
  - Municipal – the issuer is a municipality;
  - Corporate – the issuer is a company;
- 2) According to interest rate:
  - Bonds without the payment of interest (coupon);
  - Bonds with fixed interest rate (coupon);
  - Bonds with variable interest rate (coupon);
- 3) According to the repayment of principal:
  - Bonds with a one-off maturity of principal – issuer pays the principal at maturity;
  - Bonds with amortized repayment of principal.

Bonds may be issued in different currencies (in accordance with the applicable regulations). They may be of different maturity and may be unguaranteed or guaranteed (with e.g. surety).

### **Money market instruments**

are financial instruments (short-term debt instruments) that are usually traded in at money market, such as treasury notes, bank commercial notes and corporate commercial notes and deposits certificates, except for the payment instruments, whose maturity is shorter than one year.

### **Collective investment institutions' units**

are a form of investment into collective investment institutions within which money is collected and invested into different type of assets with the aim of realizing profit and reducing the risk of investment. Open investment funds do not have the capacity of a legal entity and they are managed by professional managers – companies for managing investment funds. Individual investors' stakes are converted into investment units that constitute a proportionate share in the total net assets of the investment fund.

### **Derivative financial instruments**

Derivative financial instruments, that are considered complex financial instruments, include:



- options, futures, swaps, interest forwards and other derivative financial instruments, currencies, interest rates, return, as well as other derivative financial instruments, financial indices or measures that are possible to settle physically or in money;
- options, futures, swaps, interest forwards and other derivative financial instruments that relate to commodity and that:
  - 1) must be settled in money;
  - 2) may be settled in money at the choice of one of the counterparties, due to the reasons that are not related to default or termination of contract;
- options, futures, swaps and other derivative financial instruments that relate to commodity and can be settled physically, on condition that they are traded in the regulated market i.e. MTP;
- options, futures, swaps, forwards and other derivative financial instruments that relate to commodity and can be settled physically, but are not covered by the above and:
  - 3) do not have commercial purpose;
  - 4) have features of derivative financial instruments, bearing in mind, among other things, whether the clearing and netting is done in recognized clearing houses or whether they are subject to regular margin calls;
    - derivatives for the transfer of credit risk;
    - financial contracts for differences;
- Options, futures, swaps, forward rate agreements and any other derived financial instruments relating to climatic variables, freight rates, inflation rates, emission allowances or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event) as well as any other derivative financial instruments relating to assets, rights, obligations, indices and measures not otherwise mentions in this point, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTP, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

## 9. RISKS FOR CLIENTS INVESTING IN FINANCIAL INSTRUMENTS

The most important circumstances the client must pay attention to when making an investment decision on purchase or sale of a financial instrument are the investment risks. Regarding the quantification of uncertainty of investment, the risk can be defined as knowing a situation where, as the result of some decision, a range of results may arise.

Probability of each result materializing may be known or may be the subject of the client's own assessment, as is often the case (in this case the investor and/or issuer's assessment). In accordance with the law, there is an assumption that a small client, unlike a professional investor, does not have the knowledge and experience needed to assess risk related to those investment services or transactions or type of transaction or product for which they are classified as a small client.

General risks of investment into financial instruments are:

### 9.1 Country risk

Country risk is conditioned by the national economy's rating in the world and includes:

- Sovereign risk – risk of absence of the capacity and/or will to repay the country's due debt;
- Political risk – risk of unexpected political changes or instability in the country. Source of instability may be the change of government, regulatory bodies and/or other political subjects;
- Economic or state of the market risk – risk of the loss of value of a financial instrument due to recession of the local economy;
- FX risk – risk of a change in the exchange rate. Change in the exchange rate may affect the return (decrease or increase it) on investment in a foreign currency;
- Inflationary risk – risk of a decrease in value of a financial instrument due to an increase in the general price level (inflation);
- Risk of a change in legal/tax regulations – risk of a significant change in the legal and/or tax regulations and/or the framework of operation of a company in a manner that adversely affects the profitability of investment in financial instruments and the investor's position;
- Risk of transfer of capital – risk of a ban on the transfer of capital out of a country.

### 9.2 Issuer risk

Issuer risk has been caused by the factors that are directly linked to a certain legal entity that issues financial instruments, and it comprises the following risks:

- Credit risk – risk of drop or complete loss of value of the financial instrument due to the worsening of the creditworthiness, credit rating or the opening of bankruptcy procedures over the issuer;
- Industry risk – risk of significant negative change of business operation framework of the issuer with respect to competition, technology, standard and similar;
- Managerial risk – risk of inefficient and destructive management structure of the issuer which negatively impacts their success;
- Operational risk – risk of loss arising from inadequate or wrong business processes of the business subject, human error and internal systems in the performance of business activities as well as external events. It includes the risk of malfunction of information systems, the risk of interruption of communication links between the service provider, clearing house, trading platform, natural disasters, fraud;
- Risk of non-payment of dividend- risk that the shareholding company will not pay the dividend which depends on the decision of the shareholders' assembly and of the business operation of the shareholding company;
- Environmental risk – risk of adverse effect on the environment due to the company's business activities.

### 9.3 Financial instrument risk

Financial instrument risk is conditioned by the characteristics of certain financial instruments that include:

- Liquidity risk – risk of insufficiently quick possibility of purchase or sale of a financial instrument in the secondary capital market without the significant loss of value due to its reduced attractiveness or inefficiency of the market;
- Market risk – risk of a change in value (increase or decrease) of a financial instrument due to daily changes in their market prices;
- Market psychology risk – risk of a change in the value of a financial instrument due to speculative activities of large investors i.e. large corporate shares on the stock-exchange;
- Risk of change in interest rates – risk of a reduction in the value of a financial instrument due to a change in the level of interest rates in the market compared to the interest rate/return on that instrument;
- Counterparty risk – risk of a certain contracting party/subject that another contracting party/subject will not be able to meet its contractual obligations. Sometimes this type of risk is also called risk of bankruptcy;
- Netting risk – risk that netting of a transaction with a financial instrument will be hindered or completely impossible, that the counterparty will not deliver that financial instrument or will not honor its monetary obligation arising from the transaction;
- Reinvestment risk – risk that the future gains from a certain financial instrument will be invested at a lower return or lower interest rate than the one the financial instrument has;
- Timing risk – risk of missing out on favorable changes in the price of a financial instrument due to wrongly selected moment for the purchase or sale of a financial instrument;
- Financial leverage risk – risk of financing the purchase of financial instruments via a loan. Independently of the type of assets where the source of investment was obtained through borrowing, an investment contains in it an increased risk of loss. Namely, the investment's profitability does not affect the obligation to repay the debt but may even increase it in a certain number of cases. On the other hand, the cost of such financing directly decreases the return on investment.

### 9.4 Risk of investment in shares

The level of risk at investing in shares depends on rights which shares ensure to the holder, on creditworthiness of the issuer, and on general situation on the capital market

Except for the above stated general risks, risks especially related to shares are the following:

- Credit risk –in case of bankruptcy or liquidation of a joint stock company, ordinary shareholders are the last on the list when it comes to distribution of remaining assets (after all creditors have been settled from the bankruptcy /liquidation estate). Consequently, the value of shares of the concerned joint stock company can be significantly reduced or shares may lose value which might result in total loss of the investment for the investor;
- Market risk – the share price or the market value of a share, that is formed at the stock exchange depending on the supply and demand, may fluctuate significantly, particularly in the short term, bearing in mind that this price might be affected by a range of local and international factors, such as e.g. results of operation of the joint-stock company, expectations related to future operation as well as the general economic and political environment;

- Liquidity risk – as a rule, shares are traded in organized markets (stock exchanges) and their price is formed on the basis of supply and demand. If the supply and/or demand for a certain share decreases significantly or completely vanishes (this, as a rule, happens during market disturbances, crises, etc.) marketability of those shares will also decrease fast enough and without a significant loss in value and in extreme cases the shares may become completely unmarketable. Generally, shares included in the lower levels of stock-exchange quotation are less liquid than the shares included in higher levels;
- Risk of unpaid dividend – the risk that a joint-stock company will not pay out dividend, depending on the decision of the joint-stock company's annual general meeting and the operation of such a company.

One should bear in mind that occurrence of one and/or more of the above listed risks may cause great loss for the client, even the loss of the whole investment.

### **9.5 Risk of investment in bonds**

- Credit risk – is the probability that the issuer of bonds will be unable to settle their due liabilities on the basis of an issued bond. This risk occurs in case of insolvency i.e. In case the issuer goes bankrupt. That is why the investor must assess the issuer's creditworthiness and accordingly adjust their yield expectations. Generally, the worse the issuer's creditworthiness, the higher the demanded yield will be and vice versa. Therefore, highest rating bonds, and therefore the highest security (and lowest yield), as a rule, are the government bonds, then municipal bonds, then corporate;
- Risk of a change in interest rates – probability of change in the interest rate in the market, compared to the interest rate on a bond. Change in the interest rates in the market is in reverse proportion to the change in the price of a bond. For example, if an interest rate in the market increases by more than the interest rate on a bond, the price of bond will decrease and vice versa. The more and the longer the interest rate on a bond departs from the market interest rate, the effect on the price of bond will be more pronounced. This risk is most evident at bonds without the interest payout (coupon). It is somewhat less pronounced at bonds with fixed interest rate and is the least pronounced at bonds with variable interest rate. Bonds with longer maturity will be more exposed to the risk of a change in interest rates than the bonds with shorter maturity;
- Exchange rate risk – probability that the value of bonds denominated in one currency or with a currency clause, but expressed in another currency will decrease due to a change in the exchange rate of those currencies. For example, dinar equivalent of investment in bonds in euros with a currency clause will decrease if the EUR/RSD exchange rate decreases and vice versa;
- Market risk – risk of a decrease in the market value (price) of a bond due to usual periodic trends in the supply and demand in the capital market. Supply and demand, and consequently the price of a bond, may for example be affected by the change in the credit rating (creditworthiness) of the issuer, change in interest rates, probability of early repurchase of a bond by the issuer, etc.;
- Liquidity risk – is the probability that the investor will quickly and/or without great loss of value be able to purchase or sell a bond. Liquidity of bonds depends on the issuer, the total volume of the issue, remaining time to maturity, diversity and number of bond holders, general market conditions, etc. Given that the supply and demand condition the liquidity, there is no guarantee that the investor will be able to purchase or sell a certain bond at a desired moment.

### **9.6 Risk of investment in money market instruments**

A client who invests in money market instruments is exposed to all general risks of investment into financial instruments. However, particular attention should be paid to the assessment of the following risk:

- Credit risk – probability that the issuer of the money market instrument will not be in a position to settle their due liabilities that arise from the instrument. This probability will be higher the lower/worse the issuer's credit rating or creditworthiness is. The higher the credit risk the higher the risk premium should be and, consequently, the yield on the financial instrument that the investor expects;
- Liquidity risk – for money market instruments, as a rule, there are no organized (regulated) secondary markets so they are most often kept till maturity. If the investor wants to sell such an instrument, there is no guarantee that they will manage to that quickly and without a significant loss of value;
- Exchange rate risk – probability that the value of a financial instrument denominated in one currency or with a currency clause, but expressed in another currency, will decrease due to a change in the exchange rate of those currencies. For example, dinar equivalent of investment in a T-bill in euros with a currency clause will decrease if the EUR/RSD exchange rate decreases and vice versa.

## **9.7 Risk of investment into derivative financial instruments**

Apart from general risks, the most significant investment risks are:

- Position risk (type of market risk) – risk of loss due to the change in the price (increase or decrease) of a financial instrument or in case of a financial instrument that is derived from the change in the price of that variable;
- General position risk - risk of loss from the change in the price of financial instrument due to a change in the level of interest rates or major changes in the equity market, irrespective of any specific characteristic of that financial instrument;
- Specific position risk – risk of a loss as the result of a change in the price of a financial instrument due to the facts that relate to the instrument issuer or, in case of a derivative financial instrument, due to the facts that relate to the issuer of the underlying financial instrument;
- Netting risk – includes also the counterparty risk – risk of loss from the default of the counterparty;
- Exchange rate risk – risk of a loss that arises from the change in the currency exchange rate;
- Commodity risk – risk of loss arising from a change in the price of goods;
- Credit risk – risk of loss arising from a default on financial liability;
- Liquidity risk – risk of a loss arising from the existing or expected inability of an investment company to settle its financial liabilities at maturity.

## **10. RISK FOR THE ISSUERS OF FINANCIAL INSTRUMENTS**

Risks for the issuers of financial instruments are the most important circumstances the client needs to pay attention to when passing a decision on using the services of offer execution or the sale of financial instruments with or without an obligation to repurchase:

- FX risk – risk of increase or decrease in the value of liabilities on the basis of the issued financial instrument in a foreign currency, expressed in the local currency;
- Risk of a change in interest rate – risk of increase or decrease in market yields/interest rates compared to the yields/interest rate the issuer pays for the issued financial instruments (the so called cost of financing);
- Reputation risk – risk of adverse effect of an event or activity of a company on the reputation of a company (e.g. failure of an issue of a financial instrument, inability to pay the interest and/or the principal of the financial instrument, failure to observe the law regarding the notification of the shareholders and the public).

## **11. DIVERSIFICATION**

Over time, diversification has proven to be a manner of successful balance between the risk of investment and realized yield. Diversified investment is an investment in different types of financial products of different risk that, as a result, carries different yield rates (interest).

Own (personal) property (investment, savings) that is diversified (combined) in deposits, life insurance, investment funds, bonds and shares helps reduce the total risk of investment as one type of an investment at a certain moment may generate satisfactory returns, while another type of investment does not generate satisfactory returns. Certainly, diversification of investment does not guarantee full security of an investment. It only reduces the overall risk of investment.

## **12. CLASSIFICATION AND AMENDMENT TO THE CLIENT CLASSIFICATION**

Before the start of provision of investment services, Authorized Bank classifies the clients (compared to investment targets, knowledge, experience and financial position and informs them of the relevant level of protection) into:

- Small clients;
- Professional clients.

In the context of client protection, small clients enjoy the highest level of protection.

### **12.1. Small client**

Small clients are considered legal entities and/or private individuals that do not meet the criteria set for professional clients.

### **12.2. Professional clients**

Professional clients are clients that have the experience, knowledge and expertise to independently pass decisions on investments and adequately assess the real and potential risks. In accordance with the Law on Capital Market, in relation to investment services and activities, professional clients are:

- 1) Persons who, in order to engage in investment operation, are subject to approval or supervision by the competent body:
  - credit institution;
  - investment company;
  - another financial institution whose operation has been approved or supervised by an appropriate supervisory body;
  - insurance companies;
  - collective investment institutions and their management companies;
  - pension funds and their management companies;
  - commodity exchange dealers;
  - other entities whose operation is supervised by a competent body.
- 2) Legal entities that meet at least two of the following criteria:
  - total assets are at least 20,000,000 euros;
  - annual operating income is at least 40,000,000 euros;
  - Fixed capital of at least 2,000,000 euros.
- 3) The republic, autonomous provinces and units of local self-governance, as well as other countries and national and regional bodies, National Bank of Serbia and the central banks of other countries, international and supranational institutions, such as the International Monetary Fund, European Central Bank, European Investment Bank and other similar international organizations.

Authorized Bank may, at the client's request:

- treat a professional client as a small client (transfer to a higher level of protection);
- treat a small client as a professional client, on condition that they meet the necessary criteria (waiving a higher level of protection).

### **12.3. Transfer to a higher level of protection**

Transfer to a higher level of protection means transfer of professional clients into the category of small clients.

A professional client who believes that they are unable to adequately assess or manage risks that characterize a certain investment service, may request, in writing, from the Authorized Bank a higher level of protection of their interests in relation to all or an individual service, type of transaction or a financial instrument. In that case, the Authorized Bank and the Client are obliged to sign a contract or an annex to the contract that will specify the services, transactions and/or financial instruments in relation to which the client does not want to be treated as a professional client.

Professional clients are obliged to notify the Authorized Bank, in a timely manner, of all the facts that might affect the change in the client category at the Authorized Bank.

### **12.4. Waiving a higher level of protection**

A small client who wishes to be treated as a professional client may request from the Authorized Bank, in writing, a lower level of protection of their interests in relation to all or a single service, type of transaction or a financial instrument. In that case, if the legally prescribed conditions are met, the Authorized Bank will act in accordance with the client's request, by applying the following procedure:

- the client files a written request for a change in the classification where they inform the Authorized Bank that they wish to be treated as a professional client in relation to all or a certain individual investment service or transaction or for a certain type of transactions or financial instruments;
- Authorized Bank warns the client, unambiguously and in writing, about the protection of interest and the right to indemnity from the Investor Protection Fund, which they may lose in this process;
- with the signing of the Request to Change the Classification, the client states that they are aware of the consequence of the loss of a level of protection.

Before it adopts the client's request for waiving a higher level of protection, the Authorized Bank undertakes certain activities in order to check whether the client who requests to be treated as a professional client meets the set criteria.

Authorized Bank is obliged to assess whether the client has enough knowledge and experience to independently pass decisions about investments and the accurate assessment of risks related to investment. This assessment involves a check of whether the client cumulatively meets at least 2 of the following conditions:

- investor has completed the transactions in the financial markets – where a financial instrument for which the client wishes a status of a professional client is traded, with an average frequency of at least 10 transactions per quarter during the last year, in the value of 50,000 EUR;
- size of the portfolio of financial instruments, including money, exceeds 500,000 EUR in RSD equivalent;
- investor works or has worked for at least a year in the financial sector on tasks that require knowledge of investment in securities.

Authorized Bank is obliged to sign a written contract, or an annex to the contract, with the clients whose request for the status of a professional client has been approved that will specify the services, transactions or financial instruments in relation to which the client wishes to be treated as a professional client.

The client is obliged to state, on a special document that is separated from the contract, that they are aware of the consequences of the loss of the level of protection.

If the client's request has been rejected, the Authorized Bank will notify the client about the rejection in writing.

### **13. ASSESSMENT OF SUITABILITY**

Before the start and during the provision of investment counseling and portfolio management services, the Authorized Bank prepares, on the basis of the data provided to it by the client, a profile about the knowledge and experience of a (potential) client – small client in the area of investment (taking into consideration the client's nature, the nature and scope of the services, type and complexity of the product or transaction) in order to assess whether the product or the investment services that is offered to the client or that the client demands is suitable.

In case of a (potential) client – professional investor or qualified investor, the Authorized Bank may assume that they have the necessary knowledge and experience to assess risk regarding those investment services and transactions for which they are classified as a professional investor.

This profile about the knowledge and experience of a small client must contain the following data:

- key information about the client;
- type of service, transaction and financial instruments known to the client;
- nature, value and frequency of the transactions and the period they are executed in;
- client's title and current occupation;
- certain type of product or investment service the Authorized Bank offers or which the client demands.

A profile is prepared on the basis of the specified form of the Authorized Bank that is available to each client or a potential client when agreeing these services and activities.

If the Authorized Bank, on the basis of the data collected from the client assesses that a product or service are not adequate for them or, if due to the lack of the necessary data it is not possible to assess whether a product or service is adequate for the client, the Authorized Bank will warn them about it. If the client still wishes to use that investment service at their own responsibility, they must sign a Statement of the intention to use an investment service at one's own responsibility, that is part of the Questionnaire for the assessment of suitability of an investment service.

Investment services that consist solely of receipt and transfer and/or execution of orders for the client's behalf, with or without auxiliary services, may be provided even without gathering the data or making an assessment, if all of the following criteria have been met:

- a service has been provided at the client's initiative;
- the service relates to:
  - 1) shares that are included in trading at a regulated market i.e. MTP or at an equivalent market of third countries;
  - 2) money market instruments, bonds and other forms of securitized debt, excluding the bonds and securitized debt instruments that contain the derived financial instrument;
  - 3) collective investment institutions' units;
  - 4) other similar financial instruments.

The client is clearly warned that the Bank is not obliged to assess the suitability of provided or offered financial instrument or services and that, due to these reasons, the client does not enjoy the protection in accordance with the Securities Commission's Rulebook.

## **14. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS**

Apart from the usual reporting about the trends in prices, the Authorized bank will separately inform and notify a small client, in case the financial instrument is the subject-matter of a public offering that is underway and for which a prospectus has been issued, about the manner in which the prospectus is available. Also, a small client must receive sufficient information and details that relate to the guarantor and the guarantee if there is third person guarantee.

If it involves complex financial instruments that consist of two or more financial instruments, the Authorized Bank will provide to a small client an appropriate description of individual components of such an instrument so that a small client could get a picture of the mutual effect and risk of each individual instrument on total risk of investment in a complex financial instrument.

## **15. TREATMENT OF CLIENTS' ORDERS**

### **15.1. Manners of receiving orders**

Authorized Bank may receive the clients' orders that are issued:

- in writing (directly);
- electronically – through the Kombank Trader application;
- email or fax (submission of a copy of signed order with obligatory submission of the original);
- by telephone;
- through other secured services (SWIFT, Bloomberg, Reuters ...).

The client issues an order directly at the Authorized Bank's headquarters and in Banks' authorized branches. A list of authorized branches, with addresses, is posted on the Bank's webpage [www.kombank.com](http://www.kombank.com). The order is issued by signing a form. Authorized Bank accepts the issued and signed order, on condition that the data about the client in the order are identical to the data provided in the process of previous identification. If the data stated in the order are different from the available ones, the Authorized Bank will not accept the order until the client submits the documentation on the basis of which the true identity would be established, in accordance with the changes that have occurred.

In case of receipt of an order electronically, the client is obliged to adhere to the user manual for orders issued through the Kombank Trader application, available on the Bank's webpage [www.kombank.com](http://www.kombank.com).

For orders issued by fax or email, originals must be submitted within the shortest possible period. User manual for issuing orders by telephone and the telephone number for receiving the order are posted on the Bank's webpage [www.kombank.com](http://www.kombank.com).

For receipt of an order by telephone, the Authorized Bank ensures:

- reliable and safe recording and storing of recorded telephone calls/conversations;
- specification of the exact time the order is received (date, hour and minute);
- identification of the telephone number the order is issued from;
- identification of the client who issued the order.

In case the order is issued by an authorized person or a proxy, that person must prove their authorization for issuance of such an order. Authorized Bank will bear no responsibility for cases where there is a possibility of potential abuse of authorization, regardless of the above stated manners in which the order is issued.

Authorized Bank may authorize another investment company, with a contact, to receive clients' orders in its business premises on and for the account of the Authorized bank, if the following criteria are met:

- that the investment company the Authorized Bank has authorized to receive clients' orders may, in that case, use the information about the clients that the Authorized bank forwards;
- that the Authorized Bank that forwards the instruction about the client's order remains responsible for the completeness and accuracy of the data provided.

Investment company that receives an instruction about the execution of the service on the client's behalf may accept also each recommendation regarding the service or the transaction provided to the client by the Authorized Bank that is also responsible for a recommendation or advice to the client. Investment company that receives the instruction from the client or orders through the Authorized bank is responsible for execution of the service or transaction on the basis of that data or recommendations.

Authorized Bank may sign this contract if hiring another investment company:

- does not condition the collection of fees or other expenses in the amount that is higher than the fees the client would pay had the Authorized Bank provided the services to them;
- may not cause unnecessary business risks, significantly compromise the quality of internal control or prevent the supervision by the Securities Commission.

Authorized Bank may sign a contract with another investment company whereby orders from the clients of that investment company are sent to the Authorized Bank for execution, under the same terms.

## **15.2. Execution of orders**

Authorized Bank will treat the clients' orders in accordance with the provisions of the Rules, while accepting the obligation that it will always achieve execution of order under the most favorable terms, except if the client has explicitly defined the order in a different manner through freely expressed will.

Once the Authorized Bank executes the orders, in accordance with the client's explicit instructions, the order is considered to have been executed under the most favorable terms i.e. it is considered that the obligation of the Authorized Bank to achieve the most favorable outcome for the client has been met. Authorized Bank ensures up-to-date and fair execution of clients' orders according to the time the order is received and undertakes the following measures and actions:

- records the data about the receipt of order without delay;
- accepts the clients' orders in accordance with the specified documentation, unless there are circumstances that render the order unacceptable;
- delivers and executes the client's orders by time and order of receipt for similar orders and brings them to the market without delay, unless this is prevented by market conditions i.e. unless the client has defined the order in an explicitly different manner;
- transfers the client's orders by time and order of receipt and delivers an order to the partner in accordance with the technical-operational capacity, unless the client has explicitly defined this differently;
- duly and without delay records the data about delivery of orders into the market or the transfer of orders to a partner;
- duly and without delay records the data about the execution of orders for the client's behalf;
- undertakes all reasonable measures in order to ensure that all financial instruments or financial assets of the client are transferred duly and timely to the client's appropriate account;
- notifies the client, without delay, about potentially significant difficulties regarding the execution of orders;
- throughout the trading process continuously checks the acceptability and accuracy of the order, in accordance with the applicable regulations and market practice;
- notifies the client about the completed transaction.



### **15.3. Criteria of the most favorable execution of orders**

Authorized Bank is obliged to take into consideration the following criteria when determining the significance of the factors relevant for the execution of the client's orders:

- client's characteristics, including their classification into a small and professional client;
- characteristics of the client's order;
- characteristics of a financial instrument the order relates to;
- characteristics of the place of trading where the order can be executed.

Authorized Bank is obliged to undertake all the activities necessary to achieve the most favorable outcome for the client when executing the order, taking into consideration:

- the price of the financial instrument;
- expenses, speed and the possibility of execution;
- expenses and the speed of netting;
- size, type and nature of the order;
- all other circumstances relevant for the execution of orders.

The most favorable execution of order is primarily determined against the overall cost of transaction. Overall cost of transaction includes the price of a financial instrument and all the expenses directly associated with the execution, which includes the broker's fee, market fee, fee for clearing and netting the transaction and all other fees paid to third parties involved in the execution of order.

Authorized Bank will not give precedent to the market where the execution of a transaction would place an additional financial burden on the client.

### **15.4. Execution of a small client's order**

Achieving the most favorable outcome for a small client is determined by the Authorized Bank against the overall cost of transaction, speed of execution and the probability of execution.

Cost of transaction includes all expenses associated with the execution of a transaction:

- price of the financial instrument;
- all the expenses directly associated with the execution of order that are borne by the client and which include: commission, fees for the place of trading, clearing and netting, Authorized Bank and the expenses of third parties involved in the execution of orders.

### **15.5. Execution of a professional client's orders**

In order to achieve the most favorable outcome for a professional client, apart from the circumstance specified in the previous item, the Authorized Bank takes into consideration also the size and type of order, speed and the probability of the execution of a transaction, as well as all other circumstances it deems relevant in order to achieve the most favorable outcome.

## **16. PLACE OF ORDER EXECUTION**

Place of execution of an order for the purchase/sale of financial instruments may be:

- regulated market;
- multilateral trading platform (hereinafter: MTP);
- unregulated market (hereinafter: OTC market);
- foreign market that performs a function similar to the above.

If the client issues an order for a financial instrument that is listed in one market only, the Authorized Bank will execute that order in that market, which is considered an execution under the most favorable terms.

If the Authorized Bank receives an order for purchase/sale of financial instruments that are listed in two or more regulated markets or MTPs, it will be executed in the market that secures the most favorable overall cost of transaction, unless the client explicitly requires otherwise, taking into consideration all the relevant circumstances regarding the type and size of the order, such as:

- most favorable overall cost of transaction;
- direct supervision of the speed the orders are entered and the possibility of executing the order;
- direct insight into the speed and the probability of netting;
- other circumstances related to the execution of orders.

Specification of the place of execution by the client is considered an explicitly defined order whereby the Authorized Bank has fulfilled its obligation to achieve the most favorable outcome for the client.

Authorized Bank may execute the client's orders in the OTC market if the financial instruments are not listed in regulated markets or, if they are, but the client explicitly requests their execution on OTC, in accordance with the law and the secondary legislation.

If, for the client who issued an order for trading in the regulated market, it is possible to execute the same order more favorably for the client, in the OTC market, the Authorized Bank will execute the order under more favorable terms for the client, without the direct consent of the client.

When executing the order at the OTC market, the Authorized Bank is fully governed by the principle of executing the order under the most favorable terms for the client.

### **16.1. Execution of orders via a partner**

For financial instruments that are listed in the markets that the Authorized Bank is not a member of, the Authorized Bank may accept and transfer the purchase and/or sale orders to third parties – partners with which it has a contracted cooperation and which have direct or indirect access to those markets, while observing the principles and rules on execution of orders under the most favorable terms. In that case, the orders will be executed in accordance with the rules for execution of partner's orders, which might mean that, in accordance with those rules, the client's order may be executed in other markets as well i.e. MTP or OTC markets as an order under the most favorable terms.

### **16.2. Execution of orders in foreign markets**

Authorized Bank may forward to another investment company the client's orders issued in the Authorized Bank, in markets abroad where the Authorized Bank is not a member or does not have direct access in which case the Authorized Bank must:

- have an approval from the Bank's most senior body to operate via another investment company abroad;
- have approved limits for the funds needed to net the transactions;
- make sure that this investment company has all the necessary licenses and authorizations;
- bear in mind the number of markets that investment company has access to (directly and/or indirectly), speed of execution of order, execution of the elements of order under the most favorable terms with an emphasis on: overall expenses of the transaction, probability of execution of order, speed of execution of order, reputation, financial strength and stability of the partner.

When issuing the order for trading in foreign markets, the client is obliged to specify the place of order execution. The client determines the place of order execution on the basis of information available to them which is relevant for the most favorable execution of the order.

Client's specification of the place of execution is considered an explicitly defined order whereby the Authorized Bank has fulfilled its obligation to achieve the most favorable outcome for the client.

### **16.3. Merging and classifying orders**

Authorized Bank may execute the accepted client's order or the dealer's order by merging it with another accepted client's order only if:

- 1) it has an efficient system for classifying orders and the rules where it is precisely regulated the correct merging and classification of orders, which particularly includes the manner in which:
  - the quantity and price specified in the order affect the classification;
  - partially executed orders are treated;
- 2) there is small probability that merging orders will damage the interests of any client whose order is merged;

- 3) warns each client whose orders are merged that such merging may damage the client's interests in relation to an individual order.

Once the collective order, generated by merging one or more accepted client's orders, is partly executed, the Authorized Bank is obliged to classify these transactions in accordance with the rules that regulate this area.

#### **16.4. Merging and classifying dealer orders**

In cases when the dealer order is merged with one or several accepted client's order, the Authorized Bank:

- must not classify orders in the manner that would damage the client;
- is obliged to classify dealer orders in such a manner so that the client has precedence over the Authorized Bank, in case of partial execution of a merged order;
- is obliged to prevent reclassification of dealer orders that were executed in combination with the accepted client's orders, in the manner that would damage the client.

Exceptionally, Authorized Bank may proportionally classify a dealer order only if it can prove that without the combination of dealer orders with the accepted client's order:

- it would not be possible to execute the accepted client's order under such favorable terms;
- it would not be possible at all to execute the client's order.

An order is considered to have been executed if the transaction is concluded in a regulated market, MTP and OTC market, in cases specified in the LCM. An order may be executed in full or partly.

### **17. REPORTING TO CLIENTS**

After the execution of an order for the client's behalf, except for portfolio management services, the Authorized Bank is obliged to:

- immediately send to the client the important information that relates to the execution of orders;
- send to a small client the Certificate of execution of order as soon as possible, but no later than the first business day after the receipt of the certificate, in case when the Authorized Bank has received a certificate of execution from a third party.

Authorized Bank is obliged to send to the clients it provides portfolio management services to the periodic reports on the management activities. Important elements of the reports that are sent to clients and the reporting period are defined in the by-laws of the Securities Commission.

Periodic report on the portfolio management activities contains:

- business name and headquarters of the Authorized Bank;
- small client's account marking;
- report on the contents and valuation of the portfolio including the details for each financial instrument of the client, its market value or fair value if the market value is unavailable, cash balance at the start and at the end of the reporting period and the portfolio's yield during the reporting period;
- total amount of expenses and fees arising during the reporting period and notification that the client may receive more detailed specification, at request;
- comparison of the portfolio's yield during the period the report relates to, with the reference value of the yield agreed between the Authorized Bank and the client, if it exists;
- total amount of dividends, interests and other payments received during the reporting period in relation to the client's portfolio;
- data about other corporate shares that grant the rights related to financial instruments that are kept in the portfolio;
- for each transaction executed during the period: day, time, place of trading, quantity, identification marking of a financial instrument, individual and total price, purchase/sell mark, nature of the order, type of order.

If the client has opted to receive the certificates of execution after each individual transaction, the data about the day, time, place of trading, quantity, identification marking of the financial instrument, individual and total price, purchase/sale marking, type and nature of the order are omitted from the periodic report for each transaction executed during the reporting period.

A periodic report on portfolio management must be submitted to a small client on a permanent data storage medium, at least on a quarterly basis, except in the following cases:

- 1) when the client opts to receive the information about executed transactions upon execution of each individual transaction, in which case the report has to be submitted at least once in 12 months, for transactions involving:
  - company shares or other financial instruments equivalent to shares that constitute a stake in equity or voting rights, as well as deposit certificates that relate to shares;
  - bonds and other forms of securitized debt, including also deposit certificates that relate to those financial instruments;
  - money market instruments;
  - units of collective investment institutions;
- 2) when the contract on portfolio management involves a portfolio with financial leverage, in which case the period report is submitted once a month, with the obligation of the Authorized Bank to send to the client a certificate of execution immediately after the transaction is executed.

When providing the portfolio management services for a small client, that involves uncovered open position in a transaction with potential liabilities, the Authorized Bank is obliged to inform such a client about each loss that exceeds the set threshold agreed between the Authorized Bank and the client, by no later than the end of the business day in which the threshold was exceeded.

Apart from the obligation to submit periodic reports, the Authorized Bank has an additional obligation to report to clients for whom it manages the portfolio, in cases that involve uncovered open position in a transaction with potential liabilities. The Authorized Bank will notify the client of each loss that exceed the set threshold, agreed between the Authorized Bank and the client, by no later than the end of the business day in which the threshold was exceeded. If it is a non-working day, the Authorized Bank will notify the client on the first business day to follow.

Authorized Bank sends at least once a year to each individual client for whom I manages a portfolio or holds financial instruments or financial assets, a report on such assets on a permanent data storage medium. It is not obligatory to send this report if such a report is send as part of another periodic report.

## **18. CERTIFICATE OF EXECUTION OF ORDER**

Authorized Bank issues a certificate of execution by the end of the first business day to follow after the execution of a transaction in the manner specified in the contract with the client.

Certificate of execution of the order contains the following elements:

- 1) business name and headquarters of the Authorized Bank;
- 2) order's ordinal number;
- 3) data about the client;
  - client's name and surname/business name;
  - client's address/headquarters;
  - client's registration number (personal identity number/reg. number);
  - financial instruments account with the data for the account's depository;
  - money account with the data for the account depository;
- 4) Place, date and time (hour/minute/second) when the transaction is concluded with the data about the transaction:
  - securities mark;
  - type of transaction (purchase or sale);
  - number (quantity) of financial instruments;
  - individual and total price and the marking of the currency the price is expressed in – in cases when the client's order is executed in tranches, the Authorized Bank will provide information to the client on the price of each individual tranche;
  - manner of executing an order (Authorized Bank directly or via another investment company, while stating the name and headquarters of that investment company and the responsibility of the Broker Dealer Department for execution of the order via an investment company);

- 5) amount of commission (of the Authorized Bank, market organizer, Central Securities Depository and Clearing House), except in case of execution of an order in foreign markets where the data about commission is provided as a uniform data;
- 6) signature of the person authorized to perform broker transactions.

A client may not waive the right to be informed about the execution of an order, but they may order that the notification be sent to another person they authorize.

During the business association, the client may choose, in writing, the manner in which the certificates of order execution will be sent to them that is different from the manner chosen when establishing business association i.e. they may receive them in person or by email or change the receiving address.

## **19. COMMISSION AND OTHER FEES**

Tariff Book of the Authorized Bank specifies the maximum amount of fees and commission the client pays to the Authorized Bank for services provided.

When performing the tasks of purchasing and selling financial instruments for the client's behalf, the purchase or sale order for which the Authorized Bank has issued a certificate of receipt specifies the level of commission for that transaction in accordance with the commission specified in the Tariff Book, unless a different agreement has been made.

Information about the cost and fees include:

- 1) total price which the client is obliged to pay in relation to the financial instrument or service, including all the related commission, fees and other expenses, as well as all the payments via the Authorized Bank (including taxes that are borne by the user and are paid via the Authorized Bank);
- 2) warning about the currency and the relevant exchange rate and expenses in cases when any part of the total price must be paid or constitutes an amount in foreign currency;
- 3) methods of payment and settlement of liabilities;
- 4) grounds for calculation of price, in cases when it is not possible to state the total price. In this case, the fee or the commission that the Authorized Bank charges must be separately stated, just in case.

Authorized Bank submits the Tariff Book to the Commission before it is implemented and is obliged to display it in its business premises, business premises of authorized branches as well as to post it on its webpage. The published Tariff Book becomes effective and starts to apply on the eighth day from the day it is posted on the Bank's webpage.

After that moment it will be considered accepted by the clients a business association is established/continued with.

## **20. RIGHT TO A COMPLAINT**

A client who believes that the Authorized Bank does not adhere to the provisions of the law and other regulations that govern the provision of investment and additional services, general operating terms, good business practice or obligations from the signed contract, has the right to file a complaint.

Acting on complaints filed by the Authorized Bank's clients is done in accordance with the Bank's internal by-laws that specify: the manner of filing the complaint, minimum data the complaint should contain, important features of the form and contents of the reply, as well as deadlines and the manner of sending a reply to a complaint.

These Bank's internal by-laws are available both on the Banks' premises, as well as on the Bank's webpage [www.kombank.com](http://www.kombank.com) – General Operating Terms.

## **21. FINAL PROVISIONS**

Information for clients on investment and additional services of the Authorized Bank are an integral part (Enclosure 1) of the Rules of Operation of the Authorized Bank Komercijalna banka AD Beograd and start to apply on the eighth day from the day of their posting on the Bank's webpage, after a prior approval is obtained from the Securities Commission, when the Information on investment and additional services of the Broker Dealer Department No. 218-52861/15 of 03.11.2015 cease to be effective.