



KOMERCIJALNA BANKA AD BEOGRAD

## **OPERATING RULES**

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of the Broker-Dealer Operations Department of Komercijalna  
banka AD Beograd (Authorized Bank)





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**Executive Board**

**Number: 22277**

**Date: October 14<sup>th</sup> 2015**

Pursuant to Article 31 of the Statute of Komercijalna banka AD Beograd (revised text), and in line with the Law on Capital Market (RS "Official Gazette", no.31/2011) and applicable by-laws of the Securities Commission, the Executive Board of Komercijalna banka AD Beograd, on September 10<sup>th</sup> 2012 passes

**OPERATING RULES  
OF THE BROKER DEALER OPERATIONS DEPARTMENT  
OF KOMERCIJALNA BANKA AD BEOGRAD**

**1. GENERAL PROVISIONS**

**Article 1**

Adoption of the Operating Rules of the Broker Dealer Operations Department of Komercijalna banka AD Beograd (hereinafter referred to as: Operating Rules) shall allow for compliance of the operations and internal legal documents with the Law on Capital Market (hereinafter referred to as: Law) and by-laws which more precisely regulate the provision of investment and ancillary services and performance of investment activities.

Operating Rules regulate the organizational requirements which must be met by the Broker Dealer Operations Department in order to ensure the adequate and efficient operations in providing investment and ancillary services and to minimize the risks to lowest possible level.

The subject and content of these Operating Rules pertain to regulation of mutual rights and obligations between the Broker Dealer Operations Department and the Client with regard to general organizational requirements, such as:

1. Types of operations, terms and manner of their performance;
2. Types of clients' orders, manner and the sequence of their execution;
3. Protection of client's assets;
4. Entrustment of services and business processes;
5. Personal transactions;
6. Measures to prevent conflict of interest;
7. Administration and safekeeping of business documentation;
8. Supervisory operations;
9. Reporting;
10. Other issues related to the Law and By-laws.

**2. TYPES OF OPERATIONS, TERMS AND MANNER OF PERFORMING OPERATIONS IN THE BROKER DEALER OPERATIONS DEPARTMENT**

**2.1. TYPES OF OPERATIONS**

**Article 2**

Investment services and activities of the Bank include the following:

- Reception and transmission of orders in relation to sale and purchase of financial instruments,
- Execution of orders on behalf of clients,





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- Dealing on own account,
  - Underwriting services with respect to offer and sale of financial instruments on a firm commitment basis,
  - Services related to offer and sale of financial instruments without a firm commitment basis.

In addition to above stated, the Bank offers ancillary services, such as:

- Safekeeping and administration of financial instruments for the account of client, including custodianship and related services such as cash and collateral management,
- Granting credits or loans to investors to allow them to carry out a transaction in one or more financial instruments, where the company granting the credit or loan is involved in the transaction,
- Advice to companies on capital structure, industrial strategy, mergers and the purchase of companies and similar issues,
- Foreign exchange services where these are connected to the provision of investment services,
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments,
- Services related to underwriting,
- Investment services and activities, as well as ancillary services related to the basis of derivative financial instrument (options, futures, swops, forward rate agreements and other financial instruments in line with the Law), related to provision of investment services and activities, or ancillary service.

Within investment and ancillary services, the Broker Dealer Operations Department also provides the following services:

- market maker services,
- services of lending of financial instruments,
- services of representing the shareholders at the general meetings of joint-stock companies.

### **Article 3**

Trading in financial instruments in terms of these Operating Rules means purchase or sale of shares, debt securities, (bonds, T-bills, commercial papers, etc.), warrants, certificates of deposits and standardized financial derivatives (futures agreements, option agreements...)

In addition to trading from paragraph 1 of this Article, the Broke Dealer Operations Department can also trade in other financial instruments as stipulated by the Law and the enactments of the Securities Commission (hereinafter: Commission).

Activities from paragraphs 1 and 2 of this Article, are performed by the Broker Dealer Operations Department on regulated market, multilateral trading facility (hereinafter: MTF) and OTC market, in line with the regulations governing these activities.

#### **2.1.1. Broker operations**

### **Article 4**

Performance of broker operations means providing investment services to a client, in terms of reception of orders for trading in financial instruments, reception of orders for transmission of financial instruments and execution of these orders in the name and on behalf of client.

The Broker Dealer Operations Department performs broker operations on the basis of the Agreement on providing investment services. This Agreement is concluded with a client in writing, before the reception of the client's first order.





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By the Agreement on providing investment services, the Broker Dealer Operations Department undertakes to mediate in purchase or sale of financial instruments for the Client, or to conduct purchase and sale on behalf of the client based on placed order, and the client undertakes to pay the fee for such service to the Broker Dealer Operations Department.

For performing broker operations by electronic means, the Broker Dealer Operations Department concludes with clients the Agreement on use of application for Web orders - Kombank trader.

### **2.1.2. Dealer operations**

#### **Article 5**

Broker Dealer Operations Department performs dealer operations, trading for its own behalf through purchase and sale of financial instruments by using its own assets, in the name and for the account of the Bank for the purpose of making profit from the difference in prices.

When performing dealer operations, the Broker Dealer Operations Department observes the following rules:

- Executes orders of its clients and other contractual obligations towards the clients, in such a manner as not to regard its interest and the interests of the related parties more important than the clients' interests;
- When the Broker Dealer Operations Department trades in financial instruments for its own behalf, it entirely acts in line with measures and procedures prescribed by the Rules on Execution of Orders in the Broker Dealer Operations Department, or it handles the orders for trading for its own account in the same way as it handles the order of any other professional client, following the Rules on prevention of conflict of interest.;
- Manages its own portfolio of financial instruments in a manner which provides for such capital adequacy, risk exposure and liquidity management which will not jeopardize the execution of the Bank's liabilities to customers.

### **2.1.3. Market maker's operations**

#### **Article 6**

For market maker operations the Broker Dealer Operations Department concludes the Contract with the market operator where the financial instruments which the Contract refers to are quoted. By this Contract the Broker Dealer Operations Department undertakes to continually and for its own account issues purchase and sale orders for financial instruments being the subject of this Contract, under the terms and conditions of the Contract and in compliance with the rules of the market operator.

#### **Article 7**

Broker Dealer Operations Department, within operations performed with respect to providing investment services, at the client's request, or at its own initiative, provides recommendations in relation to one or more transactions in financial instruments. These recommendations mean research or other information recommending or suggesting explicitly or implicitly an investment strategy concerning one or several financial instruments, or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public.

#### **Article 8**

As the provider of recommendation, the Broker Dealer Operations Department is obliged to disclose in each recommendation, clearly and prominently the identity of the person responsible for its production, and in particular the name and job title of the individual who prepared the recommendation and the name and the seat of the legal person responsible for subject recommendation and data on the relevant supervisory competent authority.

#### **Article 9**

As the provider of recommendation, the Broker Dealer Operations Department shall ensure that:





- Facts are clearly distinguished from interpretation, estimates, opinions and other types of nonfactual information;
- All sources are reliable, or where there is any doubt as to whether a source is reliable, this is clearly indicated;
- All projections, forecasts and price targets are clearly labeled as such and the material assumptions are indicated;
- The information related to its own interests and conflict of interest are clearly and prominently indicated, such as:
  - Significant share in capital, existing between the Bank or the related legal entity, on one side and the issuer to which the recommendation refers, on the other,
  - Other significant financial interests which the Bank or the related legal entity has in relation to the issuer,
  - Statement that the Broker Dealer Operations Department or the related legal entity is the issuer's market maker, when applicable,
  - Statement that the Broker Dealer Operations Department or the related legal entity, over the last 12 months, provided investment services in relation to any published offer of the financial instruments of the issuers,
  - Statement that the Broker Dealer Operations Department or the related legal entity, is in some other agreement with the issuer that relates to provision of investment banking services, unless it would require disclosure of confidential information, and that the agreement was in force over the last 12 months or that during the same period, it led to the payment of fee or promise of fee to be paid,
  - Statement that the Broker Dealer Operations Department or the related legal entity is a party to the agreement with the issuer, relating to production of recommendation.

#### **Article 10**

If the Broker Dealer Operations Department as the provider of recommendation disseminates a recommendation produced by a third party, it shall do so on its own responsibility and shall indicate clearly and prominently its identity on recommendation. If the Broker Dealer Operations Department substantially alters such recommendation, it shall be obliged to clearly and in detail indicate such alteration, in line with the relevant regulations governing this area.

If the Broker Dealer Operations Department as the provider of recommendation disseminates a summary of recommendation produced by a third party, it shall ensure that such recommendation is clear and not misleading, mentioning the source document and where the disclosures related to the source document can be directly and easily accessed by the public, provided that they are publicly available.

#### **Article 11**

General information aimed for interested persons to get acquainted with the Operating Rules of the Broker Dealer Operations Department, principles of work of the regulatory body and technique of market functioning are not considered to be advisory services.

#### **Article 12**

The Broker Dealer Operations Department is obliged to publish on quarterly basis share in capital of all recommendations which read "buy", "hold", "sell", or equivalent expressions, as well as share in capital of the issuer that corresponds to each category the Broker Dealer Operations Department provided services to over the last 12 months. Significant share in capital means situations in which the provider of recommendation or each related entity has a share in capital of the issuer to which recommendation relates, exceeding 1% of total issued share capital, as well as when the issuer has a share in capital of the provider of recommendation which exceeds 1% of share capital of the provider of recommendation or its related entity.





#### 2.1.4. Issuing agent's operations

##### Article 13

Broker Dealer Operations Department which provides services in relation to offer and sale of financial instruments without a firm commitment basis performs these activities as an agent. When providing the issuing agent services without the obligation to repurchase unsold financial instruments, the Broker Dealer Operations Department will organize for the issuer's client activities related to:

- Issuing of financial instruments with public bid;
- Inclusion of financial instruments issued with public bid on the regulated market and/or MTF.

The activities from paragraph 1 of this Article, the Broker Dealer Operations Department shall perform in a way that will allow the implementation of the strategy for organizing the issuance of financial instruments which is in the client's best interest, particularly paying attention whether the issuance is made with or without the obligation to publish the prospectus.

##### Article 14

The Agreement on organizing the financial instruments issuance obliges the Broker Dealer Operations Department to organize the issuance of such financial instruments and the client undertakes to pay a fee for such service in accordance with the Tariff Rulebook of the Broker Dealer Operations Department (hereinafter: Tariff).

This Agreement regulates the mutual rights and obligations between the Broker Dealer Operations Department and the client, and in particular:

- Organizing the issuance of financial instruments which include:
  - Participation of the Broker Dealer Operations Department in preparation of the prospectus for issuance of financial instruments with public bid, or participation in preparing the documentation on issuance of financial instruments without public bid, once the terms and conditions are fulfilled under which the law stipulates the exemptions from obligation to publish prospectus for certain public offers and responsibility of contractual parties in preparation of prospectus and/or notices;
  - Preparation for organization of subscription to and payment of financial instruments;
  - Notices to the investors about issuance of financial instruments;
  - Organizing the locations for subscription to and payment of financial instruments;
  - Conducting presentations when issuing the financial instruments with public bid;
  - Other operations in conformity with the agreement between the client and the Broker Dealer Operations Department.
- Organizing the inclusion of financial instruments on regulated market and MTF;
- Amount and manner of calculating the fee and costs of performing the issuing agent operations;
- Other mutual rights and obligations.

##### Article 15

By the Agreement on issuing agent operations between the Broker Dealer Operations Department and the client, the issuer of financial instruments, the obligations of the Broker Dealer Operations Department can be limited to:

- Specific quantity of financial instruments that are being issued, i.e. whether the agent's obligation refers to one or more issues of financial instruments that are being issued;
- Specific type of operations performed by the issuing agent (manner of organizing distribution activities or inclusion of financial instruments on regulated market and MTF).





### **2.1.5. Underwriter's operations**

#### **Article 16**

With respect to underwriter's operations, the Broker Dealer Operations Department organizes the issuing of financial instruments with the obligation to repurchase them from the issuer for further sale, or with the obligation to repurchase the unsold financial instruments from the issuer.

By the Agreement on issuing the financial instruments with the obligation to repurchase, the Broker Dealer Operations Department assumes the obligation to buy from the issuer all the financial instruments and then organize their further sale, or to buy only those financial instruments that remain unsubscribed and unpaid upon the expiry of the deadline for subscription and payment, and then organize their distribution, while the issuer undertakes to pay the fee for such services.

### **2.1.6. Opening and maintaining the financial instrument accounts**

#### **Article 17**

The Broker Dealer Operations Department is obliged to warn the client on his/her obligation to open a cash account with a commercial bank or with the investment fund management company and the financial instrument account with the CSD before placing the order for purchase or sale of financial instruments.

By the Agreement on providing investment services, the Broker Dealer Operations Department undertakes to open the financial instrument account in the name and on behalf of clients who do not have an open financial instrument account with the CSD and the client undertakes to pay the fee for such service, in accordance with the Tariff of the Broker Dealer Operations Department of Komercijalna banka AD Beograd.

By the same agreement the obligations of Broker Dealer Operations Department are determined, as follows:

- To monitor the balance of the client's financial instrument accounts (regularly records all changes in the accounts resulting from purchase and sale of financial instruments and transfer of rights on securities kept in the client's accounts);
- On durable medium, at least once a year, or at client's request, to submit a report on client's assets kept in financial instrument and money accounts.

#### **Article 18**

Transfer of rights related to securities to and from the accounts of the same holder and transfer to the account of the new holder, as well as registration of rights and removal of third party rights on securities and other financial instruments, the Broker Dealer Operations Department shall carry out for and on behalf of its clients by inputting the transfer order or the order for registration/ removal of third party rights in CSD.

### **2.1.7. Corporate services / Opening and maintaining the issue accounts**

#### **Article 19**

The Corporate Agency Agreement is concluded by the Broker Dealer Operations Department with the issuer of the financial instruments, in line with the Law, CSD Operating Rules, other regulations and these Operating Rules.

By the Corporate Agency Agreement, the Broker Dealer Operations Department undertakes to open with CSD the financial instrument issue account, in the name and on behalf of the client, and the client undertakes to pay the fee for such service, in conformity with the Tariff of the Broker Dealer Operations Department.





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## **2.1.8. Opening and maintaining the deposited financial instrument accounts/deposited securities accounts**

### **Article 20**

With a client acquiring shares in a target company in a takeover bid, or with the client acquiring shares through purchase of own shares, the Broker Dealer Operations Department will conclude the Contract on Opening and Maintaining the deposited financial instrument accounts.

By the Contract on opening and maintaining the deposited financial instrument accounts the Broker Dealer Operations Department undertakes, to open, for and on behalf of the client, a deposited securities account with CSD, in line with Law, CSD Operating Rules and other regulations and the client undertakes to pay the fee for such service according to the Tariff of the Broker Dealer Operations Department.

## **2.1.9. Representing shareholders at General Meetings**

### **Article 21**

By the Contract on representing the shareholders at the General Meetings of joint-stock companies, the Broker Dealer Operations Department undertakes to represent the client holding voting shares of a certain joint-stock company at the General Meetings of such company, based on the Power of Attorney, in a manner and under terms and conditions stipulated by the law, deed of association and statute of such company and the client undertakes to pay the fee for such service, in accordance with the Tariff of the Broker Dealer Operations Department.

The Broker Dealer Operations Department is obliged to represent the shareholders at the General Meetings of the companies in their best interest and to warn the shareholders who issued the power of attorney to all the limitations referring to such representation, as arising from the law and other regulations.

## **2.1.10. Other operations of corporate agency**

### **Article 22**

The Broker Dealer Operations Department shall, on the basis of the Corporate Agency Agreement and at the request of the issuer, submit an excerpt from the unique records of the CSD for the general meeting of the joint-stock company, or the book of shareholders with the number of votes per shareholder, and the issuer undertakes to pay the fee for such services, in conformity with the Tariff of the Broker Dealer Operations Department.

By the Agreement on performing specific operations, other operations of the Broker Dealer Operations Department can be established, such as corporate consulting operations, operations related to settlement of tax liabilities of the lawful holders of financial instruments, the company's clients, operations with respect to financial instruments lending and other operations related to implementation and execution of contracts.

## **2.2. TERMS OF PERFORMING OPERATIONS OF BROKER DEALER OPERATIONS DEPARTMENT**

### **Article 23**

Broker Dealer Operations Department performs its operations on the basis on Decision on performing activity and upon fulfillment of the personnel, organizational, technical and other prerequisites in line with the Law and the enactment of the Securities Commission.

Pursuant to the law, for performing investment services and activities, the Broker Dealer Operations Department is obliged to employ the staff licensed to perform such operations, provided that such persons must also fulfill other conditions pursuant to the law, by-laws and Bank's legal documents.





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## 2.3. MANNER OF PERFORMING OPERATIONS OF BROKER DEALER OPERATIONS DEPARTMENT

### Article 24

Broker Dealer Operations Department performs the trading in financial instruments on regulated market, MTF and OTC market. Trading in financial instruments is performed in conformity with the Law, by-laws regulating this area of activities (by-laws of Belgrade Stock Exchange, CSD and other market operators) and in compliance with the legal documents of the Broker Dealer Operations Department and internal legal documents of Komercijalna banka AD Beograd.

### Article 25

Broker Dealer Operations Department allows the clients the access to content of the Operating Rules and the Tariff by placing them on a visible and accessible place in the premises where the clients are serviced and also by publishing the same on its website. In case of alteration of these documents, the Broker Dealer Operations Department shall, in the same way, enable its clients to access such altered versions. In addition to above stated documents, the clients shall, likewise, have the access to the following:

- Information on investment and ancillary services of the Broker Dealer Operations Department of Komercijalna banka AD Beograd, (hereinafter: Information for clients of the Broker Dealer Operations Department)
- Rules on execution of orders of the Broker Dealer Operations Department of Komercijalna banka AD Beograd, (hereinafter: Rules on execution of orders);
- Rules on prevention of conflict of interest in the Broker Dealer Operations Department of Komercijalna banka AD Beograd, (hereinafter: Rules on prevention of conflict of interest)

## 3. BUSINESS CONDUCT RULES APPLICABLE TO PROVIDING INVESTMENT SERVICES

### 3.1. PRINCIPLES OF SAFE AND SOUND BUSINESS OPERATIONS

#### Article 26

##### Principle of solvency and principle of liquidity

- Broker Dealer Operations Department is obliged to perform the operations in such a manner as to be continually able to settle all of its monetary obligations (principle of solvency) and, at any given time, to timely fulfill due monetary obligations (principle of liquidity).

##### Principle of legality and responsibility

- The employees are obliged to provide the clients with complete and clear information which also include the warning about the risks related to operations with financial instruments and to make known to clients, before providing a service, all possible types and sources of conflict of interest. When providing and performing investment services and activities, the employees are obligated to bear in mind, at all times, the interest of clients and to protect such interests.

##### Principle of due diligence

- Broker Dealer Operations Department operates with due diligence and in compliance with rules of profession. This principle particularly refers to dealing with clients on the basis of being fully informed about the clients and also on the basis of providing the clients with all the information relevant for making investment decisions based on complete information, while considering and respecting the level of information and knowledge held by the clients.

##### Principle of reliability, honesty and fair dealing

- In conducting its operations, the Broker Dealer Operations Department ensures the adequate level of reliability and integrity. Contacts with public, clients, employees and other investment companies is performed in a





manner which provides for honest and fair dealing. This principle includes in particular the respect for the client's interests priority, protection of client's assets, providing compete and timely information and notifying the clients on all real and potential conflicts of interest in order to ensure fair and objective business operations. Broker Dealer Operations Department is obliged to avoid the conflict of interest with the client, and if that is not possible, to ensure fairness reducing the conflict of interest to its minimum.

### **Principle of professional conduct**

- The Broker Dealer Operations Department performs its activities in a professional manner which creates a positive image of the Bank and the profession, while continually improving its conduct. This principle includes in particular the operating rules which relate to execution of clients' orders, operations with dealer orders and the orders of the employees of the Broker Dealer Operations Department and the persons related to them, as well as continuing education of all the participants in business operations.

### **Principle of confidentiality**

- Personal data of the client are used exclusively within the scope of activities, in line with the law and internal legal documents of the Bank which regulate this area. The Broker Dealer Operations Department is not allowed to use these data, or to disclose them to third parties, nor is it allowed to enable them to use such information, except in cases stipulated by the law.

### **Principle of prohibiting unfair competition**

- The Broker Dealer Operations Department must not use forms of competitive struggle which entails dumping, unethical gathering of information on competition and in particular spreading false information about competition. Likewise, it must not use unfair and such forms of cooperation that are contrary to sound business practices on the market, and particularly: agreement on prices, dividing the market, boycotting clients, limiting provision of services or any form of secret agreement aimed at acquiring privileged market position.

## **Article 27**

The Broker Dealer Operations Department is obliged when providing investment services to clients, to put their interest before its own and to conduct operations in a fair, honest and professional manner, according to the clients' best interests, observing the principles established by the Law, By-laws of the Securities Commission, CSD, market operator, General Operating Rules of the Bank and these Operating Rules.

Every information, including the marketing one, which the Broker Dealer Operations Department conveys to its known or potential clients, must be true and clear, and the marketing material must be clearly labeled for clients to understand the nature and risks of investment services and type of financial instrument being offered and to be able to make an adequate decision regarding investment.

Broker Dealer Operations Department to its known or potential clients provides proper information about:

- Broker Dealer Operations Department and the services the Department provides;
- Financial instruments and proposed investment strategies, including appropriate guidelines and warnings about the risk of investment in said instruments, and/or strategies;
- Locations of execution of orders;
- Costs and fees

The mentioned data are also available to clients through documents – Information on investment and other services of the Broker Dealer Operations Department of Komercijalna banka AD Beograd.





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### 3.2. BUSINESS SECRET

#### Article 28

The director and the employees in the Broker Dealer Operations Department, as well as persons employed in other organizational units of the Bank who are licensed to perform broker operations, are obliged to keep the following as a business secret:

- Information about the clients;
- Information about the balance and turnover on clients' accounts;
- Information about the services they provide to clients;
- Other information and facts they learn when providing services.

The Broker Dealer Operations Department must not use the stated information, disclose the same to third party, nor is it allowed to enable them to use such information. The above information can be made available and communicated by The Broker Dealer Operations Department to third parties only:

- With written consent of the client;
- During supervision performed by the Securities Commission, CSD or the market operator;
- Based on court order;
- Based on order of the authority dealing with prevention of money laundering and terrorism financing;
- Based on order of another competent state authority.

The obligation of keeping business secret lasts even after the termination of the exercise of their functions or the employment relationship with the Bank.

#### Article 29

The Broker Dealer Operations Department adheres fully to internal legal documents of Komercijalna Banka AD Beograd (hereinafter: the Bank) regulating the issue of business secret, whose application ensure that the employees of the Bank, as well as members of the management bodies of the Bank, act in accordance with the principles of safe and sound business operations, taking in account:

- The manner in which they are obliged to act when purchasing or selling financial instruments on own account;
- Data considered a business secret and manner of protection of such data.

The employees in the Broker Dealer Operations Department and employees licenced to perform broker operations, both in Bank's branches and sub-branches, are acquainted with the content of the internal legal documents of the Bank before they start to perform their jobs.

### 3.3. PROHIBITED OPERATIONS

#### Article 30

The employees in the Broker Dealer Operations Department, as well as all the persons licensed for performing broker operations are acquainted with and commit themselves to implementation and observance of measures for preventions of undertaking prohibited activities, which do not include personal transactions with units of collective investment in open investment funds, if the relevant person or any person on whose account the transaction has been performed, is not included in the management of the said entity.





### 3.3.1. PRIVILEGED INFORMATION (INSIDE INFORMATION)

#### Article 31

Inside information relate to information on specific facts which have not been made public, and refer, directly or indirectly to one or several issuers of financial instruments, or to one or several financial instruments, which if made public, would probably have a significant impact on price of such financial instruments or on price of financial derivatives. Significant impact exists if a reasonable investor would probably take into account such information as the part of the basis for making his investment decisions.

For persons responsible for execution of orders in relation to financial instruments, the inside information also relate to information on specific facts received from the client with respect to his future orders, which directly or indirectly relate to one or several issuers of financial instruments or to one or several financial instruments, which, if made public, would probably have a significant impact on price of those financial instruments or on price of derivative financial instrument.

#### Article 32

Any person in possession of inside information is prohibited to use such information directly or indirectly when acquiring, alienating, or when trying to acquire or alienate for own account or for the account of third party the financial instruments which the information relates to. This prohibition applies to person possessing inside information through:

- Membership in managing or supervisory bodies of the issuer or public company;
- Share in capital of the issuer or public company;
- Access to information by virtue of performing tasks on his/her job position, by virtue of his/her profession or other duties;
- Criminal offenses committed by such person.

If the above stated person is a legal entity, the prohibition applies also to private individuals who participate in making decision on performing transaction for the account of the legal entity in question.

The provisions of this Article do not apply to transactions performing while settling the due liability of acquiring or alienation of financial instruments, when such liability comes as a result of the agreement concluded before the person got in possession of inside information.

Each person having the inside information is prohibited to:

- Disclose and make available inside information to any other person, unless the information is disclosed and made available in the course of regular business operations, profession or duty;
- Recommends or leads other persons to, on the basis of inside information, acquire or alienate financial instruments which the said information relates to.

#### Article 33

The issuer of financial instrument is obliged to:

- Inform, without any delay, the public on inside information which directly relates to him;
- Inform the public on information from this Article in a manner which enables quick access to information and gives the possibility of complete, accurate and timely assessment of the same and which must not mislead the client;
- Over the appropriate time to publish on his website all the inside information which he is obliged to make public.

The issuer may, at his own discretion and on own responsibility, postpone public disclosure of inside information so as not to undermine his legitimate interests, provided that such postponement shall not mislead public and that the issuer is





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able to ensure the confidentiality of such information, whereby he is obligated to inform the Securities Commission, without any delay, on each such decision made.

#### **Article 34**

When the issuer or person acting in his name or on his behalf discloses the inside information to third party in regular course of his/her operations, profession or duty, he/she is obliged to immediately made public such information, whether in case of intentional or unintentional disclosure, unless the person who received the information is under the confidentiality obligation.

#### **Article 35**

In case of the Bank, the Compliance Division is obliged to make a List of persons who on the basis of employment contract and authorities to perform broker operations or in another way have regular or occasional access to inside information. This List is updated on regular basis and at the request is submitted to the Securities Commission, and is kept for 5 (five) years from the time of drawing up, or from the time of its updating.

The List of persons holding inside information contains: name and surname, date of birth, permanent address, and/or temporary address, reason for this person to be included in the subject list and the date when the list is made, or updated.

The person in charge of making the list is obliged to undertake necessary measures in order to ensure that each person on that list is familiar with the regulations related to his/her duties and that he/she is aware of sanctions resulting from misuse or unlawful dissemination of such information.

#### **Article 36**

The staff employed in the Broker Dealer Operations Department and all the employees with authority for performing broker operations are obliged to report to the Securities Commission – on form INS, all acquisitions or alienations for own account of shares of Komercijalna banka AD Beograd which are included on regulated market, and/or MTF, as well as acquisition and alienation of other financial instruments related to shares, within five days from the date of subject acquisition or alienation.

The stated obligation does not apply to individual acquisitions and alienations which do not exceed the amount of RSD 100.000. If the sum of the values of individual acquisitions or alienations during a calendar year exceeds the amount of RSD 500.000, the said persons are obliged to report to the Commission all individual acquisitions, and/or alienations performed until the date, and to continue, until the end of the calendar year, to report new transactions, regardless of their amounts.

#### **Article 37**

Clients and the employees of the Broker Dealer Operations Department must not acquire, purchase, sell or in another way dispose of financial instruments, by using privileged information.

The employees in the Broker Dealer Operations Department are obliged to reject the reception of order for purchase or sale of financial instruments from the persons they consider to be in possession of such information.





### **3.3.2. MANIPULATIVE ACTIVITIES ON THE MARKET**

#### **Article 38**

Manipulative activities on the market are considered to be such transactions and orders for trading which give or may give false or misleading signals of supply of, demand for or price of financial instruments, or by which a person, or persons acting together, maintain the price of one or several financial instruments on unrealistic or artificial level..

Likewise, manipulative activities are considered to be such transactions or orders for trading where fictitious acts or any other form of deception or fraud is used, as well as spreading information through media, including internet, or some other channel which enables a transmission of false news, or news that can cause misconception about financial instruments, inclusive of spreading rumors and false news by the person who knew, or must have known that such information was false or misleading.

The activities and acts that are considered manipulative on the market include in particular the following:

- Activities of one or several persons acting together aimed to ensure dominant position over supply of or demand for financial instrument and which results in direct or indirect fixing of purchase or selling prices or creating other unfair trading conditions;
- Purchase or sale of financial instruments just before the closing of trading, for the purpose of misleading the investor;
- Using of occasional or regular access to traditional or electronic media by expressing opinion on financial instrument or indirectly on issuer, whereby such person had previously taken the position in such financial instrument and made profit following the impact that so expressed opinion had on price of that instrument, without making public the existence of conflict of interest in appropriate manner.

#### **Article 39**

The instruction for performing the controller jobs in the Broker Dealer Operations Department of Komercijalna banka AD Beograd stipulates and on that basis applies the procedures and measures aimed at detecting and preventing market manipulation, which includes providing full assistance to the Commission in implementation of supervisory measures.

The controller in the Broker Dealer Operations Department shall, when assessing which activities are of such character that they may indicate possible market manipulation, take into consideration both indicators stipulated by the law and by-laws, and all the circumstances of the case, such as, for example, whether that activity:

1. Has impact on liquidity and market efficiency ;
2. Enables all participants on the market timely and adequate reaction to new market conditions,
3. Undermines the integrity of the market,
4. Leads to occurrence of significant changes of the market ,
5. Can connect to potential previous cases which were treated as manipulative activities on the market,
6. And other specifics of the case.

The Law stipulates joint and several liabilities of the persons participating in manipulative activities on the market for any damage arising from this manipulation.

### **4. MUTUAL RIGHTS AND OBLIGATIONS OF THE BROKER DEALER OPERATIONS DEPARTMENT AND THE CLIENTS**

#### **Article 40**

The Broker Dealer Operations Department undertakes to perform operations which are the subject of these Operating Rules. Before concluding Agreement with the client on performing specific operations, the Broker Dealer Operations Department is obliged to inform the client about:





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- Types of services it performs on the basis of license for conducting the activity;
  - All the conditions that are important for client to make a decision with respect to services which the Broker Dealer Operations Department provides, and also on risks related to such services.

The Broker Dealer Operations Department, before commencing and during provision of investment services, requires from client the information about his knowledge and experience in investment activities, which could be important for financial instrument or the service offered or the service which the client himself requires.

The Broker Dealer Operations Department shall warn the existing and the potential client that:

- It cannot establish whether the certain financial instruments or services are appropriate for the client, since the client did not give at all, or did not give sufficient data for adequate assessment of knowledge and experience;
- Based on available information from the client, certain financial instrument or service may not be appropriate for him.

#### **Article 41**

When providing services to professional client, the Broker Dealer Operations Department assumes that this client:

- Has sufficient knowledge and experience in area of investment in certain types of financial instruments or services, and that he understands risks related to transactions;
- Can financially bear all the investment risks according to his investment objectives.

#### **Article 42**

The Broker Dealer Operations Department which provides only services of reception and transmission of orders, i.e. execution of orders for the account of client, is not obliged to require from the client the information as in case of provision of other services, provided that the following terms and conditions are fulfilled:

- The service is provided at client's initiative;
- The service relates to:
  - Shares included in trading on regulated market, and/or MTF or on equivalent third country markets,
  - Money market instruments, bonds and other forms of securitized debt, excluding bonds and securitized debt instruments which contain derivative financial instrument,
  - Units of collective investment institutions,
  - Other similar financial instruments,
- Client has been clearly warned that the Broker Dealer Operations Department has no obligation to evaluate the eligibility of provided or offered financial instrument or service.

#### **Article 43**

Before concluding the agreement, the clients are obliged to make available to the Broker Dealer Operations Department the personal identification documents and other documentation which is necessary for identification and classification of the client, as well as for establishing whether the conditions are fulfilled for performing the activity which is the subject of agreement, and in particular::

- Personal name / name and address, i.e. the seat of the client;
- Personal identification number/registration number, or other identification number for foreign legal or natural persons;
- Tax identification number for domestic legal entity and for foreign legal and natural person;
- Number of cash/money account and name of the bank where the account is opened and maintained;
- Number of financial instrument account, if the client has opened such account;
- Power of attorney on the basis of which the Broker Dealer Operations Department may dispose of funds on earmarked purchase account;
- Other data necessary to perform tasks, according to agreement.





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## Article 44

The Broker Dealer Operations Department has no obligation to conclude an agreement with professional clients, if it performs for them services of reception and transmission of orders, execution of orders, and/or related ancillary services, such as:

- Persons who for the activities on financial market are subject to approval, and/or supervision of the competent authority (credit institutions, investment companies, insurance companies, collective investment institutions and their management companies, pension funds and their management companies, commodity dealers and other persons supervised by the competent authority);
- Republic, autonomous provinces, local government authorities, other states, national or regional governments, NBS, central banks of other states, international and supranational institutions (IMF, ECB, EIB).

Financial instrument account for persons from paragraph 1 of this Article is opened based on the orders of such persons, according to rules of CSD.

## 5. AGREEMENT WITH CLIENT

### 5.1. Agreement on provision of investment services

## Article 45

The Broker Dealer Operations Department concludes with the client a written Agreement on provision of investment services which contains:

- Rights and obligations of the parties, whereby these rights and obligations can be indicated by referral to other documents and internal legal documents of the Broker Dealer Operations Department, that are available to the client;
- Other terms and conditions under which the Broker Dealer Operations Department provides services to the client;
- Client's statement that he/she, before signing the Agreement, was acquainted with the content of:
  - Operating Rules,
  - Information for clients of the Broker Dealer Operations Department,
  - Tariff,
  - Rules on prevention of conflict of interest,
  - Rules on execution of orders,
  - General Operating Rules of Komercijalna banka AD Beograd.
- Client's statement that before signing the Agreement:
  - he has been clearly warned that the Broker Dealer Operations Department fulfills the legal obligation with respect to prevention of conflict of interest between the investment company and the client,
  - that he has no obligation to evaluate the eligibility of provided or offered financial service or financial instrument, in cases when the service is provided at client's initiative and relates to shares included in trading on regulated market, MTF or equivalent third country market, money market instruments, bonds and other forms of securitized debt (excluding bonds and securitized debt instruments which contain derivative financial instruments), units of collective investment institutions and other financial instruments,
  - He was informed about performed classification/categorization, risks and level of protection which the Broker Dealer Operations Department offers the certain category clients,
  - He is informed about the possibility of changing categories and terms for submitting the application for change of category, noting that when changing the category from small to professional client, he is aware of consequences related to loss of protection level and that he agrees with it,
  - He was advised of the provisions of the Law on Takeover of Joint Stock Companies, pursuant to which, by realization of buy orders the obligation could arise to announce the takeover bid, and/or he was advised of consequences that relate to loss of voting rights.





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The integral part of this Agreement is the Questionnaire which the client files out before signing the Agreement and on the basis of which the Broker Dealer Operations Department categorizes the clients.

#### **Article 46**

The Broker Dealer Operations Department shall be liable to the client for property damage caused by failure to execute, or inaccurate or undue execution of order to buy or sell the securities and other financial instruments, and/or transfer order.

#### **Article 47**

The Broker Dealer Operations Department shall not be liable for clients' losses that occur:

- Due to force majeure, occurrence of extraordinary or unforeseen circumstances (wars, political upheaval, natural disasters, epidemics, government restrictions, strikes, cancellation of trading, etc.);
- Due to interruption of telecommunication links and other justified reasons of technical nature;
- Due to exchange rate differential and fluctuations in market movements of financial instruments;
- Due to breach or failure made by third parties or institutions while performing operations entrusted to them by the Broker Dealer Operations Department on the basis of contracts or orders,
- If the client allows a third party to use, or in another way makes available to such party data, financial instruments or means for personal identification and authorization (Kombank trader certificate, smart card, etc.) and consequently suffers damage, or him alone makes additional expenses due to issuing the order which is not in conformity with the law, rules governing the capital market and the agreement signed with the Broker Dealer Operations Department ;
- If the client failed to timely notify the Broker Dealer Operations Department on alteration of authorized representative, on change of address, phone number, e-mail address and all other changes of data that can significantly affect the performance of contract or order;
- Due to non-execution of issued order for revocation, because the initial order has been, in the meantime, realized;
- Due to unfulfilled obligations of the counter-party in the transaction of purchase or sale, pursuant to the rules of CSD.

Based on concluded agreement on provision of investment services the Broker Dealer Operations Department is not obliged to provide to the client any legal services, nor in terms of such service can it be responsible for any statement or advice given to the client.

#### **Article 48**

By signing the Agreement, the Client undertakes to pay the fee (commission) to the Broker Dealer Operations Department as well as other expenses arising from operations performed according to the provisions of the agreement.

The clients represent and warrants to the Broker Dealer Operations Department, as follows:

- That the data he submitted at the time of identification accurate and complete;
- That he disposes of legal and business capacity or that he has adequate legal and other permits to approach the conclusion of the agreement;
- That the execution and implementation of the provisions stipulated by the agreement and operating rules shall not include nor result in any infringement of the law or regulations, nor that their enforcement shall be against the Statute and the Deed of Association of the client (if the client is a legal entity);
- That the financial instruments disposed by the client are freely transferrable, that the client is a lawful holder or is authorized to dispose with them in conformity with the applicable regulatory requirements;
- That the assets disposed by the client on financial instrument accounts and money/cash accounts is not, nor shall it be brought in connection to unlawful activities;
- That with regard to tax treatment the client has the status of resident in the country of his permanent residence, and/or his temporary residence, and that he fulfills the conditions for avoidance of double taxation (in case that such an agreement is signed between the country in which the client has the status of resident and the country in whose financial instruments he invests, or in which he holds balance in financial instrument accounts).





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The Client is obliged to timely deliver to the Broker Dealer Operations Department the data on occurred changes which relate to performance of operations, based on concluded agreement and submitted statements.

#### **Article 49**

The Broker Dealer Operations Department indicates that the content of investment researches and financial analysis which can be available to the clients with whom the Agreement on provision of investment services has been concluded, in no way represents an explicit or implicit recommendation, nor an investment advice in terms of giving recommendations related to financial instruments, transactions, products or the investment objectives of the clients or the third parties.

The Broker Dealer Operations Department particularly emphasizes that the client undertakes full responsibility with regard to all decisions and transactions on his money and financial instrument accounts and that he agrees that the Broker Dealer Operations Department is not directly or indirectly responsible for any decision on investment and disposal of the assets brought by the client.

#### **Article 50**

The Broker Dealer Operations Department is entitled to unilateral termination of the Agreement on provision of investment services, without any notice period, in the following situations:

- If the client fails, within the prescribed period, to settle any obligation arising from the agreement or operating rules;
- If it is established that the statements, warranties or any other document delivered by the client to the Broker Dealer Operations Department are false or forged at the time of their creation, and/or submission.;
- If there is a substantial change in financial condition of the client or the client (if the client is a legal entity) is entered into bankruptcy proceedings, liquidation or the client becomes insolvent;
- If due to legislative changes, the execution of any provision of the agreement is not in compliance with the new regulations, due to which the execution of such contractual obligation would cause unlawful conduct;
- If further contractual relationship would prove to be harmful for Broker Dealer Operations Department, particularly in case when there is a suspicion of market abuse by the client.

For the aforementioned cases, the client agrees that the termination of the agreement becomes effective as of the moment of sending notice of termination of the agreement by the Broker Dealer Operations Department, on durable medium.

In all other cases, both parties to the agreement are entitled to submit a request for termination of the agreement in accordance with the notice period as stipulated by the Agreement.

#### **5.1.1. Agreement on use of application for Web orders – Kombank trader**

#### **Article 51**

The subject of this Agreement is regulation of mutual rights, obligations and responsibilities between the parties to the agreement, when using the application Kombank Trader.

The Broker Dealer Operations Department undertakes to provide the user, through Web application Kombank Trader, a service for placing orders for trading on markets available in this application.

The Broker Dealer Operations Department shall, for the purpose of performing operations according to the Agreement on provision of investment services and this Agreement, distribute to the User, through the application Kombank Trader, available source data, immediately upon their receipt, and according to user's choice on type of data he wishes to receive. The user can opt for one of offered data packages that are downloaded based on the Agreement on data distribution from Belgrade Stock Exchange (data feed).

The Broker Dealer Operations Department highlights that the content which is distributed to the clients does not in any way represent an explicit or implicit recommendation.





The User undertakes to use the offered service Kombank Trader pursuant to the Law, operating rules of the market operator, operating rules of CSD and Clearing House, operating rules and user manual Kombank Trader, which forms an integral part of the Agreement.

## **5.2. Underwriting Agreement**

### **Article 52**

The Underwriting Agreement which the Broker Dealer Operations Department concludes with the client contains:

- Obligation of the underwriter to buy the whole issue or just the part of unsold financial instruments until the expiry of deadline for subscription and payment;
- Responsibility of the parties referring to issuance of financial instruments and issue price, and/or interest rate;
- Contingent obligation of the issuer not to issue or sell financial instruments of the same type, during a specified period of time after beginning of the initial sale,
- Provisions on fees, commissions and terms of payment for underwriting services.

## **5.3. Lending agreement**

### **Article 53**

The Broker Dealer Operations Department can lend to the client, other investment company or credit institution, the member of CSD, or borrow from them on own account the financial instruments and for the account of client mediate in concluding the Lending Agreement regarding the following financial instruments :

- Those which are lawfully owned by the Department;
- Whose lawful holder is the client with whom the Broker Dealer Operations Department has signed the Agreement on maintaining the financial instrument accounts, provided that the Department concludes with such client the Lending Agreement or that the client has authorized, by written authorization, the Department to conclude such agreement,

Financial instruments which are pledged as collateral, and/or whose trading is limited cannot be the subject of the Lending Agreement.

### **Article 54**

The lending agreement, and/or authorization for lending, contains:

- Mutual rights and obligations of the parties to the agreement;
- CFI code and ISIN number or other internationally used designation or quantity of financial instruments that are being lent;
- Duration of the agreement which cannot exceed one year, (time period for which the financial instruments of the clients can be lent, and/or time period for which they are lent);
- Authorization which the client gives to the Broker Dealer Operations Department to perform transmission of financial instruments which the agreement relates to;
- Provisions on fees, commissions and terms of payment;
- Provision that the settlement of the borrower's obligation must be secured by pledge.

If the borrower does not settle its liability arising from lending agreement when due, the lender can determine the value of its claim compared to value of financial instruments at the day of concluding the lending agreement or at the date of settling the borrower's obligation and sell the subject of pledge in compliance with the regulations governing the contracts and torts.

## **6. TYPE OF CLIENT'S ORDER, MANNER AND TERMS OF RECEPTION OF ORDER**

### **6.1. Order**





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## Article 55

Basic types of orders which the clients can place/issue are as follows:

- By transaction type:
  - Buy - order to buy,
  - Sell – order to sell.
  
- By price:
  - Market order,
  - Order with limited price.
  
- By duration:
  - «daily» order / order which is valid from the moment of entering into system for trading, to the end of trading for that business day,
  - «order until the specified date » /order whose maximum duration, according to operating rules of the Belgrade Stock Exchange is 90 days, and the client can specify some earlier date as the duration time for the placed order,
  - «order until recall» / order placed in accordance with the operating rules of the Belgrade Stock Exchange with duration of 90 days, after which time it ceases to be active, and its validity is not automatically renewed, but only upon placing a new order of the client.
  
- By nature or order:
  - Order of withdrawal

In addition to the basic order types, the clients can issue other types of orders specified by enactments of the market operator, such as:

- By terms of execution:
  - All-or-None currently (fill or kill – FOK),
  - All- or –Partial currently (immediate or cancel - IOC)
  - Order for change of issued order,
  - Order with hidden total quantity (Iceberg),
  - Stop order,
  - Market maker order,
  - Block trading order,
  - At – the – Open order (at the open – ATO),
  - At – the – Close order (at the close – ATC).

Market orders can be issued only as daily orders.

## Article 56

The Broker Dealer Operations Department accepts only those orders which contain data on important elements of activity to which the order refers and orders for which there is no doubt that they are forwarded by the client. Order for purchase or sale of financial instruments issued by the client, contains the following elements:

- Data on reception of order:
  - Number of order,
  - Location of reception of order,
  - Date and time (hour/minute/second) of receipt of order,
  - Manner of reception of order,
  - Number of the agreement on the basis of which the order has been received,
  - Order duration with date and time of placing the order duration,
  - Place of execution of order, pursuant to Rules on execution of order.
  
- Client data:
  - Name and surname / name of the client,





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- Address /seat of the client,
  - Personal identification number/registration number of the client,
  - Type of financial instrument account with chosen depositary of account,
  - Type of money/cash account with chosen depositary of account.
- Information about the intended transaction:
    - Type of order (buy or sell),
    - Type of activity (dealer or broker order);
    - Type of order by price, with specified price,
    - Type of order by duration criteria (daily, until specified date or until revoked with specified validity date),
    - Financial instrument designation (symbol, name, CFI code and ISIN number of securities),
    - Quantity (number) of financial instruments and price in currency.
  - Amount of fee (of the Broker Dealer Operations Department, market operator, CSD),
  - Special terms of execution of orders,
  - Signature of the client or the authorized person and the person authorized/licensed to perform broker operations who received the order, except in case of orders issued through the application Kombank trader, where the order is authorized by identification certificate of the client,
  - Other elements.

Orders contain the following notes that the client:

- Agrees with the performed identification and that the information received from the client for that purpose is considered a business secret;
- That in the subject transaction the Broker Dealer Operations Department can represent the other party, whereby the provisions of the rule on conflict of interest shall be observed;
- Is clearly warned that the Broker Dealer Operations Department has no obligation to evaluate the eligibility of provided or offered financial instrument or service;
- Is acquainted that he understands all the elements of the order and in particular the manner of calculation of fees and costs which he has to pay for execution of order;
- Is acquainted with the content of the rule on execution of order and that he agrees with application of its provisions;
- Is warned that any specific instruction, with respect to the factors that are included in that instruction, can prevent the Broker Dealer Operations Department, at the time of executing the order, to undertake all the measures prescribed by rules on execution of orders aimed at achieving the most favorable outcome for the client ;
- Is informed that he is a taxpayer in accordance with the applicable tax regulations;
- Gave the authorization to the Broker Dealer Operations Department, allowing it the possibility to entrust the execution of order to another investment company ;
- Is acquainted that the order can be executed by joining the orders;
- Is acquainted that if he issues the order in the branch/sub-branch, the same do not have the license of the Commission to execute the orders and thus the order is treated as the order issued in the Broker Dealer Operations Department.

Instruction for placing the order, which the client forwards to the Broker Dealer Operations Department by electronic mail or verbally, does not contain all the elements of the order stated in this Article, but must, however, contain sufficiently clear and precise data on the basis of which the order shall be created containing all the prescribed elements and which is submitted to the client for signature and verification. The moment of entering such order in the application shall be considered the time of receipt of order placed in such manner.

#### **Article 57**

Any alteration of already issued order is done by withdrawing the active order and by issuing the new order. The Broker Dealer Operations Department shall accept the revocation order if at the moment of its reception, the order which is being revoked is not entirely executed.





Revocation of order for purchase or sale of financial instruments contains the identical elements contained in the order being revoked, with note indicating that it is the revocation order which has its number and time of receipt.

The Broker Dealer Operations Department is obliged to inform the client on acceptance/rejection of revocation order, on the next business day at the latest, in form of confirmation of the receipt of revocation order. The order is sent to e-mail address of the client or to address the client left as the contact address, or the same is delivered to him in person in the Bank's premises

### **Article 58**

In case when the Broker Dealer Operations Department receives contradictory, vague or ambiguous order, it is entitled to request a supplement to such order, postponing at the same time its acting on order issued in such manner.

If the Broker Dealer Operations Department in its contacts with the client fails to solve uncertainties related to certain order, it can reject the same with no consequences for the Bank. In said cases, when the Broker Dealer Operations Department rejects such order, immediately upon rejection, it will notify the client verbally and then by sending the notification on rejection of order to the client's address or by delivering such statement in person.

## **6.2. Location of order reception**

### **Article 59**

The Broker Dealer Operations Department receives orders of clients for purchase and/or sale of financial instruments in its business premises and also in the premises of Bank's branches and sub-branches authorized for performing broker operations.

The Broker Dealer Operations Department can, on the basis of agreement with other investment company:

1. Authorize other investment company to receive orders of clients in its business premises in the name and for account of Broker Dealer Operations Department,
2. Forward to other investment company orders of clients issued in the Broker Dealer Operations Department, for execution

If the following conditions are fulfilled:

- That the investment company which the Broker Dealer Operations Department authorized for reception of clients' orders in that case may use the information about the client which will be forwarded to it by the Broker Dealer Operations Department;
- That the Broker Dealer Operations Department which forwards the instruction on client's order remains liable for completeness and accuracy of submitted data.

Investment company which receives the instruction on execution of service in the name of client can also accept every recommendation with respect to service or transaction which was provided to the client by the Broker Dealer Operations Department which is at the same time responsible for recommendation or advice given to the client. Investment company receiving the instruction from the client or orders through the Broker Dealer Operations Department is responsible for execution of service or transaction based on such data or recommendations.

### **Article 60**

Concluding the agreement between the Broker Dealer Operations Department and other investment company is allowed, if the engagement of other investment company:





- Does not condition the collection of fees or other expenses in the amount exceeding the fees which the client would have paid if the Broker Dealer Operations Department had provided him the services;
- Cannot cause unnecessary business risks to investment company, significantly jeopardize the quality of internal control, or disable the supervision of the Commission over the settlement of all liabilities of the investment company.

The agreement between the Broker Dealer Operations Department and other investment company contains:

- Deadline and manner in which the client's order is transferred to investment company;
- Acting in case of complaints of potential and existing clients.
- Indication that the authorized investment company to which the order is transferred is:
  - Obligated to warn the client about the due date and receipt of order,
  - Responsible for completeness and accuracy of forwarded data,
  - Obligated to keep as business secret the data on client and his orders,
  - Is not obliged to examine the accuracy and completeness of data received from the Broker Dealer Operations Department,
  - Uses information about client,
  - Bears responsibility for execution of transaction based on order.

#### **Article 61**

The Broker Dealer Operations Department can conclude the agreement with other investment company by which the orders of the clients of that investment company are forwarded to the Broker Dealer Operations Department for execution, under the same terms and conditions as stipulated in the previous Article.

### **6.3. Manner of order reception**

#### **Article 62**

The Broker Dealer Operations Department can receive the clients' orders which are issued:

- In writing,
- Through platform for issuing web (electronic) orders – application Kombank Trader,
- By e-mail or other electronic means
- By fax,
- Verbally (by phone), if there exists the mechanism for recording conversations.

If in writing, the client issues the order directly in the premises of the Broker Dealer Operations Department and in Bank's branches/sub-branches authorized to perform broker operations. The list of authorized branches/sub-branches, inclusive of addresses is published on the Bank's website [www.kombank.com](http://www.kombank.com).

The order is issued by signing the form. The Broker Dealer Operations Department accepts the issued and signed order, provided that the data on client contained in the order are identical to information submitted to the Broker Dealer Operations Department in the previous procedure of identification. If the data indicated in the order differ from those already available, the Broker Dealer Operations Department will not accept the order until the client submits the documentation on the basis of which the real identity will be established, pursuant to newly occurred changes.

In case the order is received by electronic means the client is obliged to follow the User manual for orders issued through application for Web orders Kombank Trader, which forms an integral part of the Contract on use of Web application Kombank trader.

If the agreement with the client stipulates the possibility of receiving orders by fax or e-mail, the Broker Dealer Operations Department shall receive the order placed in such a manner and the order so placed shall be deemed to be directly issued order.





Broker Dealer Operations Department can decide to receive the orders of the clients through telecommunication or other electronic means, if so stipulated by the agreement, in which case, for the purpose of ensuring the accuracy and the integrity of the order in its records, it will apply the proper mechanisms of protection. Order can be issued by phone, if the device is used with such technical characteristics of sound recording that provide for accuracy and reliability, which implies cumulative fulfillment of the following conditions:

- Establishing the exact time of reception of order (date, hour and minute);
- Identification of telephone number from which the order is issued;
- Proper and accurate identification of the client who issued the order.

The verbal order can be issued by the client by phone, only to phone numbers provided for the receipt of such orders, with obligation of using the password which the client receives when concluding the agreement. The client agrees to be assigned new password by the Broker Dealer Operations Department in line with the development of organizational and IT support. The recording of the order issued by telephone is kept by the Broker Dealer Operations Department in electronic form on a proper medium which enables clear and precise reproduction of the same, at least five (5) years from the date the order is entered into the information system of stock exchange or other market operator.

Everyone issuing orders in the name and for the account of somebody else (representing) must be able to prove his authorization for issuing such order. Broker Dealer Operations Department is not liable for cases in which there is possibility for potential misuse of authorization, regardless in which of the above mentioned manners the order is issued.

### **Article 63**

The Broker Dealer Operations Department is obliged to keep the Book of orders according to time sequence of reception of such orders, including the orders that are transferred for execution to another investment company, amendments and revocation of orders.

The Book of orders is kept in electronic form, in a manner which prevents subsequent alterations of entered data. The content of the Book of orders is defined and provides for mandatory elements:

- Name and surname / business name or other designation of the client;
- Name and surname / business name or designation of the person representing the client;
- The serial number of the order;
- Date and exact time of reception of order, amendment to and revocation of order;
- Identification code of the financial instrument;
- Purchase and/or sale designation;
- Nature of order if it is not the purchase or sell order;
- Type of order;
- Status of order;
- Date, time and location of trading;
- Quantity of financial instrument;
- Individual and total price and currency code in which the price is expressed;
- Authorized person who executed the transaction or is responsible for its execution;
- All other specifics, terms and instructions related to execution of execution of order.

Immediately upon execution of client's order, and/or reception of confirmation on executed transaction (if the Broker Dealer Operations Department transferred to other investment company the execution order), Broker Dealer Operations Department is obliged to record data , which include:

- Client designation;
- Date of trading, time of trading, purchase and/or sale designation, identification number of financial instrument, unit price, unit code, quantity and location designation;
- Total value being the product of unit price and quantity;
- Nature of transaction if it is not sale or purchase transaction;
- Authorized person who executed the transaction or is responsible for its execution.





If the Broker Dealer Operations Department transferred the order to another investment company for execution, it is obliged, upon such transfer, to record the following data:

- Client designation whose order is forwarded;
- Business name or other designation of the investment company to which the order is forwarded;
- Terms of transfer of order;
- Date and exact time of transfer of order.

#### **6.4. Confirmation of order reception**

##### **Article 64**

Confirmation of order reception is a document by which the client is notified that the Broker Dealer Operations Department undertakes to perform the investment service or conduct investment activity in relation to certain financial instrument, pursuant to elements of the issued order. The Broker Dealer Operations Department is obliged to deliver to the client, no later than the next business day from the date of receipt of client's order, by durable medium, the notification on the following:

- Time and location of reception of order, amendments and revocation of order;
- Acceptance or rejection of execution of order, indicating the reason for rejection of order.

If the Broker Dealer Operations Department decides not to accept, and/or to reject the issued order, it has to notify the client on such decision in writing, including the note which contains the reasons for rejection. The notification on rejection of order can be delivered in person, by fax, mail or by electronic mail, i.e. using a manner of notification which the client selected when signing the agreement on provision of investment services.

##### **Article 65**

The Broker Dealer Operations Department can reject the execution of:

- purchase order, when it concludes that the funds in a client's money account are not sufficient to settle his liabilities which would arise upon the execution of purchase order;
- A sale order when it concludes that the client has insufficient funds on the account for execution of order.

The Broker Dealer Operations Department shall not reject to execute the order if the client's order can be executed entirely or partially from:

- From realized, but open items/transactions;
- Loans with the client's approval and in compliance with the applicable regulations;
- Borrowing financial instruments in line with regulations governing borrowing.

The Broker Dealer Operations Department is obliged to refuse to execute the purchase or sale order, when it reasonably believes that the execution of such an order would:

- Violate provisions of the Law on Capital Market or laws regulating preventing of money laundering and terrorism financing;
- Result in committing an act prohibited by the law as a criminal offence, commercial violation or infraction.

When establishing circumstances for rejection of order, the Broker Dealer Operations Department is entitled to rely on the available information, unless it is aware that such information are obviously outdated, false or incomplete.

In case of rejection of order on account of reasonable suspicion that the provisions of the Law on Capital Market or the Law on Prevention of Money Laundering and Financing of Terrorism would thus be violated, the Broker Dealer Operations Department shall promptly notify the Commission, on prescribed form.





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## 6.5. Execution of orders

### Article 66

The Broker Dealer Operations Department has adopted and applies the rules on execution of orders, which ensures realization under the most favorable terms and conditions. The Broker Dealer Operations Department is obliged, before the execution of order to:

- Inform the client about the rules on execution of orders;
- Warn the client about the possibility stipulated by these rules, that the order can be executed outside the regulated market, or on MTF;
- To obtain from the client written consent for rules on execution of orders (written consent means the signed agreement which contains this provision).

By Rules on execution of orders, the Broker Dealer Operations Department establishes the measures and system for fast, fair and efficient execution of clients' orders in relation to Bank's orders, which implies that:

- Information from the order which is to be executed for the account of client is promptly and accurately entered in the Book of orders;
- Similar orders of the client are promptly executed according to time of reception, unless the market conditions or the characteristics of the order prevent that, or the interests of the client require different course of action;
- Classification of orders executed for the account of the client is promptly and accurately performed;
- All necessary activities are undertaken for the purpose of securing that all the financial instruments or monetary funds of the client received during settlement of liabilities arising from executed order, are timely and duly transferred to the account of the specified client;
- It informs the client on any significant difficulties in connection to execution of order, promptly upon receiving such information.

Achieving the most favorable outcome for the client refers also to cases where the Broker Dealer Operations Department forwards the orders to another investment company for execution, in which case it is obliged to undertake measures by which it will ensure:

- Getting the best possible effect for the client, taking into account the factors relevant to execution of order and criteria on the basis of which the significance of such factors is determined;
- Observing the priority of the explicit instruction of the client with respect to rules on execution of orders, related to execution of order under the most favorable conditions.

When the Broker Dealer Operations Department receives the order with special instructions for its execution, it is obliged to warn the client on impossibility to execute the order in line with the rules on execution of orders, for the purpose of achieving the best outcome for the client.

#### 6.5.1. Execution of daily order

### Article 67

When the client has issued the order as a daily order, the Broker Dealer Operations Department is obliged to issue that order promptly, on the same day according to sequence of reception, i.e. if the order has been issued after the closing of the trading day, at the beginning of the next trading day, it shall be issued by the order from the Book of orders.

#### 6.5.2. Execution of order with limit order price

### Article 68

When the client in the financial instrument purchase or sale order determines the price, the indicated price, in execution of order, represents:

- In purchase order – maximum price which the ordering party is willing to pay;





- In sale order – minimum price which the ordering party is willing to accept.

If the subject order cannot be executed immediately, taking into account the prevailing market conditions, the Broker Dealer Operations Department is obliged to undertake measures for its execution as soon as possible, which implies an obligation of the Broker Dealer Operations Department to publish such order and make it available to other participants on the market, unless it receives different instructions from the client in relation to specific execution of order.

## **6.6. Joining and classification of orders**

### **Article 69**

The Broker Dealer Operations Department can execute the accepted client's or dealer's order by joining it to another accepted client's order, only if:

- It has efficient system for classification of orders and rules which precisely regulate a proper joining and classification of orders, which particularly includes:
  - Manner in which the quantity and price indicated in the order affects the classification,
  - Manner of dealing with partially executed orders.
- It is unlikely that the joining of orders will harm the interests of any client whose order is being joined;
- It warns each client whose orders are joined that such joining can harm the interests of clients with respect to individual order.

When the joint order, created by joining one or more accepted orders of clients, is partially executed, the Broker Dealer Operations Department is obliged to classify the related transactions in compliance with the rules governing this area of activities.

## **6.7. Joining and classification of dealer orders**

### **Article 70**

The Broker Dealer Operations Department which joins the dealer order to one or several accepted orders of clients:

- Must not classify orders in a manner that could be harmful to clients;
- It is obliged, in case of partial execution of joined order, to classify the dealer orders in such a manner that would entail that the client has a priority over the Broker Dealer Operations Department ;
- It is obliged to prevent repeated classification of dealer orders which are executed in combination with the accepted orders of clients, in a manner harmful to the client.

Notwithstanding, the Broker Dealer Operations Department can proportionally classify the dealer order, only if it can prove that without combination of dealer orders with the accepted order of the client:

- It would not be possible to execute the accepted order of the client under such favorable conditions;
- It would not be at all possible to execute the order of the client.

## **6.8. Order realization**

### **Article 71**

Realization of order means a concluding transaction on regulated market, MTF and OTC market, in cases stipulated by the Law. The order can be realized entirely or partially.

The Broker Dealer Operations Department is obliged, no later than the next business day from the day of order realization and in a manner prescribed by the agreement, to deliver to the client a notification on realization of order in the form of Certificate of realization of order, which contains the following elements:





- Serial number of the order;
- Information about the client:
  - Name and surname / name of the client,
  - Address / seat of the client,
  - Personal identification number / registration number of the client,
  - Type of financial instrument account with chosen depositary of account,
  - Type of money/cash account with chosen depositary of account.
- Venue, date and time (hour /minute/second) of concluding the transaction with data on transaction:
  - Securities designation/code (symbol or name),
  - Type of transaction (purchase or sale),
  - Number (quantity) of financial instruments,
  - Individual and total price and currency code in which the price is expressed – in cases when the client's order is realized in tranches, the Broker Dealer Operations Department will provide the client with the information on price of each individual tranche,
  - Manner of execution of order (Broker Dealer Operations Department directly or through other investment company, with indication of the name and the seat of such investment company and the responsibility of the Broker Dealer Operations Department for execution of order through the investment company).
- The amount of commission (of the Broker Dealer Operations Department, market operator, CSD), except in case of realization of order on foreign markets where the information about commissions is given as unified statement.

Signature of the person authorized to perform broker operations. If the Broker Dealer Operations Department in the Certificate of realization uses standardized codes, it is obliged, at the written request of the client, to clarify the meaning of such codes.

## 6.9. Reporting to client

### Article 72

The Broker Dealer Operations Department is obliged, upon execution of order for the account of client, through durable medium to:

- Promptly deliver significant information to the client which refer to execution of order;
- Sends to small client the confirmation of realization of order as soon as possible and no later than the first business day after the receipt of confirmation, in case when the Broker Dealer Operations Department received the confirmation of realization from the third party.

The client cannot waive the rights to be notified on execution of order, but he can, in written statement, give direction for notification to be sent to another person authorized by the client, demand that confirmations of realization of order be collected by him personally, or by e-mail, as well as for the same to be sent to the address which the client himself indicates for receipt of written notifications instead of the address from the identification document.

Confirmation of the execution of transactions is issued by the Broker Dealer Operations Department by the end of the first business day following the execution of transaction, and in manner prescribed by the agreement with the client and in compliance with the client's statement.

### Article 73

The Broker Dealer Operations Department is obliged, at least once a year, to deliver to each individual client for whom it keeps the financial instruments or monetary funds, a report on such assets, on durable medium.

The Broker Dealer Operations Department has no obligation to deliver such report if the same is an integral part of periodical report.





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The report contains:

- Data on all financial instruments or monetary funds which the Broker Dealer Operations Department keeps for the client, at the end of the period which the report relates to;
- Manner of using, disposing with financial instruments and monetary funds during the reporting period;
- Benefits or yield arising from such use and disposal.

Special note in the report is that the information in the report is based on the settlement date, with particular indication of the transactions which, at the end of the period to which the report refers, are not yet settled.

If the client does not file a complaint to the content of the report, i.e. accuracy of data contained in it, within seven (7) days from the day of forwarding the report, such report is considered accepted.

## **7. ADMINISTRATION AND SAFEKEEPING OF DOCUMENTATION**

### **Article 74**

The Broker Dealer Operations Department keeps electronic records on all services and transactions performed by it, in a manner which enables conduct of supervision over the operations of the Broker Dealer Operations Department and over adhering to prescribed obligations.

The Broker Dealer Operations Department uses the application which enables:

- Update of records;
- Possibility to verify the flow of individual activity at any given moment;
- Separation of documents on clients' operations and documents on own operations;
- Protection from unauthorized access to data and possible losses;
- In cases when transactions are executed in the name of the client, the records contain all data and specifics related to identity of client, and also data prescribed by the Law on the Prevention of Money Laundering and Terrorism Financing.

### **Article 75**

Documentation and records on all services and transactions which the Bank has performed and executed for its own behalf or the Broker Dealer Operations Department performed and executed in the name and for the account of client are kept at least 5 (five) years after the end of the business year which the data relate to.

The agreements between the Broker Dealer Operations Department and client which regulate their mutual rights and obligations, the Broker Dealer Operations Department keeps for 5 (five) years after the end of the business year in which the agreement is terminated, or investment services ceased to be provided in some other way.

Prescribed records and business documentation is kept by Broker Dealer Operations Department even longer than the prescribed time period, in cases when it is necessary due to termination of supervision or court procedure.

### **Article 76**

For the orders delivered by phone, fax or electronic means, the Broker Dealer Operations Department keeps the original records of received and accepted orders in a manner that allows an insight into the time of placing the order.

Backup copies of documentation and records the Broker Dealer Operations Department keeps outside its business premises.





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## 8. REPORTING OBLIGATION OF THE BROKER DEALER OPERATIONS DEPARTMENT

### Article 77

#### 8.1. Daily reports

The Broker Dealer Operations Department is obliged, no later than the next business day, to submit to the Commission the report on each transaction executed outside the regulated market, which contains the following information:

- Identification code of financial instrument ( ISIN number and CIF code and),
- Unique identification number of the transaction which is assigned by the Broker Dealer Operations Department,
- Day, time and venue of trading
- Whether the transaction is executed on own account or for the account of the client,
- For transactions on OTC market data on other investment company,
- Designation of purchase or sale, in terms of mediation of the Broker Dealer Operations Department,
- Quantity of sold or purchased financial instruments,
- Individual and total price and the code of currency in which the price is expressed.

#### 8.2. Monthly report

### Article 78

The Broker Dealer Operations Department is obliged, at the latest by the 15th day of the current month and for the previous month, to submit to the Commission a monthly report on its operations, on applicable form and in a prescribed manner.

#### 8.3. Annual operating report

### Article 79

The Broker Dealer Operations Department is obliged, no later than 4 (four) months following the end of the business year, to submit to the Commission the Annual Operating Report.

The Report is submitted on the Commission's forms.

#### 8.4. Other reports

### Article 80

If the Broker Dealer Operations Department manages the money/cash and financial instrument accounts of the clients, it is obliged to submit to the Commission the reports whose content and time limits are governed by special rulebooks.

The Broker Dealer Operations Department is obliged, within eight (8) days from the moment of occurrence of change, to notify the Commission on change of conditions on the basis of which it was granted the license for performing the activity, as well as other conditions which the Broker Dealer Operations Department must fulfill. The notification contains a description of events and date of their occurrence.





In case of change of business name, the Broker Dealer Operations Department submits to the Commission a request for granting the consent to amendments to legal documents.

Along with notification on change of address or seat, the Broker Dealer Operations Department encloses the evidence that it meets the requirements of organizational capacity and technical equipment.

The Broker Dealer Operations Department considers the data on trading on regulated market and MTF published if such data are published in one of the following manner:

- Published on the website of the market operator;
- Published on the Bank's website.

## **9. ACTING ON CLIENTS' COMPLAINTS**

### **Article 81**

Processing of clients' complaints is performed by the Broker Dealer Operations Department in line with the internal legal documents of the Bank regulating the procedure of resolving the complaints of the Bank's clients.

### **Article 82**

The client shall forward a complaint to the Bank if he considers that the Broker Dealer Operations Department does not comply with the provisions of the law, operating rules, sound business practice and the obligations from specific concluded agreement.

The manner of filing the complaint, as well as the minimum information such complaint shall contain, are prescribed by the internal legal documents of the Bank, which are applied in the Broker Dealer Operations Department.

### **Article 83**

The internal legal documents governing the Bank's procedure for resolving complaints of the clients are available in the Bank premises in which the banking services are normally offered, as well as on the bank's website.

### **Article 84**

The essential characteristics of the form and content of the responses, as well as the terms and manner of submitting responses to the complaint, are provided in the Bank's internal legal documents which also apply in the Broker Dealer Operations Department.

### **Article 85**

If a client sends the complaint to the competent institution (NBS, the Commission for Securities), failing to previously submit the complaint to the Bank, the aforementioned competent institutions shall refer such complaint to the Bank for resolving in the regular procedure. The Bank shall send its response to the respective client and shall submit it to the competent institution at the same time.

### **Article 86**

If a client is not satisfied with the previously received response, he can re-submit the complaint to the Bank, on the same or similar grounds. The complaint that refers to the same facts shall be considered as amendment to the previously submitted complaint.





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## Article 87

Securities Division shall keep the records on clients' complaints at the Bank's level.

## 10. MEASURES FOR PROVIDING BUSINESS CONTINUITY

### Article 88

Komercijalna Banka AD Beograd adopted the Business Continuity Plan which is applied in case of occurrence of unexpected events in the Bank, which can lead to serious disturbances in execution of business processes. The Plan is applied at the level of all business functions and organizational units of the Bank.

The Business Continuity Plan contains the description of procedures in case of disruption of operations: establishment of backup location, list of all resources necessary for reestablishment of business continuity, appointment of teams for business reestablishment, clearly defined duties and responsibilities of teams and individual members, plan of internal and external lines of communication.

### Article 89

Extraordinary situations are all situations caused by human or natural factor which can lead to temporary cessation of key business processes in the Bank and to loss of information that may be of vital interest to the Bank and its clients. Possible scenarios which can cause the occurrence of extraordinary situation are as follows:

- Natural disasters (flood, earthquake, fire, ecological disasters);
- Organized and malicious acts (theft, vandalism, terrorism);
- Lack of goods and services (interruption of power supply, shortage of water, disruption of telecommunications in the long run);
- Hardware and software malfunctions;
- Serious information and security accidents (cybercrime, data loss, IT server failure);
- Other causes.

### Article 90

Depending on the type of extraordinary situation, only minimum number of disaster recovery plans are activated aimed to overcome the occurred disruption, whose duration represent the key element for identification of scenario.

The organizational unit in charge of Bank's security is responsible for maintaining the business continuity plan which, among other, implies activating the crisis committee in case of occurrence of extraordinary situation, making proposals for activating and coordinating the implementation of disaster recovery plan.

The Bank's Technical and Operational Activities Division and IT Division have the following roles and responsibilities:

- Determine and provide the alternative (backup) location;
- Perform all the activities anticipated by the business continuity plan and create prerequisites for establishing the normal work process;
- Inform the responsible person on created prerequisites for moving to the main location.

### Article 91

Business Continuity Plan anticipates the following steps:

- Appointment of persons authorized for activation;





- Description of alternative (backup) location and establishing the minimum resources necessary for business continuity;
- Identification of the employees who shall move to alternative location;
- Determining the dependence on external partners;
- Development of communication protocols during the crisis.

Disaster recovery plan is applied over the period from the moment of occurrence of disruption in business process until the time of establishing the regular normal business operations.

## **11. MEASURES FOR PREVENTION OF MONEY LAUNDERING AND TERROSIM FINANCING**

### **Article 92**

This area is regulated by the following legal documents of Komercijalna banka AD Beograd:

1. Policy for prevention of money laundering and terrorism financing of Komercijalna banka AD Beograd,
2. Instruction – Analysis and assessment of money laundering and terrorism financing risk (UI-908-01),
3. Instruction– Verification of private individuals and legal entities in terms of comparing to international blacklists (UI-908-03)
4. List of indicators for identification of suspicious transactions.

In performing its activities, the Broker Dealer Operations Department adheres to documentation stated in the previous paragraph.

## **12. SUPERVISORY OPERATIONS**

### **12.1. Internal control**

#### **Article 93**

The internal control operations in the Broker Dealer Operations Department are performed by the Controller in compliance with the work instruction which anticipates the following rules:

- Monitoring and regular evaluation of adequacy and efficiency of measures and activities undertaken by the Broker Dealer Operations Department with the objective to minimize the risk of non-compliance of business operations with the relevant regulations;
- Rules in case when the Controller identifies irregularity in terms of failure to comply with the obligations stipulated by the relevant regulations;
- Controller's obligation to organize and conduct the training of the employees authorized/licensed to perform these operations with regard to the manner of applying the relevant regulations.

The Controller in the Broker Dealer Operations Department is not involved in performing services or activities which are the subject of his supervision.

### **12.2. Risk management**

#### **Article 94**

The Broker Dealer Operations Department performs the tasks from its area of activities in compliance with the procedures of the risk management organizational unit, through which a stable system was established that implies a clear organizational structure with defined, transparent and harmonized descriptions of duties, efficient measures for risk identification, management, monitoring and reporting and high or potential exposure, as well as adequate internal control mechanisms, inclusive of administrative and accounting procedures.

Prescribed procedures for risk identification, measurement and assessment, as well as risk management, contain the following:





- Provisions which enable functional and organizational separation of risk management activities from Bank's regular business operations;
- Procedures for risk identification, measurement and assessment;
- Procedures for risk management;
- Procedures which enable control and consistent application of all Bank's internal procedures in relation to risk management;
- Procedures for regular reporting.

#### **Article 95**

By internal legal document of the Broker Dealer Operations Department – Information for clients of the Broker Dealer Operations Department, the clients are acquainted with all types of risks related to financial instruments. Information for clients of the Broker Dealer Operations Department forms the integral part of these Operating Rules. The internal legal documents of the Broker Dealer Operations Department are available in the premises of this Department and also in the Bank's branches/sub-branches authorized for performing broker operations, and likewise on the Bank's website – [www.kombank.com](http://www.kombank.com).

### **12.3. Internal audit**

#### **Article 96**

Program and plan of internal audit determines in more details the objectives, tasks, operating principles, authorizations, responsibility and reporting on adequacy and efficiency of implementation of internal controls.

Primary task of internal audit is to provide the Bank's authorities/bodies an independent and objective opinion on issues that are the subject of the audit:

- Evaluates the adequacy and reliability of the internal controls system and the compliance function;
- Ensures that the risks are properly identified and controlled;
- Assesses the compliance level of capital and risk in Bank's operations;
- Evaluates the quality and reliability of information system, including the electronic information system and electronic banking services;
- Establishes the weaknesses in Bank's operations and their employees, along with the cases of default in settlement of liabilities and exceeding authority and prepares proposals for elimination of such weaknesses, accompanied with recommendations for their prevention;
- Hold meetings with the Board of Directors and with the Audit Committee;
- Regularly prepares reports on activities of the internal audit and delivers them to the Board of Directors and to the Audit Committee.

The Internal Audit is independent from the activities that are subjected to audit in order to ensure the highest level of professional objectivity in the process of gathering, assessing and conveying the information on activity or process which is at the time subjected to the audit.

### **13. TRADING AND NON-TRADING BOOK**

#### **Article 97**

The trading book shall consist of all positions in financial instruments held by the Bank in its capacity as a dealer with trading intent or in order to hedge other elements in other financial instruments kept in that book and which are either free of any restrictive covenants on their tradability or able to be hedged.

The non-trading book shall consist of all positions of financial instruments and commodities not included among the positions of the trading book.





## 14. OTHER

### 14.1. Commission and other fees

#### Article 98

The client is obliged to pay the Broker Dealer Operations Department the commission, and/or fee for services performed (hereinafter: tariff), pursuant to the agreement. The amount of tariff is determined between the client and the Broker Dealer Operations Department for certain type of service up to the amount of maximum commissions and fees stipulated by the Tariff Rulebook.

When performing purchase and sale of financial instruments for the account of client, in purchase or sale order for which the Broker Dealer Operations Department issued the Confirmation of order reception, the amount of commission for such transaction is specified, in line with the commission prescribed by the Tariff of the Broker Dealer Operations Department, unless otherwise agreed.

The Tariff of the Broker Dealer Operations Department establishes the maximum amount of tariff to be paid by the client. The Broker Dealer Operations Department is obliged to submit the Tariff, before its implementation, to the Commission and to display it in its business premises, as well as to publish it on its website, seven (7) days before it comes into force.

## 15. TRANSITIONAL AND FINAL PROVISIONS

#### Article 99

The integral part of these Operating Rules are the Rules on execution of orders in the Broker Dealer Operations Department, the Rules on prevention of conflict of interest in the Broker Dealer Operations Department and the Information on investment and ancillary services in the Broker Dealer Operations Department.

The documents stated in paragraph 1 of this Article are available on website of Komercijalna banka AD Beograd - [www.kombank.com](http://www.kombank.com), in the premises of the Broker Dealer Operations Department and in the premises of the Bank's branches and sub-branches authorized to perform broker operations.

#### Article 100

By entering into force of these Operating Rules, the Operating Rules of the Broker Dealer Operations Department of Komercijalna banka AD Beograd number 19257, dated September 10<sup>st</sup> 2012 shall cease to be valid.

These Rules shall enter into force as of the date of receipt of the Decision rendered by the Securities Commission on granting the license for performing the activities of the investment company and shall be applicable seven days following the day of their publishing on the Bank's website [www.kombank.com](http://www.kombank.com).

**Member of the Executive Board**

**Lidija Sklopić**

**Deputy  
President of the Executive Board**

**Dragan Santovac**

