

## **RULES**

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of operation of the Authorized Bank Komercijalna banka AD Beograd

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## EXECUTIVE BOARD

Registration No. 340/IO  
Belgrade, 10.06.2020

Pursuant to Article 31 of the Articles of Association of Komercijalna banka AD Beograd, on 10.06.2020, the Executive Board of Komercijalna banka AD Beograd adopted the following

## RULES OF OPERATION OF THE AUTHORIZED BANK KOMERCIJALNA BANKA AD BEOGRAD

Rules of Operation of the Authorized Bank Komercijalna banka AD Beograd (hereinafter: the Rules) regulate the operating terms and conditions i.e. the provision of investment and additional services to clients, in accordance with the Law on Capital Market (hereinafter: LCP) and the accompanying secondary legislation of the Securities Commission (hereinafter: SC) and the Central Securities Depository and Clearing House (hereinafter: CSDCH).

Applicable laws and secondary legislation, General Operating Terms of Komercijalna banka AD Beograd, as well as the relevant internal by-laws of Komercijalna banka AD Beograd (hereinafter: the Bank) shall apply to everything not regulated with these Rules or the contract between the Authorized Bank and the client.

### 1. KEY DEFINITIONS

Certain definitions in terms of these Rules have the following meanings:

**Authorized Bank:** Department for Broker Dealer Operations, organizational unit of Komercijalna banka AD Beograd – credit institutions, member of the CSDCH, whose regular activities of operations include the provision of a single or more investment and additional services i.e. professional execution of one or more investment activities related to one or more financial instruments.

**Authorized branches:** The Bank's branches that are authorized to perform the activities from the competence of the Authorized Bank.

**Client:** Legal entity or a private individual (local and foreign) to whom the Authorized Bank provides investment or additional service.

**Small Client:** Client of the Authorized Bank that is not classified into the category of professional clients.

**Professional Client:** Client who has enough experience, knowledge and competence to independently pass decisions about investments and the correct assessment of risk regarding the investment and who meets the criteria set by the CML.

**Control:** Written document signed between the Authorized Bank and the client whereby the contracting parties agree to express their will and specify the mutual rights and obligations, as well as other terms under which the Authorized Bank provides services to the client.

**LCP:** Law on Capital Market

**LPMLTF:** Law on the Prevention of Money Laundering and Terrorism Financing

**Financial instruments - FI:** Negotiable securities, money market instruments, units of the collective investment institutions, financial derivatives (options, futures, swaps, forwards...) and other instruments specified in the LCP

**Place of Order Execution:** Regulated market, multilateral trading platform – MTP, over-the-counter market – OTC, in Serbia and abroad

**Belgrade Stock Exchange ad Beograd – the Stock Exchange:** Company that performs the tasks of market organizer in the local market in accordance with the LCP and manages i.e. performs the activity regarding the functioning of the regulated market and multilateral trading platform (MTP).

**Securities Commission – SC:** Independent and standalone organization of the Republic of Serbia, organized as a legal entity, with the competences to, among other things, pass also secondary legislation and other by-laws for implementation of the law, grants an approval for business activities of investment companies, supervises and monitors their operation, secondary trading, approves the publishing of the prospectus for a public offer, etc.

**Central Securities Depository and Clearing House – CSDCH:** Legal entity, with a license of the SC, that performs the tasks of maintaining a registry of financial instruments, clearing and netting of transactions with financial instruments and other tasks specified by the law.

## 2. TYPES OF OPERATIONS OF AUTHORIZED BANKS AND THE CONDITIONS FOR THEIR EXECUTION

Authorized Bank Komercijalna banka Ad Beograd holds a license for provision of investment and additional services, on the basis of the SC Decision No. 5/0-46-2006/5-12 of 27.09.2012.

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

- Receipt and transfer of orders that relate to the sale and purchase of financial instruments or revocation of the orders;
- Execution of orders on behalf of the clients;
- Trading for one's own behalf;
- Underwriting services related to the offer and sale of financial instruments with the obligation of repurchase;
- Services related to the offer and sale of financial instruments without the obligation of repurchase.

Apart from these, the Authorized Bank provides also additional services that relate to:

- Storing and administrating financial instruments for the behalf of the client, including the storing of the instruments and services related to that, such as administrating the funds and the collateral;
- Approving loans to investors so that they could perform the transactions with one or several financial instruments when the lending company is involved in the transaction;
- Advice to companies regarding the capital structure, business strategy, merging and the purchase of the company, etc.
- Services related to FX operations regarding the provision of investment services;
- Research and financial analysis in the area of investment or other forms of general recommendations regarding the transactions with financial instruments;
- Services regarding underwriting;
- Investment services and activities, as well as supplementary services that relate to the grounds for a derivative (options, futures, swaps, interest forwards and other derivatives in accordance with the LCM), in relation to the provision of investment services and activities, as well as supplementary services.

### 2.1. Brokerage operations

Performing brokerage operations involves the provision of investment services to a client, in terms of receipt of an order to trade in financial instruments, receipt of an order for the transfer of financial instruments and execution of these orders on and for the behalf of the client.

Trading in financial instruments means the purchase and/or sale of financial instruments specified in the law and the by—laws of the SC, in regulated markets, multilateral trading platforms and unregulated (OTC) Serbian and international markets.

Authorized Bank performs brokerage operations on the basis of the Contract on provision of investment services. This contract is signed with a client in writing, before the receipt of the first client's order.

Authorized Bank and the client define in the Contract on provision of investment services the mutual rights and obligations and other terms for brokerage in the purchase or sale of financial instruments.

For execution of brokerage tasks electronically, a special contract is signed with the clients that regulates the use of the Kombank trader application.

With reference to the signed contracts, the Authorized Bank and the clients have the possibility to sign an annex that will regulate the provision of investment and additional services that are not regulated in the previously mentioned contracts.

### 2.2. Dealer activities

In accordance with the Rulebook on Job Classification in Komercijalna banka Ad Beograd, dealer operations are carried out through the Authorized Bank, at the order and in accordance with the instructions of the Banks' organizational form in charge of managing the Banks' funds and balance-sheet.

When performing dealer operations, Authorized Bank is obliged to observe:

- Execution of orders from its clients and other contractual obligations to clients so that it does not place its interests and the interests of related entities before the client's interests;
- Investment decisions i.e. trading for and on behalf of the Bank is conducted on the basis of instructions of the competent organizational unit of the Bank;
- Measures and actions prescribed in these Rules, both in terms of execution of orders as well as prevention of the conflict of interest.

### 2.3. Market Maker Activities

For market maker activities the Authorized Bank signs the Contract with the market organizer where financial instruments this contract relates to are listed. Authorized Bank is bound by this contract to issue, on continuous basis and for its own account, purchase and sale orders for financial instruments which the contract relates to, under the terms from the contract, in accordance with the rules of the market organizer.

### 2.4. Issue agent tasks

Authorized Bank that provides the services regarding the offer and sale of financial instruments without the obligation to repurchase, performs these tasks in the capacity of an agent, namely:

- By issuing financial instruments through a public offer;
- By including financial instruments issued through a public offer into the regulated market and/or MTP.

Contract with the client, regarding the provision of issue agent's services regulates the mutual rights and obligations of the client – issuer and the Authorized Bank and other terms.

### 2.5. Underwriting

When performing the underwriting tasks Authorized Bank organizes the issuing of financial instruments with the obligation of their purchase from the issuer for the purpose of further sale or with an obligation of repurchase from the issuer of unsold financial instruments.

The Client – issuer and the Authorized Bank regulate their mutual rights and obligations and other terms with a contract.

### 2.6. Opening and maintaining the financial instruments account

Authorized Bank is obliged to inform the potential client of an obligation to open a money account with the bank or an investment company member of the CSDCH, as well as the account of financial instruments for trading in the local market at the member of the CSDCH, or for trading in foreign markets in the Bank, before issuing an order for purchase or sale of financial instruments.

Contract on opening and maintaining an account for financial instruments for trading in the local and/or foreign markets the Authorized Bank and the client regulate mutual rights and obligations, as well as other terms. Authorized Bank signs a contract on opening and maintaining an account of deposited financial instruments with the client who acquires the shares of the targeted company in the process of making an offer for the acquisition of shares or with a client who acquires the shares in the process of repurchase of treasury shares, whereby the mutual rights and obligations of the client and the Authorized Bank are regulated in accordance with the LCM, Rules of Operation of the CSDCGH and other regulations, as well as other conditions.

### 2.7. Representing shareholders in the General Meeting of Shareholders

Authorized Bank may represent its clients in general meetings of shareholders of joint-stock companies, in accordance with the signed contract, on the basis of a special power of attorney issued by the client – shareholder who owns shares with the voting right of a joint-stock company, in accordance with the law, memorandum of association and the articles of association of that company.

Authorized Bank is obliged to represent the shareholders at the company's general meeting of shareholders in their best interest and to warn the shareholders who have granted the power of attorney of all the limitations for such representation that arise from the law and other regulations.

### 2.8. Other corporate agency tasks

Authorized Bank signs the Contract on Corporate Agency with the issuer of financial instruments, in accordance with the law, Rules of Operation of the CSDCH, these Rules and the by-laws of the stock exchange. Contract on Corporate Agency binds the Authorized Bank to provide the following services through CSDCH, in accordance with the client's demands:

- Opening and administrating the issue account, securities account and other accounts of the client;
- Filing a request for allocation/amendment to the identification label FI;
- Filing a request for registration of FI on the issue account of the issuer and transfer to the accounts of legal holders;
- Filing a request for issuing uniform records of legal holders of FI;
- Filing a request and taking other actions regarding the payment of dividends and other revenue from FI;
- Cancellation of debenture FI;
- Deregistration of FI;
- Change in legal form;
- Status changes;
- Filing a request for cancelation of issued FI;
- Implementation of the FI replacement process
- Implementing the process of repurchase/alienation of treasury shares;
- Purchase of shares from dissenting shareholders;
- Decrease and increase in the core equity of the joint-stock company;
- Forced purchase of shares;
- Releasing notification on the CSDCH's website.

Authorized Bank may, with the same contracts, assume the obligation to provide the following services, through the Stock Exchange and the SC, in accordance with the client's requests:

- Filing a request and other documentation for inclusion of financial instruments on the regulated market or MTP;
- Filing reports and notifications that the client is obliged to release in accordance with the law and the by-laws of the SC on the webpage of the market organizer and the SC portal;
- Filing a request for exclusion of financial instruments from the regulated market or MTP and implementation of other actions in accordance with the rules and other general by-laws of the market organizer;
- Filing a request for approval of the offer for the acquisition of shares, in accordance with the applicable by-laws of the SC;
- Filing a request to the SC for the approval of the status of qualified investor;
- Filing a request to the SC for an opinion.

## 3. PRINCIPLES OF SAFE AND GOOD BUSINESS CONDUCT

Rules of Conduct and professional Ethics of Komercijalna banka AD Beograd (hereinafter: the Code) specifies the general, ethical principles and the binding rules of professional conduct. Observance of the provisions of the Code is a precondition for performance of business activities and conduct contrary to this constitutes a breach of professional duty.

All the employees in the Bank, members of the management bodies and persons hired on a contract for performance of tasks from the Banks' field of activities are responsible for the implementation of the Code.

Apart from the obligation to perform business activities in accordance with the principles of professional ethics stated in the Codex, these Rules prescribe the observance of special principles and rules of conduct for the relevant persons, with the aim of avoiding the conflict of interest and preventing the abuse in the market in accordance with the LCM and LPMLATF:

- Due diligence and responsibility principle – means doing business with clients on the basis of full knowledge about the clients, as well as providing to the clients all the information important for passing investment decisions, while analyzing and observing the level of the clients' knowledge and awareness, as well as timely provision of full and clear information to the clients that include also warning of risks and possible types and sources of conflict of interest in relation to the performance of the tasks with the client's financial instruments;
- No unfair competition principle – it is not allowed to take actions against other investment companies (competitors) that violate the principles of business ethics and good business practice that cause or may cause damage to competitors, release of untrue and offensive claims about competition for the purpose of compromising the reputation and operation of competitors, offering dumping terms;
- Reliability, honesty and fairness principle – Authorized Bank performs its business activities while securing the appropriate level of reliability and integrity and maintains contacts with the public, clients, employees and other investment companies in a manner that ensures fair and honest business activity. This principle particularly covers the observance of priorities of client's interests, protection of the clients' property, providing complete and timely information as well as notifying the clients off all the real and possible conflicts of interest in order to secure fair and objective operation. Authorized Bank is obliged to avoid conflicts of interest with the client and, if it is not possible, ensure a just relationship while reducing the conflict to the lowest possible measure;
- Confidentiality principle – personal data about the client are used exclusively as part of performing business activities, in accordance with the law and the Bank's internal by-laws that regulate this issue. Authorized Bank may not use, disclose to third parties nor allow the use of this information, except in cases specified by the law.

#### **4. BUSINESS SECRET**

In the process of providing and executing investment services and activities, due care is taken and confidentiality of the gathered client data is observed.

In accordance with the regulations and the Bank's by-laws, all employees are obliged to keep as a business secret

- Data about the client, balance and transactions in the accounts;
- Data about the investment services and activities performed for the client;
- Other data and facts as part of providing investment and additional services for the client.

The bank's employee must not use this information, disclose it to third parties nor allow the information to be used.

This information may be allowed to be inspected by third parties and disclosed to third parties only in the following cases:

- With the client's written approval;
- During supervision or at the request of the SC, CSDCH or market organizer;
- On the basis of the court's order;
- On the basis of the order of a body that engages in prevention of money laundering and terrorism financing;
- On the basis of an order of another competent government body.

Obligation to keep a business secret continues even after the function or employment in the Bank is terminated.

#### **5. MANAGING THE CONFLICT OF INTEREST**

##### **5.1. Definition, measures and actions for managing the conflict of interest**

Conflict of interest means every situation where the Authorized Bank or the relevant persons are not neutral and objective in relation to the subject matter of business or have professional and/or personal interests that go against the client's interests which may affect the impartiality in provision and execution of investment services and activities to the detriment of the client.

In terms of managing the conflict of interest, the Authorized Bank particularly defines with these Rules the following:



- Circumstances that constitute or might result in the conflict of interest, including the circumstances that arise from the business activity of the members of the banking group and the cases of the conflict of interest;
- Key principles for operation in performing investment activity;
- Procedures and measures that apply for the purpose of managing the conflict of interests that might be to the detriment of one or several clients;
- Measures for informing the relevant persons about the obligatory actions in the process of managing the conflict of interest and about the execution or the ban on executing personal transactions;
- Process of establishing internal control in the Authorized Bank.

### 5.2. Occurrence of the conflict of interest

Conflict of interest may arise between:

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

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

- May generate financial benefit or avoid the loss to the detriment of the client by using insider information or disclosing it to the third parties;
- Trade for and on their own behalf by using insider information;
- Have an interest in the outcome of the task performed for the client or transactions executed for the client's account, that differ from the client's interest;
- Have financial or some other motive to favor the interests of another client or a group of clients, to the detriment of other client's interests;
- As well as situations where:
  - a) Subject-matter of the client and the subject-matter of the Bank's and/or relevant person's business, or the business of persons related to them, is the same subject-matter;
  - b) There is a link, in terms of ownership, between the Bank and the relevant person and he persons related to them, with the persons that are the client's market competitors,
  - c) Bank and/or the relevant person receive or will receive additional fee or incentive in the form of money, goods or services for the task performed for the client, beyond the usual commission or fee for such a task,
  - d) Authorized Bank provides services of investment counseling and/or management of portfolio and also recommends investment and/or invests in the financial instruments whose issuer is the Bank,
  - e) Execution of personal transactions is contrary to the legal bans and these Rules.

### 5.3. Notifying the clients about the conflict of interest

In cases when the provisions of these Rules are not enough in order to ensure, to a reasonable extent, the prevention of the conflict of interest with the risk for the client, the Authorized Bank is obliged to notify the client about the type and source of the conflict of interest before the task is executed i.e. before the transaction on the client's behalf.

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

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

### 5.4. Organizational structure for performing the tasks of the Authorized Bank

The Bank's internal organization structure ensures:

- Adequate execution and separation of certain tasks with financial instruments; ;
- Defining the work process, segregation of duties and separation of responsibility of employees who execute orders for the behalf of the clients;

- Segregation of duties, competences and responsibility of employees in the manner that prevents the conflict of interest;
- Adequate information about all the procedures that are the subject-matter of the implementation;
- Implementation of internal control;
- Adequate storing and archiving of business documentation and data.

Investment services and activities are carried out in a separate organizational unit of the Bank – Department for Broker – Dealer Operations and authorized branches.

Exceptionally, within the same organizational unit, it is allowed to conduct activities related to the business of offering and selling financial instruments with and without the obligation of a repurchase (agent and underwriter).

Execution of dealer orders is conducted within the organizational unit that executes orders for the account of the clients, with fulfillment of the legally specified conditions that:

- Decisions about dealer trading are not passed within that organizational unit;
- Dealer trading is not a dominant investment service of the Authorized Bank i.e. revenue from that services is lower than 20% of the total revenue.

### 5.5. Treatment of the client's orders

Authorized Bank is obliged to execute orders for its clients quickly, honestly and efficiently, securing equal treatment to all clients. When providing the services of mediating, receiving and forwarding the order for execution, the Authorized Bank will always act with the due care and diligence of a prudent businessman and strive to protect the client's interests in an adequate manner.

When the Authorized Bank is trading in the financial instruments for its own behalf, it is obliged to fully act in accordance with the provisions of these Rules i.e. to equally treat the order for its own behalf, observing the measures for managing the conflict of interest.

Authorized Bank will not abuse the information regarding the received client's orders and will undertake all reasonable measures aimed at preventing the abuse of such information.

Authorized Bank is obliged to show to the client, at its request, the data from which it is visible that the client's order has been executed in accordance with these Rules i.e. in accordance with the explicitly defined client's order.

### 5.6. Insider information

Insider information is the information on exactly specified facts that are not publicly disclosed, relate directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments which, if they had been publicly disclosed, probably have a significant effect on the price of those financial instruments or the price of derivative financial instruments.

Precisely specified facts are the facts that point to a range of circumstances that exist or which can reasonably be expected to exist, or the event that occurred or that can be reasonably expected to occur when they are specific enough to allow for a conclusion to be arrived at about the possible effect of that range of circumstance or events on the price of financial instruments, related derivative financial instrument or related spot contracts for goods.

There is significant effect if a reasonable investor probably took into consideration such information as part of the grounds for passing their investment decisions.

For the employees in the Bank who are responsible for execution of orders regarding the financial instruments, insider information also include the information about precisely specified facts obtained from the client regarding the future client's orders that relate to a single or more issuers of financial instruments or to a single or more financial instruments which, if they were to be publicly disclosed, would probably have a significant effect on the price of those financial instruments or the price of the derivative financial instrument.

Each person who has insider information is banned from using that information directly or indirectly upon acquiring it, from alienating or attempting to acquire or alienate for their own account or the account of a third person the financial instruments that information relates to.

### 5.7. Authorized Bank's relevant persons

In accordance with the LCM and the SC's Rulebook on organizational requirements for the provision of investment services and execution of investment activities and additional services, relevant persons of the Authorized Bank are:

- Persons with the share in the capital of Komercijalna banka AD Beograd – first 15 shareholders, particularly the shareholders who have 5% or greater percentage of the Bank's shares with a voting right;
- Persons on managerial positions in Komercijalna banka AD Beograd – members of governance and executive bodies of Komercijalna banka AD Beograd, executive managers who, in accordance with the internal organization of the Bank have or might have access to data from the domain of operation of the Authorized Bank and the employees in managerial positions in the Securities and Financial Markets Division (hereinafter: Securities Division) who have the SC's approval for appointment (director of the Securities Division and the director of the Authorized Bank);
- Persons employed in the Bank in the:
  - 1) Securities Division;
  - 2) Authorized branches of the Bank (employees with the authorization to perform investment services);
  - 3) Organizational forms of the Bank who have access to the information on provision of investment services and additional activities that are carried out in the Securities Division;
  - 4) Persons who are not the Bank's employees but are hired for provision of investment services for the Bank.

SC's Rulebook on organizational requirements for provision of investment services and execution of investment activities and additional services defines the person closely related to the relevant person;

- Spouses or persons living in extramarital union;
- Offspring and ancestors in a straight line unlimited;
- Relatives until the third degree of kinship, in lateral line, including in-law relations;
- Adopter and adoptees and adoptees' offspring;
- Foster parents and foster children and foster children's offspring;
- Person who has spent with the relevant person at least a year in a joint household from the date of the specific personal transaction.

### 5.8. Personal transactions

Personal transactions are transactions with financial instrument that are carried out by the relevant persons of the Authorized Bank when acting outside the scope of the activities that they carry out as relevant persons, or an activity carried out for the account of the relevant person, person who the relevant person is in a family relation or is closely related to in terms of the LCP or persons whose relation to the relevant person is of such nature that the relevant person has direct or indirect material interest from the results of the transaction which is not a commission or fee for execution of the transaction.

### 5.9. Bans for the relevant persons

Authorized Bank is obliged to implement the procedure of adequately informing the relevant persons about the activities that might result in the conflict of interest and banks regarding the execution of personal transactions.

It is forbidden to the relevant person to:

- Enter into personal transactions if that includes the misuse or disclosure of insider or other confidential information that relates to the client or the transactions with the client or for the account of the client or if entering into such a transaction is in breach or is likely to result in a breach of obligations of the Authorized Bank;
- Advise or talk another person into entering a transaction with financial instruments, in the manner that exceeds the authorization of the relevant person or is not prescribed with the contract on provision of services;
- Disclose to another person any information or opinions, except within the regular authorization or within the service provision contract, if the relevant person knows or should know that such actions will influence that other person to:
  - 1) Enter into a transaction with financial instruments;
  - 2) Advise or talk the third person into entering into such a transaction;

- Participates in the activities that might result in the conflict of interest.

Employee who performs the duties of the manager in Komercijalna banka AD Beograd is forbidden to perform the transactions for their own account or the account of a third person, directly or indirectly, with regard to the financial instruments of Komercijalna banka AD Beograd and financial instruments related to the actions of Komercijalna banka AD Beograd during the period of 30 days before the release of the annual, semi-annual or quarterly financial report that the Bank releases in accordance with the provisions of the Law.

Exceptionally, an employee who performs the duty of the manager in Komercijalna banka AD Beograd may trade in financial instruments of Komercijalna banka AD Beograd and the financial instruments related to the shares of Komercijalna banka AD Beograd also in the periods of prohibition, with a written approval from the Bank.

Person who performs the duty of the manager in Komercijalna banka AD Beograd and the persons related to them, in accordance with the LCP, have an obligation to report to the SC all the acquisitions or alienations for their own account of shares of Komercijalna banka AD Beograd, as well as acquisition and alienation of financial instruments related to the shares of Komercijalna banka AD Beograd, within 5 days from the date of that acquisition or alienation.

SC specifies in more detail the contents and the manner of reporting data i.e. the terms under which those persons are not obliged to report the acquisition or alienation.

### 5.10. Misuse in the market

SC's Rulebook that regulates the issue of misuse in the market and approval for trading during the ban period prescribes the actions that, in certain circumstances, may be considered misuse in the market.

Circumstance specified in the Rulebook that affect the assessment of whether there was misuse in the market do not, on their own, mean that a particular case involves misuse in the market nor does the opposite go without saying, if some fact or an event is not specified, but when assessing the existence of misuse in the market the specific circumstances of each individual case are assessed.

When establishing the circumstances that might be considered misuse in the market, Authorized Bank is entitled to rely on its own information, as well as the information it receives from its clients or potential clients, except if it has the information or should have the information that such information is obviously obsolete, incorrect or incomplete.

SC's Rulebook regulates the obligatory actions in case of rejection of the order due to the suspicion that by issuing the order a misuse in the market would be committed.

Authorized Bank regulates with its internal by-laws the process of establishing the mechanism for identifying and preventing the misuse in the market, as well as the actions of the Authorized Bank in accordance with the obligations specified in the SC's Rulebook.

### 5.11. Recommendations

When the Bank prepares and/or prepares investment research and analysis that is intended or is likely to be delivered to the Bank's clients or the public, the Bank must ensure the implementation of the following measures:

- Financial analysts and other relevant persons must not execute personal transactions or trade in financial instruments which the investment research relates to nor any related financial instrument, when they have knowledge of the probable selection of the moment of disclosure/reference or the contents of that investment research, that is not publicly available or is not available to the clients. Likewise, in these cases they must not trade for an/or behalf of any other person, including the Bank. An exception to this ban is the delivery of the order initiated by the client or delivery of order in the capacity of a market maker;
- In the circumstances not covered by the previous item, financial analysis and other relevant persons involved in the preparation of the investment research must not undertake personal transactions with the financial instrument to which the investment research relates or with a financial instrument related to it, contrary to the current recommendations, except in exceptional circumstance with a special approval from the Bank.

Authorized Bank may, within the process of performing the tasks of providing investment services, at the client's request or at the personal initiative, give recommendations regarding the execution of a single or more transactions with financial

instruments. These recommendations include research or other information that explicitly or tacitly recommend or propose the investment strategy regarding one or more financial instruments, or issuers of financial instruments, including every opinion about the current or future value and price of those instruments intended for the distribution channel or the public.

In the capacity of a recommendation issuer the Authorized Bank is obliged to state, in each recommendation, in a clear and visible manner, the identity of the person responsible for its preparation and particularly the name and job title of the person who prepared the recommendation, name and headquarters of the legal entity responsible for this recommendation and the data about what body is in charge of its supervision.

In the capacity of the issuer of recommendation, the Authorized Bank is obliged to ensure that:

- The facts are clearly different from the interpretation, assessment, opinion and other types of unfactual information;
- All sources are reliable i.e. when there is any doubt about the reliability of source, that this is clearly stated;
- All recommendations, forecasts and targeted prices are clearly marked as such and that the significant assumptions they are based on are stated;
- The information about own interests and the conflict of interest is clearly and visibly displayed, such as:
  - 1) Significant share in the capital between the Bank and the related legal entity, on the one hand, and the issuer to which the recommendation relates, on another;
  - 2) Other significant financial interests the Bank or the related legal entity has in relation to the issuer;
  - 3) Statement that the Authorized Bank or related legal entity is the issuer's market maker, when this is applicable;
  - 4) Statement that the Authorized Bank or the related legal entity, during the past 12 months, has provided investment services in relation to any published offer of financial instruments of the issuers;
  - 5) Statement that the Authorized Bank or the related legal entity is in some other agreement with the issuer that relates to the provision of investment banking services, except if this would mean disclosing confidential information, and that the agreement has been in effect during the past 12 months or, during the same period, resulted in the payment of the fee or the promise that the fee will be paid;
  - 6) Statement that the Authorized Bank or the related legal entity is a party in the agreement with the issuer that relates to the preparation of the recommendation.

If, the Authorized Bank, in its capacity as the issuer of recommendation distributes the recommendation that the third party has prepared, it will do so on its own responsibility and it must, on the display its identity on the recommendation in a clear and visible manner. If, the Authorized Bank significantly changes this recommendation, it is obliged to clearly and in detail display such an amendment, in accordance with the relevant regulations that regulate this area. If, however, it distributes the summarized recommendation prepared by a third party, it is obliged to ensure that such a recommendation is clear and does not mislead and to refer to the original document and the place where the public may directly and simply access the disclosures that relate to that document, as long as that information is available to the public.

General information aimed at informing the interested persons about the rules and principles of operation of the Authorized Bank, regulatory bodies and the technique of functioning of the market do not have the character of consultancy services.

Authorized Bank is obliged to disclose, on a quarterly basis, the share in capital of all recommendations that read "buy", "hold", "sell" or equivalent expressions, as well as the share in the capital of the issuer that corresponds to each of the categories the Authorized Bank provided services to during the past 12 months.

Considerable share in the capital means situations where the issuer of the recommendation or each related entity has a share in the capital of the issuer, which the recommendation relates to, higher than 1% of the share capital, as well as when the issuer has a share in the capital of the issuer of recommendation, higher than 1% of the share capital of the issuer of recommendation or their related entity.

### 5.12. Internal control

Internal control tasks in the Authorized Bank are performed by the Authorized Bank's controller. Authorized Bank's internal by-law specifies the activities and measures that an employee in the position of the controller undertakes and which, apart from the control of the regular flow of business of the Authorized Bank refers particularly to:

- Adequate information of relevant persons about forbidden activities in the process of providing investment and additional services, regarding personal transactions and the management of the conflict of interest;
- Control of the established mechanisms for managing the conflict of interest in the Authorized Bank, as well as monitoring, maintaining, storing and updating the data about the investment and other services in relation to which the conflict of interest occurred or might occur;
- Control of execution of personal transactions and maintaining the record of personal transactions;
- Identification and prevention of misuse on the capital market;
- Reporting suspicious transactions to the competent institutions (in accordance with the LCP and LPMLTF);
- Assessment of adequacy and efficiency of measures and actions specified in the internal by-laws of the Authorized Bank with the aim of minimizing the risk of non-compliance of operation with the relevant regulations.

Controller in the Authorized Bank must not be involved in the performance of services or activities that are the subject matter of control.

## **6. MUTUAL RIGHTS AND OBLIGATIONS OF THE AUTHORIZED BANK AND THE CLIENT**

### **6.1. Client's obligations**

Authorized Bank is entitled to request, and the client is obliged to submit, before the contract on provision of services is signed, the prescribed documentation for the purpose of identification:

- Identification documents for private individuals or status documentation for legal entities;
- Client's name/business name and address or headquarters;
- Registration number (personal identity number/registration number) or another identification number for foreign legal entities or private individuals;
- Tax identification number (TIN) for the local legal entity and for a foreign legal entity and a private individual;
- Number of the cash account and the name of the bank where the account is maintained;
- Financial instrument's account number, if the client has such an account;
- Data necessary for client classification;
- Data necessary for assessing the adequacy of services and financial instruments when providing investment consultancy or portfolio management services;
- Other data necessary for the execution of tasks, in accordance with the regulations.

During the use of the services of Authorized Bank and the duration of business association, the client is obliged to:

- Inform the Authorized Bank in a timely manner about the changes that have occurred and which are important for maintaining a business association;
- Obey the legal provisions that regulate the trade in financial instruments;
- Obey all the regulations on the ban of abuse in the market;
- Settle all financial liabilities to the Authorized Bank in a timely manner and within deadline;
- Submit a security instrument if they are specified in the contract;
- Place at disposal the financial instruments and cash needed for conclusion, execution and netting of transaction;
- Fulfills also other obligations assumed with the contract signed with the Authorized Bank, in accordance with these Rules and other internal by-laws of the Bank which they gave their approval to by signing the contract.

### **6.2. Obligations of the Authorized Bank**

Before establishing a business association and before providing services, the Authorized Bank provides to the clients and potential clients, via the webpage, the information contained in:

- Rules of Operation of the Authorized Bank;

- Rulebook on the Tariff of the Department for Broker – Dealer Operations of Komercijalna banka AD Beograd – Authorized Bank (hereinafter: Tariff Book);
- Information for clients about investment and additional services of the Authorized Bank – document that is an integral part of the Rules of operation (hereinafter: Enclosure 1 Rules);

Authorized Bank is obliged to make the amendments to these by-laws available to clients within 7 days before the start of implementation of those amendments. Establishment of business association, as well as continuation of the previously established business association with the clients after the set deadline, is considered acceptance of implementation of these amendments, without the obligation to sign an annex to the previously signed contracts.

Before entering the transactions used to finance the securities, and which relate to financial instruments that the Authorized Bank holds for the account of small client or before such financial instruments are used in another manner, Authorized Bank is obliged to submit to the client, in a timely manner, before the use of these instruments, clear, complete and accurate data about the obligations and responsibilities of the Authorized Bank regarding the use of financial instruments, including the conditions for their return to the client as well as the risks they include (to be submitted in writing to a small client, as a matter of obligation).

Information provided to clients must contain the information that relates to the circumstance significant for the client to pass decisions regarding the services that the Authorized Bank performs and where the conflict of interest may arise. This information is given to the client before establishing business association with the Authorized Bank. On that occasion the client is informed also about the obligation of the Authorized Bank to:

- place the interest of its clients before the Bank's interests, when providing investment services to clients, and operate in a just, fair and professional manner, in accordance with the client's best interest;
- inform the client of the possible types and sources of the conflict of interest, data about the investment services and activities performed for the clients and keep also other data and facts that the Authorized Bank arrives at in the process of providing investment and additional services for the client as the Bank's business secret;
- keep as the Bank's business secret the data about the client, balance and transactions in the client's accounts, data about investment services and activities it performs for the clients and other data and facts it arrives at in the process of providing investment and additional services for the client;
- receive and execute the client's orders for purchase/sale of financial instruments in accordance with these Rules or is entitled to reject the execution of the client's orders that would violate the provisions of the LCM, SC's by-laws, LPMLTF or would constitute a criminal offence;
- ensure the protection of the client's financial instruments and funds, in accordance with these Rules;
- fulfill also other obligations assumed with this contract signed with the client in accordance with the LCM, SC's by-laws, these Rules and other internal by-laws of the Authorized Bank.

Sending to clients the information that contains the indicators of earlier results of the financial instrument, index or service is only allowed if the indicators of previous results are not the most significant elements of such communication and include the results for the past 5 years or for the whole period (during which the financial instrument was available, index published and the service provided), so that such a period may be longer but not shorter than 12 months. This information must contain a clear warning that former results are not a reliable indicator of future results, as well as information that the released result is based on gross principle. If the result relies on the data denominated in a foreign currency, the currency must be clearly stated, together with the warning that the result may be different due to the changes in the exchange rate.

Information that includes or relates to simulated results from the past may be sent to clients only if the simulated past result is based on the real past result and the conditions have been met for sending the information that contains the indicators of past results of a financial instrument, index or service.

When the Authorized Bank sends to the clients and potential clients the information relating to a special tax treatment, it is obliged to clearly state that it depends on the individual case of each client and that there is also a possibility of future changes.

Before establishing business association, the Authorized Bank, when the questionnaire for client classification is being completed, informs the clients about the category they are classified into (small or professional client), level of protection and the client's right to demand a change in classification.

In accordance with the General Operating Terms of Komercijalna banka AD Beograd, the Authorized Bank has a discretionary right to reject the establishment of a business association with the client after the questionnaire is completed.

### 7. CONTRACTS WITH CLIENTS

Authorized Bank provides services to client on the basis of the contract signed in writing. Mutual rights and obligations regulated with this contract can be stated also by reference to other Authorized Bank's documents and by-laws, available to the client.

Authorized Bank signs with the clients all types of contracts specified by laws, SC's by-laws and these Rules.

When the Authorized Bank receives client's orders, the contracting parties are the client and the Authorized Bank.

Contents of investment research and financial analyses that may be available to the clients with whom a contract is signed by no means constitute an explicit or tacit recommendation nor investment advice in terms of issuing recommendations for financial instruments, regarding transactions, products or investment targets of clients or third parties.

The client assumes full responsibility regarding all the decisions and transactions in their cash accounts and financial instruments accounts and agrees that the Authorized Bank is not directly or indirectly responsible for any decision about investment and use of the property the client brings.

#### 7.1. Remotely signed contract

General Operating Terms of Komercijalna banka AD Beograd regulates, in accordance with the Law on Financial Service Consumer Protection, the remote signing of contracts.

Authorized Bank does not provide services of remote signing of contracts.

#### 7.2. Contract on providing investment services

Contract on providing investment services, that the Authorized Bank signs with the clients, regulates:

- receipt and transfer of orders for the purchase and sale of financial instruments and execution of orders for the client's behalf;
- rights and obligations of contractual parties, but these rights and obligations may be stated also by reference to other documents and by-laws of the Authorized Bank, available to the client;
- other terms on which the Authorized Bank provides services to the client.

This contract contains the client's statement that, before the contract is signed, they are:

- familiar with the General Operating Terms of Komercijalna banka AD Beograd, these Rules, Enclosure 1 of the Rules, Tariff Book and that they accept their application;
- clearly warned that the Authorized Bank is not obliged to assess the adequacy of the financial service or instrument that is provided or offered;
- informed of the completed classification, risks and the level of protection that the Authorized Bank provides to clients of a certain category;
- informed of the possibility to change the category and terms for submitting the request for the change of category, with a note that regarding the change in the category from small into a professional client they are aware of the consequences of the loss of the level of protection and that they agree to that;
- warned about the provisions of the Law on the Acquisition of Joint-Stock Companies, in accordance with which the execution of purchase orders may generate an obligation to make a take-over offer and they are warned of the consequences of the loss of voting right.

Before a contract is signed the client fills in a questionnaire for client classification on the basis of which the Authorized Bank classifies the clients into small or professional, in accordance with the LCM.

Authorized Bank is responsible to the client for the damage it causes by failing to execute or executing incorrectly or in untimely manner the purchasing or sale order for securities and other financial instruments or the transfer order.



Responsibility of the Authorized Bank is limited exclusively to the damage to property that might arise as the result of intention or gross negligence in the actions of the Authorized Bank.

Authorized Bank will not be held responsible for the client's losses:

- that arise due to force majeure, extraordinary and unpredicted circumstances (wars, political unrest, natural catastrophe, epidemics, government restrictions, strikes, cancelation of trading, etc.);
- due to technical limitations, interruption of telecommunication links and other justified reasons;
- that arise due to exchange rate differences and due to market trends in financial instruments;
- that arise due to the breach or omissions committed by third parties or institutions when conducting the tasks that the Authorized Bank outsources to them on the basis of a contract or order;
- if the client allows for use or in another manner makes available to a third party the data, financial instruments or data for personal identification and authorization and suffers damage in the process, or generates additional expenses on their own as the result of issuing an order that is not in accordance with the law, the rules that regulate the matter of capital market and the contract signed with the Authorized Bank;
- if the client has not informed the Authorized Bank, in a timely manner, about the change of the authorized representative, the change in address, telephone number, email and all other changes in data that might significantly affect the execution of tasks from the contract or order;
- that arise due to the failure to execute the issued order for recall as the initial order was executed in the meantime
- that may arise due to the counter party's failure to meet the obligations in a purchase or sale transaction, in accordance with the rules that regulate the process of clearing and netting;
- that may arise on the basis of the decision of regulatory bodies.

On the basis of the concluded Contract on Provision of Investment Services, the Authorized Bank is not obliged to provide to the client any legal services, nor can, in that sense, be responsible for the statement or advice given to the client.

Contract on providing investment services does not include the services of investment consultancy nor giving personal recommendations regarding the clients' investment.

By signing this Contract the client is obliged to pay to the Authorized Bank the fee (commission) and other expenses that arise from the tasks that are carried out in accordance with the provisions.

The client represents and warrants to the Authorized Bank that they have the legal and business capacity or that they have adequate legal and other licenses to sign the contract and that:

- the data the client has submitted for identification are accurate and complete;
- financial instruments that the client has available are freely negotiable, that the client is the legal owner or is authorized to use them in accordance with the applicable laws;
- funds the client has in accounts (financial instruments and cash accounts) are not nor will in the future be associated with illegal activities;

and that:

- execution and fulfillment of provisions specified in the contract and these Rules do not involve nor will result in any breach of laws or regulations, nor is their execution in breach of the Articles of Association and the client's Memorandum of Association (if the client is a legal entity);
- with reference to the tax treatment has the resident status in the country of permanent or temporary residence and that they meet the terms for avoiding double taxation (in case such a contract is signed between the country where the client has a resident status and the countries into whose financial instruments the investment is made or which are held in the financial instruments account).

The client is obliged to timely submit to the Authorized Bank the data on changes that have occurred and which are related to the execution of tasks on the basis of the signed agreement and statements made.

Authorized Bank particularly emphasizes that the client takes full responsibility regarding all the decisions and transactions in their cash and financial instruments accounts and that they agree that the Authorized Bank is not directly nor indirectly responsible for any decision on investment and use of property the client brings.

Authorized Bank is entitled to a unilateral termination of the Contract on Provision of Investment Services, without notice period, if:

- the client does not fulfill, within the set deadline, any of the obligations arising from the contract or the by-laws of the Authorized Bank which they were directed to when establishing a business association or which they explicitly or tacitly approved;
- the Bank establishes that the statements, guarantees or any document that the client has submitted to the Authorized Bank are false or forged at the moment they were created or submitted;
- an important change in the financial status of the client occurs or if the client (in case they are a legal entity) is subjected to the bankruptcy proceedings, liquidation or the client becomes insolvent;
- due to changes in legislation, execution of any provision of the contract is not in line with the new regulations, due to which the fulfillment of such contractual obligation would result in illegal action;
- continuation of the contractual relation would be a damaging circumstance for the Bank.

For these cases the client agrees that the termination of the contract will become effective on the date the notification from the Authorized Bank on termination of the contract is received.

In all other cases both contractual parties are entitled to file a request for termination of the contract in accordance with the notice period as specified in the Contract.

### 7.3. Contract on the use of the Kombank Trader application

The subject of this Contract is the regulation of mutual rights, obligations and duties between the contracting parties when using the Kombank Trader application whereby the Authorized Bank is obliged to provide to the user the service for delivery of orders for trading in local and foreign markets available through the application.

The client – user of the Kombank Trader application accepts, with the signing of the contract, the obligation to fully act in accordance with the law and secondary legislation, by-laws of other legal entities and institutions that participate in the process of trading, clearing and netting and these Rules.

### 7.4. Portfolio management contract

Portfolio management contract that the Authorized Bank signs with the client contains:

- client's authorization that the Authorized Bank may:
  - 1) manage, purchase and sell financial instruments for the client's account;
  - 2) collect the fees and commission for provision of portfolio management services;
- amount of funds, type and quantity of financial instruments that the client places at the Authorized Banks' disposal;
- description of the investment policy that the Authorized Bank will implement and which contains:
  - 1) type of financial instruments that will be bought from the client's funds and the characteristics of the issuers of such instruments;
  - 2) largest allowed amount of investment in financial instruments of a single issuer and entities related to them;
  - 3) other circumstances of importance for a certain degree of investment risk;
- other limitations to discretionary rights granted to the Authorized Bank;
- amount of fee and commission and the principal for their calculation and collection;
- client's right to terminate a contract at any moment on condition that the remaining obligations have been fulfilled.

On the basis of the portfolio management contract, Authorized Bank opens and maintains a separate account for the client at the Central Registry (management account).

Authorized Bank manages the client's portfolio with the aim of increasing the value of financial instruments through capital gains and the relevant rights (dividends, interest, etc.) while minimizing the risk through dispersion of investment for the purpose of maximizing profit. Risk management principles i.e. the manner in which the client's portfolio is diversified, are regulated with the contract signed between the Authorized Bank and the client with the client having an option to choose one of the following manners of managing the investment risk when investing cash into financial instruments:

- investment into exclusively one type of financial instruments: proprietary or debt securities;
- investment into financial instruments of only certain issuers depending on the business activity, operation and other characteristics of the issuer;

- investment into financial instruments of specific issuers;
- investment into diversified financial instruments depending on the level of appraised capital gains in a certain period;
- investment into financial instruments depending on other criteria that the client sets.

Structure of the securities portfolio is regulated more closely with a contract signed between the Authorized Bank and the client. Authorized Bank is obliged to ensure the appropriate structure of the portfolio with prompt purchase and sale of financial instruments for the client's behalf.

Data on the basis of which the portfolio manager passes decisions on investment must be available to the client before signing the contract.

Authorized Bank may transfer the portfolio of financial instruments of its clients only to investment companies that have the license to perform the tasks of portfolio managers with the previous written approval from the client.

Authorized Bank is obliged to keep the documentation and data about the facts that related to identification and the change in the value in portfolios of financial instruments it manages, as well as the data that affected the valuation.

Members of the Bank's management body and the employees in the Authorized Bank may invest in financial instruments that are in the client's portfolio managed by the Authorized Bank if such investments are not in violation of the provisions of the law and the rules about the principles of safe and good operation of the Authorized Bank (business secret, conflict of interest and other provisions).

Members of the governance bodies of the Bank and the employees in the Authorized Bank may invest in financial instruments that are in the client's portfolio and which the Authorized Bank manages if such investment is not contrary to the provisions of the law and the rules on the principles of safe and good business of the Authorized Bank (business secret, conflict of interest and other provisions).

Authorized Bank, at least once a month, submits to the client:

- report on the balance in the management account of that client, according to the balance on the final day of the period which the report relates to;
- report on the valuation of the portfolio, on the basis of the market value of financial instruments which that portfolio consists of. When appraising the value of the portfolio one must take into consideration all the yields that the financial instruments from the portfolio bring (interest, dividends and other yields) and when calculating the yield from financial instruments from the portfolio one must take into consideration also the data about the tax liabilities, as well as other expenses. Obligatory elements of this report are:
  - 1) period to which it relates;
  - 2) balance in the client's management account (CFI code and ISIN number, number and value of financial instruments in the portfolio);
  - 3) amount of funds in cash (amount of interest, dividends and all other uncollected receivables as well as unsettled client's liabilities, as well as the amount of receivables that the Authorized Bank has collected for the client's behalf);
  - 4) commission for the services of Authorized Bank, market organizer and the Central Registry with an explanation of the manner in which the calculation of that fee is made;
  - 5) total value of financial instruments and other property in the portfolio reduced by the expenses.

Authorized Bank is obliged to submit to the client, after each significant change in the value of the portfolio, a notification about such changes within the deadline that may not be longer than three business days from the date each important change in the value of the portfolio occurs.

### 7.5. Sponsorship agreement

Sponsorship Agreement contains the provisions that regulate:

- mutual rights and obligations of contracting parties;
- sponsor's obligation to purchase the whole issue or just a portion of unsold financial instruments until the expiration of the deadline for registration and payment;
- responsibility of contracting parties regarding the issue of financial instruments, issue price and interest rate;
- potential obligation of the issuer not to issue or sell financial instruments of the same kind within certain period after the primary sale is started;

- provisions on fees, commission and the terms for payment of the sponsorship service.

### 7.6. Borrowing/Lending contract

Authorized Bank may lend to the client, another investment company or credit institution, member of the Central Registry or borrow from them for its own behalf, the financial instruments and act as a mediator for the behalf of the client in concluding the contact on lending/borrowing of the following financial instruments whose legal holder is:

- the Bank
- Client with whom the Authorized Bank has signed a contract on maintaining the financial instruments accounts, on condition that it signs with that client the contract on borrowing/lending or that the client has authorized them to do so with a written authorization.

Financial instruments that are pledged and whose trade is limited, cannot be the object of the lending/borrowing contract.

Lending/borrowing contract contains:

- mutual rights and obligations of contracting parties;
- CFI code and ISIN number or another international mark and the quantity of financial instruments that are lent/borrowed;
- duration of the contract, that cannot be longer than a year;
- authorization that the client gives to the Authorized Bank to transfer the financial instruments which the contract relates to;
- provisions about fees, commission and payment terms.

Fulfillment of the borrower's obligation must be ensured. If the receivables were secured with pledged financial instruments and the borrower does not settle upon maturity its due liability arising from the borrowing/ contract, the lender may set the value of its receivables against the value of financial instruments on the date the borrowing/lending contract was signed or on the date the borrower's liability is settled and sell the pledged item in accordance with the regulations that govern contracts and torts.

## 8. ESTABLISHING BUSINESS ASSOCIATION WITH PROFESSIONAL CLIENTS

When providing services to a professional client, the Authorized Bank acts in the belief that this client:

- has enough knowledge and experience in the area of investment into certain types of financial instruments or services and understands the risks related to transactions;
- can bear the financial burden of all the investment risks in accordance with its investment targets.

Authorized Bank is not obliged to sign a contract when providing the services of receiving and transferring the orders, executing orders or additional services related to that, for the following professional clients:

- persons who, for the tasks in the financial market, are subject to approval and supervision by the competent body (credit institution, investment companies, insurance companies, collective investment companies and their management companies, pension funds and their management funds, dealers at commodity exchanges and other persons supervised by the competent body);
- republic, autonomous province, municipalities, other countries, national or regional bodies, NBS, central banks of other countries, international and supranational institutions (IMF, ECB, EIB).

Financial instruments account, for the above listed persons, can be opened on the basis of those persons' order and in accordance with the rules of the CSDCH.

Authorized Bank is obliged to inform the professional clients, in the form of notification, before establishing a business association, of the following:

- possibility to file a request for classification into the small client category for all or individual services, transactions or financial instruments;
- the data about the existence and conditions for the possible pledge right that the Authorized Bank has or might have in the clients' financial instruments or funds;
- information that before entering into a transaction that relates to financial instruments that the Authorized Bank holds for the client's behalf or before these financial instruments are used in another manner, Authorized

Bank must submit to the client, in writing, clear, complete and accurate data that relate to the Authorized Bank's obligations and responsibilities in terms of use of these instruments, including the terms for their return to the client and the risks they involve.

Authorized Bank will enter into a contract or an annex to the contract with a professional client who has sent to the Authorized Bank a request for classification into the small client category for all or individual services, transactions or financial instruments, that will specify the service/services, transactions and financial instruments regarding which the client wishes to be treated as small and not a professional client.

### 9. ORDERS TO TRADE IN FINANCIAL INSTRUMENTS

Order to trade in financial instruments is a statement of the client's will sent to the Authorized Bank to purchase or sell financial instruments for them, for and on behalf of them or transfer the financial instruments in accordance with the rules that regulate the trading in financial instruments on organized, OTC and foreign market. Types of order that the clients may issue are defined with the internal by-laws of the market organizers and the institutions in charge of local or foreign markets.

In accordance with the Rules of Operation of the Belgrade Stock Exchange and the Rules of Operation of the CSDCH, types of orders for trading in the local market are:

- By type of activity:
  - 1) Purchasing order;
  - 2) Selling order.
- By price:
  - 1) Market order;
  - 2) Order with a limited price.
- By duration:
  - 1) Daily order – order that is valid from the moment it is entered into the trading system until the completion of trading for that business day;
  - 2) Order until the day – order whose maximum duration, in accordance with the rules of operation of the Belgrade Stock Exchange 90 days and the client may set some earlier date as the duration period of the issued order;
  - 3) Order until recall – order issued in accordance with the rules of operation of the Belgrade Stock Exchange with the duration period of 90 days with the expiration of which it is no longer active and its validity is not renewed automatically but only after a new order is issued by the client.
- By type of order:
  - 4) Order for withdrawal.

Apart from the basic types of order, the clients may issue also other types of orders specified in the by-laws of the market organizer, such as:

- By terms of execution:
  - 1) Fill or kill (FOK);
  - 2) immediate or cancel (IOC);
  - 3) Iceberg;
  - 4) At the open (ATO);
  - 5) At the close (ATC);
  - 6) Stop order.
- Other special orders:
  - 1) Market maker order;
  - 2) Order for block trading;
  - 3) Order for the change (modification) of the issued order.

Market orders may be issued only as daily orders.

Types of orders that are issued in foreign markets are defined by the regulations of those markets.

Each amendment to the already issued order is made by withdrawing the active order and issuing a new order. Authorized Bank accepts the recall order if, at the moment of its receipt, the order that is recalled is not executed in full.

Recall order contains identical elements contained in the purchasing or sale order for financial instruments that is recalled, with a note that this is a recall order that has its ordinal number and the time of receipt.

Upon receiving the recall order, the Authorized Bank is obliged, by no later than the next business day, to inform the client in the form of confirmation, about the receipt of the recall order. The order is sent to the client's email or the address that the client left as a contact address or is delivered directly on the Bank's premises.

Authorized Bank may postpone the acting on the order that is unclear or vague or can ask for a supplement of such an order while at the same time postponing the action on an order issued in such a manner.

If the Authorized Bank, in contact with the client, does not resolve the unclarity regarding a certain order, the order is not completed in a formal sense and is not printed out, but the client is informed in writing that, on the basis of the parameters the client states, it is impossible to form the order.

Important elements of the order are:

- Data about the client:
  - 4) Name and surname/business name;
  - 5) Client's personal identity number/registration number
  - 1) Client's address/headquarters;
  - 2) Financial instruments account with the data about the account depository;
  - 3) Funds account with the data about the account depository;
  - 4) Account number on the basis of which the order is issued.
- Data about the intended transaction:
  - 1) Type of transaction (purchase/selling order);
  - 2) Financial instrument mark (symbol, name of the issuer, CFI code, ISIN number);
  - 3) Quantity of financial instruments that are the subject matter of the transaction;
  - 4) Price of financial instrument expressed in a currency (except for orders at a market price where this data is not entered). The price may be expressed as absolute value, index, percentage.
- Special terms if such an order is issued;
- Data about the order:
  - 1) Order's ordinal number;
  - 2) Place, date and time other order is received;
  - 3) Manner of issuing the order;
  - 4) Duration of the order;
  - 5) Place where the order is executed;
  - 6) Type of order by duration.
- Data about expenses:
  - 1) Authorized Bank's commission;
  - 2) Market organizer's commission;
  - 3) Clearing house's commission (in RS the CSDCH);
- Note that contains the client's statement that they are familiar with the contents and that they accept the implementation of the Authorized Banks' Rules, Enclosure 1 of the Rules and the Tariff Book and that:
  - 1) the information obtained from the client for the purpose of identification is treated as a business secret;
  - 2) in this transaction the Authorized Bank may represent the other and in this process the provisions of managing the conflict of interest will be observed;
  - 3) Authorized Bank is not obliged to assess the adequacy of the given and/or offered financial instrument or service;
  - 4) each instruction regarding the execution of order prevents the Authorized Bank from undertaking all the available measures for the most favorable execution of orders;
  - 5) the order may be executed by merging;
  - 6) Authorized Bank may delegate the execution of order to another investment company;
  - 7) order issued in the authorized branch has the treatment of the order issued in the Authorized Bank;
  - 8) by signing the order an approval is given that the issued order be executed in accordance with all the important elements, including the manner of calculating the fees and expenses;
  - 9) has knowledge that the tax treatment subject is compliant with the applicable tax regulations.

The order is signed by the client or the person authorized to represent the client. Orders that are issued electronically through Kombank trader application and orders issued by telephone are not signed but are authorized by the client's credentials.

For all the data not stated in the order, which are not specified as the obligatory elements, or for the data for which it is specified that market data will be valid for them, the Authorized Bank will be governed by the client's interests, but cannot guarantee that by executing such an order it will achieve the highest possible benefit for the client and protection of the client's interests.

### 10. CONFIRMATION OF THE RECEIPT OF ORDER

Confirmation of the receipt of order is the document that informs the client that the Authorized Bank has received the order for execution of a certain investment service or another investment activity related to certain financial instrument, in accordance with the elements of the issued order. Authorized Bank is obliged to submit to the client, by no later than the next business day from the date the client's order is received, through a permanent medium, notification about:

- time and place of receiving, changing and recalling the order;
- acceptance or rejection to execute the order while stating the reason to reject the order.

Confirmation about the receipt/rejection of the order is given to the client in the manner the client has opted for (in person, by post, email).

### 11. MANNER OF RECEIVING THE ORDER

Authorized Bank may receive clients' orders that were issued:

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

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

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

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

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

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

In case the order is issued by an authorized person or the representative, that person must prove their authorization for issuing such an order. Authorized Bank does not bear any responsibility for the cases where there is a possibility of potential abuse of authorization, regardless of the above stated manner in which the order is issued.

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

- that the investment company that the Authorized Bank has authorized to receive clients' orders in that case may use the client information that the Authorized Bank forwards;

- that the Authorized Bank that forwards the instruction about the client's order remains responsible for the completeness and accuracy of the issued data.

Investment company that receives the instruction on execution of the service on the client's behalf, may accept also every recommendation regarding the service or transaction that the Authorized Bank has provided to the client which is also responsible for the recommendation or the advice to the client. Investment company that receives the instruction from the client or orders through the Authorized Bank is responsible for execution of the service or transaction on the basis of that data or recommendations.

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

- does not condition the collection of fees or other expenses in the amount that is higher than the fees the client would have paid if the Authorized Bank had provided the services;
- cannot cause unnecessary business risks, significantly compromise the quality of internal control nor prevent the supervision of the SC.

Authorized Bank may enter into a contract with another investment company whereby orders from that investment company's clients are forwarded to the Authorized Bank for execution on the same terms.

## 12. EXECUTING OF ORDERS

Authorized Bank will treat the clients' orders in accordance with the provisions of these Rules, while binding itself to always execute orders under the most favorable terms, except if the client explicitly defined the order in another manner, as a matter of freely expressed will.

When the Authorized Bank executes the orders according to the clients explicit instruction, it is believed that the order has been executed under the most favorable terms i.e. it is believed that the Authorized Bank's obligation to achieve the most favorable outcome for the client has been fulfilled. Authorized Bank ensures an up-to-date and fair execution of the client's orders according to the time the order was received and undertakes the following measures and actions:

- record, without delay, the data about the receipt of orders;
- accepts the clients' orders in accordance with the specified documentation, except if there are circumstance that render the order unacceptable;
- brings the client's order to the market and executes the orders according to time and the order of receipt for similar orders and brings them into the market without delay, except if the market terms do not allow for this i.e. if the client has explicitly differently defined the order;
- transfers client's orders according to the time and the order of receipt and issues the order to the partner in accordance with the technical-operational capacity, except if the client has explicitly specified differently;
- orderly and without delay records the data about issuing the order to the market or the transfer of orders to the partner;
- orderly and without delay records the data about the execution of orders for the client's behalf;
- undertakes all the reasonable measures in order to ensure that all financial instruments or funds of the client are timely and duly transferred to the appropriate client's account;
- inform the client, without delay, about the potential significant difficulties regarding the execution of orders;
- during the whole process of trading, continuously controls whether the order is acceptable and in order, in accordance with the applicable regulations and market practice;
- informs the client about the executed transaction.

## 13. CRITERIA OF THE MOST FAVORABLE EXECUTION OF ORDERS

Authorized Bank is obliged, when specifying the importance of the factors relevant for the execution of the client's order, to take into consideration the following criteria:

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

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



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

The most favorable execution of orders is primarily determined on the basis of the total cost of transactions. Total cost of transactions include the price of the financial instrument and all the expenses directly related to the execution, which includes the broker's fee, market fee, clearing fee and netting fee for the transaction, as well as all other fees that are paid to third parties involved in the execution of order.

Authorized Bank will not give precedence to the market where the execution of the transactions would place additional financial burden on the client.

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

Achieving the best outcome for a small client is identified by the Authorized Bank on the basis of the total cost of transaction, speed of execution and the probability of execution.

Cost of transaction includes all the expenses related to the execution of transaction:

- price of a financial instrument;
- all the expenses that are directly related to the execution of orders that are borne by the client and which includes commission or the fees for the place of trade, clearing and netting, Authorized Bank and the expenses of third parties involved in the execution of orders.

### **13.2. Execution of the professional client's orders**

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

## **14. PLACE WHERE THE ORDER IS EXECUTED**

Place for executing the order for purchasing/sale of financial instruments may be:

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

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

If the Authorized Bank receives an order for purchasing/sale of financial instruments that are listed in two or more regulated markets or MTP, they will be executed on the market that ensures the most favorable total cost of transaction, unless the client explicitly demands otherwise, taking into consideration all the relevant circumstance regarding the type and size of the order, such as:

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

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

Authorized Bank may execute its client's orders on the OTC market if the financial instruments are not listed on regulated markets or, if they are listed, the client demands, with an explicit order, that they be realized on OTC, in accordance with the law and secondary legislation.

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

When realizing the order at the OTC market, the Authorized Bank fully adheres to the principle of executing the order under the most favorable terms for the client.

### 14.1. Execution of orders through a partner

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

### 14.2. Execution of orders in foreign markets

Authorized Bank may forward to another investment company the clients' orders issued in the Authorized Bank, to the foreign markets that the Authorized Bank is not a member of i.e. does not have direct access to, in case of which the Authorized Bank must:

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

When issuing the trading order in foreign markets, the client is obliged to specify the place for executing the order. .

The client chooses the place of execution on the basis of information available to them which is relevant for the most favorable execution of orders.

When a client determines the place of execution, that is considered an explicitly defined order whereby the Authorized Bank has fulfilled its obligation to achieve the most favorable outcome for the client.

### 14.3. Merging and classifying the order

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

- it has an efficient system for classifying the order and the rules that precisely regulate the correct merging and classification of orders, which is particularly includes the manner:
  - 1) in which the quantity and prices stated in the order affect the classification;
  - 2) of treatment of partially executed orders;
- there is a small probability that merging the orders will damage the interests of any client whose order is merged;
- it warns each client whose orders are merged that such merging may damage the client's interests compared to the individual order.

When the collective order that was made by merging one or more accepted orders is executed partially, the Authorized Bank is obliged to classify these transactions in accordance with the rules that regulate this area.

### 14.4. Merging and classification of dealer orders

In cases when the dealer order is merged with one or more accepted orders the Authorized Bank:

- must not classify orders in a manner that would damage the client;
- has an obligation to classify dealer orders in such a manner that the client has precedence in case of partial execution of the merged order;
- has an obligation to prevent repeat classification of dealer orders that are executed in combination with the accepted orders, in the manner that is damaging to the client;

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

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

Conclusion of transactions in regulated market, MTP and TC market is considered execution of order, in cases specified by the LCM. An order can be realized in full or partly.

### 14.5. Reporting to the client

Authorized Bank is obliged, after the execution of the order for the client's behalf, except for the portfolio management services, on a permanent data storage medium,

- to immediately submit to the client the important information that relates to the execution of orders;
- send to the small client a Confirmation on execution of order as soon as possible, by no later than the first business day after the receipt of the confirmation, in case when the Authorized Bank received a confirmation of execution from the third person.

Authorized Bank is obliged to submit to the clients to whom it provides a portfolio management service, periodic reports on the activities on managing their portfolio. Important elements of the report that are submitted to clients and the reporting period are defined in the SC's by-laws.

Periodic report on the activities contains:

- Authorized Bank's business name and headquarters;
- small client's account mark;
- report on the contents and valuation of the portfolio including also the details of the client's each financial instruments, its market value or fair value if the market value is not available, cash balance at the start and at the end of the reporting period and the portfolio's yield during the reporting period;
- total amount of expenses and fees arising during the reporting period and notification that the client may receive more detailed specification at request;
- comparison of the yield of portfolio during the period which the report refers to, with the reference value of yield agreed between the Authorized Bank and the client, if it exists;
- total amount of dividends, interest and other payments received during the reporting period;
- data about other corporate shares that grant the rights regarding the financial instruments that are kept in the portfolio;
- for each transaction executed during the period: day, time, place of trading, quantity, identification mark of the financial instruments, individual and total price, purchasing/selling mark, nature of the order, type of order.

If the client has opted to receive the certificates of realization after each individual transaction, the data about the day, time, place of trading, quantity, identification mark of the financial instrument, individual and total price, purchasing/selling mark, nature and type of order for each transaction executed during the reporting period will be omitted from the period report.

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

- when the client opts that they receive the information about the performed transactions upon execution of each individual transaction, in which case the report has to be submitted at least once in 12 months for transactions with:

- 1) the shares of companies or other financial instruments equivalent to shares that constitute a stake in equity or in the voting rights, as well as deposits certificates that relate to shares;
- 2) bonds and other forms of securitized debt, including also the deposit certificates that relate to these financial instruments;
- 3) money market instruments;
- 4) collective investment institution units.
  - When the management contract involves a financial leverage portfolio, periodic report is submitted once a month, with the obligation of the Authorized Bank to submit to the client also a certificate of realization immediately upon completion of the transaction.

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

Apart from the obligation to submit periodic reports, the Authorized Bank has additional obligation to report to the client for whom it performs the portfolio management activity, in cases that include uncovered open position in the transaction with potential liabilities. Authorized Bank will inform the client of each loss that exceeds the previously set threshold agreed between the Authorized Bank and the client, by no later than the end of the business day in which the threshold is exceeded. If it is a holiday, the Authorized Bank will inform the client on the first next business day.

At least once a year, the Authorized Bank submits a report to each individual client for whom it performs the portfolio management service or holds financial instruments or funds, about that property, on a permanent data storage medium. Obligation to submit this report is excluded, if such a report is submitted as part of another periodic report.

### 14.6. Confirmation of order realization

Confirmation of execution of transactions is issued by the Authorized Bank by the end of the first business day after the transaction is executed and in a manner which the client has opted for when establishing i.e. during the business association.

Certificate of order realization contains the following elements:

- Authorized Banks' business name and headquarters;
- order's ordinary number;
- client data:
  - 1) client's name and surname/business name
  - 2) client's address/seat;
  - 3) client's registration number (personal identity number/registration number);
  - 4) account of financial instruments with the data for the account depository;
  - 5) money's account with the data for the account depository.
- Place, date and time (hour/minute/second) when the transaction is concluded with the data about the transaction:
  - 1) securities mark;
  - 2) type of transaction (purchase or sale);
  - 3) number (quantity) of financial instruments;
  - 4) individual and total price and mark of the currency the price is expressed in – in cases when the client's order is realized in tranches, the Authorized Bank will provide to the client the information about the price of each individual tranche;
  - 5) manner of executing the order (Authorized Bank directly or through another investment company, while stating the name and headquarters of that investment company and the responsibility of Authorized Bank for execution of orders through the investment company).
- Amount of commission (Authorized Bank, market organizer, CSDCH), except in case of realization of order in foreign markets where the data about commission is given as a merged data;
- Signature of a person authorized to perform broker operations.

The client cannot waive their right to be informed about the execution of an order, but they may order that the notification be sent to another person that the client authorizes.

During the business association the client may, in writing, choose a manner of delivery of the order realization certificate that is different from the manner selected when establishing the business association i.e. can receive them personally or by email or change the receiving address.

### 14.7. Rejection of order

Authorized Bank may reject the execution:

- of the purchasing order when it establishes that the client's cash account does not have sufficient funds for settling their liabilities that would arise from the execution of the purchasing order;
- of the selling order when it is established that the client does not have financial instruments on the account for execution of orders.

Authorized Bank will not reject the execution of order if the client's order can be executed in full or partly:

- from realized but unnetted transactions;
- by granting a loan, with the client's approval, on the basis of the applicable regulations;
- by borrowing financial instruments in accordance with the rights that regulate borrowing.

Authorized Bank is obliged to reject the execution of the purchasing or selling order if there are grounds for suspicion that by executing such an order:

- provisions of the LCP or LPMLTF would be breached;
- a criminal offence, commercial offence or misdemeanor would be committed.

When identifying the circumstances for rejection of the order, the Authorized Bank is entitled to rely on available information, except if it has the knowledge that such information is obviously obsolete, inaccurate or incomplete.

In case the order is rejected, the Authorized Bank informs the SC of that, on a prescribed form.

In case the order is rejected due to grounds for suspicion that by executing the order the provisions of the LPMLTF would be breached, the Authorized Bank informs of this also the competent organizational form of the Bank, apart from the SC.

### 14.8. Book of orders

Authorized Bank maintains a Book of Orders according to the chronological order the orders were received in, including also the orders that are transferred for execution to another investment company, amendments and recalls of orders.

Book of orders is maintained in electronic form in the manner that prevents the subsequent change of the data entered. The contents of the book of Orders are prescribed and calls for obligatory elements:

- name and surname/business name or other client's mark;
- name and surname/business name or mark of the person representing the client;
- order's ordinal number;
- data and exact time for receiving the order, changes and recalls of order;
- identification mark of the financial instrument;
- purchase or sale mark;
- nature of the order, if it does not involve the purchase or sale order;
- type of order;
- order's status;
- date, time and place of trading;
- quantity of the financial instrument;
- price and mark of the currency the price is expressed in;
- authorized person that performed the transaction or that is responsible for its execution;
- all other details, conditions and instructions regarding the execution of order.

Immediately after the execution of the client's order, the following data are stored into the book of orders:

- date of trading, time of trading, purchase or sale mark, identification number of the financial instrument, price of unit, price's mark, quantity and mark of the place where the order is executed;
- total value that is the product of the price per unit and quantity.

If the Authorized Bank transfers the order to another investment company for execution, it is obliged to record the following data, after the transfer of order:

- name and surname/ business name or mark of the client whose order has been forwarded;
- business name or another mark of the investment company the order is forwarded to;
- terms of transferring the order;
- data and exact time for transferring the order or changes to the order.

### 15. MAINTAINING AND STORING DOCUMENTATION

Authorized Bank maintains electronic records of all the services and transactions in accordance with the applicable regulations, in the manner that allows for implementation of supervision over the operation of the Authorized Bank.

Authorized Bank uses the information system that enables:

- records of services and transactions, as well as their updating;
- possibility to check the flow of individual work at any moment;
- separation of documentation about the client's operation and the documentation about its own operation;
- protection from unauthorized access to data and possible losses.

Documentation, contracts and records of all investments and transactions the Bank has performed for its own behalf or have been performed by the Authorized Bank for and on behalf of the client, is kept for the periods specified in the LCM, LPMLTF and the SC's by-laws.

Prescribed records and business documentation can be kept even longer than the specified periods in cases when that is needed in order to finish the supervision or a court case.

For orders issued by telephone and electronically, the Authorized Bank keeps the original records of received and accepted orders in a manner that enables insight into the important elements of the order.

Safety copies of the documentation are stored electronically.

### 16. REPORTING

Authorized Bank reports in accordance with the LCM, SC's by-laws and the Bank's internal by-laws.

#### 16.1. Daily reports

Authorized Bank is obliged to submit to the SC, by no later than the next business day, the report on each transaction carried out outside the regulated market, that contains the following data:

- financial instrument's identification mark (ISIN and CFI code);
- transaction's unique identification number assigned by the Authorized Bank;
- day, time and place of trading;
- whether the transaction has been carried out for one's own behalf or the behalf of the client;
- for transactions on the OTC market the data about another investment company;
- purchase or sale mark, from the viewpoint of mediation of the Authorized Bank;
- quantity of sold or purchased financial instruments;
- individual and total price and mark of the currency the prices are expressed in.

If the SC demands that additional information be provided, with the aim of identification of clients for whose behalf the transaction has been carried out, the Authorized Bank will act in accordance with that request.

Authorized Bank deems that the data about trading in the regulated market, MTP and outside the regulated market have been released if such data have been published in one of the following manners:

- on the market organizer's webpage;

- on the Bank's website.

### 16.2. Monthly reports

Authorized Bank is obliged to submit to the SC, by no later than the 15<sup>th</sup> day of the month for the previous month, the monthly report on its operation, in the form and manner specified by the SC.

### 16.3. Annual reports

Authorized Bank is obliged to submit to the SC, by no later than 4 (four) months from the end of the business year, the annual report on operation, in the manner and in the form specified by the SC.

### 16.4. Other reports

If the Authorized Bank maintains the client's cash accounts and financial instruments accounts, it is obliged to submit to the SC the reports whose contents and deadlines are regulated by special rulebooks.

Authorized Bank is obliged to inform the SC, within 8 (eight) days from the moment the change has occurred, about the changes in the conditions on the basis of which it was given a license to perform the business activity, as well as of the conditions the Authorized Bank must meet. The notification contains the description of the event and the date of its occurrence.

In case of a change in the business name, the Authorized Bank submits to the SC a request for an approval for amendments to by-laws.

## 17. MEASURES TO ENSURE BUSINESS CONTINUITY

The Bank has adopted a plan for ensuring continuous operation that applies in case of unpredicted events in the Bank that may result in serious disruption in the performance of business processes. The plan applies on the level of all business functions and organizational forms of the Bank that includes also the operation of the Authorized Bank.

Plan to ensure continuous operation contains a description of procedures in case the operation is interrupted: specifying a back-up location, a list of all the resources necessary to continue the operation, appointment of teams for continuation of operation, clearly specified duties and responsibilities of teams and individual members, plan of internal and external communication lines.

Extraordinary situations are all the situations caused by human or natural factor that may result in temporary interruption in the work of key business processes in the Bank, as well as the loss of information that may be of vital interest to the Bank and its clients. Possible scenarios that may cause the occurrence of an extraordinary situation are:

- natural disasters (floods, earthquakes, fire, environmental disasters);
- organized and malicious actions (theft, vandalism, terrorism);
- shortage of goods and services (interrupted power supply, shortage of water, prolonged interruption of telecommunications);
- hardware and software malfunction;
- serious information safety incidents (cyber criminal, loss of data, failure of IT servers);
- other causes.

Depending on the type of extraordinary situation, only a minimum number of plans necessary for extraordinary situations are activated with the aim of overcoming the interruption and the duration of the interruption is the key element for identification of a scenario.

Organizational unit in charge of the Bank's security, in charge of maintaining the plan for ensuring business continuity which, among other things, means activating a crisis headquarters in case of an extraordinary situation, passing the proposal for activating and coordinating the implementation of the plan for extraordinary situations.

Organizational forms of the Bank in charge of technical – operational activities and information technology have, among other things, the following roles in case of an extraordinary situation:

- specifying and ensuring an alternative location;
- performing all the activities specified in the plan for ensuring business continuity and creating preconditions for establishing normal work process;
- informing the manager and other designated persons of the Authorized Bank about the transfer to the basic site.

Plan for securing business continuity calls for the following:

- appointment of persons authorized for activation;
- description of an alternative location and specifying minimum resources needed for business continuity;
- identification of employees who are moving to the alternative location;
- determining the dependence on external partners;
- development of communication protocols during the extraordinary situation.

Plan for extraordinary situations applies in the period from the moment the interruption of the business process occurs until the moment regular operation is established.

### **18. RISK MANAGEMENT**

Authorized Bank performs the tasks from its business activity in accordance with the procedures and instructions of the Bank's organizational unit in charge of managing risks whereby a stable system has been established which involves clear organizational structure with defined, transparent and compliant descriptions of duty, efficient measures for identification, management, monitoring and reporting about risks and large exposure or potential exposure, as well as adequate mechanisms of internal control, including the administrative and accounting procedures.

### **19. MEASURES FOR PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING**

Authorized Bank is an organizational form of a bank, credit institution which the Law on Prevention of Money Laundering and Terrorism Financing applies and adheres to all laws and by-laws of the competent institutions and their internal legal documents.

### **20. INTERNAL AUDIT**

Program and Plan of the Bank's Internal Audit specifies in more detail the targets, tasks, operating principles, authorization, responsibility and reporting about the adequacy and efficiency of implemented internal controls.

Primary tasks of internal audit are to provide to the Bank's bodies independent and objective opinion about the issues that are the subject matter of audit i.e.:

- assess the adequacy and reliability of the internal control systems and the function of the compliance control;
- ensures that the risks are identified and controlled in an appropriate manner;
- assesses the balance of the level of capital and risk in the Bank's operation;
- assesses the quality and reliability of information system, including also the system of electronic informing and the electronic banking services;
- identifies the weaknesses in the Bank's operation, its employees, as well as cases of failure to fulfill obligations and exceeding authority and prepares the proposals for elimination of such weaknesses, as well as recommendations for their prevention;
- holds the meetings with the Board of Directors, as well as the Audit Committee;
- regularly prepares the reports on the activities of internal audit and submits them to the Board of Directors, as well as the Audit Committee.

Internal Audit is independent of the activities that are the subject-matter of audit in order to ensure the highest degree of professional objectivity when gathering, assessing and disclosing the information about the activity or process that is the subject-matter of audit.



## **21. COMMISSION AND OTHER FEES**

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

Authorized Bank submits to the Commission a tariff book before its implementation and is obliged to display it in its business premises, business premises of authorized branches and post it on its webpage. The published tariff book becomes effective and starts to apply on the eighth day from the date it is posted on the Bank's webpage and will be considered accepted by the client with whom the business operation is established/continued after that moment.

Enclosure 1 of the Rules regulates the expenses and fees that the Authorized Bank charges in accordance with the tariff book.

## **22. EVALUATION OF EFFICIENCY OF RULES**

Authorized Bank continuously monitors the efficiency of the Rules in the part that regulates the issue of executing the order and at least once a year assesses whether the measures and actions specified therein for execution of orders under the most favorable terms for the client ensure the necessary level of quality. In case of a need, with the aim of rectifying the possible deficiencies, these Rules will be revised.

Authorized Bank is obliged to inform the clients of each change and supplement of the Rules by posting them on the Banks' webpage and displaying them on the business premises where the tasks of the Authorized Bank are performed, 7 days before the start of their application.

Issuing an order or filing a request to the Authorized Bank for provision of services, after that deadline, will be considered acceptance of their application.

## **23. CLOSING PROVISIONS**

Rules of Operation of the Authorized Bank Komercijalna banka AD Beograd start to apply as of the eighth day from the date they are posted on the Bank's webpage, after a previous approval from the SC is obtained.

As of the application date of these Rules the following will cease to apply:

- Rules of Operation of the Department of Broker - Dealer Operations of Komercijalna banka AD Beograd (Authorized Bank) – Decision EB number 22277 of 14.10.2015;
- Rules on executing the orders in the Department of Broker – Dealer Operations of Komercijalna banka AD Beograd (Authorized Bank) – Decision of the Banks' Executive Board No. 19259 of 10.09.2012;
- Rules on Prevention of the Conflict of Interest at the Department of Broker – Dealer Operations of Komercijalna banka AD Beograd (Authorized Bank) – Decision of the Bank's Executive Board No. 19260 of 10.09.2012;
- Information about investment and additional services of the Department of broker – Dealer Operations of Komercijalna banka AD Beograd (Authorized Bank) No. 218-52861/15 of 03.11.2015.