

Pursuant to the Article 155. paragraph 1. of the Securities Market Law ("Official Gazette of Republic of Srpska" No. 92/06 and 34/09) and Article 30. paragraph 1. point b. of the Banja Luka Stock Exchange Statute ("Official Gazette of Republic of Srpska" No. 20/02, 7/04, 84/06, 41/07), the Banja Luka Stock Exchange Management Board on its session held on October 19, 2010 adopted following

# **BANJA LUKA STOCK EXCHANGE RULES<sup>1</sup>**

*- consolidated text-*

## **1. GENERAL PROVISIONS**

### **Definition of terms**

#### **Article 1.**

- (1) The term Stock Exchange means Banja Luka Stock Exchange joint stock company, Banja Luka.
- (2) The term Rules refers to the Rules of the Stock Exchange.
- (3) The term issuer means a person issuing securities in order to acquire assets and who has obligations towards the owners of securities, which are stated in those securities.
- (4) The term Member of the Exchange refers to an exchange intermediary who fulfills the conditions of membership, as determined by the Law, the Statute, and these Rules.
- (5) The term Stock Exchange Broker of the Stock Exchange Member (hereinafter: broker) means a natural person who is authorized by a Stock Exchange Member to conclude stock exchange transactions and who fulfils conditions prescribed by the Law on Securities and other bylaws.
- (6) The term Statute means the Statute of the Stock Exchange.
- (7) The term Directions, refers to any directions adopted by the Management Board, or the Managing Director of the Exchange that regulate implementation of these Rules.
- (8) The term BIS means the Stock Exchange Information System.
- (9) The term BST means Stock Exchange Trading System, which is an integral part of the BIS.
- (10) The term Listing Commission means the Commission for the listing of securities on the Stock Exchange.
- (11) The term Supervisory Board means the Supervisory Board of the Stock Exchange.
- (12) The term Management Board means the Management Board of the Stock Exchange.

---

<sup>1</sup> *Only Serbian version of this document is legally binding. This translation is provided for information purposes only.*

- (13) The term KHOV denotes the Securities Commission of the Republic of Srpska.
- (14) The term CR means the Central Registry of Securities, joint stock company, Banja Luka.
- (15) The term ZTHOV means the Securities Market Law.
- (16) The term IF means the Investment Fund.
- (17) The term ZIF means the Investment Funds Law.
- (18) The term Management Company means PIF Management Company or IF Management Company
- (19) Security is a transferable instrument in non-materialized – electronic form, issued in series, which gives its holders rights with respect to the issuer, in compliance with the law and conditions of the issue.
- (20) Debt Security means bond or other security giving its holder the right to collect the principal and interests from the issuer, or other proceeds in compliance with the law and conditions of the issue.
- (21) The term market securities mean securities which are traded on an organized market.
- (22) The term organized market means the securities market that is regulated, available to the public, on which the trading is carried out regularly and in compliance with clearly established rules under the control of competent bodies. Organized securities markets include The Official Market and the Free Market.
- (23) The term Official Stock Exchange Market denotes an organized market in which securities, which in addition to the general conditions also fulfill special conditions defined by these Rules, are traded.
- (24) The term Free Stock Exchange Market denotes an organized securities market where the securities not listed on the Exchange are traded.

## **The Stock Exchange**

### **Article 2.**

- (1) The Stock Exchange is a joint stock company established to perform activities on connecting supply and demand in securities trade; to determine and publish information on demand, supply, price lists and any other data on securities, i.e. for organized, transparent, liquid and efficient trading in securities and provision of relevant information, in compliance with the law and other regulations.
- (2) Stock Exchange Rules define activities, conditions and manner in which these activities will be carried out in the implementation of tasks and duties of the Stock Exchange, as well as other issues related to operations of the Stock Exchange.
- (3) From the date of admission to the Stock Exchange membership, the stock exchange members and the stock exchange brokers shall accept all provisions of these Rules and other general bylaws, and are bound to respect and implement them.

- (4) From the date of admission to the Stock Exchange Market issuers shall accept all provisions of these Rules and other general bylaws of the Stock Exchange, and are bound to respect and implement them.

## **2. ADMISSION OF THE SECURITIES**

### **2.1. MARKETS**

#### **Article 3.**

- (1) Securities are admitted to the following securities markets:
  - Official Market,
  - Free Market.
- (2) The Official Market comprises the following segments:
  - Shares - List A,
  - Shares - List B,
  - Shares – Entry Market,
  - Closed-ended Investment Funds and PIF's,
  - Open-ended Investment Funds,
  - Bonds and other debt securities,
  - Short term securities,
  - other securities.
- (3) The Free Market comprises the following segments:
  - Shares,
  - Closed-ended Investment Funds,
  - Open-ended Investment Funds,
  - Bonds and other debt securities,
  - Short term securities,
  - other securities.
- (4) Other market segments can be established by a decision of the Managing Director.

### **2.2. LISTING COMMISSION**

#### **Competences of the Listing Commission**

#### **Article 4.**

- (1) Listing Commission is a special body of the Stock Exchange authorized to decide on:
  - admission of securities to listing on the Stock Exchange,
  - changes in the securities listing,
  - further suspension of trading in listed securities, when the suspension period has lasted for over 20 (twenty) working days,
  - measures to be taken if the issuers of listed securities do not disclose information in compliance with these Rules,
  - delisting of securities.
- (2) The Listing Commission decides on the matters from the first paragraph of this Article on the basis of criteria and requirements stipulated by these Rules. Composition of the Listing Commission

### **Article 5.**

- (1) The Listing Commission has five (5) regular and three (3) substitute members. Members who fulfill the requirements are appointed by the Management Board of the Stock Exchange for the period of two (2) years.
- (2) Members of the Listing Commission are elected among Stock Exchange employees, Stock Exchange members and other experts, and only a person holding a university degree in economics or law may be elected.
- (3) The President of the Listing Commission will be elected by the Members of the Listing Commission in the opening session.
- (4) In the event the Listing Commission does not have a quorum regular members are replaced by substitute members.
- (5) The quorum represents at least three (3) members of the Listing Commission.

### **Withdrawal of a Listing Commission Member**

#### **Article 6.**

- (1) A member of the Listing Commission must not participate in a discussion and decision making on a case if he or she feels that there are some grounds which will prevent him or her from expressing an impartial and expert opinion on the matter.
- (2) Member of the Listing Commission must notify the President of the Listing Commission of the reasons for withdrawal immediately after he or she becomes aware of them.
- (3) The President of the Listing Commission will decide on withdrawal of the member of the Commission and the Management Board will decide on withdrawal of the President of the Listing Commission.

### **The Listing Commission Decision Making**

#### **Article 7.**

- (1) The Listing Commission will adopt decisions by voting, having discussed the matter in a closed session.
- (2) The Listing Commission decides on matters within its jurisdiction on the basis of written requests of issuers or on the initiative of the Listing Commission.
- (3) Meetings of the Listing Commission shall be convened and conducted by the President of the Listing Commission.
- (4) In cases where the President of the Listing Commission cannot attend a meeting of the Commission due to a justified reason, he/she can authorize a member of the Commission to preside over the meeting.
- (5) The Listing Commission makes decisions by a majority vote of the total number of its members.
- (6) The Listing Commission may hold telephone sessions or session in which it uses electronic means of communications.

## **Appeal against the Decisions of the Listing Commission**

### **Article 8.**

- (1) An appeal against the decision of the Listing Commission may be filed by the Stock Exchange Management Board, within eight (8) days from the receipt of the decision. The filed appeal shall not stay the execution of the decision.
- (2) The special appeal against the decision of the Listing Commission on the procedure or referring to the procedure taken within the Commission's jurisdiction is not allowed.

## **Minutes of Listing Commission Meetings**

### **Article 9.**

- (1) Minutes from the meeting of the Listing Commission shall contain: the date and the time of the meeting, the names of the present Commission members, the agenda of the meeting, the course and the result of voting on individual matter and explanations of individual items of the agenda. The adopted decisions and decrees and pertinent documentation that was the basis of the Commission's decisions on individual matters shall be enclosed in the minutes.
- (2) Minutes shall be drafted by a Stock Exchange official.
- (3) Members of the Listing Commission may give comments in respect to the contents of the minutes that shall be adopted at the next meeting. The final text of the minutes shall become valid when signed by the person taking the minutes and the President of the Listing Commission.
- (4) The original copy of the minutes and the enclosures shall be kept in the files of the Stock Exchange

## **Discharge of Listing Commission Members**

### **Article 10.**

A Listing Commission member may be discharged before the end of his term of office:

- at personal request;
- if, by final verdict, the member was unconditionally sentenced to prison for 6 months or longer;
- if it is established that the member has severely violated the membership duty or the reputation of the Stock Exchange or if his/her work has proven him/her unfit to carry out the function;
- if the member neglects his/her duties in respect to the Listing Commission.

### **Article 11.**

- (1) The Management Board of the Stock Exchange will decide on discharging the member of the Listing Commission.

- (2) No particular appeal against the decision referred to in the previous paragraph of this article is allowed.

## **2.3. CONDITIONS FOR LISTING ON THE OFFICIAL MARKET**

### **2.3.1. GENERAL CONDITIONS**

#### **Article 12.**

- (1) Securities that fulfill the following conditions shall be accepted to the Official Market.
  - that they may be traded in an organized way,
  - that they are paid in full,
  - that they are freely transferable,
  - that they are issued in non materialized form,
- (2) The Listing Commission shall decide on the admission of securities to the Stock Exchange Listing.

### **2.3.2. CONDITIONS FOR LISTING ON THE SEGMENT: SHARES – LIST A**

#### **Article 13.**

- (1) The shares are listed on the list A if in addition to the general conditions, the following special criteria are met:
  - Three years of operation,
  - Audited financial statements,
  - The total size of capital (the total capital according to the last balance sheet, or the market capitalization if the share has already been listed on any of the segments of the organized market) is at least 10.000.000 KM,
  - The minimum value of the issue (the book value of the share is considered, or the market capitalization if the share has already been listed on any of the segments of the organized market) is 1.000.000 KM,
  - The minimum percentage of the shares in public ownership is 15%,
  - The minimum number of the shareholders is 100.
- (2) When determining the distribution in public, following securities shall not be considered:
  - shares owned by the Management Board of the issuer,
  - shares owned by those holding more than 10% of a particular issue.
- (3) When determining the percentage of shares in public ownership, the shares owned by investment funds are not deducted.
- (4) Shares may be listed on the Official Market – List A, even if it fails to comply with one of the requirements, specified in this Article, provided such failure is not deemed a material discrepancy or if there are reasonable expectations that such a requirement will be met shortly after the security has been listed on the Stock Exchange.
- (5) The Listing Commission may also admit to listing on Official Market – List A, securities of a new joint stock company that has been established by a merger of two or more companies, or by the division of an existing company if the shares of any of those companies have already been listed on the official stock exchange market.



#### **Article 14.**

In addition to the conditions referred to in Article 13, an issuer applying for listing the shares in the List A, must fulfill the following conditions:

- That corporate governance codes (written codes of conduct) have been adopted by an issuer or that corporate governance standards brought by the Republic of Srpska Securities Commission have been accepted.
- That an issuer has an Internet web pages where the information on an issuer is available in English language as well.
- That an auditor did not give adverse (negative) opinion or disclaimer of opinion for the last two financial reports
- That shares of issuer fulfill two liquidity criteria:
  - that there has been trading with shares on 30 % trading days for the last six months
  - that average daily turnover with shares has been at least BAM 5,000 for the last six months.
- That an issuer according to audited financial statements has not continually reported losses for the last three business years.

#### **2.3.3. CONDITIONS FOR LISTING ON THE SEGMENT: SHARES LIST – B**

#### **Article 15.**

An issuer which applies for listing on the List B, does not have to fulfill criteria from the Article 14, items 2, 4 and 5.

#### **Article 16.**

The special criteria for listing in the List B are:

- Two years of operation;
- Audited financial statements, auditor's opinion is not continually adverse (negative) or auditor could not express his opinion for the last two years;
- The total size of capital (the total capital according to the last balance sheet, or the market capitalization if the share has already been listed on any of the segments of the organized market) is at least 3.000.000 KM;
- The minimum value of the issue (the book value of the share is considered, or the market capitalization if the share has already been listed on any of the segments of the organized market) is 1.000.000 KM;
- The minimum percentage of the shares in public ownership is 15%;
- The minimum number of the shareholders is 100.

#### **Article 17.**

An issuer applying for listing its shares in the List B, does not have to fulfill the conditions required for listing in the List A, as prescribed in Article 14.

### **2.3.3.A. CONDITION FOR LISTING ON THE SEGEMENT: SHARES –ENTRY MARKET**

#### **Article 17a.**

For listing shares on the “Entry Market”, all of the provisions for listing on the List A apply, except when stipulated otherwise in this chapter.

#### **Article 17b.**

(1) The special criteria for listing on the „entry market” are:

- two years of operation,
- audited financial statements,
- the shares of issuers have not been listed on the stock exchange markets,
- the total capital according to the last balance sheet is at least bam 500,000,
- the minimum value of the issue (the subscription and paid in price of the shares is considered) is at least bam 250,000,
- the minimum percentage of the shares in public ownership is 15 %,
- the minimum number of the shareholders is 30.

(2) The Listing Commission may decide to list shares on the “entry market” even if some of the requirements from the paragraph 1. of this article have not been fulfilled, provided such failure is not deemed a material discrepancy or if there are reasonable expectations such requirement will be met shortly after the security has been listed on the market.

(3) An issuer applying for listings its shares on “entry market” is not obliged to fulfil the requirements for listing on the list a, as stipulated in article 14.

### **2.3.4. INVESTMENT FUNDS**

#### **Article 18.**

Shares of closed-ended investment funds, or ownerships in open-ended investment funds, can be listed on the official stock exchange market if the general conditions for listing are met.

### **2.3.5. DEBT SECURITIES**

#### **Article 19.**

- (1) Bonds and other long and short term debt securities can be listed on the official stock exchange market, if in addition to general criteria, the following special criteria have been met:
  - Two years of operation;
  - Audited financial statements;
  - The total nominal value of the issue 1.000.000 KM.
- (2) Short term securities from an issuer whose shares or bonds are listed on the official stock exchange market can be listed on the official securities market.

### **Article 20.**

Bonds issued by the Bosnia and Herzegovina, Republic of Srpska, Federation of BiH, District of Brcko or for which they issued a guarantee or gave approval for their issuing, shall be listed on the Official Market.

## **2.4. PROCEDURE FOR LISTING ON THE OFFICIAL SECURITIES MARKET**

### **Application for Admission**

### **Article 21.**

- (1) The procedure for admission of securities on the listing shall start upon submitting an application on a form prescribed by the Managing Director of the Exchange, by the issuer or a person authorized by the issuer.
- (2) The application form shall be accompanied by:
  - Two (2) printed copies of prospectus for listing and an electronic version of the prospectus;
  - the updated version of the issuer's Statute;
  - the extract from the court register of the issuer;
  - copy of a report on audited annual financial statements for the period of the last three years of operation for the Listing A and of the last two years of operation for the Listing B and Entry Market
  - information on the percentage of securities held by the Management Board of the issuer of securities;
  - a list of validated people that are in contact with the Stock Exchange,
  - written code of conduct.
- (3) The application must be referred to the whole class of the issued security.
- (4) The application must be submitted in the original and the enclosed documents in the original or a photo-copy signed by a person authorized by the applicant.
- (5) The application referred to in paragraph 1 of this article has to be accompanied by the prospectus in English if the application for listing of the securities is for the following segments:
  - Shares List – A;
  - shares – Entry Market;
  - Closed-ended investment funds;

- Open-ended investment funds.
- (6) The application for listing of shares of closed-ended investment funds, or ownerships of open-ended investment funds are submitted by Management Companies. The fund management contract, permission from KHOV for establishing and managing of the investment fund, the Statute of the Company, a list of the owners of the Company along with their respective ownerships, and other information about the Company as pre request from the Listing Commission, are attached to the application.
- (7) If the prospectus is not mandatory when issuing debt or other securities, an issuer shall submit the application accompanied with documentation which contains information on
- Features of securities that are subject of listing,
  - Description of incorporated rights,
  - Summary data on ownership of the securities,
  - Other information which according to the applicant could be important for the market valuation of the securities.

## **The Official Market Prospectus**

### **Article 22.**

- (1) The Official Market Prospectus (hereinafter the Prospectus) is a document of the issuer containing information which provides the purchaser of securities with an insight into the issuer's legal and financial status, business prospects and the rights attaching to the securities.
- (2) The Prospectus must compulsorily contain:
- Data on the issuer;
  - Data on securities being listed;
  - Data on issuer's business operations;
  - Data on issuer's responsible individuals;
  - Statement by issuer's responsible individuals.
- (3) Provisions of the ZTHOV regulating securities issues shall appropriately apply to the provisions of paragraphs 1 and 2 of this Article.
- (4) The issuer is responsible for the accuracy and completeness of the information stated in the prospectus.

## **Preliminary Review of Application**

### **Article 23.**

- (1) The Stock Exchange shall verify whether the application was submitted in compliance with regulations no later than fifteen (15) days from receiving the application.
- (2) The application which does not comply with these rules shall be returned to the issuer and the applicant shall be requested to remove discrepancies in the time period which can be no more than thirty (30) days.

## **Decision on Application**

### **Article 24.**

- (1) The Listing Commission shall deliberate on the application for security's admission to the Official Stock Exchange Market latest within thirty (30) days after the application is submitted.
- (2) When the Listing Commission establishes that the conditions for admission of securities to the Official Market have been fulfilled, they shall decide to admit the securities to the Official Market, hence submit to the issuer for signature a contract regulating rights and liabilities of the issuer and the Stock Exchange.
- (3) The contract from the previous paragraph shall not be concluded if the issuers are Entities of BiH.

### **Article 25.**

The Listing Commission can refuse application for admission to the Official Market in the event:

- that issuer failed to submit all documents prescribed in Article 21 of these Rules,
- the existing circumstances are threatening the interests of the investors.

## **Delivering Decision and Contract**

### **Article 26.**

Within eight (8) days after deciding on admission of a security to the Official Market or its refusal, the Listing Commission shall deliver its decision to the applicant.

### **Article 27.**

- (1) Information on admission of the security to the Official Stock Exchange Market is published on the Stock Exchange's Internet site, latest on the first working day subsequent to the date of the decision.
- (2) In addition to the information pursuant to the paragraph 1 of this Article, publication is also made of the issuer's prospectus, with the date set for commencement of trading in issuer's shares on the Official Stock Exchange Market.

## **Beginning of Trading**

### **Article 28.**

Date for commencement of security's trading on the Official Stock Exchange Market is determined by the Stock Exchange Managing Director, whereas it must be latest within fifteen (15) days from the publication of the decision on admission of the security.

## **Duties of the Issuer**

### **Article 29.**

- (1) The Issuer shall be liable to sign the contract submitted by the Stock Exchange within the period set in the decision on security's admission to the Official Stock Exchange Market, as well as to pay in the admission fee that is determined for the security's admission to the Official Stock Exchange market.
- (2) Should the issuer fail to sign the contract within the period of fifteen (15) days following the receipt of the decision of security's admission and/or fail to pay in the admission fee pursuant to the previous paragraph of this Article, the Listing Commission may annul the decision on the admission to the Official Stock Exchange Market.
- (3) The decision on annulment of the admission is delivered and published in the same manner as the decision on admission.

## **2.5. PROCEDURE IN THE EVENT OF ALTERNATION IN CAPITAL OF THE ISSUER WHOSE SECURITIES ARE LISTED ON THE OFFICIAL STOCK EXCHANGE MARKET**

### **2.5.1. LISTING EXPANSION**

#### **Application for Listing Expansion**

### **Article 30.**

The Issuer whose securities of the same class have already been listed on the Official Market, should submit application for listing expansion within three (3) days from the day of registration of security in the Central Registry, in the event of increased equity of the due to:

- further issue of securities;
- acquisition;
- issue based on the previously approved conditional increase of equity;
- issues of securities in other events prescribed by the ZTHOV.

### **Article 31.**

With the application for listing expansion pursuant to the previous Article, issuers must submit the decision on registration of the new issue with the CR.

### **Article 32.**

Listing Commission may request from the issuer to submit the additional documents with the application for listing expansion on the Official Stock Exchange Market.

## **Decision-making Procedures in the Event of Listing Expansion**

### **Article 33.**

- (1) The Listing Commission shall make the decision about the listing expansion on the basis of a complete and proper application form and shall notify all members of the Stock Exchange, public and Securities Commission.
- (2) Unless otherwise provided in this chapter, the decision-making process concerning the application for listing expansion shall fall under the provisions on the admission of securities to the Official Market.

### **2.5.2. LISTING REDUCTION**

#### **Procedure in the Event of Listing Reduction**

### **Article 34.**

- (1) When alterations in listing are the result of decreased shareholders' equity of a company, the issuer shall submit the request for listing reduction.
- (2) With the application for listing reduction, issuers must submit the decision on registration of decreased equity with the CR.
- (3) Decision-making procedure of the Listing Commission is the same as the procedure applied in the event of listing expansion.

### **2.5.3. SUBSTITUTION OF SECURITIES**

#### **Procedures in the Event of Substitution of Securities**

### **Article 35.**

- (1) In the event of securities substitution, the issuer shall submit to the Stock Exchange an application for substitution, accompanied with the CR documents related to the registration of the substitution.
- (2) Decision-making procedure of the Listing Commission is the same as the procedure applied in the event of listing expansion.

## **2.6. RESPONSIBILITIES OF ISSUERS OF LISTED SECURITIES**

### **2.6.1. GENERAL PROVISIONS**

### **Article 36.**

- (1) Following the admission to listing of securities on the Official Stock Exchange Market, issuers become liable to disclose financial, business and other reports.

- (2) Disclosure obligation relates to all significant information that has or may have as a consequence change in the assets, liabilities, financial standing, legal position and business operations of the issuer, i.e. may have an impact on the price of securities.
- (3) Disclosure to the public is conducted by means of:
  - periodical notifications, by means of which issuers regularly disclose material facts in certain intervals,
  - ad hoc notifications, by means of which issuers promptly disclose any material fact as soon as its occurrence or event come to issuer's attention.
- (4) When disclosing any material facts, the issuer is required to act in such a manner as not to favor any particular person or segment of the public.
- (5) Any information that an issuer may disclose in meetings with financial analysts and representatives of institutional investors must be simultaneously disclosed to the public.
- (6) Issuers of securities listed on foreign stock exchanges are liable to disclose to the Stock Exchange all information that are disclosed to foreign stock exchanges.

## ***2.6.2. MANNER OF INFORMATION DISCLOSURE***

### **Article 37.**

- (1) An Issuer is obliged to submit to the Stock Exchange information pursuant to the Article 36 in electronic form.
- (2) The Stock Exchange discloses information on its Internet site.
- (3) An Issuer shall compulsorily consult the Stock Exchange in any event of doubt relating to need to disclose any particular fact.
- (4) An Issuer must authorize one of its employees to submit prescribed, i.e. required information to the Stock Exchange, in order to ensure timely and complete reporting, and must appoint the substitute person that will fulfill this obligation in event of absence of the authorized employee.
- (5) In the event that an issuer fails to meet its obligations pursuant to the chapter of these Rules relating to the information disclosure, the Stock Exchange may issue a public announcement stating that an issuer failed to submit information required by these Rules or any subsequently requested information thereof.
- (6) An issuer may authorize a Stock Exchange Member to submit information from the Paragraph 1 of this Article.

## ***2.3.6. PERIODIC NOTIFICATIONS***

### **Article 38.**



(1) Issuers are required to publish regularly:

- Annual financial reports,
- Audited annual financial reports,
- Semi-annual financial reports,
- Quarterly financial reports.
- Annual business report.

## **Annual financial reports**

### **Article 39.**

- (1) An issuer is required to submit to the Stock Exchange its annual financial reports in electronic and written form, latest by the subsequent working day following the day of its approval by the competent body. The issuer must submit the proposal of unaudited annual financial reports by the end of February for the previous fiscal year.
- (2) If the issuer cannot submit the unedited annual financial report by the end of February, it shall inform the Stock Exchange on the reasons for failing to submit reports within prescribed deadline.
- (3) Consolidated financial statements shall be submitted to Stock Exchange in the event the issuer is obliged by law to compile consolidated audited financial statements
- (4) An issuer shall submit consolidated financial statements from the Paragraph 3 the following day of its adoption by the competent body and latest by the end of March for the financial reports for previous year.
- (5) The financial report from the Paragraph 1 and 3 of this Article is comprised of balance sheet, income statements, cash flow statements, statement on changes in equity and annex.

## **Audited annual financial report**

### **Article 40.**

- (1) The Issuer is required to submit to the Stock Exchange audited annual financial report with auditor's opinion the latest five (5) days after the issuer received the auditor report from the independent auditor
- (2) In the event the issuer is required by law or accounting standards to draw up consolidated financial statements, they should be included in the audited annual report from the first paragraph of this Article and should include the following information:
  - list of the joint stock companies which are include in the consolidation,
  - auditor's opinion on consolidated financial statements,

## **Semi-annual financial report**

### **Article 41.**

- (1) The Issuer is required to submit to the Stock Exchange its semi-annual financial report latest on the day subsequent to the date of its approval by issuer's competent body or latest by the end of July for the semi-annual financial report for current year.
- (2) The Issuer is required to submit to the Stock Exchange semi-annual consolidated financial reports in events when law or accounting standards require from issuer to consolidate semi-annual financial reports, latest by the first working day subsequent to the date of reports' approval by the competent body.

## **Quarterly reports**

### **Article 42.**

- (1) An issuer is required to submit to the Stock Exchange its quarterly business reports for first and third quarter, in accordance with the Instructions issue by the Managing Director of the Stock Exchange.
- (2) An issuer is required to submit to the Stock Exchange its quarterly reports latest within thirty (30) days after the end of reporting period.

## **Annual Business Report**

### **Article 42a.**

- (1) An issuer is required to submit to the Stock Exchange Annual Business Report in accordance with the Company Law and Law on Accounting and Audit of Republic of Srpska.
- (2) An issuer is required to submit proposal of the report from the Paragraph 1 of this Article the same day when it is adopted by the issuer body and latest on the day when issuer convene the general shareholders meeting at which the report shall be adopted.
- (3) If a general shareholder meeting adopts changes to the proposed report from the Paragraph 1 of this Article, an issuer is required to submit the changes the following day of general shareholder meeting the latest.

## **2.6.4. AD HOC DISCLOSURE (NOTIFICATIONS)**

### **Article 43.**

The Issuer is required to disclose information related to following events immediately upon their occurrence or as soon as such events come to issuer's attention:

- Changes in financial and legal position,

- Changes in issuer's capital,
- Convention of the General Meeting of Shareholders,
- Past General Meetings of Shareholders,
- Management and Supervisory Boards' decisions,
- Issuer's status changes,
- Acquisition of significant ownership in other entities,
- Acquisition of securities by the issuer's management,
- Press conferences,
- Other price-sensitive information, as per request of the Stock Exchange.

## **Information on changes in financial and legal position**

### **Article 44.**

The issuer is obligated to inform the Stock Exchange as soon as possible, about business and other events, and about altered conditions for doing business which can influence his legal and financial position, such as:

- suspension of business activities
- changes in core activities
- planned changes of financial policy
- important legal proceedings instituted by government bodies, arbitration tribunals and similar bodies
- material changes of issuer's market position
- any approved or revoked patents, licenses and trade marks
- new products, services or clients with significant impact on the business activity and the financial results of the issuer
- signing of major contracts
- significant investments (significant investments are all investments value of which exceeds 10% of issuer's market capitalization)
- any significant deviation from projection in annual business report.

## **Information on Issuer Equity**

### **Article 45.**

Issuer is obligated to notify the Stock Exchange about decisions and circumstances that might affect issuer equity and valuation of the issued securities, such as:

- intended increase or decrease of the issuers equity or it affiliated companies
- major changes in the content of the rights of securities which are listed on the Stock Exchange and securities which may be exchanged for the listed securities,
- concluded purchase or sale of the issuer treasury stocks
- failure to fulfill obligations related to issued debt securities
- issuance of new securities,
- pre-emptive rights issues with respect to subscription of new securities, pursuant to the regulations of KHOV,
- conditional increase of capital,
- major changes with respect to the issuer's sources of financing.

And any other decisions and circumstances that are affecting issuers equity.

## **Information on General Meeting of Shareholders**

### **Article 46.**

- (1) Each issuer is required to notify the Stock Exchange all information related to the General Meeting of Shareholders, in particular:
  - Date and the Agenda of the general meeting of shareholders,
  - Proposals of GM decisions relating to the payment of dividend,
  - Proposals of decisions relating to issuer's capital,
  - Proposals of decisions relating to changes in the Statute.
- (2) Proposal of decision relating to the payment of dividend must compulsorily state the amount of dividend as per share, manner of payment, date of dividend rights and date of dividend payment.
- (3) An issuer is required to submit the Agenda of the GM and proposals of decisions from the Paragraph 1 of this Article to the Stock Exchange latest on the same day on which the GM is publicly announced in media, in accordance with the law.

## **Information from General Meetings of Shareholders**

### **Article 47.**

- (1) The Issuer is required to submit to the Stock Exchange information relating to past General Meetings of Shareholders, in particular:
  - Decisions of the General Meeting of Shareholders or public announcements relating to the decisions of the General Meeting of Shareholders,
  - Notifications of proposed decisions that were not adopted or contents of which was changed or amended.
- (2) Decisions relating to the changes in issuer's capital compulsorily contain data on date of acquired rights, as well as on financial effect that such decision might have on the book-value of the capital per share.
- (3) The Issuer is obliged to submit decisions and announcements to the Stock Exchange latest on the first subsequent day following the date of General Meeting of Shareholders.
- (4) Decisions on dividend payment must include dividend per share, way of payment, dividend record date and payment date.
- (5) An issuer is required to submit the decision on adoption of annual business report along with the text of annual business report which is prepared in accordance with Company Law and Law on Accounting and Audit of Republic of Srpska.

## **Decisions made by the Management and Supervisory Boards**

### **Article 48.**

- (1) The Issuer is required to notify the Stock Exchange of the Management and Supervisory Board meetings at which decisions or proposed decisions shall be made on adoption/approval of financial reports, changes in issuer's capital and payment of dividend.
- (2) The Issuer is required to submit to the Stock Exchange the notification pursuant to the paragraphs 1 of this Article one (1) working day prior to the date of session of issuer's body.
- (3) Adopted decisions and proposals of decisions shall be submitted to the Stock Exchange latest on the day subsequent to the session date.

## **Status Changes of the Issuer**

### **Article 49.**

The Issuer is obligated to inform the Stock Exchange about decisions and facts related to status changes, in particular:

- acquisitions
- mergers
- the issuer's transformation into another form of company, and other,

and about circumstances and events which can lead to such changes.

## **Acquisition of significant ownership in other entities**

### **Article 50.**

The Issuer is required to notify the Stock Exchange of decisions relating to acquisition of more than 10% of ownership in other legal entity.

## **Acquisition of securities by issuer's management**

### **Article 51.**

- (1) The Issuer is required to notify the Stock Exchange of any acquisition or sale of issuer's securities by members of the management, employees with access to insider information and their related parties, latest within the period of three (3) days.
- (2) The Issuer is required to explain the nature of insider information to any party or person privy to such information relating to the issuer's business operations and shall advise them of their duties with respect to the guarding and using insider information.
- (3) The issuer may adopt a by-law envisaging that members of issuer's management, employees with access to insider information and their related parties are limited in acquisition and sale of issuer's securities in pre-determined period prior to the release of annual and semi-annual financial reports. The aforesaid by-law shall be submitted to the Stock Exchange.

## **Press Conference**

**Article 52.**

- (1) The issuer is required to notify the Stock Exchange of any press conference pertaining to its business reports and business plans for future period, and any other material information that may have an impact on fluctuations in share prices, latest one (1) working day prior to the conference.
- (2) In the event that the press conference is scheduled at the time of trading, in order to ensure that investors are equally informed, the Stock Exchange shall stop trading no later than half an hour prior to the press conference, and until the end of the working hours. The Stock Exchange shall notify members of the Stock Exchange, the public and the Securities Commission about it.

**Other Price Sensitive Information's**

**Article 53.**

- (1) The issuer shall notify the Stock Exchange about all events and circumstances which are not known, but can have material impact on the price of his securities.
- (2) The Stock Exchange may request that an issuer discloses certain data and information that it may find vital for informing investors and other market participants.

**2.6.5. SPECIFIC RESPONSIBILITIES OF ISSUERS ON THE LIST A**

**Article 54.**

- (1) Issuer of securities admitted to the official stock exchange market – List A, shall within the set deadlines also submit to the Stock Exchange information in English language, or abbreviated version of the notification containing significant information.
- (2) Issuer of securities admitted to the official stock exchange market – List A, is required to disclose on its Internet site all information submitted to the Stock Exchange.
- (3) Issuer of securities admitted to the official stock exchange market – List A is required to submit to the Stock Exchange before the beginning of business year corporate calendar which at least includes the following:
  - Date when financial reports shall be published,
  - Date when GM shall be held,
  - Record date for dividends,
  - Dividend payment dateand all changes to corporate calendar the same day.

**2.6.6. SPECIFIC REQUIREMENTS RELATED TO INVESTMENT FUNDS**

**Article 55.**

- (1) Disclosure requirements related to investment funds will be fulfilled by the investment fund management company.
- (2) The Management Company shall submit to the Stock Exchange:
  - information that are compulsorily disclosed pursuant to the provision of the law,
  - Management Company's annual financial reports, in accordance to the provisions of these Rules that regulate responsibilities of issuers of securities admitted to the official Stock Exchange market,
  - information related to changes in investment policies or changes of facts contained in the prospectus.
- (3) The Management Company is required to submit to the Stock Exchange:
  - Monthly reports on net assets and structure of investments, latest within fifteen (15) days from the end of reporting period;
  - Monthly reports on unrealized profits and losses;
  - Reports on investments in the securities of a single issuer representing more than 5% of the Fund's portfolio value, latest on the day following the aforesaid transaction.
- (4) The Management Companies of Open-ended Investment Funds shall daily submit to the Stock Exchange reports on the value of open-ended fund's investment unit, latest by 11.00 a.m. of the current trading day for the preceding trading day.
- (5) The Management Company may authorize Fund's custodian to deliver to the Stock Exchange reports described in paragraphs 3 and 4 of this Article.
- (6) Disclosure requirements can be prescribed in more detail in the Instructions adopted by the Managing Director of the Stock Exchange.

### ***2.6.7. SPECIFIC REQUIREMENTS FOR ISSUERS OF DEBT SECURITIES***

#### **Article 55a**

- (1) Issuer with debt securities listed on the official market is required to regularly disclose information on the principal and interest payment in accordance to payment plan.
- (2) If the issuer of debt securities is municipality or town it is required to submit budget seven days after it has been adopted. If for any reason the budget of municipality or town has not been adopted within the deadline stipulated by applicable laws, an issuer is required to disclose reasons for not adopting budget.

### ***2.7. MEASURES IN EVENT OF ISSUER'S INCOMPLIANCE***

#### **Temporary suspension of trading**

#### **Article 56.**

- (1) With respect to the securities admitted to official stock exchange market, the Stock Exchange may impose a measure of temporary suspension of trading in following cases:

- Occurrence of major market imbalances or other extraordinary circumstances,
  - Forecast that trading in particular securities may cause market disruption, hence possibility of damage;
  - Should commencement or the course of trading instigate major price fluctuations, i.e. other abnormal occurrences (increased amounts, market imbalance etc);
  - Should issuer fail to comply with information disclosure requirements pursuant to the law, KHOV's by-laws and these Rules;
  - Should such measure deemed to be necessary for investors' protection.
- (2) The Stock Exchange may in other circumstances when deemed necessary impose the measure of temporary suspension of trading, with requirement to disclose and explain reasons leading to temporary suspension of trading.
- (3) The Stock Exchange shall pass the Decree for temporary suspension of trading that will remain in effect until the requirements or causes leading to the suspension of trading are fulfilled or removed, whereas information thereof shall be disclosed on the Stock Exchange Internet site.

## **Types of sanctions**

### **Article 57.**

- (1) In the event that the issuer of the listed securities does not fulfill his obligations according to these Rules, Listing Commission may impose following sanctions toward the issuer:
- reprimand
  - reprimand published within the Stock Exchange members
  - public reprimand,
  - temporary delisting of securities from the official stock exchange market.
- (2) The issuer on whom a sanction has been imposed shall pay a lump sum in accordance with the currently valid fee schedule of the Stock Exchange, as set by the Decision on imposed sanctions.
- (3) The issuer may submit new application for admission in the Stock Exchange listing if it is fulfilling conditions in the manner with these Rules.
- (4) Listing Commission immediately shall notify Securities Commission about sanctions from the first paragraph of this Article.
- (5) The Stock Exchange shall deliver the Decision on imposed sanction to the issuer, latest on the day following the date of Decision adoption.

## **Appeal against Imposed Sanctions**

### **Article 58.**

- (1) On the imposed sanctions it is possible to make an appeal to the Management Board of the Stock Exchange within time period of the three (3) days from imposing decision.



- (2) The Appeal against the imposed measures of reprimand published within the Stock Exchange members and public reprimand shall stay the enforcement of the sanction.
- (3) Management Board is obligated to resolve an appeal in time period of eight (8) days from the day of submitting of an appeal.

## **Execution of Imposed Sanctions**

### **Article 59.**

- (1) The imposed sanctions shall be executed in the following manner
  - reprimand, by serving the decision
  - reprimand, with notifying members of the Stock Exchange, by sending the information to the members by mail or in some other appropriate manner
  - public reprimand, and publishing the same on the Stock Exchange web site
  - temporary delisting from the official stock exchange market – by serving the Decision of the Listing Commission on temporary delisting of a security from trading on official stock exchange market, with notifying members of the Stock Exchange and publishing on the Stock Exchange web site.

## **2.7.1. DELISTING OF SECURITIES**

### **Reasons for Delisting of Securities**

#### **Article 60.**

- (1) Listing Commission may de-list individual security from the Official Market if the security was not traded for more than six (6) months
- (2) Listing Commission may de-list individual security from the Official Market if:
  - issuer and security are not fulfilling conditions for the Official Market
  - the issuer does not deliver requested data and information to the Stock Exchange
  - security was listed on the Official Market on base of false or incorrect information's
  - liquidation come into force, or in case of bankruptcy of the issuer
  - Issuer fails to comply with requirements prescribed by these Rules,
  - Issuer withdraws its securities or securities' maturity date passes,
  - finds out that there are other reasons which are putting in danger safety of the investors.
- (3) Listing Commission shall notify Securities Commission about delisting from the Official Market.
- (4) Listing Commission may delist individual security from Official Market on the request from the Securities Commission.
- (5) In events covered by paragraph 1 of this Article, following delisting, security shall be admitted to the free stock exchange market, except in cases when such listing on the free stock exchange market would jeopardize the investors' safety or if liquidation proceedings have been initiated.

- (6) In event of issuer's responsibility in delisting of security from the official stock exchange market, issuer may re-apply for security's admission to the official stock exchange market within the period set by the Listing Commission in the Decision on delisting.

## **Delisting by Reasons of Withdrawal of Shares from Trade**

### **Article 61.**

- (1) In the event that the Assembly of the issuer of the securities that are listed on the Official Market, adopts resolution on withdrawal of shares from the Official Market, Listing Commission, on the request of the issuer, shall make a decision for delisting of the security from the organized market.
- (2) With the request for delisting, the issuer is obligated to submit a copy of the legal validity of the Assembly's adopted resolution on delisting, and written statement of the Management Board of the issuer explaining that, within one month, they have not received a written statement of the shareholders, which did not took part in the Assembly, that they are not accepting withdrawal resolution.

## **Delisting for the Reasons of Transformation into Closed Joint Stock Company**

### **Article 61a.**

- (1) If general shareholders' meeting of the issuer listed on the official market adopts decision to transform into closed joint stock company, the issuer is required to submit decision proposal to the Stock Exchange latest on the same day when the decision to convene GM is published in media according to laws and adopted decision latest by the 9 a.m. the day after the GM session.
- (2) When the issuer submits adopted decision from the Paragraph 1 of this Article, Managing Director brings decision to temporarily delist shares from the stock exchange market.
- (3) The Listing Commission adopts decision on permanent delisting from the stock exchange market after the Securities Commission gives its approval on the adopted decision from the Paragraph 1 of this Article.

## **2.8. SECURITIES OF FOREIGN ISSUER**

### **Applicability of Provision**

### **Article 62.**

- (1) Securities of foreign issuer, as well as certificates of ownership of securities of foreign issuer, shall be admitted to the official stock exchange market pursuant to the law, KHOV by-laws, these Rules, and in compliance with requirements prescribed by regulations effective in the issuer's registered seat.

- (2) Issuer's application for listing must also include legal and regulatory documents regulating issuer's incorporation in the state of issuer's original registration and other information requested the by Listing Commission.
- (3) In event described in paragraph 2 of this Article, provisions of the Article 58 of ZTHOV shall be appropriately applied.

## **2.9. SECURITES ON THE FREE MARKET**

### **Applicability of Provision**

#### **Article 63.**

For securities on the Free Market all regulations of Rules of the Stock Exchange and other regulations regarding to the Official Market shall be implemented, apart from those that are differently regulated in this chapter.

### **Admission of Securities**

#### **Article 64.**

- (1) Securities can be listed on the free market if the following general requirements have been met:
  - they are fully paid-in
  - they are freely transferable
  - payment of the admission fee for the free stock exchange market is effected.
- (2) Procedure for listing securities on the free market is initiated by submitting application by the issuer or entity authorized by issuer, on the form prescribed by Managing Director.
- (3) Application shall be accompanied with
  - Articles of association,
  - Central Registry decision on registration of securities which are subject of listing application,
  - Consolidated text of Statute in material and electronic form,
  - Decision on registration in Court Registry,
  - Financial reports for the last business year, and if the financial reports are audited by independent authorized auditor, then financial report shall be accompanied by the auditor's opinion in material and electronic form,
  - The report on the percentage of securities owned by the management,
  - The list of persons authorized to communicate with the Stock Exchange,
  - Proof of fee payment.
- (4) The application for listing must refer to whole class of issued securities.
- (5) The application shall be submitted in original and attachments in original or copies certified by the authorized person of the applicant.
- (6) If the application is submitted for the company that was created by dividing a company on two or more companies, instead of financial reports for the last business year, the divisional balance sheet or detailed information on the division shall be submitted.

- (7) Shares that are registered with the Central Registry based upon the Law on Privatization in Republic of Srpska, the Stock Exchange may, upon the request of shareholder, list on the free market even if the all documentation from the Paragraph 2 of this Article has not been submitted, if that is in the interest of shareholders and if shareholders have sufficient information on legal and financial position of the issuer and rights from the security.
- (8) Managing Director decides on listing securities on the free market.
- (9) When he/she decides that listing requirements for free market have been fulfilled, the Managing Director brings decisions on listing and sends contract which regulates rights and obligations between issuer and the Stock Exchange to the issuer.

## **Responsibilities of Issuers on the Free Stock Exchange Market**

### **Article 65.**

- (1) Issuers of securities listed on the free stock exchange market are obliged to observe public disclosure and information requirements, pursuant to the law and KHOV by-laws.
- (2) The Stock Exchange shall not supervise compliance with requirements described in the preceding paragraph, nor shall determine appropriate sanctions thereof.
- (3) Pursuant to the law, the Stock Exchange may acquire semi-annual and annual financial reports from the competent legal entity that is legally obliged to collect and process semi-annual and annual financial reports.
- (4) The Stock Exchange shall monitor and register all changes in relation to securities that are resulting from corporate actions, based on reports created by KHOV and CR, and shall demand that issuer submit request for increase or decrease of the number of shares.

## **Delisting of Securities from the Free Stock Exchange Market**

### **Article 66.**

- (1) Security shall be delisted from the Free Market if:
  - security was listed on the Stock Exchange listing on base of false or incorrect information's
  - liquidation come into force,
  - Issuer withdraws its securities or securities' maturity date passes.
- (2) The Managing Director of the Stock Exchange shall pass the Decision on security's delisting from the free stock exchange market. Decision shall be published on the Stock Exchange web site and will come into effect on the date of its adoption.
- (3) The Stock Exchange shall deliver the Decision described in the preceding paragraph of this Article to the issuer and KHOV on the following working day after its adoption.
- (4) The Appeal against the Decision described in paragraph 2 of this Article may be filed with the KHOV within eight (8) days from its receipt. The appeal shall not stay enforcement of the Decision.

### **3. STOCK EXCHANGE MEMBERS AND BROKERS**

#### **3.1. STOCK EXCHANGE MEMBERS**

##### **3.1.1. ADMISSION OF STOCK EXCHANGE MEMBERS**

#### **Procedure**

#### **Article 67.**

The procedure for admission to the Stock Exchange membership shall start with submitting of the requisite application form for admission to the Stock Exchange membership, which proscribe Director (hereinafter Application).

#### **Application for Admission to Membership**

#### **Article 68.**

- (1) An applicant must enclose evidence that the Stock Exchange membership requirements have been met.
- (2) The Management Board of the Stock Exchange shall decide on the application for admission to membership.
- (3) Following should be enclosed with the application from the previous paragraph:
  - founding document;
  - the extract from the court register;
  - Statute
  - Operating Rules;
  - operating license issued by competent body;
  - information on individuals with special authorizations and responsibilities;
  - the statement that it will reconcile its bylaws with Stock Exchange bylaws that regulate rights and obligations of Stock Exchange members, within three (3) months from becoming the member of the Stock Exchange,
  - financial statements for the past business year, if the authorized participant has been in operation for over one (1) year;
  - decision on membership in the Central Registry;
  - the evidence that it has sufficient assets on its account to buy shares of the Stock Exchange;
  - names of authorized brokers;
  - Statement of applicant if he wants to by BLSE shares and evidence of possessing funds for buying shares, in case that he intends to by shares.
- (4) The Management Board may also require the applicant to provide other data or documentation.
- (5) The application is submitted in original, and enclosures to the application may be original or photocopy verified by responsible official of the issuer.

## **Dismissal of Application**

### **Article 69.**

- (1) The Management Board of the Stock Exchange may return the application that fails to comply with the provisions from previous paragraph of the preceding Article, regarding to completion or correction.
- (2) If the applicant fails to complete or correct the application within the period of thirty (30) days, such application will be rejected by the Management Board.

## **Deliberation of the Management Board about an Application**

### **Article 70.**

- (1) The Management Board shall make decision about the application at latest sixty (60) days from receipt of application or from the date of its correction or subsequent completion.
- (2) Submitter of the application shall be admitted to the membership, if requirements were fulfilled according to law and Rules of the Stock Exchange.

### **Article 71.**

An applicant may submit an appeal to the Securities Commission in opposition to resolution from previous Article.

## **Procedure after Adoption of the Decision on Admission**

### **Article 72.**

- (1) All members of the Stock Exchange shall be notified about admission of the new member.
- (2) Authorized participant must, within the period of time specified in the resolution on admission to membership, sign the lease agreement with the Stock Exchange which shall regulate mutual rights and obligations, and fulfill other obligations pursuant to the Rules applicable to Stock Exchange members.
- (3) If the authorized participant fails to fulfill its obligations from the preceding paragraph within the set period of time, Management Board may, within ten (10) days after fulfillment date, revoke its decision on admission to membership or set additional deadline for the authorized participant to fulfill its obligations.
- (4) Should the authorized participant fail to fulfill its obligation within the additional period of time, resolution of the Management Board will be considered annulled.

### **Article 73.**

List of the members of the Stock Exchange shall be published regularly in the Stock Exchange publications, in public media and in offices of the Stock Exchange.

### *3.1.2 RIGHTS AND DUTIES OF STOCK EXCHANGE MEMBERS*

#### **Rights of Stock Exchange Members**

##### **Article 74.**

Stock Exchange members have following rights:

- to participate in purchase and sale of securities included in the stock exchange listing and in the free stock exchange market;
- to use the BST and to conclude Stock Exchange transaction through it;
- to use the designated stock exchange premises and equipment, in accordance with Stock Exchange bylaws;
- to simultaneously receive the information, provided by the Stock Exchange to members, which may affect trading;
- to be provided with a short form prospectus for the securities listed on the Stock Exchange;
- to be provided with information on securities, admitted to the Stock Exchange listing and to trading on the free market, and on the newly admitted Stock Exchange members;
- to be regularly provided with the official Stock Exchange price lists and the information on expulsion of members from trading on the Stock Exchange or removal of a security from stock exchange listing and from the free market, and all data which the Stock Exchange provides to the public;
- to participate in all forms of training organized by the Stock Exchange;
- to exercise all rights, deriving from ownership of Stock Exchange shares, as defined by law;
- and all other rights determined in the Stock Exchange bylaws.

#### **Duties of Stock Exchange members**

##### **Article 75.**

(1) Stock Exchange members have the following duties:

- to preserve the reputation of the Stock Exchange, both during their public appearance and when trading on the Stock Exchange;
- to ensure that Rules and Instructions are observed and applied;
- to keep accurate records of orders and concluded Stock Exchange transactions;
- latest within two months after the end of semi-annual accounting period, to submit to the Stock Exchange the semi-annual report on its operations and at the latest within four (4) months after the end of financial year to submit annual reports;
- to promptly notify the Stock Exchange of any occurrence of insolvency, compulsory composition and of institution of bankruptcy or liquidation proceedings and of all other events, that have affected or may affect their financial standing and operation;
- to regularly notify the Stock Exchange of all changes related to fulfilling requirements for business activities



- to regularly notify the Stock Exchange of all changes related to data entered into the court register (in form of a copy of a court decree on registration);
  - must not allow access to and use of the BST through a personal identification numbers by any other person other than the stock exchange broker, to whom they were supplied by the Stock Exchange;
  - must not misuse the information that are publicly disclosed;
  - To pay the membership fee and other contributions in accordance with the Stock Exchange Fee Schedule.
- (2) The Stock Exchange members, their employees and brokers are obliged to protect the confidentiality of all data designated as business secret in the Statute of the Stock Exchange. The Management Board may determine in more detail, by written resolution, the type of data that will be considered as business secret.

### ***3.1.3. TEMPORARY OR PERMANENT EXPULSION FROM THE STOCK EXCHANGE MEMBERSHIP AND TERMINATION OF MEMBERSHIP***

#### **Termination of the Stock Exchange Membership**

##### **Article 76.**

- (1) The Stock Exchange membership shall terminate if:
- If Securities Commission permanently takes away working permission from the member of the Stock Exchange
  - on the request of the Stock Exchange member
  - the bankruptcy or liquidation proceedings are initiated against a member;
  - a member ceases to exist;
  - relevant organ of the Stock Exchange imposes a measure of permanent expulsion from trading on the Stock Exchange;
  - A member fails to reconcile its bylaws with bylaws of the Stock Exchange within the set period of time.
  - Upon reception of reminder, member fails to pay due annual membership fee
- (2) A resolution on termination of Stock Exchange membership shall be adopted by the Management Board.

#### **Expulsion of the Stock Exchange Member from Trading on the Stock Exchange**

##### **Article 77.**

- (1) The Management Board may expel a member from trading on the Stock Exchange for a definite period or permanently, in following cases:
- the member of the Stock Exchange was admitted on the basis of false or incorrect data;

- the member of the Stock Exchange fails to fulfill its obligations;
  - the member of the Stock Exchange fails to inform the Stock Exchange about events or circumstances, specified in the general bylaws of the Stock Exchange;
  - the member of the Stock Exchange ceases to meet specified membership requirements;
  - the member of the Stock Exchange severely violates the Stock Exchange Rules;
  - the member of the Stock Exchange fails to apply provisions of the Stock Exchange Statute and bylaws;
  - the member of the Stock Exchange fails to keep open to the inspection the documents related to trading in securities listed on the organized market in accordance with the Stock Exchange Rules;
  - Material circumstances exists requiring protection of investors' interests.
  - If Securities Commission temporarily ban the member to conduct businesses from working permission.
- (2) In the event of permanent expulsion of the member from the trading on the Stock Exchange, due to the failure of that member, a member may file the application for admission to Stock Exchange membership again one year after the date of the decision on expulsion.
- (3) Temporarily suspension shall last until the causes that lead to the suspension are solved, but no longer than six (6) months.
- (4) For the time of temporarily suspension, orders of the Stock Exchange member in BST shall be kept.
- (5) Against temporarily or permanently suspension member of the Stock Exchange may submit and appeal to the Securities Commission in eight (8) days from receiving decision.

## **Notification of Expulsion and Termination of Authorization**

### **Article 78.**

- (1) The Securities Commission and public shall be immediately notified about temporary suspension or definite suspension and about the end of suspension as well.
- (2) In the event of expulsion from trading on the Stock Exchange or termination of membership, the authorization of authorized brokers to conclude Stock Exchange trades for the expelled member shall terminate.

## **Specific Membership Systems**

### **Article 79.**

- (1) The Management Board may also introduce specific membership systems for trading in securities, in the events when regulatory framework regulating issue and secondary trading of such securities disregarded specific participants in trading.

- (2) Responsibilities of Stock Exchange members and member's brokers in the system of specific membership shall be regulated by separate rules.

## **3.2. BROKERS**

### **3.2.1. THE STOCK EXCHANGE TRADING LICENSE**

#### **The Trading License**

##### **Article 80.**

The trading license (hereinafter: license) shall be issued by the Managing Director of the Stock Exchange. The Stock Exchange members and KHOV shall be notified of any issue of trading license.

#### **The Stock Exchange Trading License**

##### **Article 81.**

Stock Exchange member's written request for issue of SE trading license for a broker must be accompanied by:

- A member's authorization to the broker to trade on the Stock Exchange on its behalf and for its account,
- An irrevocable statement that all of the obligations taken by the broker shall be accepted by the member as its own,
- A certificate confirming that the broker is employed by the member of the Stock Exchange under an unlimited duration contract,
- Broker's license to operate, issued by the Securities Commission,
- Broker's statement that he/she is familiar with the Stock Exchange Rules and that he/she will abide by the provisions of the Stock Exchange Rules and other enactments.

#### **Limitations of Authority to close Stock Exchange Deals**

##### **Article 82.**

Brokers of the Stock Exchange member, dealing in securities on the Stock Exchange, may only be authorized to represent just one (1) member of the Stock Exchange.

#### **Official Identity Document**

##### **Article 83.**

Upon being issued with the trading license, the broker of the member of the Stock Exchange receives an official identity document with a photograph and a personal identification number, which must be clearly displayed at all times spent in premises of the Stock Exchange or SE member.

### *3.2.2. RIGHTS AND RESPONSIBILITIES OF BROKERS*

#### **Brokers' Rights**

##### **Article 84.**

Brokers are fully entitled to:

- use BST and to close stock exchange deals for the member of the Stock Exchange, via BST,
- participate in all forms of training and education organized by the Stock Exchange,
- seek data and notifications submitted by the Stock Exchange to other brokers,
- to pass to the Stock Exchange proposals, initiatives and objections related to the conduct of business on the Stock Exchange.

#### **Brokers' Responsibilities**

##### **Article 85.**

Brokers are responsible for the following:

- to carry out business activities in a good faith and in best interest of their clients, in a manner avoiding all deeds that may cause doubt in impartiality and confidence in their work, or irregularities of documents that they issue,
- to keep confidential all data from orders, business conversations or decisions, unless otherwise specifically instructed by their clients or in the events when nature of business requires from them to act differently,
- to implement Stock Exchange Rules and instructions,
- to protect the reputation of the Stock Exchange in all public performances and activities carried out on the Stock Exchange,
- to prevent all third parties from accessing and using BST by misuse of broker's personal identification numbers,
- to warn timely bodies of the Stock Exchange about established irregularities related to BST (technical errors or flaws).

### *3.2.3. TEMPORARY OR PERMANENT EXPULSION OF BROKERS FROM STOCK EXCHANGE TRADING AND CESSATION OF TRADING RIGHTS*

#### **Expulsion of Brokers from Stock Exchange Trading**

##### **Article 86.**

- (1) The Managing Director of the Stock Exchange may permanently or temporarily expel the broker from stock exchange trading in following events:

- if broker is sentenced by decree absolute for criminal offence against the economy, payment operations or official duty or for criminal offences prescribed by ZTHOV,
  - if broker's operating license is temporarily or permanently revoked by KHOV,
  - if broker is delivered a sentence prohibiting him/her from carrying out same or similar security-related activities, while such sentence is effective,
  - if broker is in breach of Stock Exchange Rules.
- (2) KHOV shall be notified of broker's expulsion.
- (3) In the event of broker's permanent expulsion, broker may not re-apply for license to carry out business on the Stock Exchange.

#### **Article 87.**

Broker may file an appeal against the imposed measure described in preceding Article, with KHOV, within eight (8) days following receipt of the decision on expulsion. The appeal shall not stay the enforcement of decision.

### **Cessation of Broker's Trading Rights**

#### **Article 88.**

- (1) Broker's trading rights shall cease:
- in event that authorization to represent the Stock Exchange member expires,
  - based on measure imposed by the competent body of the Stock Exchange,
  - if operating license is permanently revoked by KHOV.
- (2) Decision on cessation of broker's trading rights shall be passed by the managing Director of the Stock Exchange.

### **3.3. LIQUIDITY PROVIDERS**

#### **Article 89.**

- (1) Liquidity providers make a market for a given security by carrying out limit buy or sell orders on the market and concluding transactions on the basis of these orders, in their name and for their own account.
- (2) The Management Board may grant individual Stock Exchange members the status of liquidity provider for one or more securities on a given segment of the regulated market if they meet the prescribed requirements.
- (3) Any Stock Exchange member shall have the right to ask Stock Exchange to grant him the status of liquidity provider.
- (4) The Management Board may resolve on limiting the number of liquidity providers for individual securities.

- (5) The Management Board shall adopt instructions regulating in detail procedure and criteria for obtaining the status of liquidity providers.
- (6) The Exchange shall publish the list of liquidity providers and the criteria for obtaining the status on its web site.

**Article 90.**

- (1) Liquidity providers shall be bound to daily carry out limit buy and sell orders on the market and conclude transactions on the basis of such orders, pursuant to these Rules and on the basis of requirements, specified in the Instructions.
- (2) The Management Board shall resolve on granting favorable terms for liquidity providers who meet defined performance criteria.
- (3) Detailed requirements for liquidity providers, performance criteria and favorable terms shall be specified in the Instructions.
- (4) The following criteria shall be taken into account:
  - type of security,
  - maximum difference between the buy and sell order prices,
  - minimum value of obligatory offer and bid sides,
  - minimum time of keeping the order on the market,
  - obligatory time of entry of orders to an auction,
  - approval by the issuer.

**Article 91.**

- (1) A liquidity provider may waive his status completely or only for a given security on the basis of written request. Five days after the Stock Exchange has received his written request, the liquidity provider shall no longer be required to carry out his duties of liquidity provider.
- (2) The Stock Exchange member may again apply for the liquidity provider status thirty days after the date of valid termination of his status.
- (3) The Management Board may withdraw the liquidity provider status from a Stock Exchange member who fails to perform his duties of liquidity provider or limit his duties in the event of major market imbalances or other special circumstances.

## **4. TRADING IN SECURITIES**

### **4.1. TRADING IN SECURITIES ON THE OFFICIAL MARKET**

#### **4.1.1. GENERAL PROVISIONS**

##### **Stock Exchange Transactions**

###### **Article 92.**

- (1) The Stock Exchange transactions are defined as purchase and sale of securities, admitted to the official market.
- (2) The Stock Exchange members conclude transactions through BST.
- (3) The Stock Exchange transactions may be either spot transactions or futures.
- (4) Spot transactions shall denote transactions, which are cleared and settled three or less business days after the trade date, in accordance with the CR rules on clearing and settlement.
- (5) Futures trading shall be regulated by special Stock Exchange Rules.

##### **Participants in Stock Exchange Transactions**

###### **Article 93.**

- (1) Stock Exchange transactions may only be effected by the Stock Exchange members.
- (2) Individual Stock Exchange members may have one of the following types of status in the BST system:
- (3) **Active** - a member can conclude transactions and manage orders through BST;
- (4) **Inactive** - a member cannot conclude transactions and manage orders through BST.
- (5) A Stock Exchange member's status may be changed on the basis of the Management Board's resolution when the requirements, stipulated by the Rules, are met. If the status changes into "inactive" all orders of the member are transferred to the status of "withheld".
- (6) The authorized brokers shall have the license to conduct all or some of the Stock Exchange transactions.

##### **Subject of Stock Exchange Transactions**

###### **Article 94.**

The subject of transactions on the Stock Exchange shall be securities, which have been admitted to the official market and contain all pertaining non-expired coupons, or all non-expired rights and obligations.



### **Article 95.**

The Stock Exchange shall specify the ex-coupon or ex-dividend date for the traded security concerned.

### **Article 96.**

- (1) Bonds shall be admitted "ex coupon" in accordance with the record date and the CR rules on clearing and settlement. A record date is the date determined by the issuer as the date when the right to the coupon can no longer be transferred to a new holder, together with the transferred bond.
- (2) If the issuer fails to notify the Stock Exchange of the record date, the information on record dates delivered by KDD shall be applied.

### **Article 97.**

- (1) The date when shares are traded "ex dividend" shall be determined by the Stock Exchange with regard to the record date on which persons entitled to dividend are identified and the CR rules on clearing and settlement.
- (2) In the announcement of the commencement of "ex-dividend" transactions, also the amount of the dividend and the payment date shall be stated.

## **Price**

### **Article 98.**

- (1) In Stock Exchange transactions the price of a security shall be expressed in values higher than zero (0).
- (2) The price of shares shall be expressed in B&H convertible marks (BAM) for one lot.
- (3) The price of bonds and other debt securities shall be expressed as a percentage of the nominal value or as a percentage of the not yet paid-out principal (annuity bonds), without accrued interest.
- (4) In addition to the purchase price from the third paragraph of this Article, the buyer of bonds or other debt securities, except investment certificates, shall be obligated to pay also the accrued, but not yet due interest, pursuant to the CR rules.
- (5) The accrued interest, which the buyer of bonds owns to the seller, shall be calculated upon CR's clearing and settlement of Stock Exchange transactions.

## **Trading Method**

### **Article 99.**

- (1) The Stock Exchange members may perform transactions in securities, admitted to the official market, only through BST.

- (2) Outside BST only block trades, specified in Article 173 of these Rules, may be carried out according to the KHOV rules on block trading.
- (3) The Stock Exchange members may also conclude transactions in securities outside BST, if such transactions are related to resolution of short positions in accordance with the CR clearing and settlement rules.

## **BST usage**

### **Article 100.**

- (1) BST is a computer assisted information system, which mainly enables management of orders, execution of Stock Exchange transactions, supervision of orders and executed transactions, correction of concluded transactions, survey of information on trading and on securities, admitted to the official market.
- (2) Stock Exchange members shall have access to the BST system through a registered trading workstation.
- (3) A Stock Exchange member shall have at least one BST workstation.
- (4) Brokers shall be liable for the authenticity and accuracy of data they have entered into BST.
- (5) The BST system enables observing of transactions in real time through a registered observer workstation.
- (6) The usage of the observer workstation shall be specified in the contract with the users.
- (7) The authorized Stock Exchange staff shall use the surveillance workstation for the supervision of trading.

### **Article 101.**

- (1) The Stock Exchange shall give to broker personal identification elements, which shall enable execution of operations in the system and access to data for which he is authorized.
- (2) The personal identification elements shall only be used by the authorized broker who has received them.
- (3) The authorized broker shall be liable for any misuse of his personal identification elements in relation to the Stock Exchange, or the Stock Exchange member, if also responsible for the misuse.
- (4) A Stock Exchange member shall be given, upon his request, system identification elements, which shall enable single registry of his information system upon accessing the BST system, execution of operations in the BST system and access to data, which the member has the right to access.
- (5) The system identification elements shall only be used in members' information systems, which have been registered with the Stock Exchange.
- (6) The Stock Exchange member shall be liable for any misuse of system identification elements in relation to the Stock Exchange.

## **Trading Days**

### **Article 102.**

- (1) Stock Exchange trading shall be carried out on each business day. The Director of the Stock Exchange (hereinafter called "The Director") shall decide on the time schedule of trading.
- (2) On official holidays, other non-business days and in special circumstances, there shall be no trading on the Stock Exchange.
- (3) Trading days shall be announced on the Stock Exchange official Internet portal.
- (4) Any change of time schedule shall be announced at least five (5) days prior to the foreseen change.

## **Duration of Stock Exchange Trading**

### **Article 103.**

- (1) The Director shall determine the duration of Stock Exchange trading at least seven (7) days prior to the foreseen change.
- (2) The hours and system of trading or the hours for managing orders may be extended or shortened in order to ensure a minimum of continuous operation if BST is out of order (chapter 4.6 of these Rules).

## **Ask and Bid**

### **Article 104.**

Ask and bid prices, related to Stock Exchange trades, shall be entered into BST in form of orders.

## **Stock broking**

### **Article 105.**

- (1) Stock broking shall be performed according to the ZTHOV and the KHOV rules on stock broking.
- (2) Before accepting the first client's order to buy or sell a security, the Stock Exchange member shall enter into a written stock broking agreement according to the KHOV rules.
- (3) Any order, given to the Stock Exchange member by its client, shall contain all the necessary data for a smooth and clear order execution, in particular the type of order, term of execution, type and quantity of the security, which is the subject of the order.

## **Status of Securities**

### **Article 106.**

(1) In the BST system a security may have the following status:

- i. Traded - it may be traded through BST pursuant to the Rules, management of orders is allowed;
- ii. Withheld - the BST system does not enable matching of orders for such a security management of orders is allowed;
- iii. Halted - the BST system does not enable matching of orders for such a security, management of orders is not allowed;
- iv. Excluded - a security is temporarily or permanently excluded from trading, the BST system does not enable matching of orders, management of orders is not allowed.

(2) The status of a security may change on the basis of a resolution or decision of the Director, when pertinent requirements from the Rules are met.

## **Quantity of Securities Traded**

### **Article 107.**

(1) Trading in securities through BST is carried out in lots determined by the Director.

(2) One (1) lot is the trading unit on the Stock Exchange.

(3) The quantity may only be a natural number.

## **Time of Conclusion of Trade**

### **Article 108.**

A trade shall be executed at the moment when the bid price for securities on BST matches the ask price, pursuant to these Rules. The time of conclusion of trade shall be the time in the BST system.

## **Place of Conclusion of Trade**

### **Article 109.**

A trade shall be deemed executed at the place of the registered office of the Stock Exchange.

## **Tick**

### **Article 110.**

- (1) Tick shall denote the smallest allowed upward and downward price movement in a security's buy or sell trade upon entry of orders.
- (2) The minimum tick size in BST for individual securities, admitted to the official market, shall be determined by the Director.

## **4.1.2. ACCEPTANCE AND EXECUTION OF CLIENTS' ORDERS**

### **Acceptance of Clients' Orders**

#### **Article 111.**

- (1) A Stock Exchange member shall accept clients' orders to buy or sell securities from clients at the company's registered office or at the office, which executes clients' orders.
- (2) An order shall be deemed accepted when received by a Stock Exchange member and when the conditions prescribed by the KHOV rules on stock broking and the stock broking agreement are met.

### **Confirmation of Acceptance of Clients' Orders**

#### **Article 112.**

- (1) A Stock Exchange member shall deliver to his client a confirmation of acceptance of order the following business day after receipt of order at the latest.
- (2) The confirmation of acceptance of order shall contain the data prescribed by the KHOV rules on stock broking.
- (3) In case of a discretionary order from Article 116 of these Rules, the confirmation of acceptance of order shall include also the provision that the client has authorized the Stock Exchange member to execute the order when he deems it in the best interest of the client, and the provision that the order shall be cancelled at the end of the day it has been received.
- (4) The provisions from the preceding paragraphs shall also be applied, within reason, to modified or cancelled orders.

### **Rejection of Order**

#### **Article 113.**

- (1) A Stock Exchange member is not obligated to accept an order to buy, when a client has not deposited the advance prior to order execution at the time agreed upon. An order to sell can be rejected if a Stock Exchange member

establishes that a client does not hold securities on the client's account with a Stock Exchange member, or a sufficient quantity of securities, which are the subject of the client's order.

- (2) If a Stock Exchange member refuses to accept a client's order, the client shall be notified of it in accordance with the KHOV rules on stock broking. The advice note shall state the reasons for the rejections of order.

## **Execution of Orders**

### **Article 114.**

- (1) A Stock Exchange member shall execute a client's order in strict compliance with the instructions on the order, according to the time of receiving recorded in the order book.
- (2) Each order which a Stock Exchange member enters into BST has broker's code who entered the order into BST.
- (3) If a Stock Exchange member uses automated order entry system into BST for its clients, without manual order entry by the broker, it is required to ask the Stock Exchange to be assigned identification code that shall be used to mark orders that are entered in this way into BST.
- (4) A Stock Exchange member shall execute a client's order immediately after the requirements for order execution have been met, unless otherwise agreed by the Stock Exchange member and the client
- (5) A Stock Exchange member and broker shall ensure that in executing orders any conflicts of interest between the broker's clients and the Stock Exchange member's employees are limited to the minimum extent possible.
- (6) Detailed orders execution procedures are prescribed by KHOV.

## **Method of Execution of Clients' Orders**

### **Article 115.**

- (1) A Stock Exchange member shall execute clients' orders to buy or sell securities through BST by entering appropriate ask or bid prices on the market and further managing such order in accordance with the client's instructions and the client's interest.
- (2) A Stock Exchange member shall execute a client's order immediately after the requirements for order execution have been met. The requirements for order execution shall be deemed met when a Stock Exchange member receives an order and the time limit for rejection of order has expired and when BST provide for it.
- (3) A Stock Exchange member shall execute clients' orders to buy or sell securities in the chronological sequence in which such orders to buy or sell have been received.
- (4) A Stock Exchange member shall not buy or sell securities for his own account, for account of his employee, or for account of the Stock Exchange member's related person or employee, if such buy or sell transaction prevents simultaneous execution of a client's order to buy or sell or if this would only be possible on less favorable terms for the client.

## **Execution of Discretionary Orders**

### **Article 116.**

- (1) A discretionary order is a special type of order where the client does not specify the buy or sell price of a security.
- (2) It is entered into BST at the broker's discretion, pursuant to Article 127 of these Rules.
- (3) If the order is not executed by the end of the trading day, it is cancelled and the broker shall remove it from BST.
- (4) The broker shall execute discretionary orders relating to the same security in the chronological sequence in which they have been received.
- (5) Notwithstanding the provision of the second paragraph of Article 115 of these Rules, a Stock Exchange member shall execute a discretionary order when, with due professional care, he estimates the existing market conditions to be the most favorable for order execution.
- (6) When executing a discretionary order, a Stock Exchange member shall not enter a counter-order to buy or sell securities for account of another client, who has given a discretionary order, for his own account or for account of a Stock Exchange member's employee, with the purpose to effect a transaction by matching of terms of ask or bid for the client's account, with the terms of ask and bid for account of another client, who gave a discretionary order, for account of a Stock Exchange member or his employee.

## **Execution of Orders for Account of Several Clients**

### **Article 117.**

- (1) When a Stock Exchange member receives several discretionary orders or when he concurrently receives several orders to buy or sell securities under equal terms, such orders may be executed simultaneously (hereinafter called "Orders for a joint account").
- (2) When trading for a joint account, a stock broking company shall not conclude trades for their own account or for account of a stock broking company's employee.
- (3) When, on the basis of order for a joint account, one or more transactions are concluded, the Stock Exchange member shall transfer the rights and liabilities under such trade or trades to the clients, according to the following provisions:
  - if a trade or trades have been executed at an equal price, but the quantity of securities does not suffice for the execution of full orders of all clients, the first order to be fully executed shall be the order received by the Stock Exchange member prior to the order placed by the subsequent client;
  - if a trade or trades have been executed at various prices, the first order to be fully executed at the most favorable price will be the order received by the Stock Exchange member prior to the order placed by the subsequent client.

## **Delivery of Securities**

### **Article 118.**

A Stock Exchange member shall ensure, pursuant to the rules governing fulfillment of obligations, arising from concluded Stock Exchange transactions, which on the trade date a book-entry transfer of the securities, bought for account of a client, is made to such client's account.

## **Clients' Cash**

### **Article 119.**

- (1) A Stock Exchange member shall open a special account with a bank, through which he shall receive and effect payments, related to transactions concluded for account of clients, and maintain clients' cash.
- (2) A Stock Exchange member shall only use the account from the first paragraph of this Article to receive and effect payments related to transactions, concluded for a client's account.
- (3) A Stock Exchange member shall remit to the client the proceeds of purchases or outstanding advances, on the next succeeding business day after:
  - receipt of the proceeds arising from the trade, concluded for account of the client,
  - cancellation of order for which the client has paid an advance.
- (4) A Stock Exchange member shall not follow provisions from preceding paragraph if otherwise agreed with client.
- (5) A Stock Exchange member shall not use his clients' cash either for his own account or for account of other clients.

## **Trade Report**

### **Article 120.**

- (1) A Stock Exchange member shall forward to the client a report on the trade, concluded for account of the client, by the end of the next succeeding business day after the trade day.
- (2) The report from the first paragraph of this Article shall contain the data in accordance with the KHOV rules on stock broking.

## **Record Book of Orders and Trades**

### **Article 121.**

- (1) Stock Exchange members shall keep an order book in which all clients' orders to buy and sell securities shall be entered



- (2) All orders shall be entered in the order book prior to or simultaneously with the entries in the BST system.
- (3) Orders shall be recorded chronologically and assigned with the serial number.
- (4) Regardless of the type of account, the orders shall have the following data recorded: date and precise time of receipt of order, the person giving the order, executing clients' orders, symbol and the ordered quantity.
- (5) In the event of orders for joint account and joint management account, the records of orders shall show to which individual clients the orders refer.

### **Article 122.**

A Stock Exchange member shall keep records of all orders and all concluded transactions in accordance with the KHOV rules on stock broking.

## **Status of Orders**

### **Article 123.**

- (1) In the BST system individual orders may have the following status:
  - active - their execution is in accordance with price limitations from Articles 161 and 171 of these Rules;
  - Inactive - an order whose execution would be a violation of provisions of Articles 161 and 171 of these Rules. The BST system does not provide for matching of inactive orders;
  - Withheld - an order whose execution is not allowed. Pursuant to the Rules, orders may be withheld by the Stock Exchange or a Stock Exchange member. They may only be reactivated by a member. Upon activation they receive a new time code and are put, with respect to the limitations of Articles 161 and 171 of these Rules, under the active or inactive status;
  - Removed - an order which has been removed from BST due to execution, expiration of term of validity, cancellation by the Stock Exchange or by a Stock Exchange member.
- (2) Upon changes in price limits from Articles 161 and 171 of these Rules, the BST system transfers the order to the appropriate active or inactive status. The time code of the order does not change.
- (3) Before starting to manage orders of a trading day, the BST system shall shift all orders with expired validity to the "removed" status.
- (4) In the event of transfer of a security from the continuous trading system to the auction trading system, all orders with special terms of execution shall be shifted to the "withheld" status.
- (5) An order shall be deemed on the market when its status is either active or inactive.

## **Components of an Order Entry in BST**

### **Article 124.**

- (1) When entering orders into BST, the following components are obligatory:
  - type of order (buy or sell);
  - code of the Stock Exchange member;
  - code of the broker;
  - symbol of security,
  - quantity of securities to be bought and/or sold;
  - type of account;
  - Account number.
- (2) The BST system shall automatically assigned to order the code of member and the code of broker, according to the personal identification elements used by a Stock Exchange member.
- (3) The BST system shall reject orders which do not contain all the obligatory components.

### **Article 125.**

- (1) When entering orders into BST, the following data are optional:
  - price of security;
  - additional terms of method of display and execution;
  - additional terms of time of execution;
  - special terms of execution;
  - reference, used for specific broker's remarks.
- (2) If upon entry of order in BST none of the optional data from the preceding paragraph of this Article is entered, it shall be deemed that a daily market order without additional conditions of hidden quantity and execution has been entered in BST.
- (3) The BST system shall reject orders, which do not contain allowed optional data.

## **Time of Entry of Order**

### **Article 126.**

- (1) The time of entry of order shall be the time designated by BST to the order upon its registration in BST.
- (2) Upon designating the order's time code the time of the BST system is applied.

## **Sequence of Orders**

### **Article 127.**

- (1) When an order is entered into BST, it shall be designated a time code equal to the time of entry.

- (2) The sequence of orders on the market shall be set with respect to subsequent consideration of the following criteria:
  - market orders shall take priority over limit orders;
  - the sequence of limit orders on the market shall be determined so that in executing buy orders, orders with higher price shall take priority and in executing sell orders those with lower price shall take priority;
  - if several orders are within the same price, the sequence shall be determined by giving priority to the orders with shorter time code.
- (3) BST shall not take into account the withheld orders when setting the sequence of orders.
- (4) If, in accordance with the provisions of the preceding paragraph, an order with special term of execution takes priority over other individual orders, but cannot be executed due to the special condition, BST shall skip it upon execution of a counter-order. BST shall continue with order-matching of particular counter-orders according to the sequence from the preceding paragraph of this Article.
- (5) The order-matching outside the sequence of orders from the preceding paragraphs of this Article is not allowed.
- (6) If there is a change in price, a special condition is added, changed or cancelled, or total quantity of the order increased, the market order is changed into limit order or vice-versa, BST shall designate a new time code to the order, equal to the time of the order's modification.

## **Entry of Orders into BST**

### **Article 128.**

- (1) Stock Exchange members may enter into BST:
  - market order - the client sets no price restrictions;
  - limit order - the client sets an acceptable price for buy (the highest) or sell (the lowest).
- (2) Limit orders may be entered into BST as the following types of order:
  - orders without additional or special terms;
  - orders with additional terms of method of display and execution;
  - orders with additional terms of time of execution;
  - orders with special terms of execution.
- (3) When entering an order, specific combinations of two or more different types of orders shall be allowed, while limitations shall apply upon the entry and execution of individual types of orders with regard to the trading system and trading phases.
- (4) An order shall be deemed as a daily order if no additional term of time of execution is entered into BST system.

## **Orders without Additional and Special Terms**

### **Article 129.**

Order without additional and special terms of display and execution is order, where in addition to obligatory order components only price of a security is entered.

## Orders with Additional Terms of Display and Execution

### Article 130.

Orders with additional terms of display and execution are orders, where in addition to obligatory order components, data are entered, representing additional terms for conclusion of trade or for order display on the market. The following orders with additional terms of display and execution are possible:

- **Range order with removal of non-executed portion** - a single entry enables to buy or sell a security at various prices, up to the specified limit or restriction from Articles 161 and 171 of these Rules, with the non-executed portion of the order removed from the BST system. Entry of "range orders with removal of non-executed portion" shall only be possible during the trading phase in the continuous trading system. Application of other additional or special terms is not allowed;
- **Order with hidden quantity** – is an order, where the full quantity of securities is not displayed on the market. Only the visible quantity of the order is displayed on the market. The remaining quantity is stored in the hidden quantity of order, not visible to the market. Application of other additional terms of display and execution is not possible. The minimum value of visible quantity in order and minimum total value of order with hidden quantity which represents hidden and visible quantity in order may be defined in the Instructions for Trading.

## Orders with Additional Terms of Time of Execution

### Article 131.

Orders with additional terms of time of execution are orders where, in addition to obligatory order components, the time terms of order validity are entered. Unless otherwise entered in BST, such an order is a day order. Additional application of hidden quantity or special terms of execution is possible. The following types of order with additional term of time of execution are possible:

- **Day order** - valid only on the day of entry; non-executed day orders are automatically removed after the close of BST prior to the beginning of the next trading day;
- **Open order** - valid until it is executed on the market or removed by the Stock Exchange member who entered it. If an open order is not executed up to one hundred and eighty (180) calendar days from the date of entry, from the last amendment to the order or from the date of confirmation of order, it shall be automatically removed from BST system.
- **Order valid until the specified date** - valid from the moment of entry until it is executed on the market or until the specified date. If "the order valid until the specified date" is not executed up to one hundred and eighty (180) calendar days from the date of entry, from the last amendment to the order or from the date of confirmation of order, it shall be automatically removed from the BST system.

## Orders with Special Terms of Execution

### Article 132.

- (1) An order with special terms of execution is an order where in addition to the obligatory order components, a special term of its execution is entered.

## Types of Orders with Special Terms of Execution

### Article 133.

An order with special terms of execution is:

- **All or none** order is an order which permit buying or selling security at different prices up to a limit i.e. the limits from Article 161,161a and 171 and must be executed in full quantity in one or several trades simultaneously. If order cannot be executed in total, it will be removed from BST. All or none order is possible to execute only when the market is open. The application of additional terms of execution is not allowed.

## Data Access

### Article 134.

- (1) The following data on individual securities shall be accessible to all Stock Exchange members in the BST system:
- the best ask and the best bid;
  - prices of individual trades;
  - quantities of individual trades;
  - time of conclusion of trade;
  - single identification code of trade;
  - current daily average price;
  - total quantity of concluded trades;
  - reference price;
  - time schedule of trading;
  - status of the market;
  - status of a security;
  - order type;
  - security symbol;
  - for orders which are used for trading with block of securities, the settlement method.
- (2) The Instructions of the Director may restrict access to the following data:
- prices of individual orders;
  - quantities of individual orders – for orders with hidden quantity;
  - total quantity per single bid or ask;
  - member's code in single order or trade;
  - current pre-open price and quantity;
  - the expected time of trade execution during the time for bid improvement outside the trading interval for trading with block of securities.

- (3) Confidential data, which the Stock Exchange shall restrict the access to, include the following:
- account numbers related to individual orders and trades;
  - type of order account;
  - reference numbers of individual orders;
  - the total quantity in orders with hidden quantity,
  - code of broker related to orders and trades;
  - time code of order;
  - time of entry of order.
- (4) A more detailed level of accessible data related to orders, concluded trades and status of securities, in particular as regards the trading system, trading phases and type of security shall be specified in the Instructions.

### **4.1.3. TRADING SYSTEMS**

#### **Continuous Trading and Auction Trading**

##### **Article 135.**

- (1) Trading systems on Stock Exchange are:
- continuous trading,
  - single price auction,
  - auction for large lots of shares.
- (2) Criteria for inclusion of securities into one of the trading systems shall depend on the nature and the features of trading with individual securities. Following criteria are taken into account:
- average daily turnover,
  - average daily number of transactions,
  - number of trading days,
  - other criteria related to liquidity, which shall be specified in the Instructions of the Director.
- (3) The Listing Commission shall determine the trading system for securities listed on official market, and the Director for those listed on semiofficial market (free market).

#### **Primary Market**

##### **Article 136.**

The market in which investors have the first opportunity to buy a newly issued security shall be organized through following trading systems:

- continuous public offering,
- public offering through an auction.

##### **Article 137.**

## Trading Phases

- (1) The market or the BST system may be in the following phases:
  - **Closed market** - management of orders and concluding transactions is not possible;
  - **Pre-trading phase** - management of orders is possible, concluding transactions is not possible;
  - **Trading phase** - management of orders and concluding transactions is possible.
- (2) The duration of trading phases for all trading systems shall be determined by the decision of the Director at least seven (7) days prior to the foreseen change.
- (3) The duration of trading phases may be extended or shortened in order to ensure a minimum of continuous operation if BST is out of order (chapter 4.6 of these rules).
- (4) Management of orders and concluding transactions shall depend on the trading phase and the status of securities, order and Stock Exchange member.

## Continuous Trading

### Article 138.

- (1) The continuous trading system begins by the opening auction and allows immediate execution of transactions through entry of orders in the BST with respect to the matching of their terms, pursuant to these Rules. In continuous trading system the price of a concluded transaction results from the current best ask and bid.
- (2) During a trading day in the continuous trading system, the market shall be in the following phases:
  - closed market;
  - pre-trading phase;
  - trading phase;
  - closed market.

## Pre-trading Phase

### Article 139.

- (1) Management of orders is possible. Transactions shall not be concluded, even though is possible.
- (2) Entry of market orders, "range" orders, "range orders with removal of non-executed portion shall not be possible.

## Market Opening

### Article 140.

- (1) The opening of the market is a process of transition between pre-trading and trading phases, during which management of orders is not possible.
- (2) The BST system opens the market in randomly selected moment from interval which is at least two (2) minutes long:
- (3) Depending on the trading phases, the opening of the market shall be carried out in one of the following manners:
  - if the best ask price exceeds the best bid price - orders shall not be matched;
  - if the best bid price matches or exceeds the best ask price, - orders shall be matched on the basis of auction price, following the sequence of orders from Article 127 of these Rules.
  - If only market orders are active on the market – orders shall be matched on the basis of auction price, following the sequence of orders from article 127 of these Rules.
- (4) After the market opening phase is finished the market is opened for entering new orders.

## **Auction Price**

### **Article 141.**

- (1) The auction price is a price, at which the trades are executed between active orders during the market opening in accordance with Article 140 of these Rules. In determining the auction price, the criterion of the largest turnover with the smallest remaining quantity of orders out of total orders on the market, is taken into account.
- (2) When, due to the existence of several available prices, the auction price cannot be set on the basis of the first paragraph of this Article, the following shall occur:
  - if the remainders of orders are on the bid side or on the ask side only, the opening price shall be formed at the highest or lowest price of the available prices;
  - if the remainders of orders on the bid side and the ask side are equal or no remainders occur, the opening price shall be formed as the arithmetic mean of the lowest and the highest available price, rounded to the minimum tick size.
- (3) If only market orders are active on the market, upon opening of the market, trades shall be executed at the reference price rounded to the tick size.

## **Trading Phase**

### **Article 142.**



In the continuous trading system, during the open market, the BST shall execute trades automatically, by matching the terms of active orders, whereby the time sequence from Article 127 of these Rules shall be taken into account.

### **Article 143.**

If the bid price matches or exceeds the best ask price, or the ask price does not exceed the best bid price and all special and additional terms of execution are met, BST shall execute trades automatically at the best counter-price, with respect to the limitations from Articles 161 and 171 of these Rules. Conclusion of trades with an eventual remainder of order shall be executed at the entered price.

## **Single Price Auction**

### **Article 144.**

During a trading day in the auction trading system, the market shall be in the following phases:

- closed market;
- pre-trading phase;
- closed market.

## **Pre-trading phase**

### **Article 145.**

- (1) During the pre-trading phase management of orders is possible.
- (2) Stock Exchange members shall be allowed to access data related to quantities and prices of individual orders. Stock Exchange members shall not be allowed to access data related to code of broker in individual orders.
- (3) Entry of following types of orders shall be allowed:
  - order without special and additional terms of execution;
  - order with hidden quantity;
  - order with additional terms of time of execution;
  - market order.

## **Market Opening**

### **Article 146.**

- (1) Depending on the trading phases, the opening of the market without orders with special terms of execution shall be carried out in one of the following manners:
  - if the best ask price exceeds the best bid price - orders shall not be matched;

- if the best bid price matches or exceeds the best ask price, - orders shall be matched on the basis of auction price, following the sequence of orders from Article 127 of these Rules.

(2) After the opening procedure the market shall be closed.

## **Auction Price**

### **Article 147.**

- (1) The auction price is a price set with respect to subsequent consideration of the following criteria:
- largest turnover in terms of quantity;
  - smallest remainder of orders, in terms of quantity, out of total participating orders;
  - if equal remainders exist for several prices on the bid side only, the highest price shall be the auction price. If equal reminders exist for several prices on the ask side only, the lowest price shall be the auction price;
  - if the auction price cannot be set on the basis of the preceding criterion, the auction price shall be formed as the arithmetic mean of the lowest and the highest available price, rounded to the minimum tick size.
- (2) After forming the auction price, transactions shall be executed with respect to subsequent consideration of the following criteria:
- in executing buy orders, orders with higher price shall take priority and in executing sell orders those with lower price shall take priority;
  - if several orders are within the same price, the sequence shall be determined by giving priority to the orders with shorter time code.

#### 4.1.1.3. Auction for large lots of shares

### **Subject of trade**

### **Article 148.**

The subjects of trade shall be large lots of shares, such as:

- state-owned shares, which authorized institution sells on Stock Exchange through Stock Exchange members;
- shares belongs to other owners, if the number of shares represents at least 5% of total number of a company outstanding shares or amounts to more than 200.000 BAM, with respect to ask price.

### **Procedure for Organizing the Auction**

### **Article 149.**

- (1) The Stock Exchange member, on behalf of seller, shall notify in written the Stock Exchange about the intention of selling shares from previous Article by

submitting the request. The request shall contain data on security, quantity which is being offered, offering price, price step and payment terms. Offering price must be dividable with price step and at least 0.5% of offering price.

- (2) The Stock Exchange shall decide on organizing the auction three (3) business days after receipt of request at the latest and inform Stock Exchange member about that. The information contains:
  - auction date;
  - data on securities;
  - quantity;
  - ask price;
  - payment instructions.
- (3) The auction date shall be set at least seven (7) days after submitting the information from preceding paragraph.
- (4) The Stock Exchange member from the first paragraph shall inform seller on the auction date.
- (5) The Stock Exchange shall announce at its internet site the auction date and data on securities, quantity, offering price and payment terms.

## **Orders entry and transaction conclusion**

### **Article 150.**

The auction shall be carried out in the following phases:

- entry of the sell order;
- closed market, when management of orders is not allowed;
- entry of the buy orders;
- change of the buy orders;
- transaction conclusion.

### **Article 151.**

- (1) When entering the sell order into the BST system, Stock Exchange member shall enter following data:
  - symbol of security;
  - quantity;
  - ask price;
  - type of order account an the client account number;
  - number referring to order book.
- (2) The sell order shall be entered as an daily order without additional and special terms of execution. The sell order can be modified or cancelled only within one minute after entering into the BST system.
- (3) In the second trading phase BST shall not allow entry of orders.
- (4) Entry and modification of orders shall be allowed in the third and fourth trading phases pursuant to following rules:
  - A Stock Exchange member shall be allowed to enter an unlimited number of buy order;
  - Every buy order shall match the sell order in terms of quantity;

- “Orders for a joint account” shall be allowed.
  - cancellation or modification of a buy order shall be allowed only within one minute after entering into the BST system.
- (5) In the third trading phase Stock Exchange member shall be allowed to enter a buy orders and modify them with respect to minimum tick size. Prices in individual orders are visible for all Stock Exchange members. The BST system respects the sequence of orders from Article 127 of these Rules.
  - (6) The entry of a new buy order shall not be allowed in the fourth trading phase. Only modification of bid prices in orders entered in previous phase shall be allowed, with respect to minimum tick size.
  - (7) If the last modification of a buy order occurs during the time interval specified by Instructions (hereinafter called “time interval”), duration of auction shall be extended for another “time interval”. The BST system shall extend the duration of auction for a new “time interval” each time when a modification of a buy order occurs in the last “time interval”.
  - (8) Auction can be maximally extended to the fifth phase when the BST shall conclude transaction by executing the best buy order. If there are more buy orders with the same price, the system shall execute transaction with the order that has older time stamp.
  - (9) Duration of trading phases and “time interval” shall be specified by the Director. Duration of trading phases can be modified if BST is out of order (chapter 4.6 of these rules).

#### 4.1.3.4. CONTINUOUS PUBLIC OFFERING

##### **Article 152.**

- (1) The continuous public offering shall be carried out in the following trading phases:
  - pre-trading phase;
  - open market;
  - closed market.
- (2) The Director shall specify duration of trading phases, pursuant to the issuer’s prospectus for public offering.
- (3) The Stock Exchange member shall enter the sell order pursuant to the prospectus from preceding paragraph.
- (4) Entry of the buy orders without additional and special terms of display and execution shall only be allowed in the pre-trading phase.
- (5) Market opening shall be carried out in accordance with Article 146 of these Rules.
- (6) During the open market, BST shall execute trades automatically, by matching the terms of active orders, whereby the time sequence from Article 127 of these Rules shall be taken into account.
- (7) Public offering shall be carried out until all securities are sold or by the day specified in the prospectus at latest.
- (8) The payment for securities subscribed trough the continuous public offering shall be done on the basis of the Stock Exchange report on concluded

transactions, in accordance with the prospectus and the KHOV and CR rules on clearing and settlement.

- (9) The Management Board can specify the entry of orders and the payment for subscribed securities in the Instructions.

## **Public offering at auction**

### **Article 153.**

- (1) The Stock Exchange member shall enter the sell order pursuant to the issuer's prospectus for public offering.
- (2) The Director shall specify duration of trading phases, pursuant to the issuer's prospectus for public offering.
- (3) Stock Exchange can shorten the duration of public offering on the basis of an issuer's request, if the issuer is satisfied with the achieved percentage of subscription or the current pre-opening auction price.
- (4) Entry of the buy orders without additional and special terms of display and execution shall only be allowed.
- (5) Prices in the buy orders shall match or exceed ask price, with respect to minimum tick size specified in the prospectus.
- (6) On the last offering day, the BST system shall execute transaction in accordance with Article 146 of these Rules.
- (7) The payment for securities subscribed through public offering shall be done on the basis of the Stock Exchange report on concluded transactions, in accordance with the prospectus and the KHOV and CR rules on clearing and settlement.
- (8) The Management Board can specify the entry of orders and the payment for subscribed securities in the Instructions.

## **4.1.4. TYPES OF ACCOUNT**

### **Article 154.**

- (1) The BST system enables the use of the following types of account:
  - house account,
  - client account,
  - joint account,
  - management account,
  - custody account,
  - treasury stock account.
- (2) The Director can prescribe the use of other types of account in the Instruction.

## **House Account**

### **Article 155.**

A house account is an account, which is used by Stock Exchange members for orders executed in their name and for their own account. A Stock Exchange member may operate for his own account only through its house account.

### **Client Account**

#### **Article 156.**

A client account is an account, which is used by Stock Exchange members for orders, executed in their name and for account of a third person.

### **Management Account**

#### **Article 157.**

A management account is a special client account, which the Stock Exchange members use for managing a client's portfolio of securities.

### **Custody Account**

#### **Article 158.**

A custody account is an account, which is used by Stock Exchange members for executing orders in their name and for the client's account, maintained with a CR member - the custodian.

### **Joint Account**

#### **Article 159.**

A joint account is a special type of client account, which the Stock Exchange members use for entry of orders or execution of trades in their name and for account of a third person, in accordance with Article 117 of these Rules.

### **Trading in Treasury Stock**

#### **Article 160.**

In trading in treasury stock, a special type of account shall be used, which the Stock Exchange members shall use for orders, executed in their name and for account of the client - the issuer.

#### **4.1.5. TEMPORARY SUSPENSION OF TRADING**

### **Price Limits and Temporary Suspension of Trading**

#### **Article 161.**

- (1) Transactions in securities, listed on the official market, may be concluded at prices, which shall not vary by more than 20 percent from the closing official average daily price of the preceding trading day.
- (2) On the first trading day of a security its price shall be formed freely.
- (3) Irrespective of the limitation from the first paragraph of this Article, the Director may, in the event of major market imbalances or other extraordinary circumstances related to a particular security, temporarily remove or change the price limitation and notify of it the Stock Exchange members, KHOV and the public.

#### **Article 161a.**

(1) To protect securities against major price fluctuation, the BTS trading system shall carry out volatility interruption in one of the following manners:

- it shall suspend trading in the security, which is being traded in the continuous trading system or auction, with volatility interruption,
- or
- it shall extend the pre-trading phase, upon opening of the market, pursuant to Article 146 of these Rules, in the continuous or auction trading systems.

(2) A volatility interruption in a security shall be carried out in the event the trade would be concluded at a price outside the trading interval. Such interval represents prices which vary from the last reference price by less than the percent, stipulated in Instructions.

(3) During the volatility interruption the following shall occur:

- limitations of the trading interval shall be removed;
- the pre-trading phase shall be shifted or extended;
- opening of the market shall be carried out, pursuant to the Article 140 and Article 146 of these Rules;
- a new reference price shall be determined, in accordance to the sixth paragraph of Article 165 of these Rules;
- the status of the market shall be shifted to the trading or post-trading phase.

(4) The time and a more detailed procedure of carrying out volatility interruption shall be stipulated in the Instructions.

#### **Article 162.**

If at the beginning of trading on the Stock Exchange or during such trading, major price fluctuations or other unusual circumstances occur (e.g.: major volume variations, market imbalance, etc.), the Management Board may change the schedule of trading in such security or suspend trading in such security for a short period of time, until such circumstances have returned to normal.

### **Temporary Suspension of Trading**

#### **Article 163.**

- (1) The Managing Director may suspend trading in particular security until the conditions are met for continuation of trading, and for the six months the most since the date when a decision on temporary suspension has been brought.
- (2) The securities listed on the free market that are temporary suspended from trading for the bankruptcy proceedings or other reasons in order to protect investors, can be subject to trading for the specified period of time.
- (3) In the cases from the previous Paragraph, a Stock Exchange member is required to submit to the Stock Exchange written request with explanation to release trading with a security and to take written statement from the potential buyer where buyer states that he/she is familiar with all relevant facts about the issuer and is aware of the risks associated with the investment in that particular security.
- (4) The Stock Exchange shall inform KHOV, Stock Exchange members and the public on temporary suspension of trading in particular security and explain the reasons for such measure.

#### *4.1.6. PROCEEDINGS AFTER TRANSACTIONS CONCLUSION*

##### **Official Average Daily Price and Average Daily Price**

###### **Article 164.**

- (1) The official average daily price is the arithmetic mean of prices of all trades, weighted in relation to volume, concluded in individual securities and formed at the end of a trading day. If no trade has been concluded on a given day, the official average daily price shall be the official average daily price of the preceding trading day.
- (2) The average daily price is the price from the first Paragraph of this Article, which is formed during the trading day.
- (3) When calculating the official average daily price and the average daily price, cross trades are not taken into account,
- (4) The official average daily price of individual security is published in the official Stock Exchange price list every trading day.

##### **Other Prices of Securities**

###### **Article 165.**

- (1) The pre-opening price of a security shall be the indicative price in the period before the opening of the market and in a given moment shall be equal to the auction price, which would be valid if at that moment the market opened.
- (2) The opening price of a security on a given trading day shall be the price of the first trade of the day. Block trade are not taken into account.
- (3) The best ask shall be the price of the best active limit order, in accordance with Article 127 of these Rules.
- (4) The best bid shall be the price of the best active limit order, in accordance with Article 127 of these Rules.



- (5) The closing price of a security on a given trading day shall be the average daily price, where the trades concluded in the security in the last 30 minutes before the closed market are taken into account. In the event that in the last 30 minutes before the closing of the securities market no trade has been concluded, the closing price shall be the price of the last trade of the day. If no trades have been concluded on a given day, the closing price shall not be calculated.
- (6) The reference price shall be the last official average daily price of a security , or if at least one interrupted auction from Article 161a, has been carried out during the day, on the basis of which the auction price has been calculated, the reference price shall be equal to the last auction price.
- (7) Other prices may be determined in the Instructions and their calculation and use specified.

## **Cross Trade**

### **Article 166.**

- (1) A cross trade is a transaction in which either two different clients of the same Stock Exchange member participate on the buy and sell side, or a Stock Exchange member and his client.
- (2) Cross trades shall be executed through BST by separate entry of individual orders.

## **Alterations of Concluded Trade**

### **Article 167.**

- (1) A Stock Exchange trade, which was concluded because of an error of one of the Stock Exchange members, may be cancelled upon agreement of both members participating in trade. A request for cancellation of trade shall be delivered after conclusion of trade within forty minutes. After the period of time for giving consent expires, the Stock Exchange members may not cancel the transaction any longer.
- (2) For trades, concluded within thirty (30) minutes prior to the close of trading, a request for cancellation may be delivered within twenty (30) minutes after the close of trading.
- (3) A trade shall be cancelled if both Stock Exchange members are in agreement, and if they deliver a request for cancellation to the Stock Exchange in the prescribed manner, within the time limit stipulated in the first and second paragraphs of this Article.
- (4) A broker, who has requested the cancellation of a trade, shall deliver to the Stock Exchange pertinent order records, referring to the cancelled trade and other documentation, relating to the cancelled trade and evidencing the error within one (1) hour after cancellation of the trade.

### **Article 168.**

- (1) A transfer of trade from a client account to the house account and vice versa and a transfer from one client account to another shall only be possible in case of error, occurring at the entry of data about the client into BST.
- (2) A broker, who has requested a transfer of trade, shall forward to the Stock Exchange a statement from the order book, referring to the transferred trade and other documentation, relating to the trade and evidencing the error.
- (3) Requests for transfer shall be accepted not later than within thirty minutes after the close of trading.
- (4) In the event of received request from the third paragraph of this Article, the Stock Exchange may cancel in the BST system the erroneous data on a trade and on the basis of prescribed documentation enter the trade again in BST, with the correct data.

#### **Article 168a.**

### **Final Processing of Stock Exchange Trades**

- (1) Trades, concluded through BST, shall be forwarded to CR to be processed in electronic form, after the time limit for eventual cancellation of trades has expired and after the end of the trading day.
- (2) The report on trades from previous paragraph shall be also forwarded to depository bank if there has been trading with units of open ended funds or within the procedure of public offerings of securities on the stock exchange.

### **Official Stock Exchange Price List**

#### **Article 169.**

- (1) The official Stock Exchange price list shall be made after the close of trading on the Stock Exchange. It shall be checked and signed by an authorized officer. Subsequent corrections of signed price lists shall be made in case of error in calculation or in case of (printing) mistakes.
- (2) If an error occurs in the published official average daily price, the public and the Agency shall be notified of it.
- (3) A more detailed specification of data included in the official Stock Exchange price list shall be prescribed in the Instructions of the Management Board.

### **Stock Exchange Indices**

#### **Article 170.**

In addition to prices, the official price list shall include the Stock Exchange indices. The contents, composition and method of determining the indices shall be stipulated in the Instructions of the Management Board.

## **4.2. TRADING IN SECURITIES ON THE SEMI-OFFICIAL MARKET**

## **Applicability of Provisions**

### **Article 171.**

- (1) All provisions of these Rules, governing trading on the Stock Exchange market, shall be applicable, as appropriate, to trading on the semi-official market, unless otherwise stipulated by this chapter.
- (2) Trading on the semi-official market shall be conducted through BST. Stock Exchange members shall execute their own orders to buy or sell securities, which may be traded on the semi-official market, only through BST. Outside BST only trades, specified in Article 174 of these Rules, referring to block trades may be carried out.
- (3) Transactions in securities, admitted to the semi-official market, may be concluded at prices, which shall not vary by more than 20% from to the official average daily price of the preceding trading day, if they are included into the continuous trading system.
- (4) For securities listed on the semi-official (free) market, and for those which are traded using auction trading method, transactions may be concluded without restrictions to the official price of the previous trading date.
- (5) If the security is included in the auction trading system, the entry of market orders shall not be allowed.

## **4.3. TRADING IN SECURITIES OF INVESTMENT FUNDS**

### **Applicability of Provisions**

#### **Article 171a.**

Provisions of these Rules, governing trading on the official market, shall be applicable, to trading in IF shares and units, admitted to a sub-segment of the official market, while to trading in IF shares admitted to the semi-official market, the provisions of these Rules, governing trading on the semi-official market, shall be applied, as appropriate.

## **4.4. TRADING IN SHORT-TERM SECURITIES**

### **Applicability of Provisions**

#### **Article 172.**

- (1) The public short-term securities shall be traded through the BST system. Provisions of these Rules, governing trading on the semi-official market, shall be applicable to trading in short-term securities, as appropriate.
- (2) The Management Board may specify the trading in particular short-term securities in the Instructions.

## **4.5. BLOCK TRADING**

#### **4.5.1 BLOCK TRADING OUT OF ORGANIZED MARKET**

##### **A Block of Securities**

###### **Article 173.**

- (1) A block of securities is the quantity of securities, which amounts to at least 500.000 KM when multiplying by:
  - the official average daily price of the preceding trading day and
  - the price agreed between parties participating in block trade.
- (2) The calculation of value of a block trade shall be carried out in one of the following manner:
  - the share price multiplied by the number of lots ;
  - the bond price multiplied by the value of one lot's principal and the number of lots.
- (3) If the official average daily price of the preceding trading day does not exist, or there have not been trading with security for one year, the price agreed between parties participating in block trade shall be taken into account.

##### **Block Trading**

###### **Article 174.**

A Stock Exchange member may conclude a trade in securities, which have been admitted to the official market or are traded on the semi-official market, off-the-regulated market, if the following two conditions are met:

- the subject of such trade is a block of securities;
- the trade has been concluded by the Stock Exchange members solely for their account or for the account of individual clients, or the Stock Exchange member has concluded such trade solely for his own account and for account of one client, or the member has concluded the trade for account of two individual clients.

##### **Reporting on Block Trades**

###### **Article 175.**

- (1) A Stock Exchange member, who has concluded a block trade from Article 175 of these Rules outside the regulated market, shall report on such trade in the manner specified in the Instructions. If a block trade has been concluded between two Stock Exchange members, the seller shall report the trade.

##### **Publishing of Reported Block Trades**

###### **Article 176.**

- (1) The Stock Exchange shall publish a block trade by entering into BST the security's symbol, price, quantity and code of the member or members of the Stock Exchange, who concluded the reported trade.
- (2) The Stock Exchange shall publish a reported block trade within 30 minutes upon receiving. The publication procedure shall be prescribed in the Instructions of the Director.
- (3) The data, which are the subject of report, are accessible to all Stock Exchange members.

## **Cancellation of Reported Block Trade**

### **Article 177.**

To cancellation of a reported block trade the same provisions of these Rules shall apply as to the Stock Exchange trades.

## **Publishing of Summary Data**

### **Article 178.**

Summary data on reported block trades shall be published in the official Stock Exchange price list. Those data are:

- number of block trades;
- total quantity of securities which were subject of block trades;
- minimum and maximum prices in block trades;
- turnover in BAM.

## **Reporting to the KHOV**

### **Article 179.**

The Stock Exchange shall report on reported block trades to the KHOV in accordance with the KHOV rules on trading.

## **Block Trading System**

### **Article 180.**

Deleted

### **Article 181.**

Deleted

**Article 182.**

Deleted

**Article 183.**

Deleted

**Article 184.**

Deleted

**Article 185.**

Deleted

**Article 186.**

Deleted

**Article 187.**

Deleted

**Article 188.**

Deleted

**Article 189.**

Deleted

**Article 190.**

Deleted

**Article 191.**

Deleted

**Article 192.**

Deleted

**Article 193.**

Deleted

**Article 194.**

Deleted

**Article 195.**

Deleted

**Article 196.**

Deleted

**4.6. PROCEDURES IF BTS IS OUT OF ORDER**

**Faulty Operation of a Leased Communication Line**

**Article 197.**

(1) If a member's leased communication line is out of order, the Stock Exchange shall prepare workstations on its own premises, whereby each Stock Exchange member shall be entitled to use one workstation on the Stock Exchange premises. When the member finishes using the workstation on the Stock Exchange premises, he is to log out from the BTS.

(2) The Stock Exchange member must promptly inform the Stock Exchange of the failure or interference in communication lines and may request a temporary halt of execution of all its orders in the BST.

**Re-establishing of the Broken Link with BTS**

**Article 198.**

The Stock Exchange shall enable its member to re-establish connection with the BST through a back up phone line (if such a line has been installed for a member).

**Article 199.**

In case the communication with BTS is out of order, and the member does not have an installed back up connection, the member has to inform the Stock Exchange, as soon as possible, about any access failures or interferences, and may request a halt of execution of all its orders in the BST.

### **Article 200.**

If the re-connection to the BST has been successful and the Stock Exchange has, upon the member's request, temporarily halted the execution of its orders, the Stock Exchange member can selectively reactivate them. The same shall apply to the case from Article 180 of these Rules.

### **Interruption of Trading Through the BST**

#### **Article 201.**

If one (1) member whose workstation is located more than 25 km from the Stock Exchange offices, cannot be connected to the BST, although it has a back-up phone line installed, which, however, cannot be used because all the back-up lines are occupied by the Stock Exchange, and the member does not decide to use a workstation on the Stock Exchange premises, then the Stock Exchange shall interrupt the trading through the BST for all the members, for a period of time required for the re-connection of the member.

#### **Article 202.**

If one (1) member, whose workstation is located within 25 km from the Stock Exchange offices, cannot be connected to the BST, although it has a back-up phone line installed, which however, cannot be used because all the back-up lines are occupied by the Stock Exchange and the member cannot use the workstations on the Stock Exchange premises, because they are all occupied as well, the Stock Exchange shall, then, interrupt the trading through the BST for all its members, for a period of time required for the re-connection of the member.

#### **Article 203.**

Trading shall continue upon the re-connection of the member who caused the interruption of trading through the BST.

### **Malfunction of the Central Computer of the BST and other Technical Problems**

#### **Article 204.**

In the event of malfunction of the BST central computer or other major problems, when a proper operation of the BST cannot be provided, trading shall be interrupted for all the members. The Stock Exchange shall promptly notify its members of re-establishment of trading through its workstations, by phone or fax.

### **Actions in the Event of Longer Interruption of Trading**

#### **Article 205.**

If the fault, which has caused the interruption of trading, fails to be removed within two (2) hours, the Stock Exchange shall notify its members of possible extension of trading time. The Stock Exchange shall inform members, whose workstations are out of operation, by phone or fax.



## **Reporting of Faults and Problems with the BST**

### **Article 206.**

The Stock Exchange members shall report all the technical faults and problems related to the BST by phone. They shall also provide the Stock Exchange with a written description of problems and faults as soon as possible.

## **Faulty Operation of the BST**

### **Article 207.**

- (1) If a Stock Exchange transaction has been executed due to the faulty operation of the BST, it shall be deemed non-concluded. The Stock Exchange shall, in that case, immediately notify the Stock Exchange members, whose orders were incorrectly matched by the BST, and shall cancel the concluded transaction. It shall notify of it the Central Registry, Securities Commission and other Stock Exchange members.
- (2) After the cancellation of the concluded transaction, the Stock Exchange members shall adjust the balance of orders in the BST with their own record of orders.

## **4.7. CLEARING AND SETTLEMENT**

### **Fulfillment of Obligations**

#### **Article 208.**

Obligations deriving from securities transactions concluded on the Stock Exchange fulfilled in accordance with CR regulations.

## **5. IMPROPER CONDUCT OF STOCK EXCHANGE MEMBERS AND STOCK EXCHANGE INTERMEDIARIES/BROKERS WHEN TRADING ON ORGANIZED MARKET**

### **Improper Influence on Prices**

#### **Article 209.**

- (1) Stock Exchange member or broker must not execute a transaction, incite execution of transaction, and artificially create circumstances affecting transactions in any security, with the purpose of creating unreal or misleading information of its marketability, or to form or influence the formation of the price of a security which does not correspond to its real market value.
- (2) It is prohibited to incite formation of pools, with the purpose of exerting influence on prices of securities, to participate in such pools, fund them or accept orders from them.

### **Various Rumors**

#### **Article 210.**

No Stock Exchange member or broker shall in any way spread rumors of such nature that could affect trading on the Stock Exchange, except for discussions on unverified information, when the source has been disclosed and the fact that the information has not been verified.

### **Prohibition of Insider Trading**

#### **Article 211.**

- (1) No Stock Exchange member or broker shall acquire securities or dispose of them on the basis of inside information.
- (2) Person who has direct access to inside information must not disclose such information to the third persons or on the basis of such information recommend to them to acquire or dispose of securities.

### **Other Prohibitions**

#### **Article 212.**

No Stock Exchange member or broker shall:

- buy or incite the buying of any security listed on the Stock Exchange market or traded on the free market, for its own account or for the account of the broker, member of subsidiary or affiliated company, Stock Exchange employee or his subsidiary or affiliated company, or for the account of all above stated persons, on the basis of (inside) information that it holds on unexecuted client's order to buy a particular security, or

- sell or incite the selling of any security, listed on the Stock Exchange market or traded on the free market, for account of the persons from the first paragraph of this Article, on the basis of information, that it holds on unexecuted client's order to sell such security, if such order could substantially affect the price of such security, and the member, broker or the persons from the first paragraph hereof, would profit from it.

#### **Article 213.**

Stock Exchange members and brokers must not:

- carry out stock exchange transactions on the free market, which is reasonably suspected to be detrimental to other persons;
- mislead the market by entering clients' fictitious orders to buy or sell securities into the BST, or entering their own fictitious orders.
- carry out fictitious transactions on the official and free market;

#### **Article 214.**

Stock Exchange members and brokers shall notify the competent bodies of the Stock Exchange of detected irregularities. Provisions contained in this chapter shall apply both, to the official and the free market.

## **6. STOCK EXCHANGE SURVEILLANCE**

### **Article 215.**

- (1) The Stock Exchange shall supervise all securities operations on the organized market, and shall, in case of established breaches or irregularities, assume measures that are in conformity with its authorities, in order to ensure for all trading participants simultaneous, just and equal conditions for bidding in purchase and sale of securities, as well as conditions that guarantee all trading participants concurrent access to information on traded securities and equal purchasing and sale circumstances.
- (2) The stock Exchange shall as well supervise operations of its members, through separate surveillance stations, and shall review and control all documentation related to input of orders into BST in business premises of the member.
- (3) The Director shall authorize the Stock Exchange employees responsible for surveillance over trading on the Stock Exchange, to carry out their tasks. The Stock Exchange members and their brokers shall observe the instructions of Stock Exchange employees who are responsible for Stock Exchange surveillance.

### **Article 216.**

In the event that violation of Stock Exchange Rules or irregularities with respect to trading activities of the Stock Exchange members or brokers is suspected, the Stock Exchange shall impose sanctions against offenders, in accordance with its competence.

### **Article 217.**

- (1) If an investigation establishes the suspicion of criminal offence in relation to a violation, or other infringements of law, or that persons, who are not Stock Exchange members or brokers, are involved in irregular Stock Exchange activities, the Stock Exchange shall notify of it the Securities Commission or some other relevant governmental authority.
- (2) In the event from the preceding paragraph, the Stock Exchange shall make available all the technical or expert assistance within its competence.

### **Article 218.**

The Stock Exchange shall report to the Securities Commission on surveillance and on its findings and sanctions taken in relation to supervision of Stock Exchange trading.

## **7. PROCEEDINGS BEFORE THE MANAGEMENT BOARD AGAINST STOCK EXCHANGE MEMBERS AND BROKERS IN THE EVENT OF VIOLATION OF STOCK EXCHANGE RULES**

### **Responsibilities of the Members of the Stock Exchange**

#### **Article 219.**

Members of the Stock Exchange and brokers are responsibility to conduct according to Rules and other regulations of the Stock Exchange.

### **Disciplinary Committee Proceedings**

#### **Article 220.**

- (1) The Stock Exchange Manager shall name special disciplinary committee for proceedings and imposition of a disciplinary sanction against members of the Stock Exchange and brokers, in the event of major violations of the Rules and instructions of the Stock Exchange. Members of the disciplinary committee may be selected among Stock Exchange employees or representatives of Stock Exchange members.
- (2) Proceedings for imposition of disciplinary sanctions shall be initiated upon proposal of a Management Board, Director of the Stock Exchange or on a proposal of the member.
- (3) After the acceptance of the proposal or determination of violation of the Rules and instructions, disciplinary committee shall make decision regarding the conduct of process.
- (4) The Stock Exchange member or broker, against whom the proceedings have been initiated, shall be notified in person or by registered mail of the date and time of the session, of the nature of alleged violation and possibility of a written defense. The proposer of the proceedings shall be informed of the date and time of the session, which he shall have the right to attend.
- (5) The Stock Exchange member or broker shall be given enough time, at least eight (8) days, to prepare for the session if the Stock Exchange member or broker does not intend to attend the session, he may submit to the Stock Exchange his written defense by the beginning of the session at the latest.

#### **Article 220 a**

Apart from the provision of previous Article, if minor breaches of the Rules and other Stock Exchange legal document take place (without significant damage), Director may, on the recommendation of Listing and Surveillance Department, decide to adopt measures from the Article 226 paragraph 1 of the Rules.

### **Limitation of Actions**

#### **Article 221.**

Proceedings before the disciplinary committee shall fall under the statute of limitations after one (1) year of the date of violation of Rules or Instructions.

## **Session**

### **Article 222.**

- (1) Session is directed by the President of the Disciplinary Committee
- (2) At the beginning of the session, the proposer of the proceedings or member of the disciplinary committee, when the proposer is the Management Board or Manager, shall explain the grounds for initiation of such proceedings, whereupon the Management Board shall give the broker or Stock Exchange member or his representative the opportunity to state all the causes and circumstances, which, in his opinion, rebut the imposition of a sanction.
- (3) If, in spite of a timely invitation, a Stock Exchange member or broker fails to attend the session, the disciplinary committee shall discuss the violation of the Rules and Instructions in their absence or shall discuss their written defense, if it is submitted in time.
- (4) Disciplinary Committee shall make decision by the vote.

## **Record of the Session**

### **Article 223.**

- (1) A record of session shall be written, evidencing all that is material for deciding a case which is the subject of the session.
- (2) The report shall be signed by a member of the disciplinary committee, Stock Exchange member or broker and the recording clerk.

## **Issue of Decision**

### **Article 224.**

- (1) Disciplinary committee may make a decision about stay of the proceeding or decision by which broker or member of the Stock Exchange is responsible for violation which is the issue and one sanction shall be brought upon him/her.
- (2) The disciplinary committee's decision shall be issued in writing and delivered to the stock exchange broker of the Stock Exchange member or its representative within eight (8) days after the date of the end of session.
- (3) The decision shall contain name and surname of the stock exchange broker or company name of the Stock Exchange member and name and surname of their representatives, description of violation of Rules or Instructions, date of session, qualification of established violation, type of sanction, statement of costs, legal warning, date of decision and signature of the president of the disciplinary committee.

## **Stay of Proceedings**

### **Article 225.**

A decision on staying the proceedings shall be issued:

- if proceedings before the disciplinary committee are barred by limitation;

- if it is not proved that the violation was committed by the broker or the Stock Exchange member;
- if circumstances exist which exclude the violator's liability.

## Sanctions for Violation of Rules and Instructions

### Article 226.

- (1) For violation of Rules and Instructions, Disciplinary committee may impose on a Stock Exchange member or broker one of the following sanctions:
  - reprimand,
  - reprimand published among the Stock Exchange members,
  - public reprimand
  - a fine not exceeding 10.000 KM, depending on the seriousness of the violation;
- (2) Disciplinary Committee may propose to the Management Board to impose a measure of temporary or permanent expulsion from stock exchange activities in case of grievous violation of Rules or instructions.
- (3) The Stock Exchange member on whom the sanction was imposed shall pay a lump sum relating to the costs of the proceedings in accordance with the brought decision.
- (4) The Stock Exchange member shall also pay a lump sum relating to the costs of the proceedings against the authorized stock exchange broker to whom the disciplinary committee imposed the sanction for violation of Rules or Instructions.
- (5) *An appeal against the decision of the disciplinary committee may be filed by the person accused of violation to the Management Board, within eight (8) days after receipt of decision. An appeal shall stay imposition of the decision.*
- (6) An appeal shall stay imposition of the decision, unless in the event of temporary suspension of a Stock Exchange member from trading on the Stock Exchange

## Enforcement of Imposed Sanctions

### Article 227.

The imposed sanctions shall be enforced in the following manner:

- reprimand – by delivery of the decision;
- reprimand published among stock exchange members – by delivery of the decision and by notifying of it the members in an appropriate manner;
- public reprimand – by publication in the newspaper and on the Stock Exchange web site;
- fine – by voluntary payment within eight (8) days from the date the decision becomes finally binding or by execution
- suspension from Stock Exchange trading for a definite or an indefinite period of time in accordance of the Rules of the Stock Exchange

## 8. TRANSITIONAL AND FINAL PROVISIONS

### Article 228.

- (1) Securities that were listed on the Stock Exchange on the day of coming into effect of these Rules shall automatically be listed on the official Stock Exchange market – share list B.
- (2) The Management Board shall develop following forms, within the period of two (2) months after coming into effect of these Rules:
  - Instructions for obtaining the status of liquidity provider;
  - Instructions for trading in short-term securities;
  - Instructions for block trades;
  - Instructions for setting minimum value of hidden of order;
  - Instructions for reporting on takeovers of joint stock companies;
  - Instructions for reporting tender sale of shares;
  - Instructions for contents of the official price list.
- (3) The Managing Director shall prescribe forms and adopt following instructions, within the period of two (2) months after coming into effect of these Rules:
  - Application form for admission of securities to official stock exchange market List A (ZHOVA),
  - Application form admission of securities to official stock exchange market List B (ZHOVB),
  - Application form for stock exchange listing expansion (ZPK),
  - Application form for stock exchange listing reduction (ZSK),
  - Application form for securities substitution (ZKHOV),
  - Application form for Stock Exchange membership (ZČL),
  - Application form for Stock Exchange trading license (ZBR),
  - Instructions for quarterly reporting,
  - Instructions for limiting the access to data.

### Article 229.

- (1) Changes and amendments of these Rules shall be made in accordance with the Statute.
- (2) Initiative for amendments of the Rules may come from: members of the Stock Exchange, Management Board, Supervisory Board and the Manager.
- (3) Initiative shall be submitted to the Management Board for justification and proposed changes and amendments of the Stock Exchange Rules.

### Article 230.

- (1) These Rules as well as their changes and amendments shall come into force on the day of their approval by the RS Securities Commission.
- (2) These Rules shall come into force on the eighth (8) day after their publication on the Stock Exchange official web site.

These Rules shall apply as of December 18, 2010

No: **01-UO-638-1/10**

Date: October 19, 2010

**President of the Management Board**  
Bratoljub Radulovic