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|  | <p><b>OTP banka Srbija akcionarsko društvo</b><br/> <b>Novi Sad,</b><br/> <b>Novi Sad, Trg Slobode 5</b></p>                                                                                                                       | <p><b>ID: 8569</b></p>                      |
| <p><b>Type of general act</b></p>                                                 | <p><b>RULES OF PROCEDURE</b></p>                                                                                                                                                                                                   | <p><b>Status:</b><br/> <b>"Adopted"</b></p> |
| <p><b>Brief description</b></p>                                                   | <p>These Rules of Procedure govern the rules of conduct of OTP banka Srbija, a credit institution in terms of the Law on the Capital Market, when providing investment services and activities, as well as ancillary services.</p> |                                             |

## **RULES OF PROCEDURE FOR INVESTMENT SERVICES AND ACTIVITIES AND ANCILLARY SERVICES OF OTP BANKA SRBIJA**

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| <p><i>Adopted by:</i></p> <p><b>Board of Directors of OTP banka Srbija</b></p> <p><b>President of the Board of Directors, László Wolf</b></p>                                                                                                                                                                                                                            | <p><i>Adoption date:</i></p> <p><b>29.03.2023</b></p> |  |
| <p><i>This Act shall enter into force on the day of obtaining consent of the Securities Commission, and shall commence to apply eight days from the date of its publication on the on the bank's website.</i></p> <p><i>Note: Upon its application, this Rules of Procedure shall supersede the Rules of Procedure of the Authorized Bank dated 07 October 2021.</i></p> |                                                       |  |
| <p><i>For proposing party:</i></p> <p><b>Head of the Global Markets Directorate, Željko Devčić</b></p>                                                                                                                                                                                                                                                                   |                                                       |  |

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Pursuant to Article 26, Paragraph 1, Item 20 of the Articles of Association of OTP banka Srbija, dated 31 January 2022, the Board of Directors of the Bank hereby adopts the following:

**RULES OF PROCEDURE**  
**FOR INVESTMENT SERVICES AND ACTIVITIES AND ANCILLARY SERVICES**  
**OF OTP BANKA SRBIJA**

**1. GENERAL PROVISIONS**

**Article 1**

These Rules of Procedure for investment services and activities and ancillary services of OTP banka Srbija (hereinafter: the Rules of Procedure) govern the rules of conduct of OTP banka Srbija akcionarsko društvo Novi Sad (hereinafter: the Bank), a credit institution in terms of the Law on the Capital Market, when providing investment services and activities, as well as additional services, namely:

1. Types of work, conditions, and manner of performing the activities of an investment company;
2. Categorization of clients, including designated professional investors;
3. Information submitted by the Bank to clients and potential clients;
4. Assessment of appropriateness of financial instruments, *i.e.*, services provided by the Bank to its clients;
5. Reporting to clients;
6. Types of orders, dealing with client orders, information on executed orders, the most favorable execution of orders, outsourcing the execution of orders, as well as keeping records;
7. Keeping records;
8. Protection of property - financial instruments and funds of clients;
9. Product management requests;
10. Additional incentives;
11. Cross-selling;
12. Assessment of knowledge and expertise when providing investment advice or providing information on investment products, investment services, or ancillary services;
13. Trade secret;
14. Dealing with client complaints;
15. Basic principles of professional ethics and other issues of importance for the Bank's operations.

An integral part of the Rules of Procedure are the rulebooks that in more detail regulate the Bank's obligations when providing investment services and activities, as well as additional services as follows:

I Rulebook on Client Classification – additionally regulates the bank's obligations provided in the Rules of Procedure in part 4. Client categorization all other issues in connection with client classification, including which persons are considered a professional investor, and which a retail investor, procedure under request of a professional investor for changing client category, procedure under request of a retail investor to be classified into a professional investor category, which persons are considered a designated professional investor and procedure under the request of a designated professional investor for changing category.

II Rulebook on Order Execution - additionally regulates the bank's obligations provided in the Rules of Procedure in part 10. Types of orders, dealing with client orders, information on executed orders, the most favorable execution of orders, outsourcing the execution of orders, as well as keeping records.

III Rulebook on Handling Client Complaints additionally regulates the bank's obligations provided in the Rules of Procedure in part 19. Handling Client Complaints which regulate the manner of submitting complaints, procedure under a client's complaint, other Bank's obligations in connection with clients' complaints, records, documentation storing deadlines and all other issues related to complaints of Bank's clients.

IV Rulebook on detecting and preventing market abuse - additionally regulates the bank's obligations provided in the Rules of Procedure in part 22. Detection and prevention of market abuses by more detailed regulation of measures, systems and procedures aimed at detecting and preventing abuses on the market.

V Rulebook on the procedure of conflict of interest management - additionally regulates the bank's obligations provided in the Rules of Procedure in part 23. Conflict of interest and personal transactions by regulating measures for recognizing and preventing or managing conflicts of interest, procedures for detecting and resolving possible conflicts of interest, personal transactions are defined, as well as prohibited activities of Relevant Persons and all other issues related to conflict of interest management.

The Bank has a separate organizational part intended for the provision of investment services and activities from Article 2, Paragraph 1, Items 2) and 3) of the Law on the Capital Market (hereinafter: the Law), except for the provision of ancillary services from Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law: Capital Market Department,

As part of its operations, the Bank provides ancillary services listed in Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law, which do not require the Commission's permission.

The Capital Market Department operates at: Bulevar Zorana Đinđića 50 a/b, New Belgrade.

The Rules of Procedure and the Fee Schedule of the Capital Markets Department (hereinafter: the Fee Schedule) are always available to clients at their request, mandatorily before the conclusion of a contract on the provision of one or more investment services and activities and ancillary services related to financial instruments, as well as any other contracts for obtaining client status which oblige the Bank to provide any investment service or activity and ancillary service to the client.

The Bank allows clients to inspect the Rules of Procedure and the Fee Schedule by making them available in a prominent place at the premises where it operates with clients and on its website [www.otpbanka.rs](http://www.otpbanka.rs).

The provision from the previous paragraph also applies to another legal entity that provides investment services and activities and ancillary services on behalf and for the account of the Bank, contracted with the client.

The Bank undertakes to allow its clients to inspect the amendments to the Rules of Procedure and the Fee Schedule seven days before the commencement of implementation of such amendments to the Rules of Procedure and the Fee Schedule.

## **Article 2**

The Rules of Procedure are an integral part of the contracts concluded by the Bank with its clients regarding investment services and activities and ancillary services, and by concluding such a contract, the client confirms that he is familiar with the contents of the Rules of Procedure and that he agrees to their application.

## Article 3

Anything not regulated by contract with the client and the Rules of Procedure shall be subject to applicable legal regulations and bylaws, internal acts of the Bank, with all amendments made during the term of the contract and the Rules of Procedure.

If, after the conclusion of the contract with the client or after the adoption of these Rules of Procedure, any issue regulated by the Rules of Procedure is resolved in a different way by legal regulations or bylaws, the provisions of the relevant regulation shall be applied, until the adoption of appropriate amendments to the Rules of Procedure.

The Bank processes personal data of clients in accordance with the Personal Data Protection Policy, the Law on Personal Data Protection, and legal regulations governing data processing.

## 2. TERMS

### Article 4

Terms and expressions used in these Rules of Procedure have the following meanings:

- **Law** means the Law on the Capital Market (Official Gazette of the Republic of Serbia, No. 129/2021 and all subsequent amendments);
- **Rulebook on the Rules of Conduct for Investment Firms when Providing Services** (hereinafter: **the Rulebook**) is the rulebook of the Securities Commission governing the rules of conduct of investment companies in providing investment and ancillary services and/or performing investment activities (hereinafter: **the Services**);
- **Rulebook on Organizational Requirements for the Provision of Investment Services and Performance of Investment Activities and Ancillary Services and Risk Management** (hereinafter: **the Rulebook on Organizational Requirements**) is the rulebook of the Securities Commission governing the organizational requirements which an investment company must fulfill in order to ensure proper and efficient operations and reduce risks to the lowest possible extent, when providing investment and ancillary services and performing investment activities;
- **Rules of Procedure for Investment Services and Activities and Ancillary Services of OTP banka Srbija** are these Rules of Procedure (hereinafter: **the Rules of Procedure**);
- **Central Securities Depository** is a legal entity that manages the securities settlement system and is subject to EU regulations governing central securities depositories;
- **Central Securities Depository and Clearing House** (hereinafter: **CSD**) is a legal entity that, based on the permission of the Securities Commission, performs the tasks of keeping the register of financial instruments, clearing and balancing transactions with financial instruments and other tasks in accordance with the Law;
- **Securities Commission** (hereinafter: the Commission) is an independent regulatory and supervisory institution of the Republic of Serbia that exercises public powers in accordance with the competences prescribed by the Law;
- **Credit institution** is an entity licensed in accordance with the provisions of the law regulating prudential rules for credit institutions; that is, in the Republic of Serbia, a credit institution is an entity licensed in accordance with the provisions of the law regulating banks, *i.e.*, in accordance with the provisions of the law regulating credit institutions;
- **Bank - OTP banka Srbija** is a credit institution in terms of the Law, licensed by the National Bank of Serbia to carry out banking activities in accordance with the Law on Banks and licensed by the Securities Commission to carry out the activities of an investment company;
- **Capital Market Department** is a separate organizational part of the Credit Institution intended for the provision of investment services from Article 2, Paragraph 1, Items 2) and 3) of the Law. As part of its



business activities, the Bank, that is, the Capital Market Department provides, within its competences, ancillary services from Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law, which do not require the Commission's permission;

- **Competent organizational unit of the Bank** is an organizational unit of the Bank which is not the Capital Market Department;
- **OTP Group** is a group of credit institutions and other companies in the financial sector whose ultimate parent company is OTP Bank Plc, headquartered in Budapest, Hungary;
- **Investment company** is a legal entity whose regular activities or operations include the provision of one or more investment services to third parties, that is, the professional performance of one or more investment activities;
- **Investment services and activities** related to financial instruments are:
  1. Receipt and transfer of orders related to one or more financial instruments;
  2. Execution of orders for clients' accounts;
  3. Trading for own account;
  4. Portfolio management;
  5. Investment consulting;
  6. Sponsorship in relation to financial instruments, *i.e.*, implementation of the procedure of offering financial instruments with redemption obligation;
  7. Implementation of the procedure of offering financial instruments without redemption obligation;
- **Ancillary services** are:
  1. Custody and management of financial instruments for the account of clients and related services, such as administration of funds and collateral;
  2. Approving loans to investors for the purpose of concluding a transaction with one or more financial instruments when the company providing the loan is involved in the transaction;
  3. Consulting in relation to capital structure, business strategy and related matters, as well as consulting and services in relation to mergers and acquisitions of business entities;
  4. Foreign currency conversion services in relation to the provision of investment services;
  5. Research and financial analysis or other forms of general recommendations regarding transactions in financial instruments;
  6. Sponsorship-related services;
  7. Investment services and activities, as well as ancillary services, related to the basis of derivative financial instruments from Item 19), Sub-items (5), (6), (7) and (10) of the Law, when they are related to the provision of investment or ancillary services;
- **Securities account, or financial instruments account** is an account to which securities, and/or financial instruments can be credited or debited;
- **Sponsor** is an investment company or a bank that provides sponsorship services in connection with the offer and sale of financial instruments with a redemption obligation;
- **Agent** is an investment company or a bank that provides services in connection with the offer and sale of financial instruments without a redemption obligation;
- **Exclusively for the purposes of these Rules of Procedure: Managers** are persons employed in the Bank who have the consent and permission of the Commission, according to the Commission's Rulebook, as managers of the organizational part of the credit institution intended for the performance of investment services and activities; in the Bank, they are: the head of the Capital Market Department and the head of the Global Markets Directorate;
- **Central Securities Depository** is a legal entity that manages the securities settlement system and is subject to EU regulations governing central securities depositories;
- **Depository** (depository and sub-depository), in terms with these Rules of Procedure, represents a credit institution, commercial bank, investment company or clearing house abroad that provides administration and accounting services for financial instruments and funds;

- **Execution of orders for clients' accounts** is action aimed at concluding a contract for the purchase or sale of one or more financial instruments for the client's account, including the conclusion of a contract for the sale of financial instruments issued by an investment company or the Bank at the time of their issuance;
- **Trading for own account, i.e.,** dealer business is trading using one's own capital, i.e., in one's own name and for one's own account, and the result of which is the conclusion of transactions with one or more financial instruments;
- **Brokerage** is the execution of orders for clients' accounts;
- **Market maker** is a person who constantly acts on the financial markets as a person who is willing to trade for his own account, by buying and selling financial instruments using his own equity, at the prices he determines, within the framework established by the market organizer in his acts;
- **Portfolio management** is the management of portfolios that include one or more financial instruments, on an individual and discretionary basis, for each client separately, based on authorization;
- **Client** is any legal or natural person to whom the Bank provides its Services;
- **Professional investor** is a client who has sufficient experience, knowledge, and expertise to independently make investment decisions and properly assess the associated risks, and who meets the requirements of Articles 192 and 193 of the Law;
- **Retail investor** is a client who does not belong to the professional investor category;
- **Investor protection fund** organized by the Deposit Insurance Agency is a fund that aims to protect the receivables of clients of Fund members when a Fund member is unable to fulfill its due obligations to the client in the following cases: 1) when bankruptcy proceedings have been initiated against a Fund member or 2) when the Commission determines that the Fund member is unable to fulfill its due obligations to clients, including funds owed to clients and financial instruments held for the client's account, and there are no prospects that the circumstances will change significantly in the foreseeable future;
- **Financial instruments** are:
  1. Transferable securities;
  2. Money market instruments;
  3. Units of collective investment institutions;
  4. Options, futures (futures contracts), swaps, interest rate forwards (unstandardized interest futures contracts) and all other contracts on derivative financial instruments related to securities, currencies, interest rates, or returns, emission units as well as all other financial derivatives instruments, financial indices or financial measures that can be settled physically or in cash;
  5. Options, futures, swaps, forwards, and all other commodity derivative contracts that:
    - a) Must be settled in cash, or
    - b) May be settled in cash at the option of one of the contracting parties, except in case of default or other reason for terminating the contract;
  6. Options, futures, swaps, and all other commodity derivative contracts and can be physically settled, provided that they are traded on a regulated market, MTF or OTF, with the exception of wholesale energy products traded on OTF and which must be settled physically;
  7. Options, futures, swaps, forwards, and all other commodity derivative contracts which can be settled physically, if they are not specified in sub-item (6) of this Item and do not have a business purpose, and have features of other derivative financial instruments;
  8. Derivative financial instruments for the transfer of credit risk;
  9. Financial contracts for differences;
  10. Options, futures, swaps, interest forwards and all other contracts on derivative financial instruments relating to climate variables, transport costs, inflation rates or other official, economic and statistical data, which must be settled in cash or can be settled in cash at the option of one of the contracting parties, except in case of default or other reason for terminating the contract, as well as other contracts on derivative financial instruments related to assets, rights,

obligations, indices and units of measurement that are not specified in this item, which have the features of other derivative financial instruments, taking into account, among other things, whether they are traded on a regulated market, OTF or MTF;

11. Emission units consisting of any units determined to be in compliance with the provisions of the law governing the greenhouse gas emissions trading system;

- **Money market instruments** are those types of financial instruments that are commonly traded on the money market, such as treasury and commercial bills and certificates of deposit, excluding payment instruments;
- **Market organizer**, *i.e.*, stock exchange, are the persons who manage or run the operations of the regulated market, which can be the regulated market itself;
- **Regulated market** is a multilateral system that is managed, *i.e.*, whose operations are led by a market organizer who, within the system, merges or facilitates the merging of offers for the purchase and offers for the sale of financial instruments from several interested third parties in accordance with its binding rules, in a manner that leads to the conclusion of a contract in relation to with financial instruments included in trading according to its rules and/or the system, which holds a license and regularly operates in accordance with the Law;
- **Multilateral trading facility**, *i.e.*, **MTF** is a multilateral system managed by an investment company or a market organizer and which, within the system and in accordance with binding rules, connects offers for the purchase and offers for the sale of financial instruments from several interested third parties in a manner that leads to the conclusion of a contract in accordance with the Law;
- **Organized trading facility**, *i.e.*, **OTF** is a multilateral system that is not a regulated market or an MTF, within which offers to buy and offers to sell bonds, structured financial products, emission units or derivative financial instruments by several interested third parties are connected, in a manner that leads to the conclusion of a contract in accordance with the Law;
- **Trading venue** is a regulated market, MTF or OTF;
- **Over-the-counter market** (hereinafter: **OTC**) is a decentralized system of secondary trading outside the regulated market, MTF and OTF, which does not have a market organizer and which involves direct negotiation between the seller and the buyer of financial instruments in order to conclude a transaction through an investment company or the Bank with permission in accordance with the Law;
- **Over-the-counter (OTC) contract**, *i.e.*, OTC derivative financial instrument is a derivative contract on a financial instrument that is not executed on a regulated market;
- **Parent company** is a parent legal entity within the meaning of the law regulating accounting;
- **Subsidiary** is a subsidiary legal entity within the meaning of the law regulating accounting;
- **Group** is a group within the meaning of the law regulating accounting;
- **Close connection**, within the meaning of the Law, is a relationship in which two or more natural or legal persons are connected by:
  - 1) Participation in the form of owning, directly or through control, at least 20% of the voting rights or capital of the company;
  - 2) Control, which means the relationship of power of the parent company over the subsidiary in all cases from the law regulating accounting or a similar relationship between a natural or legal person and a company, with the fact that each subsidiary of a subsidiary is also considered a subsidiary of the parent company leading those companies;
  - 3) Constantly, by a control relationship;
  - 4) Family members;
- Within the meaning of the Law, **family members** are:
  - 1) Spouses, that is, persons living in a common-law union;
  - 2) Descendants and ancestors in the direct line unlimited;
  - 3) Relatives up to the third degree of consanguinity, in the collateral line, including in-laws;
  - 4) Adopter and adoptees and descendants of adoptees;
  - 5) Guardian and wards and descendants of wards;

- **Relevant person** in relation to the Bank, within the meaning of the Rulebook on Organizational Requirements, is:
  - (1) A person with an ownership interest in the Bank or a related representative,
  - (2) Managers or related representative, member of the executive board whose competence is the provision of Services;
  - (3) An employee in the Capital Market Department or a related representative, an internal controller, employees in the Bank's branch network or Private Banking Department who provide Services in their business processes, employees in the Market Operations Administration Support Department;
  - (4) Any other natural person engaged by the Bank or a related representative for the provision of services under its competence,
  - (5) A natural person who is directly involved in the provision of services to the Bank or its related representative on the basis of a contract on outsourcing of business processes, and for the purpose of providing Bank Services;
- **Person with whom the relevant person is closely related**, in terms of the Rulebook on Organizational Requirements, is:
  - (1) the spouse or common-law partner of the relevant person,
  - (2) descendants and ancestors in the direct line unlimited,
  - (3) a relative up to the third degree of consanguinity, in the collateral line, including in-laws,
  - (4) adopter and adoptees and descendants of adoptees;
  - (5) guardian and wards and descendants of wards;
  - (6) any other person who has spent at least one year in a joint household with the relevant person from the date of the personal transaction in question;
- **Control** is the relationship between the parent company and the subsidiary within the meaning of regulations governing accounting;
- **Trading for own account by matching orders** is a transaction in which an intermediary is placed between a buyer and a seller in such a way that during the execution of the transaction he is never exposed to market risk, whereby the execution of the transaction for both parties occurs simultaneously, and the transaction is concluded at a price at which the intermediary incurs neither profit nor loss, with the exception of a previously agreed commission or fee for the transaction;
- **Cross-selling** is the offer of an investment service together with another service or product as part of a package or as a condition of that same contract or package;
- **Structured deposit** is a deposit within the meaning of the law governing deposit insurance, where the principal is paid in full upon maturity, and interest or premium is paid or subject to risk depending on a formula that takes into account factors such as:
  - 1) Index or combination of indices, excluding deposits with a variable interest rate whose return is directly linked to an interest rate index such as Euribor;
  - 2) Financial instrument or combination of financial instruments;
  - 3) Goods or combination of goods or other tangible or intangible property of an irreplaceable character; or
  - 4) Exchange rate or combination of exchange rates;
- **Securities** are:
  - 1) Within the meaning of Chapter XII of the Law:
    - Shares and other securities equivalent to shares;
    - Bonds and other forms of securitized debt; or
    - Securitized debt that can be exchanged for shares or other securities equivalent to shares;
  - 2) Within the meaning of Chapter IV of the Law: transferable securities, with the exception of money market instruments, whose maturity is less than 12 months;

- 3) Within the meaning of Chapter XIII of the Law and the securities settlement system: financial instruments from Item 19) of Article 2 of the Law;
- **Transferable securities** are all types of securities that can be traded on the capital market, with the exception of payment instruments, such as in particular:
    - 1) Shares of companies and other securities equivalent to shares of companies or other entities, as well as certificates of deposit related to shares;
    - 2) Bonds and other forms of securitized debt, including certificates of deposit related to those securities;
    - 3) All other securities giving the right to acquire and sell such transferable securities, which are settled in cash, the amount of which is determined on the basis of transferable securities, currencies, interest rates or returns, commodities, indices or other determinable values;
  - **Equity securities** are shares and other transferable securities identical to the shares of companies that represent equity interest, as well as other types of transferable securities that give the right to acquire said securities as a consequence of their conversion or exercising the rights of those securities, provided that the securities are issued by the issuer of the underlying shares or a person belonging to the group of that issuer;
  - **Non-equity securities** are all securities that are not equity securities;
  - **Debentures** are bonds and other transferable securitized debt instruments, excluding securities that are equivalent to shares of companies or which, if converted or if the rights arising from them are exercised, give the right to acquire shares or securities equivalent to shares;
  - **Certificates of deposit** are securities that can be traded on the capital market and represent ownership of securities of a foreign issuer, which can be included in trading on a regulated market and which can be traded independently of the securities of the foreign issuer;
  - **Related instruments** are the following financial instruments, including those that are not included in trading, which are not traded on the trading venue or for which an application for inclusion in trading on the trading venue has not been submitted:
    - 1) Contracts or rights to register, acquire or dispose of securities;
    - 2) Financial instruments derived from securities, *i.e.*, financial derivatives;
    - 3) When securities are convertible or exchangeable debt instruments, securities into which these convertible or exchangeable debt instruments can be converted or exchanged;
    - 4) Instruments issued or guaranteed by the issuer or guarantor of securities whose market price is likely to have a significant effect on the price of the securities, or vice versa;
    - 5) When securities are equivalent to shares, the shares representing those securities and all other securities equivalent to those shares;
  - **Exchange-traded investment fund** (hereinafter: ETF) is a fund in which at least one investment unit or share class is traded during the day on at least one trading venue and with at least one market maker who takes measures to ensure that the price of investment units or shares on that trading venue does not differ significantly from the net asset value and, when applicable, from the indicative net asset value;
  - **Certificates** are securities that can be traded on the capital market and which, in case of payment by the issuer, rank above shares, but below unsecured bonds and other similar instruments;
  - **Structured financial products** are securities intended for the securitization and transfer of credit risk associated with a pool of financial assets that entitle the legal holder of the securities to regularly receive payments that depend on cash flow from the underlying financial instruments;
  - **Exchange-traded derivative financial instrument** is a financial instrument that is traded on a regulated market or on a market of a third country which, in accordance with this law, is considered equivalent to a regulated market;
  - **Financial leverage** is a rate of indebtedness that shows the interdependence between how much a certain person owes in relation to how much he owns from investing in financial assets;
  - **Permanent data carrier** is a device which:

- 1) Enables the client to store data that has been personally addressed to him so that it is easily accessible for future use for a period that corresponds to the purpose of storing such data; and
  - 2) Enables unaltered reproduction of such saved data;
- **Package order** is an order for which the price is formulated as a single unit:
    - 1) For the purposes of performing a replacement for a physical asset; or
    - 2) For two or more financial instruments in order to execute a package transaction;
  - **Issuer** is a domestic or foreign legal entity under private or public law, which issues or proposes to issue financial instruments, and in the case of certificates of deposit, the issuer is considered to be the person who issues the securities that represent those certificates of deposit;
  - **Data transfer records** are records defined by the law regulating personal data processing and privacy protection in the electronic communications sector;
  - **Information recommending or proposing investment strategy** is information prepared by:
    - 1) An independent analyst, investment company, the Bank, other credit institution, any other entity whose business activity consists of the preparation of recommendations or a natural person who works for them on the basis of an employment contract or otherwise, who directly or indirectly gives certain investment recommendations in connection with the financial instrument and/or the issuer;
    - 2) A person who is not a person from the previous item and who directly recommends a certain investment decision regarding investment in connection with a financial instrument;
  - **Investment recommendation** is research or other information intended for the public that expressly or tacitly recommends or suggests an investment strategy in relation to one or more financial instruments and/or issuers, including any opinion on the current or future value and price of those instruments intended for distribution or to the public;
  - **Investment consulting** is providing a personal recommendation to the client, either at the client's request or at the Bank's initiative, regarding one or more transactions related to financial instruments;
  - **Personal recommendation** is a recommendation given to a person in his capacity as an investor or potential investor or in his capacity as a representative of an investor or potential investor. A personal recommendation is presented as an appropriate recommendation for that person or is based on consideration of the circumstances in which that person is, and it recommends taking one of the following measures:
    - 1) Purchase, sale, registration, exchange, redemption, holding or financing of a certain financial instrument;
    - 2) Exercise or non-exercise of any right arising from a specific financial instrument to purchase, sell, register, exchange or redeem the financial instrument.

A recommendation is not considered a personal recommendation if it is issued solely to the public;
  - **Significant distribution** is an initial or secondary offering of securities that differs from normal trading both in terms of the amount of value of the securities offered and in terms of the sales method used;
  - **Advertisement** is a post with the following features:
    - 1) It is related to a certain public offer of securities or the inclusion of securities in trading on the regulated market, and
    - 2) Its aim is expressly to promote the possible registration or acquisition of securities;
  - **Short selling** in connection with a share or debt instrument is any sale of a share or debt instrument that the seller does not own at the time of concluding the sale and purchase contract, including sales where the seller of shares or debt instruments at the time of concluding the sales contract lends or arranges lending of a share or debt instrument for delivery upon settlement, which does not include:
    - 1) Sale by one or the other party under a redemption contract (within a repo contract), whereby one party undertakes to sell the securities at a certain price, and the other party undertakes to sell the securities back to it on a future date, at another specific price;
    - 2) Transfer of securities based on securities lending agreement; or

- 3) Entering into a standardized forward or other derivative contract agreeing that the securities will be sold at a certain price, on a future date;
- **Market intermediary** is a legal entity that receives and transmits orders and provides investment consulting services regarding transferable securities and units of collective investment institutions;
  - **Financial intermediary** is a person who, in accordance with this law, distributes securities issued by himself or issued by another person;
  - **Financial analyst** is a relevant person who prepares the content of investment research;
  - **Clearing** is the procedure for processing transfer orders in the settlement system, including determining the mutual obligations of the buyer and seller of financial instruments, in accordance with the rules of that system, which may include settlement based on those orders, for the purpose of exchanging financial instruments and money;
  - **Settlement** is the implementation of a transaction through the final transfer of financial instruments and/or funds between the buyer and the seller, *i.e.*, the settlement of the obligation to transfer financial instruments/settlement of the monetary obligation, *i.e.*, the settlement of receivables between participants in the settlement system based on a transfer order;
  - **Rating agency** is an authorized legal entity that gives an opinion on the future ability of the issuer and/or the debtor, to settle its financial obligations in a timely manner and in full, based on a predetermined and clearly defined ranking system;
  - **Electronic means** are means of electronic equipment for processing (including digital compression), storage and transmission of data, using wire, radio and optical technologies or other electromagnetic means;
  - **Transfer order** is:
    - 1) Each participant's order to make a certain amount of funds available to the recipient by posting them to CSD's accounts or each order that leads to assuming or fulfilling payment obligations according to the rules of the settlement system;
    - 2) Participant's order for the transfer of financial instruments or rights to financial instruments by posting in the appropriate register;
  - **Dematerialized form** is the fact that financial instruments exist only as records in electronic form;
  - **Personal data** is any data relating to a natural person whose identity is determined or determinable, directly or indirectly, in particular on the basis of an identity marker, such as name and identification number, location data, identifiers in electronic communication networks or one or more features of his physical, physiological, genetic, mental, economic, cultural, and social identity;
  - **Personal transaction** is a transaction with a financial instrument executed by or on behalf of a relevant person acting outside the scope of activities carried out as a relevant person or which was executed for the account of a relevant person, a person with whom the relevant person has a family relationship or with whom he is closely related within the meaning of the Law, or persons whose relationship with the relevant person is of such a nature that the relevant person has a direct or indirect material interest in the outcome of the transaction, which is not a commission or fee for the execution of the transaction;
  - **Business process outsourcing** is a contract concluded in any form between an investment company or the Bank and a service provider based on which that service provider performs a procedure, service, or activity that would otherwise only be performed by the investment company or the Bank.

### 3. TYPES OF WORK, CONDITIONS AND MANNER OF PERFORMING THE ACTIVITIES OF AN INVESTMENT COMPANY

#### Article 5

In accordance with the provisions of Article 2, Item 2) of the Law, the Bank performs the following investment services and activities:

- 1) Receipt and transfer of orders related to one or more financial instruments;

- 2) Execution of orders for clients' accounts;
- 3) Trading for own account;
- 4) Portfolio management;
- 5) Investment consulting;
- 6) Sponsorship in relation to financial instruments, *i.e.*, implementation of the procedure of offering financial instruments with redemption obligation;
- 7) Implementation of the procedure of offering financial instruments without redemption obligation.

In accordance with the provisions of Article 2, Item 3) of the Law, the Bank performs the following ancillary services:

- 1) Custody and management of financial instruments for the account of clients and related services, such as administration of funds and collateral, with the exception of maintaining and keeping securities accounts referred to in Chapter XIV of the Law;
- 2) Approving loans to investors for the purpose of concluding a transaction with one or more financial instruments when the company providing the loan is involved in the transaction;
- 3) Consulting in relation to capital structure, business strategy and related matters, as well as consulting and services in relation to mergers and acquisitions of business entities;
- 4) Foreign currency conversion services in relation to the provision of investment services;
- 5) Research and financial analysis or other forms of general recommendations regarding transactions in financial instruments;
- 6) Sponsorship-related services;
- 7) Investment services and activities, as well as ancillary services, related to the basis of derivative financial instruments from Item 19), Sub-items (5), (6), (7) and (10) of this paragraph, when they are related to the provision of investment or ancillary services.

## **Article 6**

When providing investment services to clients, the Bank is obliged to place the interests of its clients before its own interests and operate fairly, honestly, and professionally, in line with the best interests of its clients, with adherence to the principles established by the provisions of the Law.

## **Article 7**

Providing the Bank's Services refers to one or more financial instruments defined in Article 2 of these Rules of Procedure on trading venues or the OTC market, or other similar markets in the country and abroad.

Derivative financial instruments in relation to which the Bank provides its Services, in accordance with these Rules of Procedure, are financial instruments whose value depends on the price of the contract subject (shares, bonds, foreign currencies, stock exchange indices, *etc.*) and whose type, quantity, quality, and other properties are standardized. The conditions and manner of providing the Bank's Services, defined in these Rules of Procedure and relating to financial instruments, apply to derivative financial instruments and all other types of financial instruments, in accordance with the Law and the rules of the organizer of the market where these instruments are traded.

### **3.1 General conditions for performance of work**

## **Article 8**

The Bank shall perform its activities after obtaining a license for the provision of Services by the Commission, and after meeting the conditions regarding personnel, organizational skills and technical equipment and other conditions in accordance with the Law, the Commission's bylaws and the Bank's internal acts.



The business relationship for the provision of Services from paragraph 1 of this Article, between the Bank and its clients is established based on the categorization and contractual relationship with the client.

## Article 9

The Bank meets the following organizational conditions:

- 1) Establishes, implements, and maintains decision-making procedures and organizational structure in which reporting lines are determined clearly and in a documented manner and functions and responsibilities are assigned;
- 2) Ensures that its relevant persons are familiar with the procedures that must be followed for the proper execution of their responsibilities;
- 3) Establishes, implements, and maintains suitable internal control mechanisms, the purpose of which is to ensure compliance with decisions and procedures at all levels of the Bank;
- 4) Employs persons with the skills, knowledge and expertise required to perform the tasks assigned to them;
- 5) Establishes, implements, and maintains effective internal reporting and communication of information at all relevant levels of the Bank;
- 6) Maintains appropriate and orderly records of its business and internal organization;
- 7) Ensures that if relevant persons perform the duties of multiple functions, this does not prevent them, nor could prevent them from performing any of those functions in a correct, fair, and professional manner;
- 8) Provides adequate and efficient technical conditions, as well as effective control and protection of information systems.

Managers determine, supervise, are responsible for the organization and implementation of the provision of investment and ancillary services and activities and are responsible for the implementation of a management system that ensures the efficient and responsible management of the Capital Market Department, including the division of duties within the Capital Market Department, and the prevention of conflicts of interest in a manner that supports market integrity and client interests.

The systems from the previous paragraph meet the following conditions:

- 1) Managers are generally responsible for the Capital Market Department, approve and supervise the implementation of the Capital Market Department's strategic goals, risk strategies and internal management of the Capital Market Department;
- 2) Managers ensure the adequacy and integrity of the accounting system and financial reporting system, including financial and operational controls and compliance with laws and appropriate standards for the business processes of the Capital Market Department;
- 3) Managers supervise the process of disclosure and communication of information of the Capital Market Department;
- 4) Managers are responsible for ensuring effective monitoring of the Capital Market Department;
- 5) Managers determine, approve, and monitor the following:

(1) organization of the Capital Market Department for the provision of the Services, including the skills, knowledge and experience required of employees, as well as resources, procedures and mechanisms for the provision of the Services, taking into account the nature, scope and complexity of that activity and all requirements that the Capital Market Department capital must meet;

(2) policy on services, operations and products offered or provided, in accordance with the permitted risk of investing in financial instruments, the characteristics and needs of the Bank's clients to whom these services are offered or provided, including, when necessary, resistance testing;

(3) reward policy for persons involved in providing services to clients with the aim of promoting responsible business, fair treatment of clients and prevention of conflicts of interest in relations with clients.

Managers monitor and periodically assess the appropriateness and implementation of the Bank's strategic goals in the provision of the Services, the effectiveness of corporate governance mechanisms and the adequacy of policies for the provision of services to clients, and take appropriate measures to eliminate potential deficiencies.

The Bank's internal acts and systematization regulate the governance of the Bank, separation of functions, objectivity, legality, responsibility, and conflict of interest, as well as other organizational issues. In particular, it is required to evaluate and periodically review the effectiveness of policies, mechanisms and procedures that are implemented in order to fulfill obligations under the Law and to take appropriate measures to eliminate any possible deficiencies.

When assigning important functions to employees of separate organizational units of the Capital Market Department, the persons responsible for supervising and maintaining the operations of the Capital Market Department are clearly identified. The record of assignment of important functions is accurate and up-to-date.

The Bank ensures that the Managers regularly, and at least once a year, receive written reports on the issues referred to in Article 12 - 3 Internal Audit of these Rules of Procedure, which specifically state whether, in cases of possible deficiencies, appropriate measures have been taken to eliminate them.

Managers, employees of the Capital Market Department, the internal controller, and other authorized employees of the Bank have appropriate access to information and documents that are necessary for monitoring processes and making decisions.

When meeting the conditions from paragraph 1 of this Article, the Bank takes into account the nature, scope and complexity of the Bank's operations, the nature and range of the Services performed in the course of work.

The Bank establishes, implements, and maintains systems and procedures that are adequate to protect the security, integrity, and confidentiality of information, taking into account the type of information in question.

The Bank establishes, implements, and maintains an appropriate business continuity policy, the aim of which is to ensure, in the event of system and procedure interruptions, the protection of essential data and functions and the maintenance of the Services or, when this is impossible, the timely restoration of such data and functions and the timely continuation of all services and activities.

The Bank establishes, implements, and maintains accounting policies and procedures that enable it to timely submit financial reports at the Commission's request that provide a true and fair view of the Bank's financial position and that are in accordance with all applicable accounting standards and rules.

The Bank monitors and regularly evaluates the suitability and effectiveness of its systems, internal control mechanisms and procedures established in accordance with this Article and adopts appropriate measures to eliminate all deficiencies.

## **3.2 Internal control affairs**

### **Article 10**

The Bank establishes, implements, and maintains appropriate policies and procedures aimed at detecting the possible risk of non-fulfillment of the Bank's obligations under the Law, as well as related risks, and establishes appropriate measures and procedures in order to minimize such risks and enables the Commission to effectively use its powers based on the Law.

The Bank is obliged to establish a permanent, efficient, and independent function dealing with internal control, which is in charge of:

- 1) Monitoring and regular assessment of the suitability and effectiveness of measures and procedures that:
  - (1) the Bank implements in order to minimize the risk of business non-compliance with relevant regulations, as well as other related risks;
  - (2) the Bank undertakes in connection with the observed failures of the Bank in respecting and adhering to the obligations established by relevant regulations;
- 2) Advising managers and other relevant persons on the manner of applying relevant regulations.

The Bank is obliged to enable the independence of the internal control function in such a way as to:

- 1) Appoint the person responsible for internal control and reporting to Managers;
- 2) Ensure that persons involved in internal control affairs are not involved in the performance of services or activities they supervise;
- 3) Ensure that the method of determining the salaries of internal auditors does not reduce or is likely to reduce their objectivity.

The Bank is obliged to appoint as an internal controller a person who has sufficient knowledge and experience, adequate means and powers. The internal controller is obliged to report to the Managers, at least once a year, on the implementation and efficiency of the overall provision of the Services and the control of activities, on the identified risks, in relation to the resolution of client complaints, as well as on the procedures undertaken to resolve complaints or planned procedures.

The Bank takes into account the nature, scope and complexity of the Bank's operations, as well as the nature and range of the Services performed in the course of work.

### **3.3 Risk management**

#### **Article 11**

The Bank's risk management system is comprehensive and reliable because it ensures that the Bank manages all materially significant risks to which it is exposed or may be exposed based on all its business activities. The Bank's risk management system is integrated into all business activities.

The Bank's risk measurement, monitoring and control activities have clearly defined responsibilities and are sufficiently independent from underwriting activities. The Bank's internal control system is established in a way so as to ensure a clear division of duties, to prevent conflicts of interest related to underwriting, approval, monitoring and control of risk.

The Bank has defined policies governing the management of individual types of risk, *i.e.*, which prescribe the method of identification, measurement, mitigation and monitoring and reporting.

The Bank undertakes the following risk management measures:

- 1) Establishes, implements, and maintains appropriate risk management policies and procedures that identify risks related to the Bank's activities, processes and systems and determine the level of risk acceptable to the Bank;
- 2) Adopts effective measures, processes and mechanisms for risk management related to the Bank's activities, processes, and systems, given that acceptable level of risk;

3) Monitors the following:

- (1) Suitability and effectiveness of policies and procedures for managing the risks arising from these types of activities;
- (2) Level of compliance of relevant persons with the measures, processes and mechanisms adopted in accordance with this Article of the Rules of Procedure,
- (3) Suitability and effectiveness of measures taken to eliminate any possible deficiencies in those policies, procedures, measures, processes, and mechanisms, including omissions of relevant persons in adherence to those measures, processes, and mechanisms or compliance with those policies and procedures.

In proportion to its nature, scope, and complexity of its operations, as well as the nature and range of the Services performed in the course of work, the Bank establishes and maintains a risk management function that operates independently and within which the following activities are performed:

- 1) Implementing policies and procedures from this Article;
- 2) Submitting reports and advising the Bank's Managers.

The Bank establishes its risk management function within the competent organizational unit of the Bank, in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

### **3.4 Internal audit**

#### **Article 12**

When this is appropriate and proportionate considering the nature, scope, and complexity of its operations, as well as the nature and range of the Services performed in the course of work, the Bank establishes and maintains an internal audit function, which is separate and independent from other functions and activities of the Bank, with the following competences:

- 1) Establishment, implementation and maintenance of the audit plan in order to examine and assess the suitability and effectiveness of the Bank's internal control systems, mechanisms and measures;
- 2) Making recommendations based on the results of the performed audit and checking compliance with those recommendations;
- 3) Reporting to managers on matters related to internal audit.

The Bank establishes its internal audit function within the competent organizational unit of the Bank, in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

### **3.5 Business premises**

#### **Article 13**

The Bank is obliged to provide the Services within separate organizational units. The Bank has the obligation to comply with the organizational conditions from the Law, the Commission's bylaws, and these Rules of Procedure.

### **3.6 Personnel qualifications**

#### **Article 14**

The Bank's employees must have the appropriate qualifications, knowledge, and experience necessary for high-quality performance of the Services provided to clients.

For performing the duties of brokers, investment advisors, and portfolio managers, the Bank is obliged to employ persons licensed to perform the aforementioned duties, with the provision that these persons must also meet other conditions in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

#### **Article 15**

The Bank is obliged to ensure that employees who provide investment advice and employees who provide information about investment products and the Services have the necessary knowledge and expertise to meet relevant regulatory and legal requirements, as well as business ethics norms.

The degree and level of knowledge and expertise expected of employees providing investment advice should be of a higher standard than those providing information on investment products and the Services.

The Bank is obliged to ensure that employees are familiar with, understand and apply the Bank's internal policies and procedures designed to ensure compliance with the Law. With the aim of ensuring the proportional application of knowledge and expertise requirements, the Bank is obliged to ensure that employees have the necessary level of knowledge and expertise to perform their duties, which reflects the scope and degree of the relevant Services provided.

Internal control assesses and reviews compliance with this requirement and, if necessary, proposes adequate training and development of employees to the Managers.

#### **Article 16**

The Bank is obliged to determine the responsibilities of employees and, if necessary, ensure that, in accordance with the Services it provides and the internal organization, there is a clear difference in the description of responsibilities between the roles of consulting and providing information.

### **3.7 Information systems**

#### **Article 17**

The Bank's information system must be reliable, efficient, and secure, as well as ensure the protection of personal data considering the scope and complexity of the Services that the Bank performs.

The Bank is obliged to ensure effective control and protection of information systems, which must ensure security, completeness, and confidentiality of data, and in particular:

- 1) Protection of hardware and software from unauthorized access to data through detailed monitoring (procedures for registration, analysis, and control of every activity in the system), access control through assigning client authority and authorization;
- 2) Adequate training of employees regarding the use of that system and the procedures established for its protection;
- 3) That only authorized persons, of whom the Bank keeps special records, have access to the information system and the possibility of entering, altering, and using data;
- 4) That each person who has access to the workstation must have a username and password and access only to the functions that are necessary for the performance of that person's work, with the fact that one username and password can only be used by one person;
- 5) That only data approved in the manner determined by the Bank's acts be entered into the information systems;
- 6) That all data whose entry is approved has been entered into the information systems;
- 7) That the accuracy of entered data is regularly checked.

Excerpts from the Bank's information systems must have the date and time of preparation and the signature of an authorized person.

The Bank establishes its information system security and reliability function within the competent organizational unit of the Bank, in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

### **3.8 Measures to ensure business continuity**

#### **Article 18**

The Bank is obliged to enact, implement, and regularly update measures and procedures that will ensure the continuity of the information system's operations, and in particular:

- 1) System protection with hardware and software solutions, reliable uninterruptible power supply systems, backup telecommunication links and devices;
- 2) Information system reliability:
  - 1) By simultaneously creating duplicate data on the servers and providing a backup server,
  - 2) By making at least two copies of the data at the end of each working day, where one copy is kept in the official premises, and the other copy in another location.

The Bank is obliged to enact, implement, and regularly update measures that will ensure the continuity of operations in extraordinary circumstances, which include the timely establishment of functions and access to information and the timely continuation of the provision of the Services if, in extraordinary circumstances, uninterrupted operations are not possible.

The Bank establishes its function of ensuring business continuity within the competent organizational unit of the Bank, in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

### **3.9 Accounting procedures**

#### **Article 19**

The Bank is obliged to prescribe, apply and regularly update accounting procedures that enable the timely submission of financial statements, which reflect a true and fair view of the Bank's financial situation and which are in accordance with applicable accounting standards and rules.

The Bank is obliged to keep ledgers and prepare financial statements in accordance with the Law and the law regulating accounting.

The Bank establishes its accounting procedure function within the competent organizational unit of the Bank, in accordance with the Law, the Commission's bylaws, and the Bank's internal acts.

### **3.10 Manner of operating**

#### **Article 20**

The Bank participates in the capacity of brokerage on primary and secondary trading, on the regulated market, *i.e.*, MTF and OTF, other similar markets in the country and abroad (trading venues) or outside those markets, *i.e.*, on the OTC market in accordance with the Law, the Commission's bylaws, and market organizer's rules.

The Bank performs dealer operations by buying and selling financial instruments in its own name and for its own account in order to gain the difference in price. The Bank performs dealer operations on primary and secondary trading, on the regulated market, *i.e.*, MTF, other similar markets in the country and abroad (trading venues) or outside those markets, *i.e.*, on the OTC market in accordance with the Law, the Commission's bylaws, and market organizer's rules. The decision on dealer trading in the Bank is not made within the Capital Market Department, but in the competent organizational unit of the Bank, a separate organizational part.

When performing dealer operations, the Bank observes the following rules:

- 1) Executes client orders and other contractual obligations towards clients, so that it does not place its own interests and the interests of related parties before the interests of clients;
- 2) It cannot issue an order for the purchase or sale of the same financial instrument that is the subject of the client's order, before entering the previously issued client's order into the market organizer's information system;
- 3) It manages its own portfolio of financial instruments in a manner that ensures such capital adequacy, risk exposure and liquidity management that will not jeopardize the performance of the Bank's obligations to clients.

In the event that the Bank causes damage to its clients, by acting contrary to the provisions of paragraph 3 of this Article or otherwise, it is obliged to compensate this damage in accordance with the regulations governing contracts and torts.

The Bank participates in trading in financial instruments according to the method prescribed and applicable for a certain market segment by the market organizer, in accordance with the Law, the Commission's bylaws, the rules of the market organizer and these Rules of Procedure.

The Bank provides services and activities during the public offering of financial instruments (and offers that are not public offerings of financial instruments) in accordance with the Law, the Commission's bylaws and these Rules of Procedure.

The Bank provides investment consulting and portfolio management services with financial instruments in the country and abroad in accordance with the Law, the Commission's bylaws and these Rules of Procedure.

## **Article 21**

When it is necessary for the Bank, in accordance with the Law and the Commission's bylaws, to deliver information on a permanent data carrier, the Bank has the right to deliver that information on a permanent data carrier that is not paper only if:

- 1) Delivery of information on that data carrier is appropriate considering the context in which the business between the Bank and the client takes place or will take place; and
- 2) The person to whom information is to be provided, when offered a choice between information on paper or on another permanent data carrier, expressly chooses to have the information delivered on that other data carrier.

When the Bank provides information to clients on the website, and that information is not addressed to the client personally, the Bank guarantees that the following conditions are met:

- 1) Delivery of information on that data carrier is appropriate considering the context in which the business between the Bank and the client takes place or will take place;
- 2) The client must expressly agree to the provision of information in that form;
- 3) The client must be informed electronically about the address of the website and the location on the website where he can access the information;
- 4) Information must be updated;
- 5) Information must be permanently available on that website for as long as the client may reasonably need to search for it.

In terms of the provisions of this Article, providing information using electronic communications is considered appropriate considering the context in which the business between the Bank and the client is or will be carried out if there is evidence that the client has regular access to the Internet, which the client confirms and proves by submitting an e-mail address for the purpose of conducting business.

### 3.11 Outsourcing and scope of significant business processes

#### Article 22

Within the Bank's operations, a business process is considered significant if an error or omission in its performance would significantly impair the Bank's ability to continuously fulfill the conditions and obligations according to the decision of the Commission or other obligations based on the Law or its financial stability or the reliability and continuity of its Services.

The Bank may outsource significant business processes to a third party (the third party is a Service Provider with whom the Bank has concluded a contract on outsourcing of business processes), as well as processes that in accordance with the Law and bylaws are not considered significant if it remains fully responsible for fulfilling all its obligations in accordance with the Law with adherence to all conditions defined by the Commission's bylaws.

#### Article 23

When the Bank outsources significant business processes, it remains fully responsible for the fulfillment of all its obligations in accordance with the Law, while adhering to the following conditions:

- 1) Outsourcing of business processes does not lead to the delegation of competence of the Manager within the Capital Market Department in the sense of the Rulebook on Organizational Requirements;
- 2) They do not change the relationship and obligations of the Bank towards its clients in accordance with the terms of the Law;
- 3) The conditions that the Bank must comply with according to the approval for work in accordance with Article 148 of the Law are not jeopardized;
- 4) None of the conditions under which the Bank was granted an authorization to operate will be changed.

The Bank acts in accordance with the principles of due diligence when entering into or terminating any contract for outsourcing or management of business processes and takes the necessary measures to ensure that the following conditions are met:

- 1) The service provider has the ability, capability, sufficient resources and appropriate support organizational structure to carry out the outsourced processes and all work authorizations that are legally prescribed for the reliable and professional execution of the outsourced processes;
- 2) The service provider provides the outsourced services efficiently and in accordance with the applicable regulations and regulatory requirements, and for this purpose the Bank establishes methods and procedures for assessing the level of success of the service provider and for continuous verification of the services it provides;
- 3) The service provider properly monitors the execution of the outsourced processes and appropriately manages the risk associated with the outsourcing of business processes;
- 4) It takes appropriate measures, if there is a probability that the service provider cannot execute processes efficiently and in accordance with applicable legal and other regulations;
- 5) It effectively supervises the outsourced processes or services and manages the risks associated with outsourcing, and for this purpose the Bank retains the know-how and resources necessary for effective supervision of the outsourced processes and management of those risks;
- 6) The service provider informs the Bank of all circumstances that may have a significant impact on its ability to perform the outsourced processes efficiently and in accordance with applicable legal and other regulations;
- 7) If necessary, the Bank has the possibility to immediately terminate the contract on outsourcing of business processes if this serves the interests of its clients, without consequences for the continuity and quality of providing services to clients;
- 8) The service provider cooperates with the Commission in relation to the outsourced processes;



- 9) The Bank, its auditors and the Commission have effective access to data related to the outsourced processes, as well as to the relevant business premises of service providers when necessary for effective supervision in accordance with the Law and the Commission's bylaws, and the Commission may use that right of access;
- 10) The service provider protects all confidential information related to the Bank and its clients;
- 11) The Bank and the service provider establish, implement and maintain a plan of action for recovery from crisis situations and periodically check security equipment, when necessary, considering the process, service or activity outsourced;
- 12) The Bank guarantees maintaining the continuity and quality of the outsourced processes or services and in the event of termination of the outsourcing contract by transferring the outsourced processes or services to another person, or by the Bank performing them itself.

The rights and obligations of the Bank and service providers are clearly distributed and determined in the written contract. The Bank reserves its right to give instructions, terminate contracts, inform about the course of business processes, control and check processes, access to books and business premises where these processes take place, as well as all other obligations in accordance with the Law and the Commission's bylaws.

If the Bank and the service provider are members of the same group, the Bank may, in order to comply with this Article and the subsequent Article 24 of these Rules of Procedure, take into account the fact to what extent the Bank controls the service provide and may influence its actions.

#### **Article 24**

Apart from the requirements from the previous Article of these Rules of Procedure, if the Bank outsources processes related to the investment service of client portfolio management to a service provider located in a foreign country, the following conditions must be met:

- 1) the service provider has a work permit, *i.e.*, is registered in the home country for the provision of that service and is effectively supervised by the competent body of that foreign country;
- 2) there is an appropriate contract on cooperation between the Commission and the supervisory body of the service provider.

## **4. CATEGORIZATION OF CLIENTS, INCLUDING DESIGNATED PROFESSIONAL INVESTORS**

### **4.1 Client categorization**

#### **Article 25**

Before providing the service, the Bank is obliged to classify the client into the category of professional or designated professional or retail investors (clients). The Bank carries out the categorization, in accordance with these Rules of Procedure, based on the information available in connection with the client's:

- 1) Investment goals;
- 2) Knowledge and experience;
- 3) Financial position.

When it determines that a client no longer belongs to the initially determined client category, the Bank is obliged to take appropriate measures to change the client's category.

Professional investors are obliged to inform the Bank in a timely manner of all facts that could affect the change of the established category.

The Bank is obliged to inform each client, through a permanent data carrier, of the following:

- 1) Client category in which it is classified;
- 2) Level of interest protection that will be provided to him;
- 3) Possibilities to request classification into another client category, as well as any changes in the level of protection resulting from such a decision.

## **5. INVESTOR PROTECTION FUND**

### **Article 26**

The Investor Protection Fund performs activities for the purpose of protecting the Bank's clients whose funds or financial instruments are exposed to risk in the case when bankruptcy proceedings have been initiated against the bank or when the Commission determines that the Bank is unable to fulfill its due obligations towards a retail investor, *i.e.* a client with whom the Bank contracts the status of a retail investor, including funds owed to clients and financial instruments that it holds, administers or manages for the client's account, and there are no prospects that the circumstances will change significantly in the foreseeable future.

The Investor Protection Fund insures the receivables of investors, clients of the Bank who have entrusted money and/or financial instruments to the Bank for the purpose of providing certain Services.

Receivables of the Bank's retail investor insured through the Investor Protection Fund relate to:

- (1) Monetary receivables in RSD that the Bank owes to the client or that belong to the client, deposited and/or incurred on the basis of the performance of the Services;
- (2) Receivables for the return of financial instruments belonging to the Bank's client and held by the Bank for the client's account.

Receivables are insured up to the amount of EUR 20,000 in RSD counter value at the official middle exchange rate of RSD against EUR determined by the National Bank of Serbia ("coverage").

The coverage from the previous paragraph of this Article applies to the total receivables of a retail investor towards the Bank, regardless of the number of accounts, place of account management, and currency.

Receivables of retail investors denominated in foreign currency are converted into RSD counter value at the official middle exchange rate of the National Bank of Serbia on the day of occurrence of the insured event.

The value of a financial instrument is determined according to its market value, where possible.

At the request of the client or potential client, the Bank will provide information related to the conditions and formalities that must be fulfilled in order to exercise the right to protection of receivables.

## **6. INFORMATION SUBMITTED BY THE BANK TO CLIENTS AND POTENTIAL CLIENTS**

### **6.1 General provisions**

#### **Article 27**

All information, including marketing information, which the Bank submits to retail or professional or designated professional investors - clients, as well as potential clients, or which it distributes in a way that it is certain that it will be received by current or potential retail or professional investors, as well as designated professional investors, must be true, clear, and not misleading, and marketing material must be clearly marked as such.

It is necessary that the information from this Article:

- 1) Contains the Bank's business name and registered office;
- 2) The font size when specifying relevant risks in the information must be at least equal to the font size that is predominantly used for the information provided, and the page layout must ensure that such specification is highlighted;
- 3) It must be sufficient and displayed so as to be likely to be understood by the average client or potential client to whom it is addressed or who is likely to receive it;
- 4) Must not hide, minimize or obscure important details, statements, or warnings;
- 5) Is consistently presented in the same language in all forms of information and marketing materials delivered to each client, unless the client agrees to receive information in more than one language;
- 6) Is updated and relevant for the used means of communication;
- 7) Must not contain the name of any competent authority in a way that would indicate or suggest approval of the Bank's instrument or service by that authority.

## **Article 28**

Submitting information comparing the Services, persons providing such services or financial instruments is permitted only if:

- 1) such comparison is meaningful and presented in an unbiased and balanced manner;
- 2) sources of information used for comparison are listed;
- 3) all the key facts and assumptions used for the comparison are listed.

## **7. INFORMATION THAT MUST BE PROVIDED PRIOR TO CONCLUSION OF CONTRACT OR PROVISION OF SERVICE**

### **7.1 Rules of Procedure and Fee Schedule**

## **Article 29**

The Bank is obliged to allow clients and potential clients to inspect the Rules of Procedure, Fee Schedule, and any amendments thereto:

- 1) At the business premises where it operates with clients;
- 2) By publishing them on the Bank's website.

The Bank is obliged to allow clients to inspect the amendments to these acts within seven days before the start of implementation of those amendments.

### **7.2 Information specifically provided to retail investors**

## **Article 30**

Before concluding a contract, *i.e.*, providing the Services to a retail investor client or a potential retail investor client, the Bank is obliged to provide information on:

- 1) the Bank and the services it provides;
- 2) Financial instruments;
- 3) Protection of financial instruments and funds of the client;
- 4) Costs and fees.

The Bank is obliged to notify the client and potential client in a timely manner of any significant change in information.

### **7.3 Information on the Bank and its services for clients and potential clients**

#### **Article 31**

Information on the Bank and services are an integral part of these Rules of Procedure and, as a rule, include the following:

- 1) business name and registered office of the Bank, as well as all other data that ensure effective communication;
- 2) number and date of the decision on granting the Bank's license to operate, as well as the name and contact address of the competent authority that issued the license;
- 3) possible ways and languages of communication between the Bank and the client, including ways of giving and receiving orders, as well as providing documents and other information by the Bank;
- 4) when the Bank acts through a related representative, a statement on that fact;
- 5) scope, frequency and periods of reporting to the client about the services provided by the Bank to the client in accordance with Article 181, paragraph 2 of the Law;
- 6) brief description of the means of protection of instruments, and/or funds, including general information on the Investor Protection Fund of which the Bank is a member in the case when the Bank holds the client's financial instruments and/or funds;
- 7) brief description of the conflict of interest management policy;
- 8) at the client's request, more detailed information about the specified conflict of interest management policy on a permanent data carrier or via the website (if it is not a permanent data carrier), provided that the client agrees to such a method of data delivery.

### **7.4 Information specifically provided in the provision of portfolio management services**

#### **Article 32**

When providing portfolio management services, the Bank is obliged to determine the appropriate method of valuation and comparison, in terms of a significant benchmark, based on the client's investment goals and the types of financial instruments that make up the client's portfolio, which will enable the client to assess the Bank's returns and efficiency.

When providing portfolio management services, the Bank is obliged to introduce the client to the following:

- 1) Method and frequency of valuation of financial instruments in the client's portfolio;
- 2) Details of any transfer of discretionary management of all financial instruments or funds from the client's portfolio or part of them;
- 3) Each benchmark with which the return of the client's portfolio will be compared;
- 4) Types of financial instruments that can be included in the client's portfolio and types of transactions that can be performed with them, including all restrictions;
- 5) Portfolio management objectives, degree of risk arising from discretionary decisions on portfolio management, as well as any restrictions related to those discretionary decisions.

The Bank's internal acts specifically define the procedures on the basis of which portfolio management services are provided.

## 7.5 Information on financial instruments

### Article 33

In a timely manner and before providing the Services, the Bank delivers to its clients or potential clients a general description of the nature of financial instruments and their risks, taking into account in particular the client's categorization as a retail investor, professional investor, or designated professional investor. This description clarifies the nature of the specific type of instrument in question, the operation and performance of the financial instrument under various market conditions, including both positive and negative conditions, and the risks specific to that specific type of instrument, in sufficient detail to enable the client to make informed decisions about investing.

The description of the risk from paragraph 1 of this Article includes, taking into account the individual type of financial instrument, the status and level of knowledge of the client, which, as a rule, contains:

- 1) risks associated with a particular type of financial instrument, including clarification of financial leverage and its effects, as well as risks of losing the entire investment including risks associated with insolvency of the issuer or related events, *e.g.*, solvency risk;
- 2) volatility of the financial instrument price, as well as any limitation in the existing markets for such instruments;
- 3) explanation that a transaction in such an instrument, in addition to the costs of acquiring the instrument itself, could include additional financial and other obligations, including contingent liabilities;
- 4) any condition arising from the loan on the basis of which the instrument was purchased or similar obligations applicable to a particular type of instrument (all margin requirements or similar obligations applicable to instruments of the specified type).

The Bank is obliged to, in providing information on a financial instrument:

- 1) Which is the subject of an ongoing public offering and for which a prospectus has been issued - inform the retail investor client and potential retail investor of the way in which the prospectus is available in a timely manner before providing investment or ancillary services to clients or potential clients;
- 2) Which includes a third-party guarantee or capital protection - provide the client and potential client with sufficient information about the field of application and the type of such guarantee or capital protection. When surety is provided by a third party, the surety information must include sufficient information on the guarantor and the surety to enable the client or potential client to make an objective assessment of the surety;
- 3) Consisting of two or more different instruments or services - provide the client and potential client with an appropriate description of the legal nature of the financial instrument, the individual components of such an instrument and how the mutual influence of the components affects investment risks.

## 7.6 Information on protection of financial instruments and funds of the client

### Article 34

The Bank is authorized to provide ancillary services and activities related to the holding and safekeeping of the client's financial instruments and funds, and on this basis, it is obliged to act and provide the client with the following information:

- 1) That funds or financial instruments can be held by a third party on behalf of the Bank, as well as the Bank's obligations in connection with the actions or omissions of the third party, and the consequences for the client in the event of the third party's insolvency;

- 2) When a third party keeps financial instruments in a collective account, as well as a warning about the risks arising from it;
- 3) That the client's financial instruments held by a third party cannot be distinguished from the own financial instruments of the said third party or the Bank, when this is the case, with a warning about the risks arising from it;
- 4) Notice in the event that accounts containing financial instruments or funds of the client or potential client are or will be under the jurisdiction of the legislation of a foreign country, and indicate that the rights of the client or potential client in relation to the said financial instruments or funds may differ accordingly;
- 5) Notice of the existence and conditions of any right of redemption, lien, or offsetting that the Bank or the Depository has or could have in relation to the client's financial instruments or funds;
- 6) Before concluding transactions that finance securities, which refer to financial instruments held by the Bank for the account of a retail investor or before such financial instruments are used in another way, the Bank is obliged to timely, before using the said instruments, submit to the retail investor in writing clear, complete, and accurate information on the Bank's obligations and responsibilities regarding the use of the mentioned financial instruments, including the conditions for their return to the client, as well as the risks they involve.

Before providing the service, the Bank is obliged to provide the professional investor with the information prescribed in paragraph 1, items 5) and 6) of this Article.

## **7.7 Information on costs and fees**

### **Article 35**

The Bank provides clients with information on all costs and fees and is obliged to fulfill the requirements from Article 179, paragraphs 2 and 3 of the Law and from paragraphs 2-10 of this Article.

When providing the Services to professional investors, the Bank is entitled to agree with these clients on the limited application of detailed requirements on costs and fees, except when providing investment consulting services, portfolio management or in relation to embedded derivative financial instruments when all costs and fees are disclosed.

For pre- and post-disclosure of information on costs and fees to clients, Banks must add the following:

- 1) All costs and related fees charged by the Bank or other parties, if the client is referred to such other parties, for the investment service or investment services and/or ancillary services provided to the client; and
- 2) All costs and fees associated with the production of financial instruments and their management.

When any part of the total costs and fees needs to be paid or when it represents an amount in a foreign currency, the Bank provides an indication of such currency, as well as the applicable exchange rates for conversion and costs. The Bank also provides information on payment methods or other manners of fulfilling obligations.

The Bank has the obligation to timely provide complete *ex ante* disclosure of information on aggregated costs and fees associated with the financial instrument and the provided investment service and activity or ancillary service in the following situations:

- 1) If it recommends or sells financial instruments to clients; or
- 2) If any investment service requires providing clients with a key information document for investors in an open-end investment fund with a public offering or a key information document for investment product packages for retail investors.

When the Bank does not recommend and does not sell a financial instrument to the client or is not obliged to provide the client with a key information document in accordance with the relevant legislation, it informs its clients about all costs and fees related to the provided Service, including information about the costs and fees that it provides other investment company or credit institution and any related third party fees incurred in providing the Service.

When calculating costs and fees on an *ex ante* basis, banks use actually incurred costs as a substitute for expected costs and fees. If actual costs are not available, the Bank makes a reasonable estimate of those costs and is obliged to review earlier assumptions based on later experience and adjust them as necessary.

The Bank subsequently submits annual information on all costs and fees associated with financial instruments and the Services if it recommended or sold financial instruments or if it provided the client with a key information document and if it has or had a continuous relationship with the client during the year. Such information is based on costs incurred and is provided on a personalized basis. The Bank will deliver aggregated information on costs and fees of investment services and financial instruments together with current regular reports sent to the client.

When providing investment services, the Bank provides its clients with a presentation of the cumulative effect of costs on return, which meets the following requirements:

- 1) the presentation shows the effect of total costs and fees on return on investment;
- 2) the presentation shows all expected increases or fluctuations in costs; and
- 3) a description of the items is attached in the presentation.

## **7.8 Information on investment consulting**

### **Article 36**

The Bank provides clear and concise information whether investment consulting is considered independent or non-independent, as well as the nature of the restrictions that are applied, including the prohibition of additional incentives when investment services are provided on a non-independent basis.

If consulting is offered or provided to the same client on an independent and non-independent basis, the Bank shall show the client the scope of both services so that investors can understand the differences when providing the service. In communication with clients, the Bank must not unjustifiably emphasize its services as an independent advisor in comparison with investment services on a non-independent basis.

When the Bank provides an investment consulting service, on an independent or non-independent basis, it presents to the client a range of financial instruments that can be recommended, including its relationship with the issuers or providers of the instruments.

The Bank provides the client with a description of the types of financial instruments considered, the range of financial instruments and providers analyzed for each type of instrument according to the field of application of the service and when independent consulting is provided, the manner in which the provided service meets the requirements for providing investment consulting on an independent basis and the factors taken into account consideration in the selection process used by the Bank to recommend financial instruments, such as risks, costs, and complexity of financial instruments.

When the range of financial instruments, assessed by the Bank when providing investment consulting services on an independent basis in accordance with Article 179, paragraph 6 of the Law, includes financial instruments:

- of the Bank itself, or
- issued or provided by entities closely related to the Bank, or
- issued or provided by entities that have any close legal or economic relationship with the Bank,

- of other issuers or providers who are not connected and do not have a business relationship with the Bank,

For each type of financial instrument, the Bank distinguishes the range of financial instruments issued or provided by entities that are in no way related to the Bank.

The Bank publishes all the following information after performing a periodic assessment of the suitability of the submitted recommendations:

- 1) frequency and scale of the periodic suitability assessment and, as the case may be, the conditions that prompt the assessment;
- 2) extent to which previously collected information will be subject to re-assessment; and
- 3) how the client will be notified of the updated recommendation.

## **7.9 Independent investment consulting**

### **Article 37**

When the Bank provides independent investment consulting services, it defines and implements a selection process, in order to evaluate and compare a sufficient range of financial instruments available on the market; the selection includes the following elements:

- 1) The number and variety of financial instruments considered are proportional to the scope of investment consulting services offered by the independent investment consultant;
- 2) The number and variety of financial instruments considered adequately represent the financial instruments available on the market;
- 3) The amount of financial instruments issued by the Bank or entities closely related to the Bank is proportional to the total amount of the financial instruments considered; and
- 4) The criteria for selecting different financial instruments must include all relevant aspects such as risks, costs and complexity, as well as client characteristics, and must ensure an unbiased selection of instruments that can be recommended.

The requirements that the Bank fulfills when providing independent investment consulting services that are focused on specific categories or a specific range of financial instruments are as follows:

- 1) The Bank presents itself on the market in such a way as to attract only clients who prefer those categories or range of financial instruments;
- 2) The Bank requires clients to indicate that they are interested exclusively in investing in a specific category or range of financial instruments; and
- 3) Before providing the service, the Bank must ensure that its service is suitable for each new client in such a way that its business model corresponds to the client's needs and goals, and that the range of financial instruments is suitable for the client.

When providing services of independent investment consulting and investment consulting on a non-independent basis, the Bank fulfills the following obligations:

- 1) In a timely manner before providing the service, it informs its clients via a permanent data carrier about whether consulting is provided on an independent or non-independent basis;
- 2) Represents itself as independent only for services for which it provides independent investment consulting;
- 3) It has in place appropriate organizational requirements and controls to ensure that both types of consulting services and advisors are clearly distinguished and that clients are unlikely to be confused as to the type of service they are receiving, and that they are given the type of consulting that is appropriate



for them. The Bank does not allow one investment advisor to provide both independent and non-independent consulting services.

## **7.10 Information on ratios, returns and taxes**

### **Article 38**

The Bank submits permitted information containing indicators of previous results of a financial instrument, financial index or service, only in the following cases:

- 1) Indicators of previous results of a financial instrument, financial index or service are not the most important element of such communication;
- 2) The information includes results for the previous five years or for the entire period in which the financial instrument was available, data on when the publication of the financial index began, and the investment service was provided (in case the instrument, index or service has existed for a shorter time). The data may include a longer period, but in all cases the result must be based on a 12-month period;
- 3) When the reference period and source of information are clearly indicated;
- 4) The information contains a clear warning that past results are not reliable indicators of future results;
- 5) In a situation where the result relies on data denominated in a foreign currency, the currency is clearly stated, along with a warning that the result may be different due to exchange rate fluctuations;
- 6) When the impact of commissions, fees or other costs is disclosed, when the result is based on the gross principle.

### **Article 39**

When the Bank submits information on the future result, it is obliged to make sure that:

- 1) The information is based on reasonable assumptions and facts;
- 2) In case the result is based on the gross principle, the impact of commissions, fees or other costs is disclosed;
- 3) The information is based on scenarios of returns in different market conditions (negative and positive scenarios) and reflects the nature and risks of specific types of instruments included in the analysis;
- 4) It contains a clear warning that information about future results is not a reliable indicator of future results.

### **Article 40**

When the information submitted to clients and potential clients refers to a special tax treatment, in terms of regulations governing taxes, the Bank is obliged to clearly emphasize that it depends on the individual case of each client, as well as that there is a possibility of future changes.

### **Article 41**

The Bank informs new and existing clients that, according to the conditions prescribed by the Law, it has re-categorized clients into retail investors, professional investors or designated professional investors in accordance with the Law.

The Bank also informs clients via a permanent data carrier of any client's right to request a different categorization and of any restrictions related to the level of client protection that a different categorization would imply.

The Bank may, on its own initiative or at the client's request, deal with that client in one of the following ways:

- 1) As with a professional or retail investor, if that client could otherwise be classified as a designated professional investor based on Article 194 of the Law;
- 2) As with a retail investor, if that client is considered a professional investor based on Article 192 of the Law.

## **7.11 General requirements related to informing clients**

### **Article 42**

The Bank provides the following information to the client or potential client in a timely manner, before such client commits to any contract for the provision of Services or prior to the provision of such Services:

- 1) The terms of any such contract;
- 2) Relevant information relating to that contract or to those Services.

The Bank shall, in a timely manner before providing the Services to clients or potential clients, submit information that, in accordance with the Law, the Commission's bylaws and these Rules of Procedure, is submitted to the client on a permanent data carrier or via the Internet.

The Bank promptly informs the client of any significant change in the information provided to the client, which is relevant to the Service provided by the Bank to that client in the manner agreed upon with the client.

The Bank ensures that the information contained in the marketing content is consistent with all the information that the Bank provides to clients during the provision of the Services.

The marketing content that contains an offer or invitation and specifies the method of response or includes a form on which a response can be given, always includes information in accordance with the Commission's bylaws, which is relevant to the specified offer or invitation:

- 1) An offer to conclude a contract on a financial instrument or the Services, with any person who responds to the marketing content;
- 2) An invitation to any person responding to the marketing content to make an offer to conclude a contract on a financial instrument or the Services.

The Bank's obligation from paragraph 1 of this Article does not apply if, in order to respond to an offer or invitation from the marketing content, the potential client must be referred to another document or documents that alone or in combination contain that information.

## **8. ASSESSMENT OF SUITABILITY AND APPROPRIATENESS OF FINANCIAL INSTRUMENTS, I.E., SERVICES PROVIDED BY THE BANK TO ITS CLIENTS**

### **8.1 Suitability assessment and suitability reports**

#### **Article 43**

The Bank acts unambiguously and clearly when it comes to its responsibility in the procedure of assessing the suitability of investment services or financial instruments. When assessing suitability, the Bank clearly and simply informs clients or potential clients that suitability is being assessed so that the Bank is able to act in the best interest of the client.

If investment consulting or portfolio management services are provided in whole or in part through an automated or semi-automated system, the responsibility for implementing the suitability assessment rests with

the Bank and is not reduced by the use of an electronic system for making a personal recommendation or trading decision.

The Bank determines the scope of information collected from clients considering all the characteristics of the investment consulting or portfolio management services provided to those clients. The Bank collects from current or potential clients all the information necessary to understand the essential facts about the client and create a reasonable basis for determining, taking into account the nature and scope of the service provided, that the specific transaction that would be recommended or carried out during the provision of the portfolio management service meets the following criteria:

- 1) It meets the said client's investment goals, including the client's risk tolerance;
- 2) It is such that the client is financially capable of bearing all associated investment risks that are consistent with his investment goals;
- 3) It is such that the client has the experience and knowledge necessary to understand the risks associated with the transaction or with the management of his portfolio.

When the Bank provides an investment service to a professional investor, the Bank has the right to assume that the client has the required level of experience and knowledge in relation to the products, transactions and services for which it is so classified.

When that investment service consists of providing investment consulting to a professional investor, which is covered by Article 192 of the Law, the Bank has the right to assume that the client is financially capable of bearing all associated investment risks in accordance with his investment goals.

Information regarding the financial situation of a client or potential client must include, as the case may be, information about the source and amount of his regular income, his assets, including liquid assets, investments and real estate, and his regular financial obligations.

Information regarding the client's or potential client's investment goals must include, as the case may be, information about the length of time the client wishes to hold the investment, his risk appetite, his risk profile and the purpose of the investment.

If the client is a legal entity or a group of at least two natural persons, or if another natural person represents one or more natural persons, the Bank establishes and implements a written policy that defines who is subject to suitability assessment, as well as the manner in which it will be implemented in practice, including persons from whom it will collect information about knowledge and experience, financial condition and investment goals.

If a natural person is represented by another natural person or legal entity, who has requested to be treated as a professional client in accordance with Article 193 of the Law, the financial condition and investment goals of the represented person - client are taken into account for assessing suitability. Knowledge and experience are assessed in relation to the representative, that is, the person authorized to perform financial transactions on behalf of the client.

The Bank takes reasonable measures to ensure the reliability of information collected about its clients or potential clients. These measures include, but are not limited to the following:

- 1) The Bank ensures that clients are aware of the importance of providing accurate and up-to-date information;
- 2) The Bank ensures that all tools, such as risk assessment profiling tools or tools for assessing the client's knowledge and experience, used in the suitability assessment process, are expedient and appropriately designed for use on clients, and that all limitations are established and appropriately mitigated during the suitability assessment process;

- 3) The Bank ensures that the questions from the procedure are easy to understand for clients and that they can accurately understand the client's goals and needs and the information required to implement the suitability assessment; and
- 4) If necessary, the Bank takes measures to ensure the consistency of information on the client, for example by checking whether there are obviously incorrect data in the information provided by clients.

When providing investment consulting or portfolio management services, the Bank is obliged to collect the necessary information about the knowledge and experience of the client or potential client, in the investment field relevant to a certain type of product or service, about his financial situation, which includes the ability of that client to cover losses, as well as the client's investment goals and risk tolerance, so that the Bank is able to recommend to the client or potential client a specific investment service or financial instrument that is suitable for him and in accordance with his risk tolerance and ability to cover losses. When in providing investment services, investment consulting or portfolio management, the Bank does not collect this information, it may not recommend investment services or financial instruments to the client or potential client.

The Bank has in place defined mechanisms with the help of which it is able to prove that it has established appropriate procedures and other internal acts to ensure that the nature and characteristics, costs and risks of the investment services and financial instruments that it chooses for its clients are understandable, and to assess, taking into account cost and complexity, whether they match the same investment services or financial instruments and client profile.

When providing the investment service of investment consulting or portfolio management, the Bank does not recommend and does not decide to trade if none of the services or instruments are suitable for the client.

When providing investment consulting or portfolio management services that include the exchange of investments by selling one instrument and buying another, or using the right of amendment with respect to an existing instrument, the Bank collects the necessary information about the client's current investments and recommended new investments, and analyzes the costs and benefits of the exchange, so that it can reasonably demonstrate that the benefits of the replacement outweigh the costs.

When providing investment consulting, the Bank provides the retail investor with a report summarizing the advice provided and explaining why the recommendation is suitable for the retail investor, including how it achieves the client's goals and personal circumstances, taking into account the requested investment duration, the client's knowledge and experience and the client's risk attitude and ability to bear losses.

In the suitability report, the Bank also includes information on whether it is likely that the retail investor will have to request a regular review of their mechanisms for the recommended services or instruments, and it draws the client's attention to such information.

If the Bank provides a service that includes periodic suitability assessments and reports, the reports drawn up after the establishment of the initial service may only include changes to the included services or instruments and/or the client's circumstances, and they do not have to repeat all the details from the first report.

After carrying out periodic suitability assessments, the Bank reviews the suitability of given recommendations at least once a year in order to improve the service. The frequency of that assessment increases depending on the client's risk profile and the type of the recommended financial instrument.

## **8.2 Common provisions for assessing suitability and appropriateness**

### **Article 44**

The Bank ensures that information related to the knowledge and experience of the client or potential client in the field of investment, to the extent that this is appropriate considering the nature of the client, the nature and

scope of the service to be provided, the type of the intended product or transaction, including their complexity and associated risks, must include the following:

- 1) Type of services, transactions and financial instruments known to the client or potential client;
- 2) Nature, scope and frequency of the client's or potential client's transactions with financial instruments and the period in which they were carried out;
- 3) Title and current occupation or relevant previous profession of the client or potential client.

The bank must not dissuade a client or potential client from providing information. The Bank has the right to rely on information provided to it by clients or potential clients, unless it is aware or should be aware that such information is clearly out of date, incorrect or incomplete.

### **8.3 Assessment of appropriateness and related record-keeping obligations**

#### **Article 45**

The Bank determines whether the client has the necessary experience and knowledge to understand the risks associated with the offered or requested product or investment service when assessing whether the investment service is appropriate for the client.

The Bank may assume that the professional investor has the experience and knowledge necessary to understand the risks associated with that investment service or transaction or type of transaction or product, for which the client is classified as a professional investor.

The Bank keeps a record of the conducted appropriateness assessments, which includes the following:

- 1) Appropriateness assessment result;
- 2) All warnings given to the client, if the investment service or product was assessed as potentially inappropriate for the client, whether the client requested the execution of the transaction despite the warning and when applicable, whether the Bank accepted the client's request to execute the transaction;
- 3) All warnings given to the client if the client did not provide enough information for the Bank to assess appropriateness, as well as whether the client requested the execution of the transaction despite the warning, *i.e.*, whether the Bank accepted the client's request to execute the transaction.

### **8.4 Provision of services in cases of non-complex instruments**

#### **Article 46**

A financial instrument that is not expressly specified in Article 180, Paragraph 7, Item 1) of the Law is considered a non-complex instrument and meets the following criteria:

- 1) It is not covered by Article 2, Paragraph 1, Item 55), Sub-item (3) of the Law or Article 2, Paragraph 1, Item 19), Sub-items (4)–(11) of the Law;
- 2) There are frequent opportunities to sell, redeem or otherwise realize that financial instrument at prices that are publicly available to market participants and that are either market prices or prices available or confirmed through a valuation system that is independent of the issuer;
- 3) They do not include any actual or contingent liability to the client that exceeds the cost of acquiring the instrument;
- 4) It does not contain a clause, condition or triggering mechanism that could fundamentally change the nature or risk of the investment or the payout profile, such as investments that contain a right to convert the instrument into another investment;
- 5) It does not include explicit or implicit exit fees, the effect of which is such that the investment becomes illiquid even though technically there are frequent opportunities to sell, redeem or otherwise realize it;

- 6) Fairly comprehensive information on its features is publicly available and likely to be readily understood and is such as to enable the average retail investor to make an informed decision as to whether or not to enter into a transaction with said instrument.

## 8.5 Complex debt instruments

### Article 47

When assessing the appropriateness and suitability of providing services, providing investment consulting or portfolio management in relation to financial instruments of complex debt instruments from Article 180, Paragraph 7, Item 1), Sub-items (2) and (3) of the Law, the embedded derivative financial instrument is interpreted as part of the debt instrument that causes a portion of the cash flow or the total cash flow that would otherwise result from the instrument to change in accordance with one or more specified variables.

Debt instruments that are structured in such a way that it is difficult for the client to understand the risk should, among other things, include any of the following instruments:

- 1) A debt instrument whose return depends on the result of a defined set of assets. This category includes debt instruments whose returns or results depend on receivables on a fixed or revolving basis arising from assets in the underlying pool.
- 2) A debt instrument whose repayment is subordinated to the repayment of debt owed to other persons. This category includes debt instruments that are structured in such a way that, in case of default of the issuer's contractual obligations, the priority in terms of access to its assets is given to holders of superior debt in relation to holders of subordinated debt.
- 3) A debt instrument in which the issuer has the discretion to change the cash flow of the instrument. This category includes debt instruments that are structured in such a way that the expected income flow or repayment of principal depends on variables determined by the issuer at its sole discretion.
- 4) A debt instrument that does not have an exact redemption or maturity date. This category includes debt instruments that are structured in such a way that there is no exact maturity date and therefore most often no repayment of the invested principal.
- 5) A debt instrument with an unusual or unknown basis. This category includes debt instruments that are structured in such a way that the expected income flow or repayment of principal depends on variables that are unusual or unknown to the average retail investor.
- 6) A debt instrument with complex mechanisms for determining or calculating returns. This category includes debt instruments that are structured in such a way that the expected income flow may vary frequently and/or significantly in different periods of the instrument's life due to the fulfillment of certain predetermined threshold conditions or due to the expiration of certain time limits.
- 7) A debt instrument that is structured in such a way that it does not ensure repayment of principal in full. This category includes debt instruments that are structured in such a way or that are subject to a mechanism that, in certain circumstances, serves as a trigger for partial repayment (or non-repayment) of principal.
- 8) A debt instrument issued by a special purpose vehicle (SPV) in circumstances where the name of the debt instrument or the legal name of the SPV may mislead investors as to the identity of the issuer or guarantor.
- 9) A debt instrument with a complex surety composition. This category includes debt instruments with surety by a third party and structured in such a way that it is difficult for the investor to accurately assess how the composition of the surety affects the investment's risk exposure.
- 10) A debt instrument with the characteristics of financial leverage. This category includes debt instruments that are structured in such a way that returns or losses for investors may exceed the initial investment many times over.

## 8.6 Structured deposits and client rating

### Article 48

Structured deposit is a deposit within the meaning of the law governing deposit insurance, where the principal is paid in full upon maturity, and interest or premium is paid or subject to risk depending on a formula that takes into account factors such as:

- 1) index or combination of indices, excluding deposits with a variable interest rate whose return is directly linked to an interest rate index such as Euribor;
- 2) financial instrument or combination of financial instruments;
- 3) goods or combination of goods or other tangible or intangible property of an irreplaceable character; or
- 4) exchange rate or combination of exchange rates.

In accordance with the provisions of Article 180, Paragraph 7, Item 1, Sub-item (5) of the Law, a structure that makes it difficult for the client to understand the risk of refund exists if:

- 1) the return received is affected by multiple variables or
- 2) there is a complex relationship between the return and the relevant variable or mechanism for determining or calculating the return or
- 3) the variable included in the return calculation is unusual or unknown to the average retail investor or
- 4) the contract gives the credit institution the unilateral right to terminate the contract before maturity.

In accordance with the provisions of Article 180, Paragraph 7, Item 1, Sub-item (5) of the Law, a structure that makes it difficult for the client to understand the costs of early exit from the product exists if the cost of terminating the deposit is not a:

- 1) fixed amount;
- 2) fixed amount for each month (or part of a month) remaining until the agreed maturity;
- 3) fixed percentage of the deposited amount.

In accordance with the provisions of Article 180 of the Law, when the Bank provides investment services to clients that consist only of the execution or receipt and transfer of client orders with or without ancillary services, with the exception of granting credits or loans from Article 2, Paragraph 1, Item 3) of the Law which do not consist of existing credit limits of loans, current accounts and overdrafts on client accounts, is not obliged to request from the client or potential client information on his knowledge and experience in the investment field, with regard to a specific financial instrument or service that is offered or requested, in order to be able to assess the extent to which the intended investment service or financial instrument is suitable for the client, if all the following conditions are met:

- 1) the mentioned services refer to one of the following financial instruments:
  - 1) shares included in trading on a regulated market or an equivalent market in a third country or MTF, if they are shares of companies, which are neither shares in alternative investment funds, nor shares in which a derivative financial instrument is embedded;
  - 2) bonds or other forms of securitized debt included in trading on a regulated market or on an equivalent market of a third country or MTF, except for those in which a derivative financial instrument is embedded or which are structured in a way that makes it difficult for the client to understand the risk;
  - 3) money market instruments, except for those in which a derivative financial instrument is embedded or which are structured in a way that makes it difficult for the client to understand the risk;
  - 4) shares or units in a UCITS fund, excluding structured UCITS funds, in accordance with the law governing open-end investment funds with a public offer;

- 5) structured deposits, excluding those that are structured in a way that makes it difficult for the client to understand the risk of returns or the costs of early exit from the product;
  - 6) other non-complex financial instruments, for the purposes of this paragraph.
- 2) the service was provided at the initiative of the client or potential client;
  - 3) the client or potential client was clearly informed that, during the provision of a certain service, the Bank has no obligation to assess the appropriateness of the provided or offered financial instrument or service, and that therefore the client does not enjoy the right of protection from these Rules of Procedure. This warning can be given in a standardized form;
  - 4) the investment company meets the obligations from Article 176 of this law.

For the purposes of this Article, the market of a third country is considered equivalent to a regulated market if the Commission adopts a decision on equivalence when the legal framework of that third country meets at least the following conditions:

- 5) the markets are subject to obtaining a permit and constant effective supervision and law enforcement;
- 6) the markets have clear and transparent rules regarding the inclusion of securities in trading, and they are traded in a fair, regular, and efficient manner, and can be freely transferred;
- 7) information is periodically and constantly requested from the issuers of securities, which ensures a high level of investor protection; and
- 8) market transparency and integrity are ensured by preventing market abuses, such as insider trading and manipulation.

## **9. REPORTING TO CLIENTS**

### **9.1 Reporting obligation regarding the execution of orders that do not involve portfolio management**

#### **Article 49**

After executing an order for the client's account, which does not include portfolio management, the Bank shall act as follows in relation to that order:

- 1) Deliver to the client essential information regarding the execution of that order, without delay and on a permanent data carrier;
- 2) As soon as possible, deliver to the client a notification confirming the execution of the order on a permanent data carrier, no later than the first business day after the execution, or if the Bank receives a confirmation from a third party, no later than the first business day after receiving the confirmation from the third party.

Paragraph 1, Items 1) and 2) of this Article do not apply in the case when the orders executed on behalf of clients refer to bonds that finance mortgage loan contracts with the specified clients, and in that case the transaction report is submitted simultaneously with the terms of the mortgage loan, but no later than one month from the execution of the order.

The Bank provides the client with information on the status of his account upon request.

In cases of client orders related to stakes or shares in a joint venture entity, which are executed periodically, the Bank provides the client with prescribed information as soon as possible, and at least once every six months in relation to the aforementioned transactions.



## **Article 50**

The notification from the previous Article 49, paragraph 1, item 2) of these Rules of Procedure contains information prescribed by the Commission's bylaws and is delivered to clients on the Bank's standardized form.

### **9.2 Reporting to clients regarding portfolio management**

#### **Article 51**

When the Bank provides portfolio management services to clients, it delivers to those clients on a permanent data carrier a periodic report on portfolio management activities carried out on behalf of that client, unless that report is submitted by another person.

The periodic report contains a correct and balanced overview of the undertaken activities and portfolio returns during the reporting period, contains information prescribed by the Commission's bylaws and is delivered to clients on the Bank's standardized form.

The periodic report is submitted every three months, except in the following cases:

- 1) When the Bank provides its clients with access to an electronic system, which is considered a permanent data carrier, in which updated valuations of the client's portfolio can be accessed and in which the client can simply access information prescribed by the Commission's bylaws and the Bank's internal acts, and when the Bank has proof that the client has evaluated his portfolio at least once during the relevant quarter;
- 2) In cases where it is agreed that the periodic report must be submitted at least once in 12 months;
- 3) When the portfolio management service contract between the Bank and the client allows portfolio management using financial leverage, the periodic report must be submitted at least once a month.

In cases where the client declares that he wants to receive information about the executed transactions after the execution of each individual transaction, the Bank delivers to the client essential information related to the said transaction without delay, on a permanent data carrier, after the person authorized to manage the portfolio executes the transaction.

The Bank delivers to the client a notification confirming the transaction no later than the first business day after the execution, or if the Bank receives a confirmation from a third party, no later than the first business day after receiving the confirmation from the third party.

### **9.3 Reporting obligation regarding designated professional investors**

#### **Article 52**

The notification delivered by the bank to retail and professional investors also applies to designated professional investors, except in cases where the Bank has concluded a contract with a designated professional investor, which determines the content and deadlines of reporting.

### **9.4 Additional reporting obligations regarding portfolio management or contingent liability transactions**

#### **Article 53**

When providing portfolio management services, the Bank informs the client when the total value of the portfolio, calculated at the beginning of each reporting period, decreases by 10%, and after that by every further 10%, at the latest at the end of the working day when the threshold is exceeded or in the case when the threshold is exceeded on a non-working day, at the end of the next working day.

Banks that hold retail investor accounts that include positions in financial instruments with financial leverage or contingent liability transactions, inform their clients when the initial value of each instrument decreases by 10% and after that by every further 10%. Reporting in accordance with this paragraph is carried out for each individual instrument separately, unless otherwise agreed with the client, and is carried out at the latest at the end of the working day when the threshold is exceeded or, in the event that the threshold is exceeded on a non-working day, at the end of the next working day.

## **9.5 Reports on financial instruments or funds of clients**

### **Article 54**

The Bank delivers reports on financial instruments and funds to each client for which it holds financial instruments or funds at least on a quarterly basis and on a permanent data carrier, unless that report is submitted in another periodic report. At a commercial price, the Bank can deliver reports more often at the client's request.

The Bank does not apply the previous paragraph in relation to the deposits it holds.

### **Article 55**

A report on financial instruments or funds of clients (assets) contains information prescribed by the Commission's bylaws and is delivered to clients on the Bank's standardized form.

In cases where the client's portfolio includes funds from one or more outstanding transactions, the report on financial instruments or client funds (assets) may be based on the trade date or on the settlement date, provided that the same basis is consistently applied to all such information in the report.

The periodic report on financial instruments or client funds (assets) is not submitted when the Bank provides its clients with access to an electronic system that is considered a permanent data carrier and in which the client can easily access updated reports on financial instruments or client funds, and the Bank has proof that the client accessed that report at least once during the relevant quarter.

The Bank may include a report on the client's assets in the periodic report it delivers to the client to whom it provides portfolio management services.

## **9.6 Reporting on issuer decisions that may affect the registration of third party rights**

### **Article 56**

As a member of CSD, the Bank provides a unique record of shareholders for the issuer with which it has concluded a contract on the performance of corporate services, and on the basis of which the agenda and invitation to the shareholders' meeting are submitted in accordance with the law governing companies.

The unique record of shareholders, in accordance with CSD's rules of procedure, contains, among other things, data on shares on which the rights of third parties have been registered, whether they have been pledged by the legal owners, and in that case, data on the pledgee (the person in whose favor that right is entered).

When there is a decision on the agenda of the meeting that results in the cancellation of all or a certain number of shares due to a change in the nominal value (when the number of shares issued changes), reduction of the core capital by cancellation of shares in the possession of shareholders, status changes and other cases where the previously issued shares will be cancelled, the Bank is obliged to notify the pledgee of:

- 1) The date of the issuer's meeting at which the agenda foresees the adoption of a decision by which the shares on which a lien is constituted and the deadlines for the implementation of that decision, will be cancelled,

- 2) If the relevant decision involves the simultaneous issuance of new shares, data on the ratio of replacement of existing shares and shares to be issued (with specification of the number of shares to be issued, which corresponds to the number of shares on which a certain right is registered).

When the meeting agenda includes a decision on the enforced redemption of all the shares of the remaining shareholders of the company, the Bank, as the corporate agent of the issuer, is obliged to deliver to the pledgee a notice of:

- 1) The date of the issuer's meeting, at which the decision on enforced redemption is scheduled on the agenda, based on which the majority shareholder will purchase all the remaining shares of that issuer from the remaining shareholders in the manner and according to the procedure provided by CSD's rules of procedure,
- 2) The deadlines for implementing that decision.

The Bank, as a corporate agent of the issuer, together with the request for registration of changes in CSD, also submits proof that it has informed the borrower of the expected changes in the shares.

As a corporate agent, the Bank accordingly applies the provisions of this Article when the issuer makes a decision to change its legal form, or when bankruptcy or liquidation proceedings are initiated against the issuer.

## **10. TYPES OF ORDERS, DEALING WITH CLIENT ORDERS, INFORMATION ON EXECUTED ORDERS, THE MOST FAVORABLE EXECUTION OF ORDERS, OUTSOURCING THE EXECUTION OF ORDERS, AS WELL AS KEEPING RECORDS**

### **10.1 DEALING WITH CLIENT ORDERS**

#### **10.1.1 General principles**

#### **Article 57**

When executing a client's order, the Bank meets the following requirements:

- 1) Orders executed on behalf of clients are recorded and allocated without delay and correctly;
- 2) Client orders that are comparable are executed in the sequence of order acceptance and without delay, unless the characteristics of the order or the prevailing market conditions prevent it, or if the client's interests require a different treatment;
- 3) Retail investors are informed without delay of all important difficulties that are relevant for the orderly execution of orders as soon as the Bank becomes aware of them.

In the event that an order with a client's limit related to shares, as well as other financial instruments, which are included in trading on the regulated market or which are traded on the trading venue, and which is not immediately executed or enforceable according to the current prevailing situation on the market, the Bank is obliged to take measures to execute the order as soon as possible and immediately publish the order with the limit in a way that will make it easily accessible to other market participants, unless the client has expressly given different instructions.

It is considered that the Bank has fulfilled this obligation if it forwards the client's limit order to the trading venue. The obligation to publish an order with a limit does not apply to an order that is large in volume compared to the normal market size and for which the Commission has removed the obligation to publish information on current bid and ask prices.

The Bank undertakes all reasonable measures to ensure that all financial instruments or funds of the client, received for settlement of the executed order, are transferred in a timely and orderly manner to the respective client's account.

The Bank must not misuse information related to unexecuted client orders and takes all reasonable measures to prevent relevant persons of the Bank from misusing such information.

The priority of certain regulated markets and multilateral trading facilities is determined in accordance with the Bank's order execution policy, in order to ensure execution based on market conditions as soon as possible.

## **10.2 MOST FAVORABLE ORDER EXECUTION**

### **10.2.1 Criteria for the most favorable order execution**

#### **Article 58**

When executing a client's order, the Bank takes into account the following criteria for determining the relative importance of the factors consisting of the following:

- 1) Client characteristics, including the client's categorization as a retail or professional investor or designated professional investor;
- 2) Client order characteristics;
- 3) Characteristics of financial instruments that are the subject of that order;
- 4) Characteristics of the place of execution to which the specified order can be directed.

Place of execution includes a regulated market, a multilateral trading facility, an organized trading facility, a systematic internaliser, a market organizer or some other liquidity provider or an entity that performs a similar function in a foreign country as any of the aforementioned entities.

The Bank meets its obligation and undertakes all necessary measures to achieve the most favorable possible outcome for the client to the extent that it executes the order or a special feature of the order by adhering to the special instructions of the client related to the order or a special feature of the order.

The Bank does not structure and calculate its commissions in a way that would lead to unfair discrimination among the places of execution.

When executing an order or making a decision on trading in OTC products, including non-standardized products, the Bank checks the fair value of the price proposed to the client by collecting market data used to estimate the price of such product and, if necessary, comparing it with similar or comparable products.

### **10.2.2 The Bank's duty to act in the best interest of clients when providing portfolio management services, as well as receiving and transferring orders**

#### **Article 59**

When providing portfolio management services, the Bank meets the obligation to act in the best interest of its clients when submitting orders to other entities for execution, which results from the Bank's decisions to trade in financial instruments for the client's account.

When providing the service of receiving and transferring orders, the Bank meets the obligation to act in the best interest of its clients when transferring client orders to other entities for execution.

The Bank undertakes all necessary measures in order to achieve the most favorable possible outcome for its clients, taking into account the factors and criteria prescribed by the Law and bylaws (Article 186, Paragraph 1, as well as Article 43, Paragraph 1 of the Law).

The Bank is obliged to meet its obligations, except when it acts according to the special instructions of its client, when handing over or transferring orders to another entity for execution.

The Bank establishes and implements an internal policy that enables it to meet these obligations. The procedure and instructions determine the entities to which the Bank submits or transfers orders for execution for each class of instruments. The established entities have order execution measures that enable the Bank to meet its obligations when it transfers or submits an order to the specified entity for execution.

The Bank provides its clients with information on the established order execution policy in accordance with these Rules of Procedure and the Commission's bylaws. The Bank provides clients with appropriate information on the company and its services and entities selected for implementation of the execution, which are also published on the Bank's website.

At the client's request, the Bank provides its clients or potential clients with information on entities to which orders have been transferred or submitted for execution.

The Bank regularly monitors the effectiveness of the established rules, and in particular monitors the quality of execution by the entities defined in the rules and, when necessary, corrects deficiencies.

The Bank reviews the established rules and measures at least once a year. Reviews are conducted at each occurrence of a material change that affects the Bank's ability to continue to achieve the best possible outcome for its clients.

### **10.3 ORDER EXECUTION POLICY**

#### **Article 60**

The Bank reviews the order execution policy and its order execution measures at least once a year.

Reviews are conducted at each occurrence of a material change that affects the Bank's ability to continue to permanently achieve the best possible outcome when executing the orders of its clients using the places of execution included in its order execution policy. The Bank assesses whether a material change has occurred and considers the introduction of changes regarding the relative importance of the most favorable execution factor within the framework of the fulfillment of the general request for the most favorable execution.

Information on the order execution policy is adjusted depending on the class of the financial instrument and the type of service provided.

### **11. PUBLICATION OF INFORMATION ON EXECUTED ORDERS - ON THE IDENTITY OF THE PLACE OF EXECUTION AND QUALITY OF EXECUTION**

#### **Article 61**

Once a year, the Bank publishes information related to client orders that are executed at trading venues or through systematic internalizers, market organizers or some other liquidity insurers or entities that perform a function in a foreign country similar to the function performed by any of the aforementioned entities.

#### **Article 62**

The Bank publishes the five best places of execution in terms of trading volume and all other information prescribed by the Law and by-laws of the Securities Commission.

### **12. RECORDS**

#### **12.1 Keeping records**

#### **Article 63**

The Bank keeps records on clients, services provided and fees/costs charged, and in particular:

- 1) Records on concluded contracts with clients,
- 2) Records on information provided to clients, especially costs and fees,

- 3) Records on suitability and appropriateness,
- 4) Records on investment advice, recommendations, investment research, portfolio management, in accordance with the received permission of the Commission,
- 5) Records on client orders - Book of Orders,
- 6) Records on communication with clients,
- 7) Records on keeping clients' cash accounts,
- 8) Records on outsourced affairs,
- 9) Records on marketing contents,
- 10) Records on personal transactions,
- 11) Records on observed activities that may represent market abuses,
- 12) Records on client complaints and complaints resolution.

The Bank may establish other records in accordance with internal acts.

## **12.2 Records on concluded contracts with clients**

### **Article 64**

Records on concluded contracts with clients contain: client identification data; identification number and date of concluded contract; designation of services that can be provided to the client and other data in accordance with the acts of the Commission and which are important for the performance of the Bank's contractual obligations.

## **12.3 Records on information provided to clients, especially costs and fees**

### **Article 65**

The Bank keeps records of what information it has provided to clients or potential clients in the form of records, minutes or otherwise, from which the exact time and scope of information provided to the client or potential client can be determined in accordance with the Law.

## **12.4 Records on client orders - Book of Orders**

### **Article 66**

The Bank is obliged to keep a book of orders in which client orders for the purchase or sale of financial instruments are entered immediately upon receipt, including orders that are transferred for execution to another credit institution or investment company, changes and revocations of orders.

The Bank is obliged to keep the book of orders in electronic form, in the manner and with the content more closely prescribed by the acts of the Commission.

The Bank keeps the book of orders so as to:

- 1) Immediately record the time of order receipt;
- 2) Prevent subsequent modification of entered data;
- 3) Ensure visibility and chronology of entered data;
- 4) Enable obtaining client reports (by type of contract, instruments, for a specific period, *etc.*).

A client order is considered as received upon its entry in the Bank's Book of Orders.

## **12.5 Confirmation of acceptance or rejection of execution of client orders**

### **Article 67**

The Bank is obliged to notify the client immediately, and at the latest on the next working day from the date of receipt of the order, through a permanent medium, of the following:

- 1) Time and place of receiving, changing, or revoking the order;
- 2) Accepting or rejecting the execution of the order, stating the reason for the rejection of the execution.

Notification of order receipt can be delivered to the client at the same time as the order is issued, through a permanent medium.

## **12.6 Reasons for rejection to execute client orders**

### **Article 68**

The Bank is obliged to reject the execution of an order for the purchase or sale of financial instruments and to inform the Commission and the competent organizational unit of the Bank about this without delay, if it has reason to suspect that the execution of such an order would:

- 1) violate the provisions of the Law or laws and bylaws governing the prevention of money laundering and financing of terrorism;
- 2) commit an act punishable by law as a criminal offense, economic offense, or misdemeanor.

In the event of rejection to execute a client's order due to reasonable suspicion in accordance with the laws and bylaws governing the prevention of money laundering and financing of terrorism, the Bank is obliged to inform the Department for the Prevention of Money Laundering and Financing of Terrorism.

When determining the circumstances for rejecting an order, the Bank may use its own information or information it receives from its clients or potential clients, unless it has knowledge or should have knowledge that such information is obviously outdated, inaccurate, or incomplete.

### **Article 69**

The Bank may reject the execution of:

- 1) A purchase order, if it determines that the client's cash account does not have enough funds needed to settle the obligations arising from the execution of that order;
- 2) A sales order, if it determines that the client does not have enough instruments in the financial instruments account required to settle the obligations arising from the execution of the order.

The Bank may also reject execution at the request of the competent regulatory authority or by order of the competent court.

The Bank is not obliged to reject the execution of an order, if the client's order, *i.e.*, the settlement of the transaction, can be executed:

- 1) from realized but unsettled transactions;
- 2) by granting a loan to the client by the Bank, based on applicable regulations;
- 3) by lending financial instruments in accordance with the rules governing the lending of financial instruments.

## **12.7 Record keeping method**

### **Article 70**

The Bank is obliged to keep records on clients, services provided and fees or expenses charged for at least seven years in such a way that the data of these records are available, legible and in chronological order at the request of the Commission.

Records on communications on all services, activities and transactions performed by the Bank (Article 169, Paragraph 1 of the Law) are kept on a medium that enables the storage of information, and are available to the Commission for future use in a form and manner that meet the following conditions:

- 1) the Commission can quickly access information and reconstruct each key stage of processing each transaction;
- 2) it is possible to easily determine all corrections or other changes, as well as the content of the records before those corrections or changes;
- 3) it is not possible to manipulate or change the records in any other way;
- 4) IT or any other efficient use is permitted when, due to the volume and nature of the data, it is not possible to simply carry out data analysis; and
- 5) the Bank's measures are in accordance with record-keeping requirements regardless of the technology used.

The Bank keeps written records of all policies and procedures that it is obliged to establish in accordance with the provisions of the Law and other relevant regulations.

## **12.8 Keeping records of transactions and trading decisions**

### **Article 71**

The Bank keeps and provides to the Commission upon its request at least a record of the particulars, immediately after receiving the client's order or making a trading decision, to the extent that these particulars apply to the relevant order or trading decision.

In its information system, the Bank keeps a unique record of the number of received orders for the purchase or sale of financial instruments, the price of financial instruments, the purchase and sale of financial instruments concluded by it, as well as other records related to trading in financial instruments.

In addition to aggregate data, the Bank also keeps special reports by types of financial instruments, markets, place and type of order receipt, and the like.

The Bank prepares daily, monthly, periodical, semi-annual, and annual reports on operations with financial instruments concluded on the market in the country and abroad.

## **12.9 Keeping records of the rules and obligations of the Bank and the client**

### **Article 72**

Records that determine the respective rights and obligations of the Bank and the client under the contract for the provision of services, or the conditions under which the Bank provides services to the client, are kept for at least seven years after the termination of the contractual relationship with the client.

## **12.10 Recording of telephone conversations and electronic communication**

### **Article 73**

The Bank establishes, implements and maintains an effective policy for recording telephone conversations and electronic communication, which contains the following elements:

- 1) Identification of telephone conversations and electronic communication, including relevant internal telephone conversations and electronic communication, which are subject to recording requirements in accordance with Article 169 of the Law; and
- 2) Determination of procedures to be followed and measures to be taken to ensure that the Bank meets the provisions of Article 169, Paragraph 1 of the Law if exceptional circumstances occur and the Bank cannot record conversations/communications on devices provided, accepted or permitted by the Bank. Evidence of those circumstances must be preserved and made available to the Commission.

Competent Bank Managers have effective supervision and control over policies and procedures related to the recording of telephone conversations and electronic communications of the Bank.



The Bank maintains and periodically updates records of persons who have Bank devices or privately owned devices whose use has been approved by the Bank.

The Bank provides education and training of employees regarding the procedures governing the requirements from Article 169 of the Law.

In order to ensure the monitoring of the fulfillment of the recording and record-keeping requirements in accordance with Article 169 of the Law, the Bank periodically monitors the records of transactions and orders that are subject to those requirements, including relevant conversations. Such monitoring must be risk-based and appropriate.

Before providing new and existing clients with investment services and activities related to the receipt, transfer and execution of orders, the Bank informs the client of the following:

- 1) Conversations and communications are recorded; and
- 2) A sample record of those client conversations and communications with the client will be available upon request for a period of seven years.

The information referred to in paragraph 6 of this Article shall be delivered in the same language or languages used to provide investment services to clients.

The Bank records on a permanent data carrier all relevant information related to face-to-face conversations with the client. Recorded information includes at least the following:

- 1) Date and time of meetings;
- 2) Venue of meetings;
- 3) Identity of meeting participants;
- 4) Initiator of meetings; and
- 5) Relevant information on the client's order including price, volume, type of order and when it is transferred or executed.

Records are stored on a permanent data carrier, which enables them to be replayed or duplicated, and must be stored in a format that prevents modification or deletion of the original record.

Records are stored on media in such a way that they are immediately available to clients upon request.

The Bank ensures the quality, accuracy and completeness of records of all telephone conversations and electronic communications.

The record keeping period begins on the day the record is created.

### **13. PROTECTION OF CLIENT PROPERTY**

#### **Article 74**

Financial instruments and funds of clients are not part of the property, bankruptcy or liquidation assets of the Bank, nor can they be the subject of enforcement or forced collection carried out against the Bank.

#### **13.1 Records on protection of clients' financial instruments and clients' funds**

#### **Article 75**

In order to protect the rights of its clients, when the Bank holds financial instruments and funds of clients, it is obliged to:

- (1) As regards records, accounts and correspondence relating thereto:

- Manage them precisely and accurately in such a way that at any moment and without delay it can distinguish and separate the property it holds for one client from the property it holds for any other client of the Bank, as well as from its own property;
  - Keep them so as to ensure their accuracy, especially those related to financial instruments and funds held for clients, in such a way that records and accounts can be used for auditing purposes;
  - Regularly reconcile them with records and accounts of third parties that hold clients' property;
- (2) Undertake the necessary measures to ensure that all financial instruments of clients that are deposited with a third party in accordance with these Rules of Procedure, *i.e.* with the Central Registry, are clearly distinguished from financial instruments that belong to the Bank and from financial instruments that belong to that third party, so that they are kept on separate accounts in the ledgers;
  - (3) Undertake the necessary measures to ensure that all client funds deposited in the Bank or other credit institution that is a member of the Central Registry are held in an account or accounts that are different from the accounts used to hold the Bank's funds;
  - (4) Apply the measures that minimize the operational risk of loss or reduction of clients' property, or rights related to that property, which may arise as a result of abuse, fraud, bad administration, inappropriate record keeping, or negligence.

Paragraph 1 of this Article also applies in cases where the Bank keeps client funds in a collective account of financial instruments or funds.

The Bank establishes mechanisms for the protection of clients' property for the purpose of fulfilling the objectives referred to in paragraph 1 of this Article, especially when due to the relevant legislation, including special legislation related to property or insolvency, the Bank cannot comply with paragraph 1 of this Article in order to protect the rights of clients for the purpose of fulfilling the legal requirement regarding the protection of ownership rights and preventing the use of financial instruments of clients for its own account, except with the express consent of the client.

The Bank establishes mechanisms for the protection of clients' property for the purpose of fulfilling the obligations from paragraph 1, items (2) and (3) if, due to the relevant legislation in the jurisdiction of the country where the clients' funds or financial instruments are kept, the Bank cannot fulfill those obligations.

The Bank will inform its clients that it relies on those mechanisms and that it is not possible to apply the provisions of the Law and bylaws.

The right to redeem a client's financial instruments or funds, or a lien or right to offset over said instruments or funds of the client, which enables a third party to use the client's financial instruments or funds in order to collect debts that are not related to the client or the provision of services to the client are not allowed, unless this is required by the relevant legislation in the jurisdiction of the foreign country where the client's funds or financial instruments are kept and in the event that the Bank is obliged to enter into a contract creating a right of redemption, a lien or a right to offset, whereby it will notify the client of the same and state the risks related to that contract. These rights are recorded in the client's contracts and the Bank's own accounts, so that the ownership status of the client's property is clear.

The Bank will make available to the Commission, appointed bankruptcy trustees and persons responsible for the rehabilitation of institutions in difficulty, the following information related to financial instruments and funds of clients:

- 1) linked internal accounts and records that easily determine the balance of funds and financial instruments held for each client;
- 2) details of the accounts where the client's funds are kept and of the relevant contracts with those credit institutions, if the client's funds are kept in accordance with these Rules of Procedure;

- 3) details of the accounts where the clients' financial instruments are deposited with third parties and of the relevant contracts with those third parties, as well as details of the relevant contracts with those parties;
- 4) data on third parties that perform all related (separated) tasks and details with separated tasks;
- 5) data on key persons participating in the related procedures, including persons responsible for monitoring requirements regarding the protection of client assets; and
- 6) relevant contracts for determining the client's property ownership.

### **13.2 Dealing with financial instruments of clients**

#### **Article 76**

The Bank is obliged to use financial instruments from a client's account only on the basis of the client's order. The Bank must not:

- (1) pledge or dispose of financial instruments owned by the client without his prior written authorization;
- (2) buy, sell financial instruments solely for the purpose of charging a commission or other fee;
- (3) uses the client's financial instruments to settle its obligations, as well as obligations of other clients.

### **13.3 Depositing financial instruments of clients abroad**

#### **Article 77**

The Bank deposits its clients' financial instruments into an account or accounts opened with a third party (Depositor), acting with the care of a prudent businessman during the selection, appointment and periodic checks of the third party.

When choosing a foreign depository on whose accounts it will hold its clients' financial instruments, the Bank is obliged to take the following into account:

- (1) expertise and market reputation of the depository;
- (2) that the Depository is subject to supervision and regulations that regulate the custody of financial instruments for the account of another person in that country;
- (3) to periodically review the choice of the Depository and the agreed arrangements for holding and custody of the client's financial instruments.

Notwithstanding paragraph 2, item 2 of this Article, the Bank may deposit the client's financial instruments with the Depository in a country where the holding and custody of financial instruments for the account of another person are not specifically regulated, only if one of the following conditions is met:

- (1) the type (nature) of the financial instrument or the investment service associated with the said instrument is such that it must be deposited with the Depository in the said foreign country;
- (2) professional investor requests the Bank in writing to deposit his financial instruments with the Depository in the specified foreign country.

The requirements from paragraph 2, item (2) and paragraph 3 also apply when a third party (Depository) delegates any of its functions related to the holding and custody of financial instruments to a third party.

### **13.4 Depositing clients' funds**

#### **Article 78**

In the event that the Bank deposits a client's funds with a credit institution or bank that is part of the same group as the Bank, the amount of funds that will be deposited with each such entity, group or combination of groups of entities cannot exceed 20% of the total amount of those funds, except if the Bank can prove that this is justified considering the nature, scope and complexity of its operations, and the safety of those persons, when it does not have to comply with the specified limitation.

## 13.5 Collateral

### Article 79

According to these Rules of Procedure, collateral includes:

- (1) Bank guarantee or surety;
- (2) Accepted or guaranteed bill of exchange and blank bill of exchange with authorization to complete it;
- (3) Real security: lien on real estate, transferable financial instruments, other items, rights and receivables that can be subject to pledge in accordance with applicable legal regulations;
- (4) Other collateral.

## 13.6 Use of clients' financial instruments

### Article 80

The Bank will not enter into contracts on securities financing transactions for financial instruments that it holds for the client's account or otherwise use such financial instruments for its own account or for the account of any other person or the Bank's client, unless the following conditions have been met:

- (1) The client has given explicit prior consent for the use of instruments under precisely defined conditions, which he confirms with his signature or another similar mechanism;
- (2) The use of the client's financial instruments is limited to precisely defined conditions with which the client agrees.

The Bank will not enter into contracts on securities financing transactions for financial instruments held for the client's account in a collective account kept by a third party or otherwise use financial instruments in such an account for its own account or for the account of any other person, unless, in addition to the conditions specified in paragraph 1 of this Article, at least one of the following conditions has been met:

- (1) Each client whose financial instruments are kept together in a collective account must give express prior consent, in accordance with paragraph 1, item 1) of this Article;
- (2) The Bank has in place systems and controls that ensure that only financial instruments belonging to clients who have given express prior consent are used, in accordance with paragraph 1, item 1) of this Article.

The Bank's records include data on the client according to whose instructions the use of financial instruments was carried out, as well as on the amount of used financial instruments belonging to each client who gave consent, in order to enable the proper distribution of potential loss.

The Bank will take appropriate measures to prevent the unauthorized use of the client's financial instruments for its own account or for the account of any other person, such as:

- (1) concluding contracts with clients (1) on the measures that the Bank will take in the event that the client does not have sufficient funds on the account on the settlement date, e.g. lending the appropriate securities on behalf of the client or closing the item;
- (2) careful monitoring of its predicted ability to perform on the settlement date, as well as the establishment of corrective measures if this cannot be achieved; and
- (3) careful monitoring and prompt claiming of undelivered financial instruments outstanding on the settlement date and thereafter.

The Bank has established special measures for all clients to ensure that the lender of the client's financial instruments provides adequate collateral, for continuous monitoring of the adequacy of such collateral, as well as measures to maintain balance with the value of the client's instruments.

The Bank has introduced special measures and mechanisms to ensure that it does not enter into contracts that are prohibited by law, namely contracts with retail investors on the transfer of ownership of financial collateral in order to secure or cover current or future, actual, contingent, or expected client obligations.

### **13.7 Improper use of contracts on collateral with transfer of ownership rights**

#### **Article 81**

The Bank considers the use of contracts on collateral with transfer of ownership rights in the context of the relationship between the client's obligation to the Bank and the client's property.

When considering and documenting the suitability of the use of a contract on collateral with transfer of ownership rights, the Bank takes all the following factors into account:

- 1) whether there is only a weak connection between the client's obligation to the Bank and the use of the contract on collateral with transfer of ownership rights, including whether the probability of the client's obligation to the Bank is small or insignificant;
- 2) whether the client's obligations significantly exceed the amount of the client's funds or financial instruments that are subject to contracts on collateral with transfer of ownership rights;
- 3) whether the client's all financial instruments or funds are subject to contracts on collateral with transfer of ownership rights, without taking into account what obligations each client has towards the Bank.

When using a contract on collateral with transfer of ownership rights, the Bank will emphasize to professional investors and designated professional investors the risks involved and the effect of each contract on collateral with transfer of ownership rights to the client's financial instruments and funds.

### **13.8 Management systems for the protection of client property**

#### **Article 82**

The Bank, *i.e.*, its Managers, have appointed a person employed in the Capital Market Department with regard to knowledge and authority and special competence for issues related to compliance with the Bank's obligations regarding the protection of clients' financial instruments and funds.

### **13.9 External auditor reports**

#### **Article 83**

The Bank's external auditor reports to the Commission once a year on the compliance of the Bank's operations pursuant to Article 170 of the Law.

## **14. PRODUCT MANAGEMENT**

### **14.1 Product management in the production of financial instruments**

#### **Article 84**

When preparing financial instruments for sale to clients, which includes the creation, development, issuance and/or design of a financial instrument, the Bank maintains, manages and reviews the approval process of each financial instrument and performs their significant adjustments before placing them on the market or before distributing them to clients.

In producing financial instruments, the Bank observes, to the extent that this is appropriate and proportionate, the requirements from the following paragraphs of this Article, taking into account the nature of the financial instrument, the investment service and the target market for the product in question.

The Bank establishes, implements and maintains procedures and measures to ensure that the production of financial instruments is in accordance with the principles of diligent business and prevention of conflicts of interest.

When producing financial instruments, the Bank ensures that the design of the financial instrument, including its characteristics, does not negatively affect end clients, *i.e.*, that there are no problems with the integrity of the market by enabling it to reduce and/or transfer its own risks or exposure to the relevant property of the product if the Bank holds that property for its own account.

The Bank analyzes potential conflicts of interest every time it produces a financial instrument, that is, assesses whether the financial instrument leads to a situation where the impact on the end client may be negative if he:

- (1) Assumes an exposure opposite to the exposure previously held by the Bank itself or
- (2) Assumes an exposure opposite to the exposure that the Bank wants to hold after selling the product.

Before deciding on the placement of the product, the Bank considers whether the financial instrument could pose a threat to the regular functioning or stability of the financial markets.

Bank employees involved in the production of the instrument have the necessary expertise to understand the characteristics and risks of the financial instrument they intend to produce.

Competent Managers effectively exercise control over the product management process and compliance reports sent to them systematically include information on the financial instruments that have been produced, including information on the distribution strategy. The Bank makes these reports available to the Commission upon its request.

The competent organizational unit of the Bank, which is responsible for compliance monitoring, monitors the development and regularly checks the mechanisms for product management, in order to detect the risk of non-fulfillment of obligations from this Article by the Bank.

If the Bank, during the creation, development, issuance and/or design of products, also cooperates with entities that do not have a work permit and are not under supervision in accordance with the Law or with investment companies/credit institutions from foreign countries, mutual obligations must, among other things, be regulated by a contract in writing.

For each financial instrument, the Bank determines in detail the potential target market and specifies the type or types of clients whose needs, characteristics and goals the financial instrument is compatible with, and on this occasion, the Bank also determines all groups of clients whose needs, characteristics and goals the financial instrument is not compatible with. One target market is also determined when several credit institutions/investment companies cooperate in the production of a financial instrument.

The Bank performs a scenario analysis for its financial instruments, in which it assesses the risk of poor results that the product may bring to the end client, as well as the circumstances in which such a result could occur; the Bank also evaluates the financial instrument in possible unfavorable conditions, such as:

- 1) In the event of deterioration of the market environment;
- 2) In the event that the producer or a third party involved in the production or functioning of the financial instrument has financial problems or other counterparty risks appear;
- 3) In the event that the financial instrument is not commercially viable or
- 4) In the event that the demand for the financial instrument is much higher than expected, which would burden the Bank's resources and/or the market for that instrument.

The Bank determines whether a financial instrument meets the established needs, characteristics, and goals of the target market, among other things, based on the examination of the following elements:

- 1) Whether the risk-profit profile of the financial instrument is in line with the target market and

- 2) Whether the design of the financial instrument is characterized by features that benefit the client and is not based on a business model that relies on the profitability of the client's poor results.

The Bank determines the fee structure proposed for a financial instrument, among other things, based on the examination of the following:

- 1) Whether the costs and fees are aligned with the needs, goals, and characteristics of the target market;
- 2) Whether the fees call into question the expected profit from the financial instrument, for example, if the amounts of costs and fees are equal to or exceed or almost completely neutralize the expected tax reliefs associated with the financial instrument; and
- 3) Whether the financial instrument fee structure is reasonably transparent in relation to the target market, for example by having no hidden fees or not being difficult to understand.

When providing information on a financial instrument to distributors, the Bank also includes information on the appropriate distribution channels of the financial instrument, product approval process and target market assessment, and compliance with the appropriate standard that will enable distributors to properly understand, recommend or sell the financial instrument.

The Bank periodically reviews the financial instruments it produces, taking into account all events that can significantly affect the potential risk of the determined target market. In doing so, the bank considers whether the financial instrument is still aligned with the needs, characteristics, and goals of the target market and whether it is distributed in the target market or reaches clients with whose needs, characteristics and goals it is not aligned.

The Bank reviews its financial instruments before any further issuance or re-marketing if it becomes aware of any event that could significantly affect the potential risk of the investor, and evaluates at regular intervals whether the financial instrument is functioning as intended. The Bank determines the frequency of reviews of financial instruments based on relevant factors, including factors related to the complexity or innovative nature of the applied investment strategies.

The Bank determines the following as key events that could affect the potential risk or expected profit from a financial instrument:

- 1) Exceeding the threshold that affects the profit profile of the financial instrument or
- 2) Solvency of certain issuers whose securities or sureties may affect the results of the financial instrument;

and in cases of such events takes the following appropriate measures:

- 1) Providing relevant information to clients or distributors of the financial instrument (if the Bank does not offer or sell the financial instrument directly to clients) on the event and its consequences for the financial instrument;
- 2) Changing the product approval procedure;
- 3) Stopping further issuance of the financial instrument;
- 4) Modifying the financial instrument in order to avoid unfair contractual terms;
- 5) Reviewing the suitability of the sales channels through which the financial instrument is sold if it is determined that the financial instrument is not sold as planned;
- 6) Contact with the distributor to discuss changes in the distribution process;
- 7) Terminating the relationship with the distributor; or
- 8) Notifying the appropriate competent authority.

## 14.2 Product management obligations for distributors

### Article 85

When deciding on the range of financial instruments that it issues itself or that are issued by other credit institutions/investment companies, as well as on the services that it intends to offer or recommend to clients, the Bank observes the provisions of this Article, to the extent that this is suitable and proportionate, taking into account the nature of the financial instrument, investment services and the target market for the product in question.

The Bank establishes effective mechanisms to ensure sufficient information on financial instruments produced by entities that are not subject to the Law and to verify their compliance with the Law.

The Bank determines the target market for the financial instrument in question, even if the producer has not determined the target market.

The Bank manages its products in a way that ensures that the products and services it intends to offer or recommend are in accordance with the needs, characteristics, and goals of a specific target market, as well as that the planned distribution strategy is aligned with the specific target market. The Bank appropriately determines and evaluates the circumstances and needs of the clients on which it intends to focus in order to ensure that the interests of clients are not called into question due to commercial pressures or financing pressures, and on this occasion, it also determines all groups of clients with whose needs, characteristics and goals the product or service is not aligned.

The Bank obtains from producers subject to the Law the information required for the necessary understanding and knowledge of the products it intends to recommend or sell in order to ensure the distribution of those products in accordance with the needs, characteristics and goals of a specific target market.

The Bank undertakes all reasonable measures to ensure that appropriate and reliable information is obtained from producers who are not subject to the Law, thereby ensuring the distribution of those products in accordance with the characteristics, goals and needs of the target market.

Publicly available information is acceptable when it is clear, reliable and compiled to meet regulatory requirements, and if not available, relevant information is obtained from the producer or its representative.

The Bank uses information obtained from producers and client information to determine the target market and distribution strategy. If the Bank is both the producer and the distributor, only one assessment of the target market is made.

When deciding on the range of the financial instruments and services it offers or recommends, as well as on the relevant target markets, the Bank acts in accordance with procedures and measures harmonized with the requirements prescribed in the Law, which refer to publication, assessment of suitability or appropriateness, prevention of conflicts of interest and proper management thereof.

The Bank regularly reviews and updates its product management mechanisms in order to ensure their stability and suitability, and in case of need, takes appropriate measures.

The bank regularly reviews the investment products it offers or recommends and the services it provides, taking into account all events that can significantly affect the potential risk of a specific target market and assesses whether they are still aligned with the needs, characteristics and goals of the specific target market and whether the planned distribution strategy is still appropriate. The Bank considers the target market and/or updating the product management mechanism if it turns out that the target market has been incorrectly determined for a product or service, or that the product or service no longer corresponds to the circumstances of the specific target market, for example, if the product has become illiquid or marked by high volatility due to changes in the market.



The compliance monitoring function monitors the development and periodically checks the mechanisms for product management, in order to detect the risk of non-fulfillment of the obligations under this Article.

Employees of the Bank have the necessary professional knowledge to understand the characteristics and risks of the products that the Bank intends to offer or recommend and the services provided, as well as the needs, characteristics and goals of the specific target market.

Competent Managers of the Bank effectively exercise control over the product management process in order to determine the range of the investment products they offer or recommend, as well as the services provided in the relevant target market, and the compliance reports sent to them systematically include information on the products they offer or recommend and the services provided. The Bank makes these reports available to the Commission upon its request.

Distributors are obliged to provide the producers of the financial instrument with information on sales and, if necessary, information on the aforementioned reports in order to contribute to product reviews carried out by the producers.

When various investment companies/credit institutions cooperate in the distribution of products or services, the investment company/credit institution that has a direct relationship with the client has the ultimate responsibility to fulfill the obligations of product management from this Article. Investment companies/credit institutions:

- 1) Ensure that relevant product information is passed from the producer to the final distributor in the chain;
- 2) Allow the producer to, if requested, obtain information on the sale of the product in order to fulfill its obligations in the product management field, and
- 3) Apply, as necessary, obligations for producers in the product management field in relation to the services they provide.

## **15. ADDITIONAL INCENTIVES**

### **Article 86**

All information on fees or commissions that the Bank submits to its clients or potential clients must be true, clear, and not misleading.

The Bank will not pay or receive fees, commissions, or provide or receive monetary or non-monetary benefits in connection with the provision of an investment service or ancillary service, to a person or by a person who is not a client or a person acting on behalf of a client, except when the payment or benefit is:

- 1) Intended to improve the quality of the relevant service provided to the client; and
- 2) Does not affect the Bank's obligation to act fairly, honestly, in accordance with the rules of the profession and in the best interest of clients.

The Bank clearly discloses to the client in an exhaustive, accurate and understandable way, and before the start of the provision of Services, the existence, nature and amount of payment or benefits from the previous paragraph, or if the amount cannot be determined, the method of calculating that amount. The Bank, where necessary, informs the client about the mechanisms for transferring to the client fees or commissions, monetary or non-monetary benefits received in connection with the provision of investment services and activities and/or ancillary services.

Paragraph 2 of this Article does not apply to costs related to the provision of investment services, such as custody or settlement costs, regulator's fees or legal costs, which by their nature cannot lead to a conflict with the Bank's obligations to act fairly, honestly and professionally in accordance with the best interests of its clients.

A fee, commission or non-monetary benefit is considered to be designed to improve the quality of the respective service to the client if all of the following conditions have been met:

- 1) Justification for providing an ancillary service or a higher level of service to a particular client, proportionately to the level of incentive received, for example:

- Providing investment consulting on a non-independent basis on a wide range of suitable financial instruments and access to those instruments, including an appropriate number of instruments from third-party product providers not closely related to the Bank;

- Providing investment consulting on a non-independent basis in combination with one of the following: offering the client, at least on an annual basis, to assess the further suitability of the financial instrument in which the client has invested; or other ongoing service likely to be of value to the client, for example, advice on the proposed optimal allocation of the client's property; or

- Providing access, at a competitive price, to a wide range of financial instruments likely to meet the client's needs, including an appropriate number of instruments from third-party product providers not closely related to the Bank, together with the provision of value-adding instruments - for example, objective information instruments that help the client decide on an investment or enable him to monitor, model or adjust the range of the financial instruments in which he has invested - or by providing periodic reports on the results, costs and fees associated with the financial instruments;

- 1) The existence of a direct benefit for the recipient, its shareholders or employees only on the condition that this benefit is related to a specific benefit for the relevant client;
- 2) Justification for providing a lasting benefit to the relevant client in relation to the ongoing incentive.

A fee, commission or non-monetary benefit is not considered acceptable if the provision of relevant services to the client is biased or impaired by the fee, commission or non-monetary benefit.

In order to prove that all paid or collected fees and commissions, provided or acquired non-monetary benefits, are designed to improve the quality of the relevant service to the client, the Bank will:

- 1) Keep an internal list of all fees, commissions and non-monetary benefits received by the Bank from a third party in connection with the provision of investment or ancillary services; and
- 2) Record information from item 1) of this paragraph, for paid and collected fees and commissions, as well as provided and acquired non-monetary benefits of the Bank, and on improving the quality of services provided to relevant clients, as well as what measures were taken in order not to violate the Bank's obligation to act fairly and honestly, in accordance with the rules of the profession and with the best interests of the client.

In relation to each payment sent to or received from a third party, each non-monetary benefit provided to a third party or acquired from a third party, the Bank publishes the following information to the client:

- 1) Before providing a relevant investment or ancillary service, the Bank publishes information on the relevant payment or benefit to the client in accordance with paragraph 3. Smaller non-monetary benefits can be described generically. For other non-monetary benefits acquired or paid by the Bank in relation to the investment service provided to the client, the price is shown separately and such benefits are published separately;
- 2) If the Bank could not *ex ante* determine the amount of payment to be paid or received, *i.e.*, benefits to be provided or acquired, and instead announced to the client a method for calculating that amount, the Bank provides its clients with *ex post* information on the exact amount of payment that was made or paid, *i.e.*, the benefits provided or acquired; and
- 3) At least once a year, as long as it receives (ongoing) incentives related to the investment services it provides to relevant clients, the Bank informs clients individually on the actual amount of payments

made or paid, that is, the benefits provided or acquired. Smaller non-monetary benefits can be described generically.

When fulfilling those requests, the Bank complies with all the rules on costs and fees from the Law, the Commission's regulations, and these Rules of Procedure.

### **15.1 Incentives associated with independent investment consulting or portfolio management services**

#### **Article 87**

When providing independent investment consulting or portfolio management services, the Bank is obliged to refund to clients all fees, commissions or monetary benefits paid or provided by any third party or a person acting on behalf of a third party in connection with the services provided to that client as soon as possible/immediately after receipt. All fees, commissions and monetary benefits received from third parties in relation to the provision of independent investment consulting and portfolio management are transferred to the client in full.

The Bank's policy ensures that all fees, commissions, and monetary benefits paid or provided by a third party or a person acting on behalf of a third party, in relation to the provision of independent financial consulting and portfolio management, are assigned and transferred to each client.

The Bank informs clients about fees, commissions and all monetary benefits that are transferred to them in regular reports sent to them.

When providing independent financial consulting or portfolio management services, the Bank does not accept non-monetary benefits that are not considered as acceptable minor non-monetary benefits, and the following benefits are considered acceptable minor non-monetary benefits only:

- 1) If information or documents related to a financial instrument or investment service are of a generic nature or adapted to reflect the circumstances of the specific client;
- 2) If the written material of a third party has been ordered or paid for by a corporate issuer or a potential issuer for the purpose of marketing a new issue or if the issuer has contractually engaged a third party for the continuous compilation of such material, provided that this relationship is clearly stated in the material and that the material is simultaneously available to all credit institutions/investment companies that want to receive it or the general public;
- 3) In the case of participation in conferences, seminars, and other types of training on the topic of benefits and characteristics of a certain financial instrument or investment service;
- 4) In the case of expressing hospitality of minimum value, *e.g.*, food and drinks during a business meeting, conference, seminar, or other type of training from the previous item 3).

### **15.2 Research-related incentives**

#### **Article 88**

Research conducted by third parties for the Bank when managing portfolios or providing the Services to clients are not considered incentives if any of the following are received in return:

- 1) Direct payments by the Bank for the service provided;
- 2) Payments through a separate account for research that is under the control of the Bank, provided that the following conditions in connection with the account management have been met:

- (1) As part of issuing research invoices and contracting research fees with the client, the Bank determines and regularly evaluates the research budget as an internal administrative measure;

- (2) The Bank is responsible for the research account and informs clients of the amount of the research budget and the estimated amount of the research fee that will be charged to each client, as well as the total annual costs incurred by them due to research conducted by a third party;
- (3) The bank regularly evaluates the quality of purchased research based on strict qualitative criteria and the possibility of contributing to better investment decisions.

At the request of clients or the Commission in relation to the research account, summary information is provided on the suppliers to whom payment is made from that account, the total amount paid during a certain period, the benefits and services received and a comparison of the amount spent on that account and the budget that has been provided for that period, with specifying possible discounts or transfer of funds in case of surplus on the account.

Special research fee is:

- 1) Based on the research budget determined by the Bank for the purposes of research conducted by third parties, and in relation to the investment services that the Bank offers to clients and
- 2) Not related to the volume and/or value of transactions executed on behalf of the client.

In all operating arrangements for collecting the research fee from clients - if it is not collected separately, but with a transaction fee - the research fee is reported separately and fully complies with the above conditions.

The total amount of research fees received cannot exceed the research budget.

The Bank contracts with clients, within the investment management contract or general terms of business, the research fee in line with the calculation, as well as the frequency of fee collection from clients' funds during the year. Increasing the budget is possible only after providing clear information on this intention to the client. If at the end of the period a surplus is recorded on the research account, the Bank makes a decision on refunding these funds to the client or offsetting the research budget and fees calculated for the next period.

The research budget is managed independently by the Bank. The allocation of budget funds, for the purpose of researching a purchase carried out by a third party, is subject to appropriate control and supervision, in order to ensure that budget management and the use of budget funds are in line with the best interests of the Bank's clients. The Bank will not use the research budget and research account to fund internal research.

The bank determines all the necessary elements in writing in the policy it sends to its clients. The Bank also considers the extent to which the research purchased through the research account contributes to the client's portfolio, *inter alia* by taking into account, if necessary, the investment strategies applied to different types of portfolios and the approach taken by the Bank in order to fairly allocate costs to portfolios of different clients.

The Bank will determine special fees for the services provided, in which only the transaction costs are expressed. Other benefits and services provided by the Bank to investment companies with registered offices in the Republic of Serbia are subject to fees that are determined separately. The provision of benefits and services, as well as the collection of fees for those benefits and services, do not affect or condition the amount of payment for executive services.

## **16. CROSS-SELLING**

### **Article 89**

Cross-selling, within the meaning of the Law, is the offer of an investment service together with another service or product as part of a package or as a condition of that same contract or package.

## **Article 90**

The Bank applies to cross-selling everything that is regulated by these Rules of Procedure in relation to individual investment services and products, general provisions, as well as the provisions specified in this Section.

## **Article 91**

In the case when the Bank offers an investment service together with another service or product as part of a package or as a condition of the same package, the Bank will inform the client whether it is possible to purchase individual components separately and, for each component, the Bank will prepare a separate record of costs and fees.

The Bank will deliver to clients aggregated information on costs and fees of investment services and financial instruments together with current regular reports sent to the client.

If there is a possibility that the risks arising from the package referred to in paragraph 1 of this Article offered to a small investor are different from the risks associated with individual components, the Bank will provide an adequate description of the various components of the package, as well as changes in the risks arising from their interaction.

## **Article 92**

When providing investment consulting and recommending packages of related services or products in accordance with the previous article (service package), the Bank will take care that the entire package of related services and products is suitable for the client.

When providing investment services that are not investment consulting services or portfolio management services, nor are they services of providing investment consulting and recommending packages of related services or products in accordance with the previous article, the Bank will request and obtain data from the client or potential client on his knowledge and experience in the investment field, with regard to a specific financial instrument or service that is offered or requested, in order to be able to assess the extent to which the provided investment service or financial instrument is suitable for the client, and in the event that a set of services or products is provided in accordance with the previous Article (service package), during the assessment, the Bank considers whether the entire unified package is suitable.

If the Bank considers, based on the data obtained in accordance with the previous paragraph of this Article, that a product or service is not suitable for a client or potential client, it will warn him and deliver the warning in a standard form.

## **17. ASSESSMENT OF KNOWLEDGE AND EXPERTISE OF PERSONS PROVIDING INVESTMENT ADVICE OR PROVIDING INFORMATION ON INVESTMENT PRODUCTS, INVESTMENT SERVICES, OR ANCILLARY SERVICES**

## **Article 93**

The Bank determines the responsibilities of its employees by an act which delineates responsibility between the roles of consulting and providing information.

The Bank:

- (1) ensures that the employee who provides relevant services to clients is evaluated through the successful acquisition of appropriate qualifications or appropriate experience in providing relevant services to clients;
- (2) revises once a year the needs for development and gaining experience of employees in accordance with the assessment of regulatory changes;
- (3) ensures that the employee has appropriate qualifications and that his knowledge and expertise are improved through continuous professional development or training;
- (4) submits to the Commission, at its request, records proving the knowledge and expertise of employees who provide relevant services to clients. The aforementioned records contain information that enables the Commission to assess and verify compliance with the Commission's applicable regulations;
- (5) in the event that the employee has not acquired the necessary knowledge and expertise in providing relevant services, ensures that the employee cannot provide relevant services. However, in the event that the employee has not acquired the appropriate qualifications or experience to provide the relevant services, or both, this employee may provide the relevant services only under supervision. The degree and intensity of internal control reflects the relevant qualifications and experience of the employee being supervised and includes, as necessary, supervision during meetings with clients and other forms of communication such as telephone conversations and electronic messages;
- (6) ensures that, in situations under item 4) of this paragraph, the employee who supervises other employees possesses the knowledge and expertise required by the regulations, as well as the necessary skills and resources to act as a competent internal controller;
- (7) ensures that control is adapted to the services that the employee should provide and includes the requirements of the rulebook related to those services;
- (8) ensures that the internal controller assumes responsibility for the provision of relevant services when the employee under supervision provides the relevant services to the client, as if the internal controller is providing the relevant services to the client, including approving suitability reports in the case of consultancy;
- (9) ensures that the employee who has not acquired the appropriate knowledge or expertise in providing relevant services cannot provide those relevant services under control for a period longer than four years (or shorter in accordance with the Commission's requirements).

## **18. TRADE SECRET**

### **Article 94**

The Bank, Managers, employees of the Capital Market Department and all relevant persons are obliged to keep the following as a trade secret:

- (1) Client information;
- (2) Information on the balance and transactions on cash accounts and accounts of financial instruments of its clients;
- (3) Information on the services they provide to clients;
- (4) Inside and confidential information that they learn while providing services, which could affect the price of financial instruments;
- (5) Other information and facts learned during the provision of services.

The Bank may not use, disclose to third parties or enable third parties to use the information referred to in paragraph 1 of this Article.

The information from this Article can be made available for inspection and communicated to third parties only:

- (1) Based on the written consent and approval of the client;
- (2) During the supervision of control bodies carried out by the Commission, the National Bank of Serbia, CSD, or the market organizer;

- (3) Based on a court order;
- (4) Based on an order of the authority dealing with the prevention of money laundering and financing of terrorism;
- (5) Based on an order of another competent state body.

The Bank is entitled to disclose data representing a banking secret to the investigative judge, public prosecutor and courts, *i.e.*, other authorities exercising public and legal authorities solely for the purpose of protecting its rights, in accordance with the law.

By signing the contract to which these Rules of Procedure are attached and form an integral part thereof, the Client consents that, in line with the provisions of regulations governing the Bank's operations, the Bank is entitled to forward, *i.e.*, enable access to data on the Client and related entities which become known to it during contract execution, as well as information from files and documentation submitted by the Client to the Bank, considered a bank secret, to the banking group to which the Bank belongs, members of that Group, National Bank of Serbia, persons having access to such data due to the nature of their work, a third party engaged by the Bank for the purpose of carrying out the collection of receivables, recipient of receivables in case of assignment of receivables by the Bank, Fund for Pension and Disability Insurance, and to any other competent authorities and entities to which the Bank is obligated to submit these data according to applicable regulations, *i.e.*, entities with which the Bank has concluded contracts on business cooperation that are related to the business relationship between the Bank and the Client and the realization of Bank's receivables against the Client, or concluded contracts on data confidentiality.

## **Article 95**

The obligation to keep business secrets for all persons mentioned in the previous Article continues even after the termination of the function or employment relationship as long as certain data are considered trade secrets.

## **19. DEALING WITH CLIENT COMPLAINTS**

### **Article 96**

The Bank is obliged to establish, apply, maintain, and regularly update effective, efficient and transparent procedures for the Bank's acceptable and up-to-date dealing with complaints from clients or potential clients and ensure the possibility of out-of-court settlement of consumer disputes related to the provision of the Services, in accordance with the laws governing mediation in dispute resolution and arbitration.

The Bank is obliged to keep the documentation on all complaints and measures taken based on them, in the manner and within the time limits prescribed by the Law, the Commission's bylaws, these Rules of Procedure and the Bank's internal acts.

## **20. BASIC PRINCIPLES OF PROFESSIONAL ETHICS AND OTHER ISSUES OF IMPORTANCE FOR THE BANK'S OPERATIONS**

### **20.1 BASIC PRINCIPLES OF PROFESSIONAL ETHICS**

#### **Article 97**

The Bank, Managers, employees of the Capital Market Department, the internal controller, *i.e.*, Relevant persons are obliged to adhere to the following basic principles of professional ethics in their work and conduct, when performing their activities:

- (1) **Protection of the reputation of the profession** - the Bank is obliged to act in accordance with the principles and rules of the code of ethics of the professional association, as well as to act and operate on the regulated market of financial instruments in a way that does not harm its reputation, as well as the reputation of the entire activity.

- (2) **Taking care of professional development** - the Bank takes care of the professional education and training of the Bank's employees, as well as the improvement of the entire activity and the development of the market of financial instruments, as well as the financial market as a whole.
- (3) **Principle of acting with the care of a prudent businessman** - the Bank, when performing tasks entrusted to it by clients shall, as an authorized participant, act with the care of a prudent businessman.
- (4) **Principle of equal treatment of all clients** - the Bank does not put any client in a privileged position in comparison to other clients, that is, it is obliged to treat all clients in the same manner.
- (5) **Principle of securing the rights and interests of clients** - the Bank, when performing tasks entrusted to it by clients shall, as an authorized participant, take into account the interests of its clients and protect their interests in everything.
- (6) **Principle of informing clients** - the Bank shall, to the best of its knowledge, and in the manner regulated by the contract with the client, regularly provide accurate and reliable information to the client on the state of financial instruments, on individual financial instruments, market movements, as well as other publicly available general information that could influence the client's decisions regarding financial instrument operations.
- (7) **Principle of trust** - the Bank and its employees base their relationship with the client on mutual trust, which the Bank and its employees must not abuse.

## Providing false data

### Article 98

Employees of the Bank may not:

- (1) Provide data related to trade on the relevant market that are false, distort true data or to intentionally omit them, and the Bank's employees are prohibited from communicating data that are considered a banking secret, which primarily includes data on clients, their operations and other data known to the Bank and which are protected in the best interest of the client;
- (2) Participate in a business or activity that is carried out with the aim of defrauding a person engaged in the purchase or sale of financial instruments;
- (3) Carry out activities that contradict the Bank's operations;
- (4) Provide incorrect data and information about the Bank, as well as information that represents the Bank's trade secret.

Information that represents trade secret means information that meets the following conditions:

- 1) it represents a secret because it is not entirely or in terms of the structure and set of its constituent parts generally known or easily accessible to third parties who, in the course of their activities, usually come into contact with this type of information,
- 2) has commercial value because it represents a secret,
- 3) Under the given circumstances, the Bank has taken reasonable measures to preserve its confidentiality.

### Article 99

Employees of the Bank may not trade certain financial instruments if they are in possession of inside information, and employees of the Capital Market Department are obliged to refuse to accept orders for the purchase or sale of financial instruments from clients who they believe are in possession of such information.



## **Communicating information to clients**

### **Article 100**

Employees of the Bank may conduct a conversation with clients about unofficial information or information published in the framework of stock and over-the-counter trading, if the conversation indicates that the information is unofficial or if the source of such information is indicated.

## **Recording of telephone conversations**

### **Article 101**

The Bank records telephone conversations, receipt of orders by telephone and official communication of its employees with clients, in accordance with these Rules of Procedure and applicable regulations.

The Bank and/or its employees are obliged to inform and warn the client before the start of the conversation that telephone conversations are being recorded.

## **Public announcements and advertising**

### **Article 102**

Announcements related to the performance of the Bank's business intended for the public or clients can only be given by a person authorized by the Bank.

### **Article 103**

The Bank is obliged to take into account the reputation of the profession and the interests of other authorized participants in the market of financial instruments during public advertising, in communication with the media, as well as during the presentation of its services, and therefore, accordingly, wording that emphasizes the Bank and eliminates other participants, such as: "the only, the best, better than others, exclusive" and the like must not be used.

## **21. CODE OF ETHICS**

### **Article 104**

Employees of the Bank must adhere in all respects to the Code of Ethics of OTP banka Srbija.

Bearing in mind the need to improve professionalism and business behavior, strengthen the principles of safety and responsibility, healthy competition based on economic and market principles, the Bank and its employees are obliged to perform their duties professionally, fairly, duly, with due care and trust, observing the confidentiality of data, in accordance with good business practices and business ethics.

In order to improve the reputation of the profession, as well as to strengthen the trust of investors and society as a whole in the work of authorized participants in the market of financial instruments, the Bank and its employees are obliged to behave in a way that will in no case endanger the reputation of the profession.

The Bank's values are tangible goods and human resources.

Protection of the Bank's property. The employee is responsible for the protection and preservation of the tangible and intangible assets of the Bank, clients and business partners entrusted to him. Assets of the Bank, clients, business partners and third parties may be used only for permitted purposes in accordance with prescribed permits and conditions.

Protection of the Bank's reputation. Expectations in relation to rules of conduct are defined by the Code of Ethics of OTP banka Srbija, which includes rules of conduct at the workplace, an adequate working environment means a working environment without harassment, intimidation, discrimination, without offensive or humiliating

verbal communication both between employees and in the relationship between subordinates and superiors (subordination relationship).

The behavior of employees on social networks is defined by the Code of Ethics of OTP banka Srbija, which implies that employees must refrain from any expression that could negatively affect the good reputation of the Bank.

The political activity of employees is defined by the Code of Ethics of OTP banka Srbija, which implies that employees in their political performances outside the workplace must not abuse their position/job they have in the Bank and their behavior must not negatively affect the good reputation of the Bank.

Suitable business activity. Anti-corruption is defined by the Code of Ethics of OTP banka Srbija, which is based on: defining corruption, prohibited exercise of influence, gifts, payments that facilitate business, prohibition of sponsorship of political parties and organizations, donations, and its inadmissibility.

Mutual respect. The Code of Ethics of OTP banka Srbija defines: discrimination, negative discrimination, and abuse.

Bank's obligations. Financial reporting in accordance with international financial reporting standards, as well as the regulations of the Republic of Serbia.

Right of competition. The Bank's management is committed to ensuring free and fair market conditions that encourage competition. The Bank will refrain from any type of behavior that could lead to the restriction of market competition or the abuse of a dominant economic position. Here, among other things, but not exclusively, we mean unfair economic competition (which is carried out by infringing or endangering the legitimate interests of clients, competitors, business partners), the submission and adoption of proposals that would be aimed at agreeing on prices, on sharing marketing information with the aim of exerting influence on the competition, *i.e.*, they would be aimed at the distribution of markets and clients (restrictive agreements according to the Law on the Protection of Competition), furthermore, at meetings of professional organizations for the protection of interests, topics that would be relevant from the aspect of competition restrictions (*e.g.*, prices, pricing policy, costs, marketing strategies) may not be discussed.

## **22. DETECTING AND PREVENTING MARKET ABUSE**

### **Article 105**

Market abuse includes any illegal conduct on the financial market:

- Trading based on inside information;
- Illegal disclosure of inside information;
- Market manipulation.

The Bank has established and maintains measures, systems and procedures that ensure efficient and constant monitoring of all received and transferred orders and all orders executed in order to detect and identify orders and transactions that could represent trade or an attempt to trade based on inside information or market manipulation or an market manipulation attempt, as well as submission of reports on suspicious transactions and orders to the Commission.

The measures, systems and procedures are appropriate and proportionate to the volume, size, and nature of activity performed by the Bank, *i.e.* Capital Markets Department, they are subject to regular assessment at least once a year and updated if needed, of which records are kept in written form, and information shall be kept for a period of at least seven years.

## **23. CONFLICT OF INTEREST AND PERSONAL TRANSACTIONS**

### **23.1 Principles of business conduct and prevention of conflicts of interest**

#### **Article 106**

The Bank cannot place its interests before the interests of its clients.

The Bank is obliged to organize its operations in such a way as to minimize possible conflicts of interest between the interests of clients and the Bank, the Relevant and closely related persons, as well as conflicts of interest among the Bank's clients.

The Bank adopts, implements and regularly updates the conflict of interest management policy. In accordance with the provisions of the Law, the Bank is obliged to:

- (1) Determine the circumstances that represent or may lead to a conflict of interest to the detriment of one or more clients, and in relation to an individual service provided for or by the Bank;
- (2) As a member of the OTP Group, determine all circumstances that are known or should have been known to it, which may lead to a conflict of interest arising from the structure and business activities of other members of the OTP Group;
- (3) Determine the procedures it needs to follow and measures to prevent or manage conflicts of interest.

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### **23.2 Records of services and activities that lead to harmful conflicts of interest**

#### **Article 107**

The Bank maintains and regularly updates records of all types of investment services and activities, *i.e.*, ancillary services provided or performed by the Bank or someone on behalf of the Bank, in which a conflict of interest has arisen that may lead to the risk of damage to the interests of one or more clients or, in the case of an ongoing service or activity, a conflict of interest may arise.

A written report on the relevant information related to these records is prepared and submitted to the relevant Managers at least once a year.

### **23.3 Market research**

#### **Article 108**

Market research involves the communication of information to one or more potential investors prior to the announcement of a transaction, in order to assess the interest of potential investors in a possible transaction and its terms, such as potential volume or price, by the issuer or seller of a financial instrument in the secondary market or by a third party that acts in the name or on behalf of previous persons.

Market research also represents the disclosure of inside information to persons entitled to those securities by persons who intend to make an offer for the acquisition of shares or carry out a merger of companies, if the following conditions are cumulatively met:

- 1) That the information is necessary to enable persons entitled to those securities to decide whether they are willing to offer their securities for sale;
- 2) That a decision on a takeover offer or a merger of companies reasonably requires the intention of persons entitled to those securities to offer them.

Before conducting market research, special consideration is given to whether the market research will result in the disclosure of inside information, and a written record is drawn up and updated about it and submitted to the Commission at its request.

Before disclosing inside information, when conducting market research, the Bank's Competent Organizational Unit will:

- 1) Obtain the consent of the person receiving information in the market research (information recipient) to receive inside information;
- 2) Notify the information recipient that he may not use or attempt to use the information, directly or indirectly, when acquiring or alienating the financial instrument to which the information relates, for his own account or for the account of a third party;
- 3) Notify the information recipient that he may not use the information, nor attempt to use it by withdrawing or modifying an order that has already been placed and is related to the financial instrument to which the information refers;
- 4) Notify the information recipient that, by consenting to receive the information, it is obliged to keep it confidential;
- 5) Keep records of all information provided to information recipients from market research, which is forwarded to the Commission upon its request.

When the information that was published during market research in accordance with the assessment of the Competent Organizational Unit of the Bank ceases to be inside information, the Competent Organizational Unit of the Bank shall inform the information recipients thereof as soon as possible, on which it shall keep records and submit them to the Commission upon its request.

The Bank keeps the records from this Article for a period of at least seven years.

## **24. PERSONAL DATA PROTECTION**

### **Article 109**

In order to carry out its activities, the Bank processes certain personal data of clients and potential clients and other natural persons (Client or Person) in accordance with the Personal Data Protection Policy, the Law on Personal Data Protection, and other regulations governing data processing.

Personal data is any data related with the private individual whose identity is determined or determinable, directly or indirectly, *i.e.*, any data:

- a) which the person provides to the Bank, orally or in writing during the communication with the Bank, irrespective of the purpose of this communication, including telephone communication, electronic communication, personally at the Bank's premises or through the Bank's website;
- b) collected at the time of establishing a contractual relationship with the Bank in relation to new services or products;
- c) contained in applications and forms that precede the establishment of a contractual relationship with the Bank;
- d) collected during the participation of that natural person in the client satisfaction survey;
- e) learned by the Bank on the ground of providing banking, financial and related services to the client, as well as services of contracting products and services of the Bank's partners;
- f) gathered automatically during the use of the Bank's products and services;

- g) from publicly available sources such as data from publicly available services;
- h) collected from other controllers based on appropriate contractual relationship;
- i) forwarded to the Bank by the OTP Group;
- j) arising from processing of any of the foregoing personal data.

A prerequisite for any collection of personal data is the existence of an appropriate legal basis in accordance with the Law.

The Bank is obliged to process personal data in a legal, honest, and transparent manner. The processing of personal data must be in line with the Law on Personal Data Protection, *i.e.*, other regulations governing personal data processing.

Personal data may be gathered for a predetermined, explicit, justified, and legal purpose and may not be subject to further processing in a way that is contrary to such predetermined purpose.

Personal data must be appropriate, relevant, and limited to what is necessary in relation to the purpose of the processing, to be accurate and updated if and when necessary. The Bank shall take all reasonable steps to ensure that inaccurate personal data is erased or corrected without delay.

Personal data will be kept in a form that allows the identification of the person only within the period necessary to achieve the purpose of processing (storage limitation). The processing of personal data shall be carried out in a manner that ensures adequate protection of personal data, including protection against unauthorized or illegal processing, as well as against accidental loss, destruction, or damage, by applying appropriate technical, organizational and personnel measures.

The Bank will process personal data for the purpose and in the manner that is necessary and purposeful in performing its activities. Such processing is legal if it meets one of the following conditions:

- 1) the data subject has given consent to the processing of his/her personal data for one or more predefined purposes (processing of personal data based on consent);
- 2) processing is necessary for the performance of contract concluded with the data subject or for taking actions, at the request of the data subject, prior to the conclusion of such contract;
- 3) processing is necessary in order to meet the legal obligations assumed by the Bank;
- 4) processing is necessary in order to protect the vital interests of the data subject or another private individual;
- 5) processing is necessary in order to exercise the statutory powers of the Bank;
- 6) processing is necessary in order to realize the legitimate interests of the Bank or a third party, unless those interests are overridden by the interests or fundamental rights and freedoms of the data subject, which require the protection of personal data, especially if the data subject is a minor.

The Bank collects and processes data for direct marketing purposes based on the freely given consent of the data subject. This includes the processing of the following personal data: name and surname, address, e-mail address, phone numbers and other data that can be used to establish contact. The Bank will ensure that the Client can revoke the given consent at any time.

As the controller, at the time of collecting personal data, the Bank is obliged to provide the following information to the data subject:

- 1) contact details of the Bank;
- 2) contact details of the Personal Data Protection Officer of the Bank;
- 3) purpose and legal basis of processing;
- 4) on the existence of a legitimate interest if the processing is carried out on this legal basis;
- 5) information on the recipient, that is, the group of recipients of personal data, if any;

- 6) on the fact that the Bank plans to transfer personal data to another country or international organization, as well as on the reference to appropriate protection measures and the way in which the data subject can become familiar with those measures;
- 7) on the personal data retention period, or if this is not possible, the criteria for determining that period;
- 8) on the existence of the right to request from the Bank access to, correction or deletion of his personal data and/or the right to restrict processing, right to object to processing, and right to data transferability;
- 9) on the existence of the right to revoke consent at any time, as well as on the fact that the revocation of consent does not affect the admissibility of processing based on the consent before the revocation, if the processing is carried out based on the consent of the person to the processing of his personal data for one or more specially determined purposes, as well as based on the express consent of the person for the processing of special types of personal data;
- 10) on the right to lodge a complaint with the Commissioner for Information of Public Importance and Personal Data Protection;
- 11) on whether the provision of personal data is a legal or contractual obligation or whether the provision of data is prerequisite for contract conclusion, as well as whether the data subject is obliged to provide his personal data and on the possible consequences if the data is not provided, and
- 12) on the existence of an automated decision-making process, and the significance and expected consequences of such processing affecting the data subject.

Personal data will be kept during the contractual relationship, *i.e.*, as long as there is the consent of the data subject, and within the period for which the Bank is legally obliged to keep certain personal data, in which case active processing of such data for other purposes will not be possible, and the same may only be kept for the purpose prescribed by law.

Personal data processed by the Bank may not be ceded to third persons on the basis of:

- 1) consent of the data subject;
- 2) implementation of contract in which the data subject is one of the parties;
- 3) legal provisions.

Personal data may be submitted to state and other bodies to which the Bank is authorized or obliged to submit personal data on the basis of the laws governing such submission. Personal data may also be submitted to persons with whom the Bank has a contractual relationship, service providers and engaged persons of the Bank who, due to the nature of the work they perform, have access to personal data. All persons who, due to the nature of their work with or for the Bank have access to personal data are obliged to keep such personal data as banking or business secrets in accordance with the Law on Banks and other regulations governing data secrecy. Contracts with such persons are in line with the requirements of the Law on Personal Data Protection.

The data subject has the right to revoke his consent at any time. Revocation of consent shall not affect the legality of processing performed based on consent prior to revocation. The data subject must be informed thereof before giving consent. The bank is obliged to make revoking consent as simple as giving it.

When concluding a contract with another investment company, when processing personal data, the Bank concludes a separate contract with that investment company on the processing of personal data before the start of such processing.

By signing the contract to which these Rules of Procedure are attached and form an integral part thereof, the Client gives consent to the Bank to submit data on the Client, his related parties, the documentation from the Client's file, as well as other data considered as a trade or banking secret, to the Credit Bureau of the Association of Serbian Banks, external auditors of the Bank, Forum for Prevention of Credit Abuse and Forum for Prevention of Payment Card Abuse of the Serbian Chamber of Commerce, members of the banking group to which the Bank

belongs, payment card processors and insurance companies with which the Bank has concluded appropriate contracts, competent tax authorities in order to exchange data with tax authorities of other countries on the basis of concluded bilateral or multilateral agreements, letters of intent to conclude the same or recommended guidelines for the conduct of financial institutions from the territory of the Republic of Serbia, other persons who, due to the nature of the work they perform, must have access to such data, as well as third parties with which the Bank has concluded contracts on business cooperation that are necessary for the implementation of a specific business relationship or are related to the business relationship between the Bank and the Client. The Bank has the right to process data that are considered a trade or banking secret of the Client, and which represent personal data, in accordance with the regulations governing personal data protection.

## **25. PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM**

### **Article 111**

According to the law governing the prevention of money laundering and financing of terrorism, the Bank is obliged to take actions and measures to prevent and detect money laundering and financing of terrorism, and is obliged to act in line with the provisions of that law, as well as the internal acts of the Bank that regulate the prevention of money laundering and financing of terrorism.

When providing the Services, before establishing a business relationship with a client or potential client, in order to identify and get to know the future client, the Bank will collect documentation from him in accordance with the law governing the prevention of money laundering and financing of terrorism and relevant internal acts of the Bank.

The Bank is obliged to reject the execution of an order for the purchase or sale of financial instruments if it has reason to suspect that the execution of such an order would violate the provisions of the law governing the prevention of money laundering and financing of terrorism. In that case, the Capital Market Department immediately informs the Commission and the Competent Organizational Unit of the Bank, which further acts in accordance with the law and internal acts of the Bank.

The Bank will fulfill all other obligations prescribed by the provisions of the law governing the prevention of money laundering and financing of terrorism.

## **26. PROVISIONS ON SANCTIONS**

### **Article 112.**

The provision of Services by the Bank is subject to supervision in order to monitor compliance with international sanctions of the United Nations (UN), the European Union (EU) and the United States Department of the Treasury (OFAC). Certain contracts are also monitored from the aspect of compliance with the sanctions of the United Kingdom of Great Britain and Northern Ireland (UK).

When establishing a business relationship and during the duration of the business relationship, the Bank has the right not to conclude the contract if it determines that the Client is on the official lists of embargoes and sanctions in accordance with local and/or international regulations, as well as if concluding a contract with the Client would represent a reputational risk for the Bank.

The client is obliged, and for the entire duration of the business relationship:

- that it will not [and will ensure that no member of its Group will] directly or indirectly use the investment services provided by the Bank in a way that would result in a violation of Sanctions by the Bank (including the way that funds are used for the purpose of financing or facilitating any business or transaction of the Sanctioned Person or persons connected with them or through which the funds would be made available to the Sanctioned Persons or from which these persons would benefit),

- to ensure that no person who is a Sanctioned Person has any right to funds in connection with the provision of the Services, and that no income or benefit from any activity or transaction with the Sanctioned Person will be used for the purpose of providing the Services, and
- that it will ensure (and will ensure that its parent company) does not make a significant change in the general nature of the business of the Client (the Client's parent company) and the Group as a whole, from the one it performs on the day of the conclusion of the contract and during the duration of the contract.

In terms of the above:

- i. "Group" means a group of companies formed by the Client and related to it as defined by the law of the Republic of Serbia that regulates companies, including beneficial owners and immediate parent companies..
- ii. "Sanctioned Person" means any natural person or entity designated as a Sanctioned target or otherwise subject to Sanctions (including without limitation the consequences of having (a) direct or indirect ownership or control by any Sanctioned Person or (b) incorporation under the laws of, or citizenship or residence in, any country subject to general or Sanctions applicable throughout its territory.
- iii. "Sanctions" shall mean any economic or financial sanctions, trade embargo or similar measures enacted, directed or enforced by the following (or by any agency of any of the following):
  - United Nations;
  - United States of America;
  - United Kingdom of Great Britain and Northern Ireland;
  - European Union or any member country of the European Union;
  - of any body of the Republic of Serbia or
  - any other competent authority for imposing sanctions.
  -

"Sanctioned Entity" means any natural person or entity designated as a target of sanctions or otherwise subject to sanctions, including without limitation the consequences of having (a) direct or indirect ownership or control of any person designated as a target of sanctions or (b) establishment, in accordance with the laws, or citizenship or residence, or location or place of business of any country or territory that is subject to sanctions throughout the country or territory (including, without limitation: Burma / Myanmar, Cuba, Iran, North Korea, Sudan, Venezuela and Syria, but subject to change over time).

### **Irregularities related to sanctions**

If it becomes illegal in any relevant jurisdiction for the Bank to perform any of its obligations to provide Services based on the contract with the Client, the Bank is obliged to notify the Client immediately upon learning of such fact, and if the Client (or any member of the Group) becomes Sanctioned person, the Bank will suspend the provision of Services according to him and has the right to unilaterally cancel the contract.

### **Consequences of non-compliance**

When any Event of Breach of Contract and/or Illegality in connection with Sanctions occurs, the Bank may, at its sole discretion, declare a breach of contract and has the right to unilaterally cancel the contract.

The Bank will inform the Client about the cancellation of the contract by delivering a written notification.

The contract is considered canceled on the day of receipt of the written notice of cancellation by the Client, unless the Bank in the notice itself leaves the Client a subsequent deadline for fulfilling a certain obligation.

The Bank and the Client are obliged to act in accordance with their obligations from international and bilateral agreements concluded and ratified by the Republic of Serbia.



## **27. SPECIAL PROVISIONS**

### **Article 113.**

The client is obliged to comply with the obligations arising from positive regulations on environmental protection, safety and health at work, including obligations from accepted international conventions and agreements/protocols in that area, when performing his business activities.

The client is obliged to refrain from any actions that would have elements of corruption, not to make a promise, i.e. not to give, demand or receive any gift, service or other benefit, or payment in money or any other valuable item, directly or indirectly, through its employees or third parties, or perform any action that could be characterized as receiving or giving a bribe, in terms of the provisions of the regulations governing this area.

## **28. TRANSITIONAL AND CLOSING PROVISIONS**

### **Article 114**

The Bank is obliged to submit these Rules of Procedure and all amendments hereto before their implementation to the Securities Commission for prior approval and, after obtaining the approval of the Securities Commission, display them in the business premises where it works with clients, as well as to publish them on its website.

If the Bank has clients that are foreign legal or natural persons, notifying of any amendment to the Rules of Procedure shall be made in the manner contracted with the client.

### **Article 115**

The Bank performs investment services and activities and ancillary services for which it has obtained a permission from the Securities Commission, and the investment services and activities that are included in these Rules of Procedure, which are not covered by a valid permission from the Securities Commission, will be performed by the Bank upon obtaining a permission from the Securities Commission for the expansion of its activity, all in accordance with the decision of the Commission on granting permissions for the expansion of activity.

Notwithstanding the previous paragraph, as part of its operations, the Bank provides ancillary services listed in Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law, which do not require the Commission's permission.

### **Article 116**

Upon their application, these Rules of Procedure shall supersede the Rules of Procedure of the Authorized Bank (filing No. ID 8569, dated 07 October 2021) with Annex 1: Information provided to clients (filing No. ID 8576 dated 07 October 2021).

These Rules of Procedure shall enter into force on the day of obtaining consent of the Securities Commission, and shall commence to apply eight days from the date of its publication on the banks website.

## **29. REFERENCES AND ANNEXES**

### **29.1 Annexes**

Annex 1: Information provided to clients;

Annex 2: Mutual rights and obligations of the bank and clients, as well as reporting obligations

## 29.2 References

| No. | Document code                                                                                                                                                    | Document name                                                               |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 1.  | Official Gazette of the Republic of Serbia, No. 129/2021 and all future amendments                                                                               | Law on the Capital Market                                                   |
| 2.  | Official Gazette of the Republic of Serbia, Nos. 46/2006, 107/2009, 99/2011 and 108/2016 and all future amendments                                               | Law on the Takeover of Joint Stock Companies                                |
| 3.  | Official Gazette of the Republic of Serbia, Nos. 36/2011, 99/2011, 83/2014 - other law, 5/2015, 44/2018, 95/2018, 91/2019 and 109/2021 and all future amendments | Law on Companies                                                            |
| 4.  | Official Gazette of the Republic of Serbia, Nos. 83/2014, 46/2015, 112/2015 and 20/2016 and all future amendments                                                | Law on Privatization                                                        |
| 5.  | Official Gazette of the Republic of Serbia, Nos. 113/2017, 91/2019 and 153/2020 and all future amendments                                                        | Law on Prevention of Money Laundering and Terrorism Financing               |
| 6.  | Official Gazette of the Republic of Serbia, No. 87/2018 and all future amendments                                                                                | Law on Personal Data Protection                                             |
| 7.  | Official Gazette of the Republic of Serbia, No. 44/2018 and all future amendments                                                                                | Law on the Protection of Financial Services Consumers in Distance Contracts |