


Pursuant to Article 163 of Capital Market Law (Official Gazettes of the Republic of Serbia, no. 31/2011), and Articles 14 and 15 of Rulebook on Granting Consent to General Acts of Market Operator, Investment Company, and Central Securities Depository and Clearing House (Official Gazette of the Republic of Serbia, 89/2011 and 44/2012), pursuant to Article 25 of Erste Bank a.d. Novi Sad Articles of Association, Erste Bank a.d. Novi Sad Executive Committee shall, at its meeting held on 24 April 2018, pass

**ERSTE BANK AD NOVI SAD
BROKER-DEALER DEPARTMENT
OPERATING RULES**

	EXECUTIVE COMMITTEE	Number: 10-139/2018 Date: 24 April 2018
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1 Introduction

1.1 Objective

These Rules shall govern the general terms of business of Erste Bank a.d. Novi Sad Broker-dealer Department (hereinafter: Authorised Bank), especially:

- types of operations performed by the Authorised Bank
- conditions and method of performing the Authorised Bank operations
- mutual rights and obligations of the Authorised Bank and its clients;
- client categorisation and client category change
- content of agreement with client;
- information specifically provided to retail clients;
- types of client orders, method, conditions of order receipt;
- order execution policy and order execution entrusting
- protection of financial instruments and funds of the Authorised Bank's clients
- conditions of financial instrument borrowing;

- rules of business conduct when providing investment services
- proceeding upon client complaints;
- ethics code, and
- other issues of significance for the operation of the Authorised Bank.

1.2 Scope

The Act shall be used at the Broker-Dealer Department

1.3 Classification

This Internal Act is at A1 level.

1.4 Legislation

The Rules are drawn up in accordance with Article 163 of the Capital Market Law (“Official Gazette” of the Republic of Serbia nos. 31/2011, 111/2015, and 108/2016) and Article 14 and 15 of the Rulebook on Granting Consent to the General Acts of Market Maker, Investment Company and Central Securities Depository and Clearing House (“Official Gazette” of the Republic of Serbia, 89/2011 and 44/2012).

1.5 Audit Related Requirements

The application of these Rules shall subject to ordinary audit, and the complete process of the approval of the Rules must be documented so as to ensure sufficient audit trail for the purposes of internal and external controls.

2 Types of Transactions

Pursuant to the provisions of Article 2 item 8 of the Law on Capital Market (hereinafter: Law), regarding the financial instruments referred to in the provisions of the Article 2 item 1 of the Law, the Authorised Bank (hereinafter: Authorised Bank) shall perform the following activity:

- 1) reception and transmission of orders in relation to purchase and sale of one or more financial instruments;
- 2) execution of orders on behalf of clients;
- 3) dealing on its own account;
- 4) investment advice;
- 5) underwriting services related to the supply and sale of financial instruments with purchase commitment;
- 6) placing of financial instruments without a firm commitment basis;

Pursuant to the provisions of Article 2 item 9) of the Law, the Authorised Bank will perform the following services as ancillary:

- 1) safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
- 2) granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;

- 3) advice on capital structure, business strategy, mergers and purchase of undertakings and similar issues;
- 4) foreign exchange services where these are connected to the provision of investment services;
- 5) investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
- 6) services related to underwriting;
- 7) investment services and activities as well as ancillary services related to the underlying of the derivatives referred, connected to the provision of investment or ancillary services

Within the above-mentioned transactions referred to in Article 2 hereof, the Authorised Bank shall also perform the following operations:

- 1) opening and maintaining of financial instrument accounts with the Central Securities Depository and Clearing House (hereinafter: Central Registry) on behalf of and for the account of legal holders – clients of the Authorised Bank (client account of financial instruments);
- 2) opening and maintaining of financial instrument accounts with the Central Registry on its behalf, and for the account of legal holders – clients of the Authorised Bank (financial instrument omnibus account) separated from the securities account of the credit institution whose part is the Authorised Bank, after obtaining license from Securities Commission (hereinafter: Commission)
- 3) opening and maintaining of client accounts, separated from money accounts of the credit institution whose part is the Authorised Bank, after obtaining license from the Commission;
- 4) executing orders for the transfer of financial instrument rights and orders for the registration of the rights of third parties to securities and taking care of the transfer from such securities;
- 5) collecting claims based on due financial instruments, interests, and dividends for the account of legal holders of such securities and taking care of exercising other rights of the legal holders of the financial instruments who are the Authorised Bank clients;
- 6) notifying the shareholders on general meetings of joint stock companies and representing them at such meetings;
- 7) upon the client's authorisation, taking care of executing tax obligations of clients based on the financial instruments whose legal holder is client;
- 8) also performing other operations in accordance with the Law.

The financial instrument trade, in sense of these Rules, means financial instrument buying or selling, especially buying or selling of negotiable securities covering: (1) shares of companies or other securities equivalent to company shares, which are participation in capital or in voting rights of legal entity, as well as deposit certificates relating to shares; (2) bonds and other forms of securitised debt, also including deposit certificates relating to the above securities; (3) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or other determinable values; as well as money-market instruments, such as: (1) treasury bills, (2) central bank bills, (3) certificates of deposit and commercial paper and excluding instruments of payment;

The provisions hereof governing the securities trade shall, accordingly, also apply to the trade of financial derivatives and other financial instruments.

2.1 Broker Transactions

The Authorised Bank shall perform the broker transactions based on the agreement with client entered into in writing, before the receipt of the first order of client for financial instrument buying or selling.

The Authorised Bank shall not be bound to enter into the agreement referred to in item 4.4 para 3 Agreement with Client.

In the agreement on performing broker transactions, the Authorised Bank shall be the broker in buying or selling financial instruments for client, i.e. it shall perform buying or selling of such securities for the account of client, based on the client order, and client shall pay commission for such service to the Authorised Bank.

The Authorised Bank shall, before the receipt of order for buying or selling of financial instruments, present the client all of the circumstances significant for making decision regarding buying or selling of financial instruments, such as current price and previous movements of prices of such securities, their liquidity on the market, and risks of investment in such securities.

The Authorised Bank shall not have such obligation to the persons referred to in Article 21 para 3.

The Authorised Bank shall receive and execute client orders for the financial instrument buying or selling in accordance with the law, act of Securities Commission, these Rules, Order Execution Policy of the Authorised Bank, and agreement on executing broker transactions.

2.2 Dealer Transactions

The Authorised Bank shall perform dealer activities through buying and selling of financial instruments on its behalf and for its account to generate price difference.

The dealer activities shall be performed by the Authorised Bank on the organised market, MTF, or outside the organised market or MTF, in accordance with the Law.

When performing dealer activities, the Authorised Bank shall be in compliance with the following rules:

- it shall execute orders of its clients and other contractual obligations to clients so that it shall not prioritise its interests and the interests of related persons before the client interests;
- it may not issue order for buying or selling the same security subject to the client order before inputting previously submitted client order in the market operator's information system;
- manage own financial instrument portfolio in the manner ensuring such capital adequacy, risk exposure, and liquidity management which will not hamper the execution of the Authorised Bank's obligations to the clients.

When executing dealer orders, the Authorised Bank will be guided by the bank's policies and internal acts in the area of the conflict of interest prevention.

If the Authorised Bank causes damage to its clients, acting contrary to the provision of paragraph 3 of this item or otherwise, it shall compensate the damage in accordance with the provisions of the Law on Contracts and Torts.

2.3 Market Operator Transactions

The Authorised Bank shall perform the operations of market operator through obligatory buying and selling of the financial instruments on the organised market or MTF on its behalf and for its account at the pre-announced price.

The Authorised Bank shall perform market operator activities on the organised market or MTF in accordance with the market operator's rules of business.

2.4 Agent and Underwriter Transactions

When performing the operations of agent of financial instrument issue without the obligation of redemption of unsold financial instruments, the Authorised Bank shall organise the operations for the client, financial instrument issuer, regarding:

- 1) issue of the financial instruments by public offer with or without the obligation of Prospectus publication;
- 2) inclusion of the financial instruments issued by public offer on the organised or MTF market.

The operations referred to in paragraph 1 of this item shall be performed by the Authorised Bank in the manner ensuring the application of the strategy of the organisation of the financial instrument issuance which is the most favourable for the client, especially taking into account that the issuance is made through the public offer including or excluding the obligation of prospectus publishing.

In agreement on organising the issuance of financial instruments without the obligation of redemption, the Authorised Bank shall organise the issuance of such instruments, through public offer, endeavouring that third parties subscribe and pay for financial instruments, and the client shall pay charge for such service to the Authorised Bank.

The Agreement referred to in paragraph 3 of this item shall define mutual rights and obligations between the Authorised Bank and client, especially:

- 1) organisation of the operations of the financial instrument issuance, covering:
 - participation of the Authorised Bank in the preparation of the prospectus for the issuance of the financial instruments through the public offer, i.e. application and documentation on the financial instrument issuance excluding the obligation of publishing the prospectus and responsibility of the parties for the preparation of the prospectus and/or application
 - preparation for the organisation of financial instrument subscription and payment;
 - notification of investors on financial instrument issuance;
 - organisation of place for financial instrument subscription and payment;
 - making presentation for financial instrument issuance including the obligation of prospectus publishing
 - other operations in accordance with agreement between the client and Authorised Bank.
- 2) organisation of operations of inclusion of financial instruments on the organised market or MTF shall include:
 - participation in the preparation of prospectus and other documentation necessary to obtain approval from the Securities Commission to include the issued financial instruments on the organised market or MTF;
 - preparation of applications and other documentation filed to the market maker to include the financial instruments on the organised market or MTF;
 - other operations in accordance with agreement between client and Authorised Bank.
- 3) amount and method of calculating fee and charges for performing underwriting operations;
- 4) other mutual rights and obligations.

In agreement on performing the underwriting operations between the Authorised Bank and client, financial instrument issuer, the obligation of the Authorised Bank may be limited to:

- 1) certain volume of financial instruments issued, i.e. whether the agent obligation relates to one or several issues of financial instruments issued;
- 2) certain type of operation performed by issue agent (method of organising the operations of the financial instrument distribution and inclusion on the organised market or MTF).

When performing underwriting operations, the Authorised Bank shall organise financial instrument issuance, including the obligation of their redemption from issuer for the purpose of further sales or the obligation of redemption from the issuer of the unsold financial instruments until the expiry of the term for subscription and payment.

In agreement on the financial instrument issuance including the obligation of redemption, the Authorised Bank shall buy all financial instruments from issuer and subsequently organise their further sales or buy only those financial instruments which remain unsubscribed and unpaid after the expiry of the term for the subscription and payment, and subsequently organise their distribution while the issuer shall pay the fee for such services.

Agreement on organising financial instrument issuance including the obligation of redemption shall include the elements prescribed in the Commission Rulebook on Rules of Conduct of Investment Company when Providing Services.

The underwriting agreement entered into by the Authorised Bank with client shall especially include:

1. obligation of underwriter to redeem the whole issue or only a portion of unsold financial instruments until the expiry of the term for the subscription and payment;
2. responsibility of parties regarding financial instrument issuance and issue price and/or interest rate;
3. potential obligation of issuer, during certain period after the commencement of the primary sales, not to issue or sell the financial instruments of the same type;
4. provisions on fees, commissions, and conditions of payment of the underwriting service.

2.5 Investment Advisor Operations

Before the beginning and during the provision of investment advisory, the Authorised Bank shall require information from client or potential client on his knowledge and experience, financial situation, and investment goals of such client relevant for particular financial instrument or service type, based on which it could recommend it relevant transaction or financial instrument.

The information provided by client referred to in paragraph 1 of this item shall be in writing and include the elements prescribed in the Rulebook of the Commission on Rules of Conduct of Investment Company when Providing Services.

The profile developed by the Authorised Bank on the knowledge and experience of client or potential client must include the elements prescribed in the above Rulebook.

The Authorised Bank will enter into agreement on performing the investment advisory with the client who is provided the advisory services.

The advisory services shall include:

- 1) client notification on the situation on the financial instrument market and giving advice regarding buying and/or selling of certain financial instruments;
- 2) provision of legal and financial advice in the area of corporate governance;
- 3) performing technical, fundamental, and other analysis;

- 4) participation in developing legal and other acts and documents;
- 5) investment advisory i.e. giving personal recommendation to the client in terms of one or several financial instrument transactions;
- 6) performing other similar operations for clients in accordance with the Law.

General information with the aim of informing interested parties on the Authorised Bank Operating Rules, principles of regulatory authority operation, and technique of the operation of the financial instrument market shall not have the nature of advisory services in sense of the provisions of this item.

The Agreement on performing investment advisory shall define mutual rights and obligations between the Authorised Bank and client, especially:

- 1) advisory service type;
- 2) conditions and method of performing the services;
- 3) expected yields and other effects for the client;
- 4) amount of the fee and charges regarding the performance of the investment advisory;
- 5) other rights and obligations of the parties.

2.6 Market Research

The Authorised Bank shall perform the operations of market research within the Investment Advisory Unit.

Market Research operations shall cover communication of information to one or several potential investors prior to a transaction to assess interest of potential investors in transactions and its conditions, such as potential volume or price:

- 1) to securities issuer;
- 2) to seller of a financial instrument on the secondary market in such volume or value that respective transaction differs from ordinary trading and includes method of sales based on previous assessment of interest by potential investor;
- 3) to a person acting on behalf and for the account of a person referred to in items 1) and 2)

Market research also means announcement of insider information to the persons entitled to such securities by persons who intend to give bid for shares overtaking (or by the Bank acting on behalf and for the account of such persons) or to implement merger of companies if the following conditions are cumulatively met:

- 1) such information is necessary to enable the persons entitled to such securities to make decision whether they are ready to offer their securities for sale;
- 2) intention of person to sell their securities is necessary for decision for acquiring or merging companies is necessary

When performing market research operations, the Authorised Bank shall implement the measures aimed at the prevention of insider information, and all parties involved in the market research shall receive the same information, and it shall document the fulfilment of all these measures.

In its Conflict of Interest Management Procedure and Policy on Capital Market for Equity Instruments, the Authorised Bank shall additionally define the method of implementing market research, market research records, and other relevant elements of market research.

2.7 Financial Instrument Lending and Borrowing

The Authorised Bank may lend financial instruments of a client to another client, other investment company, or credit institution which is the Central Registry member if the Authorised Bank is authorised to do so in the agreement on authorisation in writing by the client.

The profit generated through lending of the client's financial instruments is accrued to the client, and the Authorised Bank may charge the service of agreeing lending in accordance with the Authorised Bank's Rulebook on Tariff.

The Authorised Bank may lend financial instruments from its own account to the persons referred to in paragraph 1 of this item, and the profit generated through financial instrument lending shall be attributed to the Authorised Bank.

The Authorised Bank shall keep records regarding such transactions in the manner prescribed in the Commission acts

The Authorised Bank may lend:

- 1) financial instruments whose legal holder is the Authorised Bank;
- 2) financial instruments whose legal holder is the client with whom the Authorised Bank has entered into agreement on maintaining financial instrument account provided that agreement on general terms and conditions of financial instrument lending is entered into or that the client has provided authorisation to do so in writing;
- 3) financial instruments whose legal holder is the client with which the Authorised Bank has entered into agreement on financial instrument management, also defining the possibility of the client's financial instrument lending;

The client shall be entitled to access the balance of the financial instruments subject to the agreement on lending and borrowing and such right may be limited in the agreement with the Authorised Bank.

The agreement on general terms and conditions of financial instrument lending and borrowing shall be entered into for definite period, but not longer than one year and it shall include:

- 1) name and registered office, i.e. name and place of residence of the parties;
- 2) name and registered office of financial instrument issuer the agreement relates to;
- 3) type, class, i.e. series, CFI code, and ISIN, or other internationally recognised financial instrument designation;
- 4) volume of financial instruments which may be lent i.e. which are borrowed;
- 5) mutual rights and obligations of the parties;
- 6) provision on agreement term;
- 7) the period for which client's financial instruments may be lent, i.e. the period for which agreement is entered into;
- 8) fee amount;
- 9) client's consent that during the agreement validity he will not exercise the rights from the financial instruments the agreement relates to;
- 10) the authorisation given by the client to the Authorised Bank to transfer the rights from the financial instruments the agreement relates to;
- 11) the date when the agreement is entered into and the signatures of the parties.

The Authorised Bank shall, not later than the date following the date of financial instrument transfer from the client's account, notify the client on the date of the transfer, volume of the transferred instruments, and the period for which the instruments are lent.

The notification referred to in the paragraph 1 of this item shall include:

- 1) date of financial instrument transfer;
- 2) volume of transferred financial instruments;
- 3) period for which the securities are lent i.e. borrowed by borrower.

Article 50

The Authorised Bank may, for the account of the client, mediate in entering into agreement on lending or borrowing of the financial instruments.

The securities on which the pledge right is set up, i.e. whose turnover is unlimited, may not be the subject of loan agreement.

When entering into the loan agreement, lender shall transfer the financial instruments subject of the agreement to the borrower's account.

Settling of liabilities by the borrower must be secured by providing pledge whose value may not be lower than the market value of borrowed financial instruments at the time of entering into the agreement.

If the market value of financial instruments subject to the pledge falls below the market value of the financial instruments subject to loan agreement, borrower shall additionally secure the settlement of his liabilities so that the pledge subject matter always corresponds to the value of borrowed financial instruments.

If the borrower fails to settle his liability resulting from the agreement on borrowing financial instruments, the lender may determine the value of his claim in the manner defined in the agreement or in relation to the value of the financial instruments they had on the date of entering into the agreement or on the date of settling the borrower's liability and sell the subject matter of the pledge in accordance with the Law on Contracts and Torts.

2.8 Opening and Maintaining Financial Instrument Account within Broker-dealer Activity and Corporate Services

2.8.1 Opening and Maintaining of Proprietary Accounts, Escrow Accounts, Issue Accounts and other Financial Instrument Accounts

Article 54

Under the agreement on financial instrument client account opening and maintaining, the Authorised Bank shall open financial instrument client account with the Central Registry, and, upon the client's request, the escrow account, on behalf of and for the account of the client, and the client shall pay the charge to the Authorised Bank for such services, in accordance with the Rulebook on Tariff of the Authorised Bank.

Under the agreement on financial instrument proprietary account, the Authorised Bank shall be bound to:

- 1) open financial instrument client account with the Central Registry on behalf of and for the account of the client;
- 2) open financial instrument escrow account with the Central Registry on behalf of and for the account of the client, upon the client's request;
- 3) keep the balance on financial instrument client account (update any changes on such account resulting from the financial instrument buying and selling and the transfer of the rights of the financial instruments kept on the client account);
- 4) submit balance to the client, i.e. data on the turnover on such account as the statement from the Central Registry central information base.

The Authorised Bank may hold client's financial instruments on the omnibus account separated from the Bank account. The Authorised Bank will keep sub-ledger data in its books where financial instruments will be differentiated by clients at any moment. The obligations of the Authorised Bank and the obligations of the client will be specified in a special annex to the Agreement on Financial Instrument Proprietary Account Opening and Maintaining.

Issue Account Maintaining Agreement shall be entered into by the Authorised Bank with financial instrument issuer in accordance with the Law, Operating Rules, and other acts of the Central Register, other regulations, and these Rules.

Under agreement on issue account maintaining, the Authorised Bank shall open financial instrument issue account with the Central Registry, on behalf of and for the account of the client, and the client shall pay fee to the Authorised Bank for such services, in accordance with the Rulebook on Tariff of the Authorised Bank for the purpose of:

1) assigning ISIN number and CFI code to the financial instruments to which such designations have not been previously assigned;

2) transferring rights from the financial instruments from the issue account to the financial instrument client accounts in the process of registering the issue of financial instruments at the Central Registry and the issuance of such securities;

3) keeping records on issued financial instruments.

The Authorised Bank shall perform the operations referred to in item 2 paragraph 2 of this Article based on license for performing the operations of issue agent.

The transfer of the rights from financial instruments among the accounts of the same holder and the transfer to the account of a new holder, as well as the right subscription and deleting the rights of third parties to the financial instruments shall be made by the Authorised Bank on behalf of and for the account of its clients inputting orders for financial instruments, i.e. orders for the subscription and deletion of the rights of third parties with the Central Registry.

2.8.2 Money Account Opening and Maintaining

The Authorised Bank may hold cash funds of its clients on a special account separated from the Bank's account. The Authorised Bank shall keep the sub-ledger in its books ensuring, at any time, the identification of funds by clients holding them.

2.8.3 Financial Instruments Account Opening and Maintaining

Under Agreement on Financial Instruments Account executed by client with the Authorised Bank, the Authorised Bank shall, on behalf of and for the account of client, open financial instrument securities account with the Central Registry, in accordance with the Law, Central Registry Rules of Business, and other regulations, and the client shall pay fee to the Authorised Bank for such services, in accordance with the Authorised Bank's Rulebook on Tariff.

Client referred to in paragraph 1 may be:

- A person acquiring shares of target company in the procedure of share overtaking bid,
- Issuer, in the procedure of acquiring own shares in accordance with the Company Law,

2.8.4 Representing Shareholders at General Meetings

Under agreement on representing shareholders at general meetings of joint stock companies, the Authorised Bank shall represent the client holding the voting shares of certain joint stock company at the general meeting of such company, based on the proxy provided for each general meeting individually, in the manner and under the conditions determined under law, memorandum of incorporation, and articles of association of such company, and the client shall pay fee for that to the Authorised Bank, in accordance with the Authorised Bank's Rulebook on Tariff.

The Authorised Bank shall represent the shareholders at the company's general meeting in accordance with the client's instructions.

The Authorised Bank shall warn shareholders giving it the proxy of any restrictions regarding such representation resulting from the law and other regulations.

2.8.5 Other Operations

Under agreement on providing services in the process of performing corporate activities, the Authorised Bank shall, on behalf of and for the account of the issuer, perform the following services;

1. filing application to the Central Securities Depository and Clearing House (hereinafter CR) to assign CFI code and ISIN number;
2. opening of issue account and subscription of securities at the CR (issue registration);
3. change of the data kept in single records of legal holders of securities at the CR, to correct error in the records upon the Issuer's request;
4. reconciling/registering the base of the shareholders at the CR;
5. securities designation;
6. submission of application to the CR to issue Uniform Shareholder Records for the purpose of holding the General Meeting;
7. notification in accordance with the Central Registry Rules of Business;

8. filing application for including financial instruments on the organised market, i.e. MTF of the market operator;
9. developing and updating of the issuer's information;
10. setting up of the prospectus on the Corporate Agent's site whose content is prescribed in the act of the Securities Commission (hereinafter: Base Prospectus), upon the Issuer's request;
11. delisting of the financial instrument from the organised market and/or MTF.

For the above services, the Issuer shall pay fee to the Authorised Bank for such services, in accordance with the Rulebook on Tariff of the Authorised Bank and signed Annex.

In agreement on performing individual operations, other operations of the Authorised Bank may be determined, such as operations regarding the settlement of tax liabilities of legal holders of financial instruments of company clients, operations of financial instrument lending and borrowing and other operations regarding the implementation and execution of principal agreement.

3 Conditions and Methods of Performing the Authorised Bank Operations

3.1 Conditions for Performing the Authorised Bank Activities

The Authorised Bank shall perform its activity after obtaining permit for performing the activity by the Commission, after meeting the conditions in terms of human, organisational, and technical resources, and other conditions in accordance with the Law and the Commission's Rulebook on organisational requirements for the provisions of investment services and performing investment activities and additional services.

The Authorised Bank shall have at least two full-time employed persons having permit from Commission for performing the operations of broker, investment advisor, whereby:

- 1) for the provision of services of order receipt and transfer, and order execution for the account of client, trade for own account. The Authorised Bank must have an employed person with the permit of the Commission for performing broker operations;
- 2) for the provision of investment advisory, the Authorised Bank must have an employed person with the permit of Commission for performing such operations;

The Authorised Bank shall meet any other conditions regarding business premises, organisation, and information system operation, accounting procedures, as well as measures for ensuring business continuity, described in detail in the Commission Rulebook on organisational requirements for rendering the investment services and performing investment activities and ancillary services

3.2 Method of Performing Activity of the Authorised Bank

The Authorised Bank shall perform financial instruments trade on the regulated market, multilateral trade facility (MTF) unless otherwise defined under the Law and by-laws.

The Authorised Bank shall, as a rule, trade financial instruments according to the methods prescribed under the rules of business of stock exchange or other market operator (hereinafter: market operator).

Exceptionally from the provision of paragraph 1 of this item, the Authorised Bank may trade financial instruments outside the organised market or MTF, on OTC market, in cases stipulated by the Law and by-laws.

3.3 Principles of the Authorised Bank Sound and Prudent Management

When providing investment services to clients, the Authorised Bank shall prioritise the interests of its clients before own interests and operate in just, fair, and professional manner, in accordance with the best client interests being in compliance with the principles defined under the provisions of Law on Capital Market.

Any information, including marketing ones, sent by the Authorised Bank to its clients or potential clients, must be true, clear, and non-misleading, and marketing material must be clearly indicated as such.

In order for clients to understand the nature and risks of investments and type of financial instrument offered and make founded decision on investment, the Authorised Bank shall provide its clients and potential clients relevant information in understandable form on:

- 1) investment company and its services;
- 2) financial instruments and proposed investment strategies, including relevant guidelines and warnings regarding investment risk in the above instruments, i.e. strategies;
- 3) places of order execution;
- 4) charges and fees.

When providing investment advice, the Authorised Bank shall collect any necessary information on the knowledge and experience of client or potential client and his field of investment, financial situation, and investment objectives of the client significant for certain type of financial instrument or service, in order for investment company to be capable to recommend the client or potential client the investment service or financial service appropriate for him.

When the Authorised Bank provides other investment services not mentioned in the previous paragraph, it shall require client or potential client to provide data on his knowledge and experience in the investment area significant for financial instrument or service offered or demanded, to be able to assess the extent to which the investment service or financial service concerned are appropriate for the client.

In case when the Authorised Bank considers that, based on the information obtained from the client, the financial instrument or service is not appropriate for the client or potential client, it shall warn him thereof, in the form of Statement on Warning.

In case when client or potential client decides not to provide information or does not provide sufficient information on his knowledge and experience, the Authorised Bank shall warn the client or potential client that due to such decision it may not be determined whether certain financial instrument or service is appropriate for him, in the form of the Statement on Warning.

When providing investment services concerning only the execution, i.e. the receipt and transfer of client order without rendering any additional services, the Authorised Bank may provide such investment services to its clients without the obligation of obtaining data on his knowledge and experience within the investment area significant for the financial instrument or service offered or demanded if the following conditions are met:

- 1) the services relate to the shares included in trade on the organised market, i.e. MTF or on the equivalent market of third countries meeting the conditions referred to in Chapter VII of the law, money market instruments, bonds, and other forms of securitised debt, collective investment undertakings, and other similar financial instruments, including bonds and instruments of securitised debt containing derived financial instrument;
- 2) the service is provided at the initiative of client or potential client;
- 3) client or potential client has been clearly notified that, in the course of providing certain service, the Authorised Bank is not bound to assess the appropriateness of provided or offered financial instrument, therefore, the client shall not enjoy the right of protection from the rules of business, and such warning may be provided in standardised form;
- 4) the Authorised Bank fulfils its obligations in accordance with the Law, relating to the prevention of the conflict of interest between the Authorised Bank and its clients.

The Authorised Bank shall, in the premises in which it operates with clients, ensure access to its Operating Rules and Rulebook on Tariff, as well as publish them on its Internet page.

The managers employed with the Authorised Bank shall keep the data on the balance and turnover on the accounts of the company clients as business secret, they must not disclose them to third parties or use them for the purpose of other interest except for the client's interest.

The data referred to in the previous paragraph may be disclosed and accessed only:

- 1) including client's consent in writing;
- 2) in the course of the supervision performed by the Commission, Central Registry, or market operator;

- 3) based on court order;
- 4) on the grounds of another competent government authority in charge of preventing money laundry or financing of terrorism i.e. other competent government authority.

The authorised Bank shall, when holding client cash and financial instruments, determine a proper system of protection of clients property rights in order to prevent utilisation of client's financial instruments for the account of investment firm or for the account of other clients unless provided with explicit consent of the client.

3.3.1 Prohibited Activities

The Authorised Bank may not perform the financial instrument activities which would hamper the organised market stability, and it especially may not:

- 1) Provide incorrect information to investors on financial instrument price;
- 2) disseminate false information to change the financial instrument price;
- 3) dispose of financial instruments held by client without his consent in writing;
- 4) execute the client orders in a way which is not in compliance with the Law, by-laws, and Order Execution Policy of the Authorised Bank;
- 5) buy, sell, or borrow for own account the same financial instruments subject to the client order before acting according to the client order;
- 6) stimulate clients to frequent transaction carrying out exclusively for the purpose of commission charging.

3.3.2 Conflict of interest prevention

The Authorised Bank shall organise its operation so as to minimise possible conflicts of interests of its clients and the interests of the Authorised Bank, its shareholders, directors, management body members, and employees.

The Authorised Bank shall take the measures defined in the policies, procedures, and other internal acts on the conflict of interest management within Erste Bank a.d. to detect conflicts of interest, including the conflicts of interest of the persons referred to in paragraph 1 of this item and any persons closely related with them, on the one hand, and the interests of its clients, on the other hand, as well as mutual conflicts of interest of individual clients, arising during rendering of the investment services.

Before executing transaction for the client, the Authorised Bank shall inform the client on possible conflicts of his interest with the Authorised Bank interests, i.e. the interests of other clients of the Authorised Bank, also including general nature, i.e. sources of such conflicts.

The conflict of interest policy is defined in the policies, procedures, and other internal acts on the conflict of interest management, thus, all of Erste Bank a.d. employees shall act in accordance with relevant laws, other regulations, internal procedures, and codes. In the above documents, the Bank has prescribed:

- method of confidential information protection and management, and prevention of fraud regardless on whether the confidential information relate to the Bank clients as the financial instrument issuers, financial instruments of the Bank clients, the Bank as the issuer of the financial instruments, control of trading by the Bank personnel with the financial instruments for their account;
- the circumstances which are or may result in the conflict of interest at the detriment of one or several clients, regarding individual investment service or activity and ancillary service provided by or for the Bank;
- the circumstances which may result in the conflict of interest resulting from the structure and business activities of other members of the group the Authorised Bank belongs to;
- procedures and measures the Authorised Bank shall apply to manage the conflicts of interest which may be at the detriment of one or several clients;
- obligation to, before rendering the service, inform the client on possible types and sources of the conflict of interest.

The Authorised Bank shall organise its operation in such a manner to minimise the conflicts of interest whose existence may hamper the client interests, which may occur when providing services between:

1. the interests of the Authorised Bank, relevant person, and any persons closely related to them, on the one hand, and the interest of the Authorised Bank clients, on the other hand;
2. the mutual interests of clients and Authorised Bank.

The Authorised Bank shall, when determining the conflict of interest which may hamper the client interest, determine whether the Authorised Bank, relevant persons, or the persons closely related to them, due to the provision of the services or otherwise:

1. may generate financial gain or avoid financial loss at the detriment of the client;
2. have got interest or benefit from the result of the service provided to the client or the transaction executed for the account of the client, which differ from the client interest;
3. have got financial or other motive corresponding to the interests of other client or group of the clients at the detriment of the client interest;
4. perform the same activity as the client.
5. receive or will receive from the person who is not the client incentive regarding the service provided to the client in the form of money, goods, or services not relating to standard commission or fee for such service

In relation to investment company, relevant person shall include:

- person with interest in investment company,
- person at managing position at investment company (Director, members of Board of Directors, Supervisory Board),
- person employed at investment company,
- any other person engaged by investment company for the provision of services within his/her competencies;

Person with whom relevant person is closely related shall include:

- spouses or civil partner of relevant person,
- direct lineal descendants and ascendants indefinitely;
- collateral kinsmen to the third degree of kinship, including in-laws;
- adoptive parent and adoptive children and adoptive children's descendants;
- foster parent and foster children and foster children's descendants;
- any other person who has spent minimum one year in common household with relevant person from the date of respective transaction.

Procedures and measures for managing the conflict of interests at the Authorised Bank are set up in such manner to:

- a) prevent or eliminate any person to inappropriately impact the manner in which relevant persons provide investment services;
- b) eliminate any direct relation between the remuneration of relevant persons mostly involved in one business activity and the remuneration or gains generated by other relevant persons mostly involved in other business activity if the conflict of interest may arise regarding such activities;
- c) prevent or ensure controlled exchange of information among the relevant persons if the information exchange could hamper the interests of one or several clients;
- d) prevent or ensure supervision of simultaneous or consecutive participation of relevant persons in various services if such participation could have adverse impact on the conflict of interest management;
- e) ensure separate supervision of the relevant persons whose primary function includes business activities for the client or provision of services to the clients whose interests may be conflicted or who otherwise represent different interests which may be conflicted, also including the interests of the investment company.

3.3.3 Personal transactions

Personal transaction is a transaction using a financial instrument executed by relevant person acting outside the scope of the activities performed as the relevant person or which has been executed for the account of the relevant person, person with whom the relevant person is related or with whom he/she is related in sense of the Law, or persons whose relation with the relevant person is of such nature that the relevant person has a direct or indirect material interest from transaction results, which excludes commission or management fee.

The Authorised Bank shall prohibit the relevant person to carry out the following activities:

a) to conclude personal transaction if:

- it includes fraud or detection of insider or other confidential information relating to the client or transactions with the client or for the account of the client,
- the conclusion of such transaction is in conflict or it is probable that it will be in conflict with the investment company obligations;
- to advise or induce other person to conclude transactions with financial instruments, in the manner which exceeds the authorisations of the relevant person or which is not prescribed in the agreement on service provision;
- disclose other person any information or opinions, except within regular authorisation or within the agreement on service provision if the relevant person knows, or should know, that such action will impact another person to:
- conclude transaction with financial instruments,
- advise or induce third party to conclude such transaction.

The Authorised Bank shall ensure that:

- 1) any relevant persons are informed on prohibited activities and measures of the company regarding personal transactions and relevant notifications;
- 2) it is immediately informed on any personal transactions;
- 3) when it outsources operations, service provider shall keep records of personal transactions of the relevant persons of the service provider and, upon request, immediately provide information on personal transactions to the Authorised Bank;
- 4) records shall be kept on any personal transactions, which must include any approvals of prohibitions regarding personal transactions.

The provisions of these Personal Transaction Rules relate to:

- personal transactions with investment units at open-ended investment funds unless the relevant person and any other person, for whose account the transaction is executed, is included in managing the above entity.

4 Mutual Rights and Obligations of the Authorised Bank and Clients

4.1 Clients

The Authorised Bank shall perform individual operations within the scope of its activity for local and foreign legal entities and natural persons – clients of the Authorised Bank.

Before entering into agreement with the client on performing individual operations, the Authorised Bank shall notify the client on:

- 1) the types of the services performed based on license for performing activities;
- 2) these Rules and Rulebook on Tariff of the Authorised Bank
- 3) Rulebook on Categorisation, category in which he is allocated, and, accordingly, the level of protection
- 4) Order Execution Policy
- 5) Policy and procedures of the Bank in the area of conflict of interest prevention

- 6) any circumstances significant for client decision making regarding the services provided by the Authorised Bank to its clients, as well as on the risks relating to such services.

Before entering into the agreement with the Authorised Bank, clients shall present the Authorised Bank with documents and other documentation as requested by the Authorised Bank, based on which the Authorised Bank may identify the client and determine whether conditions for the execution of the operation which is the agreement subject matter are met, especially:

- 1) name and/or name and address and/or client registered office;
- 2) identification number (personal/company) or other identification number for foreign legal entities or natural persons;
- 3) tax identification number for local legal entity and for foreign legal entity and natural person;
- 4) number of money account and the name of the bank it is kept with;
- 5) number of financial instrument client account if the client has opened such account;
- 6) other documents and data prescribed in the Bank's Know Your Client procedure

The clients shall provide information to the Authorised Bank on their knowledge and experience in the investment area significant for the financial instrument or the service offered or requested, their investment goals and financial position in order for the Authorised Bank to be able to categorise the client into certain category and evaluate whether certain financial instrument or service is appropriate for him, otherwise it will warn the client that it may not determine whether certain financial instrument or service is relevant for him due to the client's decision to provide or not to provide sufficient information.

The Authorised Bank will warn the clients in which cases, in accordance with the Law, it is not obligated to assess the appropriateness of provided or offered financial instrument or service.

The clients shall ensure cover for the financial instrument trading on escrow cash account i.e. financial instrument account, within the term provided for in the Agreement.

The client shall pay the charge to the Authorised Bank for performing the investment services in accordance with the Rulebook on Tariff and any related commissions, fees, and other charges relating to certain investment service and/or financial instrument.

4.2 Client Categorisation

The Authorised Bank will, before service provision, categorise clients in the category of professional or retail clients, in accordance with the Law on Capital Market, acts of the Commission and based on the Authorised Bank's Rulebook on Client Categorisation. This categorisation shall be implemented by the Authorised Bank based on the information available to it regarding the client's:

- 1) investment goals;
- 2) knowledge and experience;
- 3) financial position

When it is determined that a client does not belong to initially determined client category any more, the Authorised Bank will take measures to change the client category.

The AB shall, through permanent medium, notify each client on:

- 1) client category he is allocated in;
- 2) level of interest protection to be provided to him;
- 3) possibility to require the categorisation in another client category, as well as on any change of the protection levels resulting from such decision.

Details on client categorisation, treatment by categories, and category change are defined by the Authorised Bank in the Authorised Bank's Rulebook on Client Categorisation which shall be an integral part of these Rules of Business (Appendix 1)

4.3 Information Specifically Provided to Retail Clients

The Authorised Bank will, before entering into the agreement and/or service provision to the retail client or potential retail client through Internet page, i.e. permanent medium, provide the information on:

- 1) the investment company and the services provided by the company;
- 2) financial instruments;

- 3) protection of financial instruments and cash of the client;
- 4) charges and fees.

The Authorised Bank will notify the client and potential client, in a timely manner, on any significant change of the information referred to in paragraph 1 of this item.

The information referred to in paragraph 1 of this item is included in standardised form in "Information for Retail Clients" which shall be an integral part hereof (Appendix 2).

4.4 Agreement with Client

The Authorised Bank shall provide services to the clients based on entered into agreement in writing defining their mutual rights and obligations regarding performing individual services within the Authorised Bank's activity (hereinafter: agreement with client).

The agreement with client shall especially include:

- 1) the rights and obligations of the parties, and they may be determined by referring to other documents accessible to the client;
- 2) other conditions under which the Authorised Bank provides services to the client;
- 3) client statement:
 - that before entering into the agreement the Operating Rules and Rulebook on Tariff were accessible to him and that he is aware of their content
 - on his knowledge and experience in performing transactions regarding securities and other financial instruments on the financial market.

The Authorised Bank shall not be bound to enter into agreement with the following professional clients if it performs the services of order receipt and transfer for them i.e. order execution, i.e. ancillary services related with them:

- 1) entities for operation on the financial market subject to the obligation of approval i.e. supervision by competent authority, such as: credit institutions, investment companies, other financial institutions whose operation has been approved or supervised by supervisory authority, insurance companies, collective investment undertakings, and their management companies, pension funds and their management companies, commodity stock exchange dealers, as well as other entities supervised by the competent authority;
- 2) Republic, autonomous provinces, and local authorities, as well as other sovereigns or supranational and regional bodies, National Bank of Serbia and central banks of other states, international and supranational institutions, such as International Monetary Fund, European Central Bank, European Investment Bank, and other similar international organisations.

Maximum commission i.e. fee paid by the client for the services subject to the Agreement, as well as the method in which, in the event of amending the Rulebook on Tariff of the Authorised Bank in relation to the Rulebook applicable at the time of entering into the agreement the applicable Rulebook may apply, shall be defined in agreement with the client. If the client is included in the client category with whom it is not necessary to enter into agreement, the commission shall be defined by entering the amount in percentage in each order issued for the client, in accordance with the Rulebook on Tariff.

When signing agreement with clients, the Authorised Bank will warn the client, primarily the client categorised as retail client, of the risks relating to certain financial instruments before making the client's decision on buying i.e. selling of the financial instruments.

The Authorised Bank will inform the client on the following risks:

- 1) Liquidity risk
- 2) Credit risk
- 3) Market risks
- 4) Interest rate risks
- 5) Currency risks
- 6) Financial instrument risks
- 7) Operational risks
- 8) Other risks

The Authorised Bank shall, based on the client's statement on his knowledge and experience, allocate the client in certain category, assess the appropriateness of the financial instrument or service for the client, and inform the client on the facts significant for executing respective transaction or service, and

on other circumstances which may impact his status and protection level when investing in the financial instruments.

4.5 Collecting Information when Providing Investment Services

Before beginning and in the course of providing other services, apart from investment advisory, the Authorised Bank will require information from the client or potential client on his knowledge and experience in the investment area significant for the financial instrument or service offered or required by the client.

The Authorised Bank may rely on the information obtained from the client or potential client, in writing, except when he is aware or he must be aware that the information is outdated, incorrect, or incomplete.

The Authorised Bank will warn the client or potential client that:

- 1) it may not determine whether certain financial instrument or service is appropriate for him due to the client's decision not to provide the information or not to provide sufficient information referred to in paragraph 1 of this Article;
- 2) financial instrument or service is not appropriate for it unless this is evaluated based on the obtained information.

4.6 Client's Obligations

The client shall, before the issue of order to the Authorised Bank for financial instrument buying or selling:

- 1) open financial instrument account with Central Registry member;
- 2) open escrow money accounts with the bank which is the Central Registry member;
- 3) authorise the Authorised Bank to, in accordance with the issued order, transfer and subscribe the rights from the financial instruments on the client account, i.e. execute incoming and outgoing payments to the client account.

The authorisation referred to in paragraph 1 item 3 may be:

- 1) included in the agreement on performing broker transactions, when such agreement also includes the elements of the agreement on maintaining the financial instrument account;
- 2) provided in a special agreement on managing the financial instrument account;
- 3) provided based on other legal transaction.

4.7 Order Execution Policy

The Authorised Bank will execute the client's orders in a prompt, fair, and efficient manner in relation to the orders of other clients, dealer orders, or the orders of the relevant persons in the course of personal transactions.

The Authorised Bank shall have a special Policy relating to client order execution which shall be an integral part hereof (Appendix 3).

Execution of orders for financial instrument buying and selling shall be made by entering the elements of issued orders in the central information system base of the market operator referred in the order.

The Authorised Bank shall execute the orders for financial instrument buying or selling on the organised market entering the orders by the sequence of their receipt unless the organised market has, in its special rules for trading certain security, determined different sequence of the order execution.

When executing any order, the Authorised Bank will be guided by the by-laws of the Commission and Order Execution Policy.

Until order implementation, the Authorised Bank may change orders issued in the information system central base or of other market operator in accordance with the rules of business of such operator.

For trading on the markets where the Bank is not a member, the order will be forwarded to some of Erste Group companies, and, unless any of Erste Group companies covers the required market, the order will be forwarded to the selected broker.

Erste Bank a.d. Authorised Bank shall, when selecting the foreign custodian on whose accounts it will hold the financial instruments of its client, take into account:

- a) the custodian's professionalism and market reputation

- b) that the custodian is subject to the regulations which, in that state, govern the custody of the financial instruments for the account of other client
- c) that it, on a periodical basis, reviews the selection of the custodians and agreed arrangements for keeping and custody of the client's financial instruments.

The Authorised Bank shall issue the statements of balances and turnover on financial instrument client accounts as the statement from the central information base of the Central Registry for financial instruments issued in the Republic of Serbia.

The Authorised Bank shall, upon the client's request, on the date following the date of request receipt, submit the statement on the turnover on financial instrument account for the requested period if this is provided for in the Operating Rules and Central Registry Instructions, and the new balances as of the date of the statement submission.

The Authorised Bank shall, on an annual basis as a minimum, submit statement, on permanent medium, on the client's assets to each individual client on whose behalf it keeps the financial instruments or cash.

The statement from the indent above shall include:

- 1) details on any financial instruments or cash the investment company keeps for the client, at the end of the period the statement relates to;
- 2) method of use and/or disposal of the financial instruments and cash during the statement period;
- 3) gains i.e. yields based on such use and/or disposal.

4.8 Liability of the Authorised Bank and Clients

The Authorised Bank shall be liable to clients for any damage caused by failure of execution i.e. incorrect or non-timely execution of any orders for financial instrument buying or selling, i.e. the order for transfer, in accordance with the Law on Contracts and Torts.

Clients shall be liable to the Authorised Bank for the damage, in accordance with the Law on Contracts and Torts, resulting from incorrect data and documentation submitted to the Authorised Bank, for any failure to execute the obligations as of the date of settlement under concluded transactions, and in other cases prescribed by the law and agreement concluded with the client.

4.9 Protection of Financial Instruments and Cash of Client of the Authorised Bank

To protect the rights of its clients, after obtaining license from the Commission to hold the financial instruments and/or cash of its clients, the Authorised Bank has set up and applies the adequate systems for clients' proprietary rights to prevent client's financial instrument use for the account of the Authorised Bank or for the account of other clients, unless there is an explicit consent by client.

The Authorised Bank shall keep own account of financial instruments with the Central Register, separate from financial instruments of its clients.

Clients' financial instruments shall not be the ownership of the Authorised Bank and shall not be included in the Authorised Bank's assets and may not be used for the payment of the Authorised Bank liabilities to its creditors.

In the case of an authorised bank, funds of clients cannot be included in the liquidation or bankruptcy estate of the investment firm or the credit institution of which the authorised bank is a part, and cannot be used for payment of liabilities of the investment firm or such credit institution.

The Authorised Bank shall keep records, accounts, and correspondence in connection with financial instruments in a precise and accurate manner, including regular reconciliation with the records and accounts of third parties holding the clients' assets, in such a manner that it may differentiate the assets of one client from the assets of other clients and the Bank's assets at any moment.

The Authorised Bank will take any measures ensuring that the account of the financial instruments of the Authorised Bank with the Central Registry is kept separately from the client's financial instruments, as well as that any cash of the client deposited at Erste Bank a.d. Novi Sad which is the Central Registry member are held on the account or accounts different from the account used for holding the funds of the Authorised Bank.

In accordance with the Client protection, the Authorised Bank will pass and implement any necessary measures minimising the operational risk of the loss and decrease of the clients' assets i.e. the rights regarding such assets.

4.10 Handling of Client Financial Instruments

The Authorised Bank shall use the financial instruments from the client account only based on the client order and it must not:

- 1) pledge or dispose the financial instruments in the client's ownership without his prior authorisation in writing;
- 2) use client's financial instrument to pay for its liabilities, as well as the liabilities of other clients.

When the Authorised Bank deposits financial instruments with a foreign depository, on whose accounts the financial instruments of its clients will be held, the Authorised Bank shall take account of:

1. depository's expertise and market reputation;
2. depository is subject to the regulations in respective state governing the custody of financial instruments for the account of third party;
3. periodical review of the selection of depository and agreed arrangements for clients' financial instruments holding and custody.

Exceptionally from paragraph 2 of this item, the Authorised Bank may deposit client's financial instruments with depository in the country where financial instrument holding and custody for the account of other client are not specifically set out only if one of the following conditions is met:

1. nature of financial instrument or investment service related with respective instrument require depositing with depository in such state;
2. professional client requires in writing from investment company to deposit its financial instruments with depository in such state.

4.11 Use of Client Financial Instruments

The Authorised Bank shall be entitled to access the transactions of securities finance regarding the financial instruments held for the client or otherwise use such financial instruments only if the instruments are used under strictly determined condition for which the client has given his consent, and the retail client must give the consent in writing.

The Authorised Bank shall be entitled to use the financial instruments of other clients held by company on the omnibus account, within the transactions financing the securities or for other purposes only if, besides the conditions referred to in paragraph of this item, the following conditions are also met:

- 1) each of the clients whose financial instruments are held on the omnibus account has provided explicit prior consent for the use of his instruments under strictly determined conditions;
- 2) the Authorised Bank must set up the control system ensuring that exclusively the financial instruments of the clients who have provided prior consent in writing are used,

The Authorised Bank shall keep records on:

- 1) details regarding the client under whose instructions the use of the financial instruments has been implemented;
- 2) volume of used financial instruments, classified by clients who have given their prior consent to use their financial instruments.

The Authorised Bank shall keep the records in the manner ensuring fair distribution of possible losses.

4.12 Handling of Client's Cash

The Authorised Bank keeping the client cash shall open money account of the clients which is separate from the Authorised Bank's money account.

The Authorised Bank shall ensure that the funds from client's money account:

1. shall be used only for the payment of the liabilities regarding the services performed for the client;
2. shall not be used for the payment of the liabilities of other client;
3. shall not be used for the payment of the liabilities of investment company.

When the Authorised Bank deposits the client cash with the bank abroad, it shall, when selecting the foreign bank, take into account:

- the custodian's professionalism and market reputation;
- that the foreign bank is subject to the regulations defining the performance of banking activity in that state;
- on a periodical basis, review the selection of the foreign bank and agreed arrangements for holding and keeping of the client's cash.

4.13 Investor Protection Fund

The Investor Protection Fund (hereinafter Fund) shall perform the activity for the purpose of the protection of the investors whose funds or financial instruments are exposed to the risk in case of the bankruptcy of the credit institution whose part the Authorised Bank is.

The Authorised Bank's membership at the Fund shall be mandatory in accordance with Article 135 of the Law.

The members of the Fund shall calculate and pay the contribution to the Fund on a regular basis, determined based on the percentage of income from activities and services referred to in Article 135 of the Law on Capital Market, fixed contribution or the combination of both, in accordance with the act of the Commission and act of the Fund Operator approved by the Commission.

The Commission regulation and rules of the Fund Operator approved by the Commission shall regulate coverage and the procedures for accepting and paying client claims from a Fund Member when:

- 1) bankruptcy proceedings have been initiated against a Fund member;
- 2) the Commission determines that a Fund member is unable to meet its obligations towards clients as they become due, including funds it owes to the clients and financial instruments held on behalf of clients, and there are no prospects that it will be able to do so in the near future.

Claims by clients referred to in the provisions of paragraph 1 of this Article shall be:

- 1) monetary claims in dinars owed by a Fund Member to a client or belonging to a client, which arise from provision of one of more of the investment services and activities referred to in Article 134, paragraph 1 of this Law;
- 2) claims for return of financial instruments belonging to a client of a Fund Member and held by, administered or managed by the Fund Member on behalf of the client in connection with the provisions of one or more of the investment services and activities referred to in Article 134, paragraph 1 of this Law.

The Fund Operator shall take appropriate measures to inform clients of Fund Members of the court ruling or Commission determination referred to in paragraph 4 of this item, and if they are entitled to be compensated, to compensate them as soon as possible.

The Fund Operator may fix a period during which clients shall be required to submit their claims, but that period may not exceed five months from the date of the ruling or the determination of circumstances referred to in paragraph 4 of this item, or from the date on which that determination or ruling is made public.

Client claims shall be insured up to the value of EUR 20,000 in RSD counter value per client of the Fund member. The insured amount shall apply to the total client claims from one Fund member regardless of the number of accounts and account place under the condition that such reimbursement relates to the funds in RSD and to the financial instruments. The Fund shall pay the amount of the claims as soon as possible, but not later than three months from the day of determining the right to payment i.e. the date of determining the claims amount.

5 Authorised Bank's Commission and other Fees

The client shall pay the Authorised Bank broker commission or other fee based on the conclusion of the operations of the financial instrument buying or selling for the account of client, as well as other executed services for the client.

The amount of the broker commission, fee for the change of custodian, or other fee paid by the client to the Authorised Bank is determined in the agreement entered into between the client and Authorised Bank for certain type of the services of the Authorised Bank up to the maximum rates i.e. amounts defined in the Authorised Bank's Rulebook on Tariff.

When performing the operations of the financial instrument buying and selling for the account of the client, the amount of commission for such transaction shall be specified in confirmation on order receipt and/or realisation, in accordance with the maximum amount of the commission determined in the agreement on broker operations, i.e. with the amount of the commission input in the client order.

The Authorised Bank's Rulebook on Tariff passed by the Authorised Bank's Executive Committee shall define the maximum amounts of the commissions, i.e. fees for performing the operations within the scope of the Authorised Bank

The Rulebook on Tariff shall include the information on the charges and costs which shall include:

- 1) the total cost the client shall pay regarding the financial instrument or service, including any related commissions, fees, and other costs, as well as any payments through investment company;
- 2) basis for cost calculation, in cases when it is not possible to state the total cost;
- 3) warning about the currency and relevant exchange rate and costs, in cases when any portion of the cost referred to in item 1 of this paragraph must be paid or it is the amount in foreign currency;
- 4) notification that there is a possibility of other costs, including taxes or other payments, relating to the transactions concerning the financial instrument or service, which may arise for the client, which are not payable through the investment company or not imposed by the investment company;
- 5) payment methods;

The Rulebook on Tariff and any subsequent changes shall be published on the Authorised Bank's Internet page and it shall begin to apply not earlier than seven days following the announcement and in the Bank's offices in which the Authorised Bank operates with the clients.

6 Method of Keeping Records and Business Documentation of the Authorised Bank

The Authorised Bank shall keep electronic records and documentation on any services and transactions executed and ensure:

- 1) records timeliness, accurate and correct keeping of records, accounts, and its correspondence in connection with client's financial instruments and funds and reconciliation of its internal accounts with records and accounts with records and accounts of third parties holding such funds, on a regular basis;
- 2) keeping of records and accounts in the manner ensuring separating funds of a client from funds of another client and from own funds, at any time and without any delay, and separation of documentation on operation with individual clients from the documentation on operation with other clients and documentation on operation with other clients, and documentation on own operation;
- 3) possibility of verification of the flow of individual transaction at any moment;
- 4) ensure protection from unauthorised access and possible losses;
- 5) in case when transactions are executed on behalf of the client, the records shall include all of the data and details regarding client identity, as well as the data prescribed in the law governing the prevention of money laundering and terrorism finance.

Any orders of clients, regardless of the manner in which they have been received shall be printed and kept in hard copy in the premises and/or archiving premises of Erste Bank a.d. Novi Sad. Orders shall be filed in the client folders. The controller of the BDD shall be responsible for filing and keeping of the client order. Audio recordings of the orders received by telephone shall be kept in accordance with the Bank's IT standards.

The orders shall be kept within the prescribed period (five years).

The Authorised Bank shall maintain and keep the business records and documentation within the terms prescribed in the Commission Rulebook.

6.1 Method of Keeping Uniform Records on Financial Instrument Trading

The Authorised Bank shall, within its information system, keep uniform records of received orders for buying and/or selling of the financial instruments,

The Authorised Bank shall record the order execution in the order register after the order execution i.e. after obtaining confirmation on performed transaction, in the event when the Authorised Bank transfers order for execution to other investment company.

The records referred to in paragraph 2 of this item shall include all of the elements prescribed in the Commission Rulebook

In addition to summary records, the Authorised Bank shall also keep special records by type of financial instruments, transactions concluded on the organised market, MTF, as well as the OTC market, types of the transactions executed, and by clients.

The Authorised Bank shall create daily, monthly, interim, and annual statements on the financial instrument buying and selling transactions concluded on the organised market, MTF, as well as on the OTC market.

7 Insider and Confidential Information

Insider information shall be the information on specific facts, which are not publicly announced. It, directly or indirectly, relates to one or several issuers of the financial instruments or to one or several financial instruments, which would, if it were publicly announced, probably have significant impact to the price of such financial instruments or to the price of derived financial instruments.

There is a significant impact if reasonable investor would probably take such information into account as a part of making his investment decisions.

Confidential information shall be any information not known to the public, which could, if disclosed, impact the operation and reputation of the client, and/or the Bank's operation and reputation.

The information, referred to in paragraph 1 of this Article, shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonable be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative instrument or the related spot commodity contracts.

Accepted market practices shall be the practices that are reasonably expected on one or more financial markets in compliance with the stipulated procedure, and which the Commission shall regulate in detail.

For persons charged with the execution of orders concerning financial instruments, 'inside information' shall also mean information conveyed by a client and related to the client's pending orders, which is of a precise nature, which relates directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

It shall be unlawful for any person, who possesses inside information to use that information by acquiring or disposing of, or by trying to acquire or dispose of, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates.

It shall be unlawful for any person, who possesses inside information, to disclose inside information to any other person unless such disclosure is made in the normal course of the exercise of his employment, profession or duties, 2) recommend or induce another person, on the basis of insider information, to acquire or dispose of financial instruments to which that information relates.

The personnel shall reject the receipt of the order for the financial instrument buying or selling from the persons considered to be in possession of such information.

The Authorised Bank has, at the level of the credit institution whose part it is, in accordance with its internal acts, set up regular internal controls and reporting lines to avoid the misuse of insider and confidential information.

8 Prohibition of Manipulation and Dissemination of False Information

8.1 Prohibition of Manipulation

Manipulations on the market shall include:

1. transactions and orders for trading:
 - 1) which give or are likely to give, false or misleading signals or information as to the supply of, demand for, or price of financial instruments;
 - 2) which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an unrealistic or artificial level, unless the person who entered into the transaction or issued order establishes that his reasons for doing so are legitimate and that such transactions and orders conform to accepted market practices on such market;
2. transactions or order to trade which employ fictitious devices or any other form of deception or contrivance;
3. dissemination of information through media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumours and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading
4. giving false or misleading information or giving false or misleading basic information relative to the benchmark when the person who provided the information knew or must have known that the information is false or misleading, or any other procedure manipulating calculations of benchmarks.

In particular the following activities and conduct considered to be market manipulation, from the provisions of paragraph 1 of this item, shall include:

- 1) activity by a person or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions;
- 2) the buying or selling of financial instruments at the close of the market with the effect of misleading investors,
- 3) taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument or indirectly about its issuer while having previously taken position on that financial instrument and profiting subsequently from the impact of the opinion voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

The Authorised Bank shall, based on the available data, notify the Commission on the cases for which it has got reasonable doubt that they include manipulations and market misuse according to the indicators prescribed by the Commission taking into account specific circumstances of each individual case

8.2 Prohibition of Disseminating False Information

The Authorised Bank personnel shall be prohibited under the Law to disseminate the information creating illusion on the facts and circumstances which impact or may impact the financial instrument price, participants, balance, movement on the organised market, with the intention that one or several persons are stimulated to enter into or not to enter into agreements on financial instrument trade or to generate and/or to refrain from exercising the rights relating to the financial instruments.

9 Acting upon Client Complaints

The credit institution, whose part the Authorised Bank is, shall have special policies and procedures relating to acting upon the client complaints and claims.

10 Ethics Code

10.1 Basic Principles of Professional Ethics

The Authorised Bank all personnel of the Authorised Bank shall, in their work and conduct, when performing the activities, be in compliance with the following basic principles of professional ethics:

1) Protection of profession reputation

The Authorised Bank shall act in accordance with the principles and rules of the ethics code of professional organisation, as well as act and operate on the organised market, MTF, or OTC financial instrument market in such a manner which does not affect its reputation, as well as the reputation of the whole activity.

2) Taking Care of Profession Improvement

The Authorised Bank shall take care of the professional education and training of the personnel at the Authorised Bank, as well as on the improvement of the whole broker-dealer activity and development of the financial instruments, as well as the market as a whole.

3) Principle of Acting as Good Expert

The Authorised Bank shall, when performing the operations entrusted to it by the clients, as authorised participant, act as a good expert.

4) Principle of Equal Treatment of all Clients

The Authorised Bank shall not put any client in privileged position in relation to other clients, i.e. it shall treat all of the clients in the same manner.

5) Principle of Ensuring Client Rights and Interests

The Authorised Bank shall, when performing the activities entrusted to it, as the authorised participant, by the clients take full account of the interests of its clients and protect their interests.

6) Principle of Informing Clients

The Authorised Bank shall, at its best knowledge, in the manner defined in agreement with the client, ensure correct and reliable information to the client, on a regular basis, on the situation on the organised market of the financial instruments and on individual financial instruments, as well as any other information which could impact the client's decisions regarding the financial instrument transaction, and, in the same way, it shall also treat the persons with whom it has not set up business relation yet.

7) Principle of Confidence

The Authorised Bank and the Authorised Bank personnel shall base the relation with the client on mutual confidence, which the Authorised Bank and/or personnel must not fail or misuse.

10.2 Unfair Competition Prevention

The Authorised Bank will not individually initiate entering into business relation with the clients for which it is aware that they have got business relation with other investment company.

The Authorised Bank shall, when entering into new business relation at the client's initiative, especially warn the client of this ethics code provision, as well as request the exact datum from the client on whether the client has or had business relation with other investment company.

10.3 Manipulative Practices

The Authorised Bank personnel must not, in any manner, make manipulations on the market, or induce other persons to do so for the purpose of artificial financial instrument pricing, which, among others, also includes the following activities:

- 1) successive execution of the transactions at higher or lower prices which, in an incorrect manner, impact the financial instrument pricing;
- 2) set up of any common fund, through which the pricing of unreal market price could be impacted to achieve gain;
- 3) execute the transactions in which the financial instruments do not have holders;
- 4) create incorrect picture about the activity of the financial instrument trading executing a series of the transactions in order to induce other persons to buy or sell them;

5) inducing other persons to buy or sell the financial instruments with the explanation that the financial instrument price increase or decrease is expected due to the operations planned on the market with the aim of overturning or increasing their price;

6) induce other people to buy or sell the financial instruments presenting the data for which it is known or assumed that they are incorrect.

10.4 Presenting False Data

The Authorised Bank personnel must not:

- 1) present the data regarding trading on the organised market, MTF, or OTC, which are false, distort true data, or intentionally omit them;
- 2) take part in the transaction or activity make with the aim to deceive the person dealing with the financial instrument buying or selling;
- 3) perform the activities contrary to the operation of the Authorised Bank;
- 4) present false data and information on the Authorised Bank.

10.5 Bank Secrecy

The Authorised Bank management and personnel shall keep as business secret:

- 1) insider and confidential information found out while performing their job which could impact the financial instrument price;
- 2) data on client, balance, and turnover on client accounts, information on services provided to clients, as well as other data found out while performing the transactions of the Authorised Bank and they must not disclose them to third parties, use them, or enable third parties to use them.

Exceptionally from the provision of paragraph 1 of this item, the data may be disclosed to and accessed by third parties only:

- 1) based on the client's approval in writing;
- 2) when supervising the legality of operation, made by the authorised person of the Commission, Central Register, or market maker;
- 3) based on the order of court;
- 4) based on order by an authority dealing with the prevention of money laundering or terrorism finance;
- 5) based on order by other competent government authority.

The Authorised Bank shall, in Rulebook on Business Secrecy, define the manner in which it is ensured that the personnel and members of the Board at the Authorised Bank act in accordance with the principles of sound and prudent management, especially:

- 1) the manner in which they shall act when buying or selling the financial instruments for own account;
- 2) the data considered to be business secret and the manner of protecting such data.

The Authorised Bank personnel shall be aware of the content of the Rulebook on Business Secrecy before beginning to perform their operations and sign Statement on the Obligation of Bank Secrecy acknowledging that they have read the Rulebook on Bank Secrecy, that they are completely familiar with the obligation of business secrecy, as well as that they agree that they are bound by the provisions of the Rulebook.

The obligation of bank secrecy shall last even after the termination of performing the position i.e. after employment termination until certain data are considered bank secrecy.

10.6 Disclosing Information to Clients

The Authorised Bank personnel may discuss the information published within the trading on the organised market, MTF, or OTC with the clients if the source of such information is stated in the discussion.

10.7 Recommendations

Recommendation shall be research or other information explicitly or tacitly recommending or proposing the strategy of investment in terms of one or several financial instruments i.e. financial instrument issuers including any opinion on the current or future value and price of such instruments intended for distribution channel or the public.

The explicit recommendation or proposal of the investment strategy will include the recommendations such as: “buy”, “sell”, or “hold”.

Tacit recommendation or proposal of the investment strategy shall include any reference to target price or similar action.

The Authorised Bank shall ensure that any recommendation clearly and visibly states the identity of the person responsible for its development, especially the name and position of the person who has prepared the recommendation, name and registered office of the legal entity responsible for the given recommendation and authority competent for the supervision of legal entity.

The Authorised Bank shall disclose any relations and circumstances for which it may be reasonably expected that they will affect the objectivity of the recommendation, especially when the Authorised Bank and the persons related with it have got significant financial interest in one or several financial instruments subject to the recommendation or significant conflict of interest in relation to the issuer the recommendation relates to.

When the recommendation provider is other person, non-related with the Authorised Bank and/or credit instruction where the Authorised Bank is an organisational unit, the provisions of relevant regulations shall apply.

Disclosure referred to in para 4 of item 10. 7 Recommendations should be included in the recommendation, and if it would be disproportionate in relation to the volume of the distributed recommendation, it is sufficient to, in a clear and visible manner, refer to the place in the recommendation where the public may access such information in a direct and simple manner.

The recommendation the Authorised Bank personnel give to the clients must be reasonably explained.

The Authorised Bank shall ensure the following in the recommendation:

- 1) that the facts clearly differ from interpretations, estimates, opinions, and other types of non-factual information;
- 2) that the sources are reliable, i.e. if there is any doubt in the source reliability, this is clearly stated;
- 3) that any projections, forecasts, and target prices are clearly designated as such and that significant assumptions on which they are based are stated.

The Authorised Bank shall ensure that the recommendation includes the following data as a minimum:

- 1) that any significant sources of information used as the basis of the recommendation, also including the name of the issuer the recommendation relates to, are displayed, as well as the data whether the issuer was aware of the content, which was afterwards, however, before the announcement, changed
- 2) that any basis of the estimate or methodologies used for the assessment of the financial instrument or the financial instrument issuer or to determine the target price for the target instrument, must be presented in a concise manner;
- 3) that the meaning of any recommendation (such as “buy”, “sell”, or “hold”), which may cover the time period of investment the recommendation relates to, is explained in an appropriate manner, and that any relevant risk warning is stated, including the analysis of sensitivity of relevant assumptions;
- 4) indication from which planned frequency of the recommendation updating is visible, if any, and any important changes of previously announced policy of recommendation disclosure
- 5) that the date when the recommendation was first distributed is stated in a clear and visible manner, as well as the relevant date and time for any stated price of the financial instrument
- 6) if the recommendation differs from previous recommendation for the same financial instrument or issuer issued during twelve-month period directly preceding the announcement, such change and date of the previous recommendation must be clearly and visibly stated.

The Authorised Bank shall announce the following information on interests and conflict of interests in a clear and visible manner:

- 1) significant participation in capital existing between the Authorised Bank and/or credit institution whose organisational unit the Authorised Bank is, and/or the person related with the Authorised Bank and the issuer on the other hand. This significant participation in capital shall cover at least the following situations: participation in capital exceeding 1% of the total issued share capital of the issuer, or when the issuer holds the share capital exceeding 1% of the total issued share capital of the Bank or any related entity;
- 2) other significant financial interests the Authorised Bank or any related legal entity has got in relation to the issuer;
- 3) statement that the Authorised Bank or any related legal entity is the issuer's market maker if applicable;
- 4) statement that during previous twelve months the Authorised Bank or any related legal entity provided the investment services of any announced bid of the issuer's financial instruments if applicable;
- 5) statement that the Authorised Bank or any related legal entity is a counterparty in any other agreement with the issuer relating to the provision of investment banking services, except if this would include the announcing of the confidential information, and the agreement was in force in the previous twelve months or, during the same time period or it resulted in the payment of the fee or in the promises that the fee would be paid if applicable;
- 6) statement that the Authorised Bank or any related legal entity is the counterparty in the agreement with the issuer relating to the development of recommendation if applicable.

The Authorised Bank shall, when giving recommendations, meet the form and content prescribed under the Law and Commission Rulebook defining giving recommendations.

The Authorised Bank personnel must not have participation in profit from the transactions executed for their clients, or promise or give any guarantees under such basis.

The Commission shall supervise the compliance with the provisions of this chapter for the purpose of preventing and detecting the activities which include market misuse and compliance with the obligations prescribed in the provisions of this chapter.

10.8 Recording of Telephone Calls

The Authorised Bank may record the telephone calls of its personnel with the clients under the conditions and in the manner defined under the Law, especially under Law on Personality Data Protection and by-laws, and the Authorised Bank shall notify the client thereof.

Any member of the staff of the Authorised bank shall warn the person who is not aware of the decision referred to in paragraph 1 of this item at the beginning of the telephone call that the call is recorded.

10.9 Conflict of Interest Prevention

With the aim of the conflict of interest prevention of the Authorised Bank and its clients, the Board members and the staff members at the Authorised Bank shall provide data on their ownership of the financial instruments to Erste Bank a.d. Novi Sad Compliance Service.

The persons referred to in paragraph 1 of this item shall provide notification to the Authorised Bank in writing on their intention to buy or sell securities on the date before issuing orders for the financial instrument buying and/or selling on the organised market, MTF, or OTC market, for the purpose of preventing insider trading and market manipulation.

Notification on the intention of the financial instrument buying or selling shall, as a rule, include: CFI code and ISIN number, type, volume, and price of the financial instruments.

The credit institution whose organisational unit the Authorised Bank is has passed and implemented policies and procedures in the area of conflict of interest prevention which define this area in detail

10.10 Receiving Gifts

The Authorised Bank personnel must not receive or give gifts except those given for marketing purposes, usual in the business world.

The Credit institution whose organisational unit the Authorised Bank is has passed and implemented Gift Policy defining this area in detail.

10.11 Ancillary Activity

The Authorised Bank personnel shall obtain the consent in writing from the credit institution to perform the ancillary activity with other entity.

The ancillary activity with other entities may not be within the scope of the operation of brokers, portfolio managers, investment advisors, and other Authorised Bank personnel, or regarding trading on the organised market, MTP, or OTC market.

The person managing the Authorised Bank may not enter into agreement on ancillary activity with other participants on the financial market and other legal entities.

10.12 Public Announcements and Advertising

Press release relating to the performance of the operation of the Authorised Bank intended for the public and clients may be provided only by the person authorised for that.

Any information, including marketing ones, sent by the Authorised Bank to the clients and potential clients, must be true, clear, and non-misleading, and marketing material must be clearly designated as such.

The information referred to in paragraph 2 of this item:

- 1) shall include corporate name and registered office of the Authorised Bank;
- 2) must not emphasise potential benefits from the service or financial instrument without simultaneous unbiased warning of the risks regarding them;
- 3) must not hide, decrease, or make misunderstandable important particulars, statements, or warnings;
- 4) must not include the name of a competent authority in the manner which would indicate or suggest the approval of the instrument or service of the company by that authority.

The Authorised bank shall, in the course of public advertising, in communication with media, as well as when presenting its services, take care of the reputation of the profession and interests of other authorised participants on the financial instrument market, therefore, in accordance with this, the statements emphasising the Authorised Bank, but eliminating other participants, such as, for example: "the only, the best, better than others, exclusive, etc." must not be used.

11 Notification of Tthe Authorised Bank

The clients shall, upon the request of the Authorised Bank, provide information, data, and reports the Authorised Bank deems important for the protection of public interests and client interests.

The clients shall immediately notify the Authorised Bank on any change of the information and data referred in paragraph 1 of this item, but not later than seven (7) days following the date of the occurrence of the change.

Bank on its operation and audit report, and the client – debt financial instrument issuer shall also provide the statement of the Financial Standing Center.

The client referred to in paragraph 1 of this item shall notify in writing the Authorised Bank, at least fifteen days in advance, or, unless this is possible, immediately after it is aware of the change, on:

- 1) amendments of the memorandum of incorporation and articles of association;
- 2) change of managers and other persons authorised for operation with the Authorised Bank;
- 3) status changes;
- 4) acquiring and/or termination of client status with other investment company;
- 5) increase or decrease of equity;
- 6) change of shareholders (those having more than 10% of client shares);
- 7) when there is a possibility that the client becomes or has already become non-solvent;
- 8) when measures by competent authority have been taken against the client;
- 9) when bankruptcy or liquidation procedure is initiated against the client;

- 10) other data important for the transactions executed by the Authorised bank for the account of the client.

11.1 Outsourcing

The Authorised Bank may outsource operations relating to:

- 1) promotion of its services;
- 2) giving investment recommendations;
- 3) order receipt and transfer.

In the event of outsourcing, the Authorised Bank shall enter into special agreement with service provider and ensure that the service provider meets all of the conditions prescribed in the Commission rulebook, as well as that it takes any necessary actions which may impact efficient execution of outsourced duties in accordance with relevant regulations.

The Authorised Bank shall notify the Commission on entered into agreement within 7 days following the date of the conclusion.

12 Closing Provisions

Procedure for the amendment of the Authorised Bank Operating Rules may be initiated by:

- 1) Executive Committee;
- 2) Managing Board.
- 3) Compliance Service
- 4) Internal audit

The Bank's Executive Committee shall make decision on the amendment of the Rules of Business. If the initiative is accepted by the Executive Committee, it shall make decision on implementing procedure for the development of Draft Rules of Business Amendment

The Authorised Bank's Executive Committee shall pass Decision on Rules of Business Amendment in the manner and under the procedure determined for the passing of the amendments.

The Authorised Bank shall obtain prior consent of the Securities Commission for any amendment of these Rules.

The Authorised Bank shall notify the clients on any amendment of these Rules announcing them on the Authorised Bank's Internet page.

The Authorised Bank shall ensure that the clients and potential clients access the Rules of Business, Rulebook on Tariff, and their amendments in the office premises in which it operates with the clients.

After obtaining consent of the Commission, these Rules shall be published on the Authorised Bank's Internet page.

These Rules shall come into force on the eighth day following publishing on the Internet page of Erste Bank A.D. Novi Sad.

Slavko Carić
Executive Committee President

Jasna Terzić
Executive Committee Member